

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

ETFs and ETPs assets at \$2.4 trillion at end-2013

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached a record high of \$2,398bn at end-2013, constituting an increase of 23% from \$1,949bn at end-2012. The increase reflects positive market performance and net inflows. ETFs and ETPs attracted \$242.8bn in net inflows in 2013, including \$24.5bn in December, reflecting a decline of 8.4% from a record high of \$265bn in the previous year. ETFs are open-ended, index-based equity funds. Global ETFs' assets stood at \$2,254bn, while those of ETPs totaled \$144bn in 2013. Also, ETFs' assets grew by 28.5%, while those of ETPs fell by 26.2% from end-2012. The U.S. ETF and ETP industry had assets of \$1,701bn and accounted for 70.9% of total assets invested in both ETFs and ETPs, followed by the European industry with \$418bn (17.4%), Asia-Pacific excluding Japan with \$93.5bn (3.9%), Japanese ETFs and ETPs with \$77.3bn (3.2%), the Canadian industry with \$59bn (2.5%), and Latin American ETFs and ETPs with \$11bn (0.5%). Also, the U.S. ETF industry represented 71.6% of global ETFs, followed by European ETFs with 17.5%, Asia-Pacific ex-Japan with 4.1%, the Japanese ETF industry with 3.4%, Canadian ETFs with 2.6%, and the Latin American ETF industry with 0.5% of the total. Further, the number of ETFs and ETPs totaled 5,090 at end-2013, with ETFs accounting for 70.6% of the total.

Source: *ETFGI*

MENA

Initial public offerings up 51% to \$3bn in 2013

Ernst & Young indicated that initial public offerings (IPOs) in the Middle East & North Africa region raised \$3bn in 2013, constituting an increase of 51% from 2012 and the highest value of IPOs since 2008. It noted that the region's IPO market is recovering, given that the improving macroeconomic environment is driving up stock market valuations and rising investor confidence in key markets. Also, it noted that the number of IPOs rose by 64% to 23 IPOs in 2013, and included nine IPOs in Tunisia, five transactions in Saudi Arabia, four deals in Oman, three IPOs in the UAE, and one deal in each of Iraq and Morocco. It said that the financial sector led IPO activity with seven deals last year, followed by the power & utilities sector with three IPOs, and the transport and the real estate sector with two transactions each. It noted that the largest IPO last year was Asiacele Communications in Iraq with \$1.3bn in raised capital. EY indicated that family businesses in the MENA region are increasingly looking at IPOs as a mean to monetize wealth, raise capital and institutionalize their business. It noted that there is a strong pipeline of good quality businesses preparing to go public over the next nine months. It anticipated a positive outlook for the region's IPOs if regional macroeconomic conditions continue to improve.

Source: *Ernst & Young*

Private capital inflows to decrease by 23% to \$15.2bn in 2014

The World Bank estimated net private capital inflows to the Middle East & North Africa (MENA) region at \$19.8bn in 2013, constituting a decrease of 29% from \$27.9bn in 2013. It attributed the decrease to a substantial fall in net FDI inflows to Egypt and Tunisia. It anticipated that FDI inflows would gradually increase over the coming years, but would not reach their pre-unrest levels. As such, it projected net private capital inflows to the MENA region at \$15.2bn in 2014, constituting a decrease of 23.2% from \$19.8bn in 2013, and to account for 1.4% of capital inflows to developing economies, the smallest share of such inflows among all regions. It forecast net private inflows to the region to be equivalent to 1.1% of the region's GDP in 2014 compared to 1.5% of GDP in 2013. It anticipated net equity inflows to contract by 12.8% to \$12.9bn in 2014, driven by a drop of 15.5% in net FDI to \$13.1bn that would be marginally offset by a decrease in net portfolio equity outflows from \$0.7bn in 2013 to \$0.2bn in 2014. Also, net private debt inflows would reach \$2.3bn in 2014 compared to \$5bn last year. In parallel, the Bank forecast net private inflows to rise to \$23.7bn in 2015 and to \$27.7bn in 2016, and to be equivalent to 1.6% of GDP in 2015 and 1.7% of GDP in 2016. It expected equity flows to shift to inflows of \$1.1bn in 2015 and \$1.5bn in 2016, and for net private debt inflows to increase to \$4.2bn in 2015 and to \$5.9bn in 2016. However, the Bank warned from downside risks to the outlook, mainly from security risks and political uncertainty.

Region's economic freedom stagnates

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2014, a broad indicator of economic freedom in 178 countries, shows that economic freedom among Arab countries remained unchanged in 2014 compared to 2013. The region's average level of economic freedom stood at 61.5% in each of 2013 and 2014 relative to 61.9% in 2012 and 62.4% in 2011. The level of economic freedom in the region came slightly above the global level of 60.3%. In comparison, GCC countries had an average score of 68.3% and non-GCC Arab countries had an average of 57%. The index evaluates individual economies on the basis of 10 broad factors of economic freedom that are equally weighted. The rankings of two Arab countries improved, 11 declined and two remained unchanged; while the level of economic freedom improved in six countries and declined in nine economies. Bahrain remains the most economically-free country in the Arab world, ranking as the 13th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide; while Mauritania (134th), Egypt (135th) and Algeria (146th) are the lowest ranked regional economies. Three economies came in the "mostly free" category, while four countries had economies that are "moderately free" and eight were "mostly unfree". The economy of Jordan was downgraded to the "moderately free" category and that of Algeria was upgraded from the "repressed" economy category to the "mostly unfree" category.

Source: *Heritage Foundation, Byblos Research*

OUTLOOK

EMERGING MARKETS

Economic growth at 5.1% in 2014, risks from domestic weaknesses and reversal in capital flows

The International Monetary Fund projected growth in emerging markets and developing economies at 5.1% in 2014 compared to a growth rate of 4.7% in 2013, and relative to growth rates of 3.7% for the global economy and 2.2% for advanced economies. It said that several emerging markets and developing economies have started to benefit from stronger external demand in advanced economies and in China. But it noted that domestic demand has remained weaker-than-expected due to tighter financial conditions and policy stances since mid-2013, policy or political uncertainty, and bottlenecks to investment. The Fund revised upwards its growth projections for Developing Asia to 6.7% from an October forecast of 6.5%; it raised its estimate to 6.1% from 6% for Sub-Saharan Africa; reduced its forecast to 3.3% from 3.6% for the Middle East and North Africa, Pakistan & Afghanistan; revised downwards its forecast to 3% from 3.1% for Latin America & the Caribbean; raised its growth forecast for Central & Eastern Europe to 2.8% from 2.7%; and lowered its projection to 2.6% from 3.4% for the Commonwealth of Independent States.

In parallel, the IMF indicated that increased volatility in financial markets and in capital flows remains a concern for emerging economies, mainly with the reduction in the U.S. Federal Reserve's quantitative easing program in early 2014. It said that such volatility along with domestic weaknesses would lead to larger capital outflows and sharper exchange rate adjustments. It noted that economies with domestic weaknesses and external current account deficits are the most exposed to a shift in capital flows. It called on relevant emerging economies to allow the exchange rate to depreciate in response to the deteriorating external funding conditions. It added that authorities need to tighten macroeconomic policies and to strengthen their regulatory and supervisory policy efforts if they are not able to adjust the exchange rate.

Source: International Monetary Fund

Iran

Banking sector to continue facing challenges in coming quarters

Business Monitor International anticipated that Iran's banking sector would remain in crisis in 2014 despite some easing in systematic risks as a result of the decline in the inflation rate and improved macroeconomic environment. It said that the decline in banks' assets, deposits and lending growth has gradually moderated over the past few quarters due to a modest decline in inflationary pressure in the second half of 2013, and to the gradual improvement in investor and consumer confidence following the Presidential elections of 2013. It considered that Iranians might be more willing to deposit money in banks this year given the gradual decline in price levels. It forecast client deposits to contract by 1% in real terms in the fiscal year ending in March 2014 and to grow by 2% in the fiscal year ending in March 2015. Further, it expected economic activity to improve in the coming two years with real GDP growing by 2.8% in 2014 and by 3.4% in 2015 compared to a contraction of 3.5% in 2013.

COUNTRY RISK WEEKLY BULLETIN

But it noted that banks would remain reluctant to lend due to IRR800 trillion, or \$32bn, in bad loans and a high NPL ratio of between 15% and 25%. As such, it forecast customer lending to contract by 9% in FY2013/14 and by another 1% in FY2014/15.

In parallel, BMI said that raising capital on global markets and the large volume of bad loans are the sector's main challenges. It noted that banks operating in Iran cannot raise capital from international bond markets as core banking sanctions remain in place despite the interim nuclear agreement reached in November 2013. But it considered that the release of foreign assets allowed by the nuclear agreement will improve the monetary authorities' ability to support the banking sector and reduce systemic risks, mainly through capital injections.

Source: Business Monitor International

CÔTE d'IVOIRE

Economy to grow by 8.7% in 2014, public spending and private consumption to drive activity

Business Monitor International projected Côte d'Ivoire's real GDP growth at 8.7% in 2014 compared to an estimated growth rate of 9.4% in 2013. It said that Côte d'Ivoire would be one of the fastest growing economies in Sub-Saharan Africa in 2014 and beyond, with an average annual real GDP growth of 8.9% during the 2014-18 period. It said that the government's ambitious infrastructure program, rising per capita income and benign inflationary conditions would support overall economic activity. It added that ongoing reforms to the business environment would stimulate foreign investment, mainly in the agribusiness, mining and oil sectors. But it considered that political instability will continue to be the key risk to the outlook. It said that the country's positive prospects are contingent on political stability and a benign investment climate.

BMI expected private consumption to grow by 8% in real terms in 2014, supported by ongoing political stability, stable inflation level and wage reforms in the cocoa sector. It said that private consumption accounted for an estimated 65% of GDP last year, and expected it to remain the single biggest contributor to GDP growth over the next few years. Also, it expected government spending to expand by 6% this year, driven by the government's infrastructure investment program. But it forecast the fiscal deficit to narrow from 3.5% of GDP in 2013 to 2.8% of GDP in 2014 as public revenues would expand at a faster pace than public spending due to solid economic activity, improving investment climate and strengthening institutions. Further, it forecast gross fixed capital formation growth to average 9.8% annually during the 2014-18 period, supported by public and private investments. It expected the transport sector to receive a significant share of public investments given the poor state of the country's roads and railways, and forecast mining, energy, transport and electricity to absorb the bulk of private investments. In parallel, it anticipated that the stagnating cocoa production would constrain the contribution of net exports to GDP. It forecast the mining sector and agricultural production to mainly drive exports in coming years. It expected demand for foreign goods, mainly for capital and consumer goods to remain high.

Source: Business Monitor International

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ECONOMY & TRADE

UAE

Strong government finances and hydrocarbon wealth support creditworthiness

Moody's Investors Service indicated that the Emirate of Abu Dhabi's 'Aa2' rating is mainly supported by the prudent management of hydrocarbon resources. It noted that revenues from the hydrocarbon sector allowed Abu Dhabi to post structurally large fiscal and current account surpluses, to have a very low level of direct government debt and to accumulate substantial sovereign wealth fund assets. It added that Abu Dhabi's credit strengths include a very high per capita income, a sound policy framework, political stability and economic resilience to global downturns. It said that domestic economic diversification efforts and the favorable outlook for global oil prices have improved the emirate's medium-term growth prospects. However, the agency indicated that Abu Dhabi's dependence on hydrocarbon revenue constrains its rating. It cautioned that a prolonged period of low global oil prices would adversely affect the emirate's fiscal and external positions. It said that the government of Abu Dhabi has large potential contingent liabilities from its government-related issuers. But it considered that such liabilities pose little near-term risk. Also, it noted that the ratings are constrained by Abu Dhabi's governance strengths that lag those of other highly rated peers, and by heightened geopolitical risks. But it noted that the latter two weaknesses are common to GCC sovereigns.

Source: Moody's Investors Service

IRAQ

Construction sector to grow by 8% annually in coming years, barriers to its expansion persist

Business Monitor International reduced its forecast for real growth in the Iraqi construction sector by one percentage point to 9.6% in 2014, compared to an estimated growth rate of 12.6% in 2013. It attributed the change to rising political risks, increased violence and a deteriorating business environment that are denting investors' confidence in the construction sector. Further, it projected the Iraqi construction sector to grow by 7.8% annually in real terms between 2014 and 2018, significantly lower than the annual average real growth rate of 22.4% during the 2008-12 period. It said that growth will be driven by abundant oil production, an improved relationship between Baghdad and Irbil, and a number of large-scale projects. It said that oil revenues generated by the hydrocarbon sector and the need for hydrocarbon-related infrastructure constitute the key drivers for the construction sector's growth. It expected investment in the oil & gas infrastructure sector to continue this year given the ongoing discoveries and the potential reform to the current legal framework. Also, it noted that the Kurdistan region has been a key source of growth for Iraq's construction sector as investors benefit from the region's stable business environment and investment-friendly legal framework. But it pointed out that the slower growth rate reflects the fading effect of a favorable statistical base and the poor business environment. It noted that project delays, false starts, political divisions, deteriorating security conditions, the lack of institutional capacity, the absence of coordination between federal and provincial authorities and widespread corruption continue to weigh on the sector.

Source: Business Monitor International

ARMENIA

Growth at 3.2% in 2013 and 5% in 2014

The World Bank estimated economic growth in Armenia at 3.2% in 2013 compared to 7.2% in 2012, and relative to growth rates of 3.4% in the developing economies of Eastern Europe & Central Asia (EE&CA) and 3.5% in the Commonwealth of Independent States (CIS). It also projected Armenia's real GDP growth at 5% in 2014, compared to growth of 3.5% in developing EE&CA countries and 4.5% in CIS countries this year. Armenia's projected growth for 2014 would make it the eighth fastest growing economy among 21 EE&CA countries, behind Turkmenistan (10.7%), Uzbekistan (7%), the Kyrgyz Republic (6.5%), Georgia (6.3%), Tajikistan (6%), Kazakhstan (5.8%) and Azerbaijan (5.3%). Further, the World Bank estimated Armenia's current account deficit at 10.6% of GDP in 2013 compared to a deficit of 4% of GDP in EE&CA economies. It also forecast the current account deficit at 10% of GDP this year compared to a deficit of 4% of GDP for the region. Further, the World Bank expected the gap between Armenia's real and potential GDP growth rates to widen for the second consecutive year to -3.1% in 2014 from -2.4% in 2013 and -0.9% in 2012. It noted that the country's potential GDP growth has been on an upward trend since 2011 as it rose from 3.8% in 2011 to 4.1% in 2012 and 4.8% in 2013. It forecast Armenia's potential GDP growth rate at 5.8% in 2014.

Source: World Bank

MOZAMBIQUE

Medium-term economic prospects are positive

The International Monetary Fund projected Mozambique's real GDP growth at 8.3% in 2014 relative to a growth rate of 7.1% in 2013. It indicated that the country's medium-term economic prospects are positive despite risks related to the uncertain global economy. It expected economic growth to be sustained in coming years, supported by natural resources and infrastructure investment. But it cautioned from new risks associated with the political and security environment. The IMF said that the authorities' economic program for 2014 focuses on preserving macroeconomic stability and debt sustainability as well as on promoting social development. It said that the inflation rate was moderate last year, but it considered that a more prudent monetary policy in 2014 and the favorable outlook for global prices would allow the government to achieve its medium-term inflation target. It said that the 2014 budget includes a significant rise in infrastructure spending and a substantial increase in goods & services outlays, which would be partly financed by non-concessional external borrowing. It said that non-concessional borrowing would provide additional resources to improve infrastructure and human capital, given that foreign aid would decline over the medium-term. Further, the Fund called on authorities to implement structural reforms to promote a sustained and more inclusive growth. It considered that strengthening debt management is essential to preserve debt sustainability, while improving investment planning is crucial to maximize the investments' efficiency. It added that new mining and hydrocarbon legislations and regulations would facilitate the economic development of domestic natural resources.

Source: International Monetary Fund



BANKING

UAE

Economic growth to support banking sector outlook

Standard & Poor's indicated that banks operating in the UAE have favorable prospects this year, supported by healthy economic activity and rising optimism in the corporate sector. It said that credit growth has accelerated in the second half of 2013, and expected this trend to continue this year. It forecast credit to grow annually by about 10% to 12% in nominal terms in 2014 and 2015. It noted that the positive trend in employment and the retail sectors would support banks' retail loan books. It expected strong demand for corporate credit given the potential for new projects in Dubai ahead of the Expo 2020. Further, it said that most banks' non-performing loan (NPL) ratios have stabilized last year following a significant deterioration in asset quality over the past few years. It expected the NPL ratio to further decrease as the rise in loans would outpace the formation of new NPLs. Further, it anticipated a rise in profitability due to increased revenues from new lending. In parallel, S&P considered that the gradual termination of the U.S. Federal Reserve's quantitative easing program would not cause a major shock to the UAE banking system. It said that banks' solid funding profiles and good-quality capital would help them withstand potential adverse market developments, such as tighter liquidity and higher funding costs.

Source: Standard & Poor's

QATAR

Private sector lending up 17% in 2013

Figures issued by the Central Bank of Qatar show that total assets reached QAR915.9bn, equivalent to \$251.6bn at the end of 2013, constituting an increase of 11.6% from the end of 2012. Loans totaled QAR578bn, equivalent to \$158.8bn at end of 2013, constituting an increase of 1.3% month-on-month as private sector lending rose by 1.7% and public sector lending increased by 0.8%. Also, total loans grew by 13.3% from the end of 2012, driven by a 16.8% annual increase in private sector credit and a 10.1% rise in public sector lending. In parallel, aggregate deposits totaled QAR548.4bn, equivalent to \$150.7bn at end of 2013, constituting an increase of 2.8% from QAR533.3bn in the preceding month, as the marginal decline of 0.5% in public sector deposits was offset by a 4.8% rise in private sector deposits. The sector's total deposits grew by 19.7% year-on-year, supported mainly by a 27% rise in public sector deposits and a 14.6% increase private sector deposits. The loans-to-deposits ratio regressed to 105.4% at the end of 2013 from 111.3% at end-2012.

Source: Central Bank of Qatar, Byblos Research

ARMENIA

Deposits up 22% year-on-year in November 2013

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,716bn, equivalent to \$6.7bn at the end of November 2013, constituting an increase of 10% from the end of 2012 and a rise of 13.6% from end-November 2012. Total loans stood at AMD1,743bn, equivalent to \$4.3bn, at end-November 2013, up by 8.6% from end-2012

and by 11.1% from end-November 2012. Loans in foreign currency accounted for 63.1% of total loans at end-November 2013 relative to 64.3% at end-2012 and 64.2% a year earlier; while loans to non-residents amounted to 3.7% of total loans at end-November 2013. Deposits totaled AMD1,468bn, equivalent to \$3.6bn at end-November 2013, constituting an increase of 21.1% from end-2012 and a rise of 22.2% from a year earlier. Deposits in foreign currency accounted for 69.6% of total deposits at end-November 2013 compared to 69.7% at end-2012 and 70% a year-earlier. Non-resident deposits represented 24.6% of total deposits at end-November 2013 relative to 21.6% at end-2012 and 23.4% at end-November 2012. In parallel, the risk-weighted capital adequacy ratio of banks operating in Armenia reached 16.8% at the end of November 2013, constituting a decline from 17.1% a year earlier and from 18.3% at the end of 2011. The sector's liquid assets were equivalent to 27.8% of total assets at end-November 2013 relative to 25.4% a year earlier and 27.9% at end-2011; while they represented 142.6% of total short-term liabilities at the end of November 2013 compared to 127.7% a year earlier and 120.8% at end-2011. The loans-to-deposits ratio in foreign currency stood at 107.7%, down from 119.9% at end-November 2012, while the same ratio in local currency was 144.1% relative to 155.9% at end-November 2012.

Source: Central Bank of Armenia, Byblos Research

CHINA

Shadow banking in need of additional reforms

Fitch Ratings indicated that Chinese authorities' efforts to reform and regulate the domestic shadow banking system would not reduce the growth of shadow banks. It noted that reforms to the shadow banking system aim to disengage banks from wealth management products (WMPs), improve the transparency of trusts and their underlying assets, and limit credit guarantee companies from taking on too much financial leverage. It considered that these measures would at least improve banks' loan-to-deposit ratios and limit the interbank markets' exposure to WMPs. It added that these reforms would start addressing contagion risks, given the rising interconnectedness between banks and non-banks. It pointed out that the People's Bank of China would prefer to improve the transparency and regulation of non-bank credit activity rather than to apply restrictions on volumes, given that a substantial amount of credit extension remains outside formal banking channels. It noted that a more effective containment of risk would require a stronger control of asset expansion, mainly through informal channels. It said that many more reforms are still needed given that the depth and extent of shadow banking are still not clear in the absence of exhaustive official data. It considered that China's shadow bank reforms will take time to gain momentum, while the identification of asset-impairment will be a protracted process. It indicated that risks continue to reside away from the spotlight of the regulators. As such, it expected structural pressures within the banking sector to persist, which would expose short-term rates to volatility.

Source: Fitch Ratings

ENERGY / COMMODITIES

Global energy consumption to grow 41% by 2035 led by emerging economies

Global energy consumption is forecast to grow in coming years, with 95% of that growth coming from emerging economies, led by China and India. Global energy demand is expected to rise by 41%, or by an average annual growth rate of 1.5%, during the 2012-35 period. As such, global energy consumption is projected to grow by an average 2.2% per year during the 2005-15 period, by 1.7% per year during the 2015-25 period and by an annual rate of 1.1% over the 2025-35 period. The industrial sector is projected to remain the main driver of growth for primary energy consumption, particularly in electricity, while it would account for more than 50% of energy consumption growth during the 2012-35 period. It would be followed by energy consumed in other sectors such as residential, services and agriculture. In parallel, the consumption of fuels is expected to grow during the 2012-35 period, with the fastest growth seen in renewable energy at 6.4% per year, followed by nuclear energy at 1.9% per year and hydro-electric power at 1.8% per year. In addition, gas consumption is forecast to have the fastest growth rate among fossil fuels with an annual average growth rate of 1.9%, while oil is projected to have the slowest growth rate of 0.8% per year during the covered period.

Source: BP, Byblos Research

Middle East oil consumption to rise by 4% in 2014

Crude oil consumption in the Middle East region reached 7.87 million b/d in 2013, constituting an increase of 3.7% from 7.59 million b/d in 2012. The region's oil demand was equivalent to 8.8% of global oil demand last year, up from 8.5% of the total in 2012. Middle Eastern oil consumption is forecast to rise by 3.9% to 8.18 million b/d in 2014, equivalent to 9% of global oil demand. In parallel, the region's non-OPEC oil supply reached 1.39 million b/d in 2013, down 7.3% from 1.5 million b/d in 2012, and is projected to remain unchanged in 2014.

Source: Organization of Petroleum Exporting Countries

Iran to raise LPG exports to Asian countries

Iran indicated that it purchased 12 new tankers to increase its liquefied petroleum gas (LPG) exports, mainly destined towards Asian markets, as tensions eased with the West. As such, Iran would now have the ability to ship its LPG without hiring foreign-owned tankers, many of which stopped shipping Iranian petroleum products when Western sanctions were imposed in July 2012. Iran's LPG production reached 6,500 tons in FY2013 ending on March 20th, up 30% from 5,000 tons in the previous fiscal year. The easing of tensions between Iran and the West is projected to increase supply in the global LPG market.

Source: Business Monitor International, Mehr News Agency

UAE's Taqa to invest \$1.2bn in Kurdistan oilfield

The Abu Dhabi National Energy Company, Taqa, plans to invest about \$1.2bn in developing an oil and gas block in the Iraqi Kurdistan region. Taqa expects to invest at least \$300m in the first phase of the project, with the first batch of oil expected in early 2015. The second phase of the project is contingent on the KRG's approval and on further field appraisals. The investment in the next three phases will be similar to the first phase, while oil production is expected to reach between 100,000 b/d and 120,000 b/d in four years.

Source: Thomson Reuters, Byblos Research

Base Metals: Copper prices to drop by 4% in 2014 mainly due to increasing oversupply

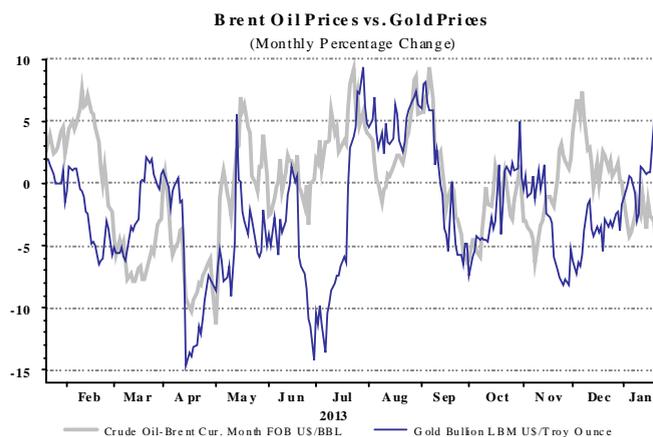
The copper market surplus is expected to increase during the 2014-15 period due to an increase in mine supply and to lower growth in the metal's consumption. The refined copper market is projected to post a surplus of 320,000 tons this year, up from 110,000 tons in 2013, which would negatively weigh on the metal's prices. Global copper supply is anticipated to increase by 6.2% year-on-year to 22 million tons in 2014, while global consumption is expected to rise by an annual 5.2% to 21.7 million tons. Copper prices are projected to decrease to \$6,800 a metric ton by the fourth quarter of 2014. Overall, copper prices are forecast to average \$7,050 a metric ton in 2014, constituting a decline of 3.8% from \$7,331 a metric ton in the previous year. Chile is expected to remain the world's largest producer of copper in 2014 with about 33% of total mine supply. The majority of mine production growth is projected to come from Chile, Indonesia, Mongolia and Africa. Also, copper scrap supply is projected to increase slightly this year, mainly due to an ongoing recovery of the industrial activity in the developed world. In parallel, China's real copper consumption is expected to slow in the second half of 2014. Also, copper demand is forecast to grow by 2% in Europe and by 4% in the U.S. this year as economic conditions improve.

Source: Deutsche Bank, Byblos Research

Precious Metals: Silver prices to outperform gold

Gold prices are forecast to average \$1,274 a troy ounce in 2014 and to fluctuate between \$1,180 a troy ounce and \$1,350 a troy ounce during the year. Gold prices are projected to remain weak in the first half but to strengthen in the second half of 2014 as the metal's Asian consumption increases. Silver prices are expected to record an 8% gain this year, while they are projected to continue to outperform gold. Also, silver demand within the electronics and brazing sectors is anticipated to rise as the global economic recovery strengthens. As such, silver prices are forecast to average \$21.6 a troy ounce in 2014 and to fluctuate between \$18.2 a troy ounce and \$25 a troy ounce. In parallel, platinum prices are forecast to average \$1,650 a troy ounce this year and to trade between \$1,300 a troy ounce and \$1,650 a troy ounce. The platinum market is expected to remain undersupplied at 500,000 ounces in 2014. In addition, palladium prices are projected to reach \$795 a troy ounce on average this year and to fluctuate between \$650 an ounce and \$845 an ounce.

Source: Sharps Pixley



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Positive	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Stable	Negative	Stable	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	B1	B	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Negative	Negative	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.2	27.3	23.8	-	2.8	-	-2.1	0.4
	Stable	-	-	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	-	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	A	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Positive	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	-	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Asia													
Armenia	-	Ba2	BB-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	-	B	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	-	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Negative	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	18-Dec-13	No change	29-Jan-14
Eurozone	Refi Rate	0.25	09-Jan-14	No change	06-Feb-14
UK	Bank Rate	0.50	09-Jan-14	No change	06-Feb-14
Japan	O/N Call Rate	0-0.10	20-Dec-13	No change	22-Jan-14
Australia	Cash Rate	2.50	03-Dec-13	No change	04-Feb-14
New Zealand	Cash Rate	2.50	12-Dec-13	No change	30-Jan-14
Switzerland	3 month Libor target	0.00-0.25	12-Dec-13	No change	20-Mar-14
Canada	Overnight rate	1.00	04-Dec-13	No change	22-Jan-14
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	18-Dec-13	No change	29-Jan-14
Taiwan	Discount Rate	1.88	26-Dec-13	No change	25-Mar-14
South Korea	Base Rate	2.50	09-Jan-14	No change	13-Feb-14
Malaysia	O/N Policy Rate	3.00	07-Nov-13	No change	29-Jan-14
Thailand	1D Repo	2.25	27-Nov-13	Cut 25bps	22-Jan-14
India	Reverse repo rate	7.75	18-Dec-13	Raise 25bps	28-Jan-14
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	08-Dec-13	Cut 50bps	N/A
Turkey	Base Rate	4.50	17-Dec-13	No change	22-Jan-14
South Africa	Repo rate	5.00	03-Dec-13	No change	29-Jan-14
Kenya	Central Bank Rate	8.50	Jan-14	No change	11-Mar-14
Nigeria	Monetary Policy Rate	12.00	13-Jan-14	No change	21-Jan-14
Ghana	Prime Rate	16.00	27-Nov-13	No change	19-Feb-14
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	3.50	06-Dec-13	Cut 25bps	31-Jan-14
Brazil	Selic Rate	10.50	15-Jan-14	Raise 50bps	26-Feb-14
Armenia	Refi Rate	7.75	24-Dec-13	Cut 25bps	N/A
Romania	Policy Rate	3.75	08-Jan-14	Cut 25bps	N/A
Bulgaria	Base Interest	0.02	01-Jan-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	No change	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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