Issue 342
February 20, 2014

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets under management to reach $102 trillion at end-2020

PwC projected global assets under management (AUM) at $101.7 trillion at the end of 2020 compared to $63.9 trillion at the end of 2012, constituting a compound annual growth rate (CAGR) of 6% between 2012 and 2020. It forecast AUM in North America at $49.4 trillion at the end of 2020, and to post a CAGR of 5.1% during the 2012-20 period, those in Europe at $27.9 trillion (+4.4%), AUM in Asia-Pacific at $16.2 trillion (+9.8%), those in Latin America at $6.7 trillion (+12.5%) and AUM in the Middle East & Africa at $1.5 trillion (+11.9%). As such, AUM in North America would account for 48.6% of global AUM at the end of 2020, down from 52% at end-2012; those in Europe would represent 27.4%, down from 30.8% at the end of 2012; AUM in Asia-Pacific would have a share of 15.9%, up from 12% at the end of 2012; assets in Latin America would account for 6.6%, up from 4.1% at end-2012 and those in the ME&A would represent 1.5% of the total, up from 0.9% at end-2012. In parallel, it projected AUM in mandates at $47.5 trillion by the end of 2020, accounting for 46.7% of the total, followed by mutual funds at $41.2 trillion (40.5%) and alternative investments at $13 trillion (12.8%). It forecast AUM in alternative investments to post a CAGR of 9.3% between 2012 and 2020, followed by mandates (+5.7%) and mutual funds (+5.4%).
Source: PwC

Corporate default rate at 2.5% in January 2014

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.5% at the end of January 2014, down from 2.8% at end-2013. It said that the corporate default rate remains low supported by strong high-yield credit markets. It expected the corporate default rate to remain below historical averages. It noted that none of the rated corporate debt issuers defaulted in January 2014, compared to five defaults in the same month last year. It forecast the global speculative-grade default rate at 2.2% at the end of 2014 and at 2.5% at the end of January 2015. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.1% at the end of January 2014, unchanged from end-2013 but down from 1.4% at the end of January 2013. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 7.5% in January 2014, up from 7.4% at end-2013 but down from 12.1% at the end of January 2013.
Source: Moody's Investors Service

EMERGING MARKETS

Large European banks significantly exposed to fragile emerging economies

Fitch Ratings indicated that five large European banks are significantly exposed to eight fragile emerging markets that are Brazil, India, Indonesia, Turkey, South Africa, Argentina, Russia and Chile. It said that Spain's Banco Santander is the most exposed European bank through its significant presence in Brazil, Argentina and Chile. It added that the bank's net exposure to these countries was equivalent to about 370% of Fitch Core Capital (FCC) at the end of June 2013, significantly higher than other European banks with franchises in fragile emerging markets. The FCC is an adjusted version of banks' reported equity. Further, it said that Spain's BBVA Bank is exposed to Turkey through its 25% stake in Garanti Bank and through its majority-owned subsidiaries in Chile and Argentina. It estimated its exposure to emerging markets at 114% of FCC. It pointed out that Standard Chartered operates in India and Indonesia with related cross-border risks of 111% of FCC. It indicated that Barclays Bank is exposed through its South African majority-owned subsidiary, which results in an exposure of 103% of FCC. It noted that Italy's Unicredit has operations in Turkey and Russia, leading to an exposure equivalent to 98% of FCC. However, it pointed out that risks may be understated as these figures do not capture the interconnectedness of many countries to emerging markets.
Source: Fitch Ratings

MENA

Brand value of Middle Eastern banks at $20bn

The Banker Magazine's annual survey of the Top 500 Banking Brands in the world indicates that the aggregate brand value of banks in the Middle East totaled $20.3bn in 2014, constituting an increase of 37% from $14.8bn in 2013. The region's aggregate banks' brand value was higher than that of Africa ($6.9bn) and Central America ($3.4bn), but lower than that of Europe ($332.8bn), North America ($240.9bn), Asia ($222bn), the Pacific ($41.5bn) and South America ($40.3bn). The total brand value of banks in the Middle East grew at a compound annual growth rate of 11.5% between 2010 and 2014, the third highest rate behind Central America (+17.6%) and Asia (+16.6%). The UAE has the highest banking brand value on a country level in the region and the 22nd highest globally at $5.9bn, followed by Saudi Arabia at $5.2bn (26th), Israel at $2.9bn (33rd), Qatar at $2.8bn (34th), Kuwait at $2bn (40th) and Bahrain at $571m ($48m). In parallel, Qatar National Bank has the highest brand value in the region at $1.8bn, followed by Saudi Arabia's Al-Rajhi Bank ($1.7bn), Emirates NBD ($1.3bn), the UAE's First Gulf Bank ($1.1bn), Israel's Bank Hapoalim ($929m), the National Bank of Abu Dhabi ($849m), Israel's Bank Leumi ($812m), Kuwait Finance House ($805m), National Bank of Kuwait ($786m) and Abu Dhabi Commercial Bank ($720m). A bank's brand value is the net present value of its trademark and associated intellectual property.
Source: The Banker Magazine, Byblos Research

OUTLOOK

GCC

Economic outlook increasingly linked to Asia prospects

Deutsche Bank anticipated that economic prospects in Gulf Cooperation Council (GCC) economies would remain closely linked to Asia, and expected the shift in GCC's trade relations towards Asia to continue. It said that the region's exports have gradually shifted to satisfy the growing demand of emerging economies in Asia. It added that Asia has rapidly become the main trading partner for Gulf countries after it overtook the United States and the European Union. It noted that Japan remains the most important export destination for GCC economies, followed by India and China. But it pointed out that Japan's share in total export has declined from 23% in 2000 to 15% in 2012, while China's share improved from 4% to almost 10% and India became the second largest export destination. Further, It said that Asia has become increasingly dependent on oil imports from GCC countries as Japan purchases more than 70% of its total oil imports from the region, South Korea meets more than 60% of its oil demand from Gulf countries, and India and China buy 40% and 30%, respectively, of their oil needs from the Gulf region. It expected rising energy demand from Asia to support robust economic growth in Gulf countries and to sustain their oil exports.

In parallel, Deutsche Bank considered that the GCC's growing trade ties with developing Asia have been accompanied by deeper bilateral investment relations. It said that closer cooperation between the two regions would provide GCC countries with better access to the rapidly growing non-hydrocarbon retail markets in Asia, such as telecommunications and Islamic finance. It pointed out that the growing interest from Asian investors in the GCC region is not only focused on the strategically important hydrocarbon sector but also on construction, shipping and manufacturing. It considered that this would help GCC states to diversify their economies away from the hydrocarbon sector and to benefit from the transfer of technology, knowledge and business skills.

Source: Deutsche Bank

EGYPT

Short-term bank risks receding on improving political and economic conditions

Business Monitor International anticipated that the modest improvements in Egypt's economic and political situation would alleviate pressure on the domestic banking sector. It said that the injection of $16bn in financial support from Gulf countries over the past few months as well as improved political stability, have stabilized economic prospects and reduced dollarization risks.

BMI pointed out that the government has relied on the banking sector to absorb a significant increase in public debt issuance, given that foreign investors have remained cautious about re-entering the domestic treasury market. It noted that banks' willingness to lend to the private sector has significantly decreased given the uncertain political and economic situations. It said that the banking sector's loans-to-deposits ratio has been on a downtrend since early 2010 and currently stands at 47%, reflecting a significant increase in banks' liquidity. However, it noted that the increase in liquidity resulted from the subdued growth in lending, despite demand from small and medium-sized enterprises. It expected lending to grow by 7% this year compared to an estimated growth of 1.1% last year, and to remain around its 2014 level in the coming four years.

In parallel, BMI said that dollarization was one of the main risks facing banks in the past few quarters. But it considered that this risk has peaked and pointed out that the black market exchange rate has virtually disappeared, reflecting rising confidence in the economy. As such, it estimated that risks of additional capital control measures have receded for the time being. But it cautioned that the outlook on the Egyptian pound is more uncertain over the long-term, and that dollarization risks could return. It expected deposits to expand by 11% in 2014 and beyond, relative to an estimated increase of 2.1% last year.

Source: Business Monitor International

SUDAN

Real GDP to grow by 2.6% in 2014, downside risks from conflict in South Sudan

The Economist Intelligence Unit revised downwards its projections for real GDP growth in Sudan to 2.6% in 2014 from 2.9% previously, and compared to an estimated contraction of 4.2% in 2013. It considered that the conflict in South Sudan would negatively impact export growth and foreign direct investment inflows in Sudan, which would offset the positive effect of the rise in government spending. It forecast real GDP growth to accelerate to 3.2% in 2015 and to average 3.9% during the 2016-18 period as the economy absorbs the impact of South Sudan's independence and as the government's austerity program ends. Further, it estimated the average inflation rate at 36.4% in 2013, driven by the cut in fuel subsidies and the devaluation of the Sudanese pound. It projected the average inflation rate at 26% this year, significantly exceeding the official target of 20.9% and reflecting the loss of foreign currency receipts from South Sudanese oil.

In parallel, the EIU said that the US dollar remains scarce in the domestic market, and expected the pressure on foreign currency supply to increase as the conflict in South Sudan would reduce oil exports. It added that the local currency continues to be under pressure due to the loss of hard currency from oil transit fees. It noted that the pound was trading at SDG8.18 against the US dollar on the black market in mid-January, compared to SDG7.3 per dollar prior to the outbreak of violence in South Sudan. It projected Sudan's foreign exchange reserves at $219m at the end of 2014, equivalent to 0.3 months of import cover, relative to $202m at end-2013 or 0.3 months of import cover. It forecast the exchange rate to depreciate to an average of 6.51 pounds against the US dollar in 2014 and to end the year at SDG6.53 per dollar. Also, the EIU expected Sudan to post a fiscal deficit of 3.8% of GDP in 2014, narrower than last year's deficit of 4.9% of GDP. But it cautioned that the fiscal deficit would be significantly wider if the conflict in South Sudan further reduces oil exports. It projected the current account deficit to narrow to 6.4% of GDP this year from 7.8% of GDP in 2013.

Source: Economist Intelligence Unit

ARMENIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Armenia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-', its short-term foreign currency IDR at 'B' and the Country Ceiling at 'BB'. It said that the outlook on the long-term IDRs is 'stable'. The agency attributed its decision mainly to a lower-than-anticipated fiscal deficit, favorable debt dynamics, an expected rebound in economic activity, a narrowing current account deficit and a more flexible exchange rate. It said that Armenia's fiscal deficit of 1.6% of GDP in 2013 was below target for the second consecutive year due to higher-than-expected tax revenues and under-spending on large foreign-financed projects. The agency expected a slight decrease in the public debt level this year. But it noted that Armenia's debt profile is vulnerable to exchange rate shocks given that 84% of the public debt stock is denominated in foreign currency. Further, it noted that real GDP growth decelerated to 3% in 2013 from 7.2% in 2012 as a result of a slowdown in public investment, a poor agricultural season and a temporary rise in gas prices. But it forecast the economy to expand by 4% this year and to grow by 5% annually over the long-term. It estimated the current account deficit at 8.2% of GDP in 2013 relative to 11.2% of GDP in 2012, and expected it to gradually narrow in coming years. It noted that the improvement in the current account deficit and the issuance of its first Eurobond led to a modest increase in foreign currency reserves.

Source: Fitch Ratings

TURKEY

Prolonged decline in lira would put pressure on companies' ratings

Fitch Ratings indicated that a continuous decline in the Turkish lira over an extended period of time and the ongoing political uncertainty constitute a risk for rated Turkish companies. It said that the depreciation of the lira would result in a tougher operating environment and a significant foreign currency mismatch for some domestic rated corporates. It noted that most companies have limited margins to absorb a prolonged increase in debt levels. As such, it anticipated that companies' credit profiles would weaken this year, while the outlook on their ratings could be revised to 'negative'. It considered that diversified exporting companies and energy firms have some flexibility to pass cost increases to their consumers due to their leading market positions. It added that these companies have completed most of their debt-funding activities in the first half of 2013 and have extended their debt maturities, which would limit their refinancing risks. In contrast, it said that risks to firms' standalone financial profiles are highest in consumer, retail, and technology, media & telecommunications (TMT) industries, which all have limited foreign currency revenues. However, Fitch anticipated that pressure on profitability margins would affect all companies given that most firms are importers of raw materials, energy and intermediate goods. It noted that the scale of the pressure on costs will depend on the specific markets that companies are exporting to and their ability to pass through price increases. Further, it anticipated that Turkish companies' structural dependence on short-term bank financing would continue over the medium-term, which would weigh on their credit profiles.

Source: Fitch Ratings

ANGOLA

Ratings affirmed on strong growth prospects and healthy public finances, outlook 'stable'

Standard & Poor's affirmed Angola's long- and short-term foreign and local currency sovereign credit ratings at 'BB-/B' with a 'stable' outlook. The agency indicated that the ratings are supported by a large domestic oil & gas sector, strong growth prospects, low government and external debt levels, and a net external creditor position. But it noted that the ratings are constrained by weak institutions, low development of the non-hydrocarbon economy and underlying political tensions. It pointed out that Angola is heavily dependent on the oil sector and is exposed to potential oil price and production shocks, and that its capacity to adequately respond to such shocks is untested. S&P anticipated that the sustained growth in the hydrocarbon sector will maintain the fiscal and external accounts in surplus over the medium-term. It projected real GDP growth to average 6.7% annually between 2014 and 2017. It forecast the average annual fiscal surplus to decrease to about 3.2% of GDP during the 2014-17 period due to increased infrastructure and development-related expenditures, as well as due to spending by state-owned oil company Sonangol. It expected the current account surplus to average above 6% of GDP annually over the next few years. But it noted that Angola's external balance sheet is subject to volatility related to the oil sector and to FDI flows. Further, it considered that the Central Bank is not likely to reduce the inflation rate to well below 10% before 2017 due to limited monetary policy tools and transmission mechanisms.

Source: Standard & Poor's

GHANA

Sovereign creditworthiness constrained by weak public finances

Moody's Investors Service indicated that Ghana's 'B1' government bond rating is constrained by the sustained weakness in the government's fiscal position resulting from the continuous overspending on public-sector wages, high interest costs and the clearance of payment arrears. It noted that delays in the implementation of fiscal consolidation measures as well as the recent increase in interest rates and introduction of currency controls constitute additional constraints to the ratings. It added that the upward trend in the public debt level and the intensification of domestic financing pressures weigh on sovereign creditworthiness. It indicated that Ghana is susceptible to external economic shocks given its wide current account deficit and low foreign currency reserves. In parallel, the agency considered that the economy's robust growth potential, supported by substantial natural resources, constitutes a key credit strength. Moody's considered that the 'negative' outlook on the ratings reflects its expectations of a double-digit fiscal deficit this year. It forecast the fiscal deficit to significantly exceed the government's target deficit of 8.5% of GDP for 2014 due to optimistic public revenue projections. It cautioned that a sustained widening of the fiscal deficit and increase in the public debt level, a persistent decline in oil, gold or cocoa prices, and reduced access to foreign investment or portfolio capital would lead to downward pressure on the ratings.

Source: Moody's Investors Service

BANKING

JORDAN

Trade and construction account for 42.4% of overall lending at end-2013

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD18.9bn at the end of 2013, constituting an increase of 6.2% from JD17.8bn at end-2012 and compared to a rise of 12.5% in 2012. The resident private sector accounted for 87.5% of total credit relative to 86.2% at end-2012; followed by the central government with 6.5%, down from 7% a year earlier; the non-resident private sector with 4.3% relative to 4.8% at end-2012; public entities with 1.7%, down from 2% a year earlier; and financial institutions with 0.1%. Foreign currency lending accounted for 14.1% of total lending, up from 13% at end-2012. The distribution of lending by sector shows that construction represented JD4.1bn or 21.6% of overall lending, up from 20.7% in the previous year; while general trade represented JD3.9bn or 20.8% of the total relative to 21.1% a year earlier. They were followed by industry with JD2.6bn, or 14% of overall lending; public services & utilities with JD2.2bn (11.5%); transportation services with JD536.7m (2.8%), financial services with JD508.8m (2.7%), tourism, hotels & restaurants with JD503.5m (2.7%); agriculture with JD235.7m (1.2%), and mining with JD164.1m (0.9%). Further, other lending accounted for JD4.1bn, or 22% of total credit, of which JD260m were extended to buy shares. In parallel, loans & advances totaled JD16.3bn of overall credit at end-2013, followed by overdrafts with JD2.4bn and discounted bills with JD281.8m.

Source: Central Bank of Jordan, Byblos Research

TUNISIA

NPLs at private and public banks still high

The risk-weighted capital adequacy ratio (CAR) of banks operating in Tunisia reached 11.6% at the end of June 2013 relative to 11.8% at end-2012 and 11.9% at end-2011. The CAR of private banks reached 11.9% at end-June 2013, while that of public banks was 10.2%. Further, the capital-to-assets ratio reached 7.9% at the end of June 2013, almost unchanged from 7.8% at end-2012. Credit to the private sector accounted for 65.7% of total loans at end-June 2013 compared to 67.7% at end-2012; while lending in foreign currency represented 4.7% of total loans at end-June 2013, almost unchanged from 4.8% at end-2012. The sector's deposits-to-loans ratio reached 88.2% at the end of June 2013 relative to 89.7% at end-2012. The deposits-to-loans ratio at private banks reached 95.6%, while that at public banks was 74.1% at end the end of June 2013. Also, the sector's non-performing loans (NPLs) ratio was 15.2% at the end of June 2013, up from 14.9% at end-2012 and 13.3% at end-2011. The private banks' NPL ratio stood at 11.2% at end-June 2013, while the public banks' ratio reached 21%. Further, the sector's provisions-to-NPLs ratio increased marginally to 54.9% at end-June 2013 from 54.4% at end-2012. In parallel, the private banks' annualized return on assets reached 1.1%, while that of public banks stood at 0.4% at end-June 2013. Also, the private banks' annualized return on equity reached 13.5%, while that of public banks stood at 5.2% at end-June 2013.

Source: International Monetary Fund

ARMENIA

Deposits up 33% in 2013

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,944bn, equivalent to $7.3bn at the end of 2013, constituting an increase of 19.1% from the end of 2012 and compared to a rise of 19.5% in 2012. Total loans stood at AMD1,798bn or $4.4bn at end-2013, up by 12% from end-2012 and compared to a 26.6% increase in 2012. Loans in foreign currency accounted for 62.2% of total loans at end-2013 relative to 64.3% at end-2012, while loans to non-residents amounted to 3% of total loans at end-2013. Deposits totaled AMD1,612bn or $4bn at end-2013, constituting an increase of 33% from end-2012 and relative to a rise of 18.5% in 2012. Foreign currency deposits accounted for 70.2% of total deposits at end-2013 compared to 69.7% at end-2012. Non-resident deposits represented 28.8% of total deposits at end-2013 relative to 21.6% at end-2012. In parallel, the sector's risk-weighted capital adequacy ratio reached 16.7% at the end of 2013, almost unchanged from 16.8% a year earlier. The sector's liquid assets were equivalent to 29.1% of total assets at end-2013 relative to 25.6% at the end of 2012; while they represented 142.3% of total short-term liabilities at the end of 2013 compared to 126.1% at end-2012. The loans-to-deposits ratio in foreign currency stood at 98.7%, down from 122.1% at end-2012, while the same ratio in local currency was 141.7% relative to 156.3% at end-2012.

Source: Central Bank of Armenia, Byblos Research

TURKEY

Outlook on bank ratings revised to 'negative' on similar sovereign action

Standard & Poor's revised the outlook on the long-term counterparty credit ratings of Türkiye Is Bankasi (Isbank), Türkiye Garanti Bankasi (Garanti), Yapi ve Kredi Bankasi (YapiKredi), HSBC Bank, and Türkiye Vakiflar Bankasi (VakifBank) to 'negative' from 'stable'. It simultaneously affirmed the banks' long-term ratings at 'BB+', and maintained the short-term rating of Isbank, YapiKredi, HSBC Bank, and VakifBank at 'B'. S&P attributed the outlook revision to similar action on the sovereign ratings and expected Turkey's creditworthiness to continue to drive future rating actions on rated banks due to the latter's significant holdings of government securities and exposure to the domestic environment. S&P considered that a deceleration in economic activity this year would have a negative impact on banks' asset quality, earnings and capitalization. It added that its assessment takes into account the rapid growth in lending posted in recent years, the depreciation of the Turkish lira, the rise in interest rates and the projected increase in the unemployment rate. It pointed out that banks' dependence on foreign financing exposes them to an erosion in investor confidence, mainly in the context of increased domestic political uncertainty and the tightening of the U.S. Federal Reserve's quantitative easing program. However, it indicated that the banking sector's sound asset quality, earnings and capitalization would allow banks to absorb elevated risks without a significant deterioration in their financial profile.

Source: Standard & Poor's

Global oil demand to rise by 1% in first quarter, Brent prices to average $104 a barrel in 2014

Global oil consumption is forecast to reach 90 million b/d in the first quarter of 2014, constituting an increase of 1.2% from the same quarter last year. Developing countries are projected to consume the largest quantity of oil this year at an average of 29.1 million b/d, or 32.3% of global oil demand. They would be followed by the Americas with 23.9 million b/d (26.6%), European economies with 13.1 million b/d (14.6%), China with 10.1 million b/d (11.2%) and Asia Pacific with 8.8 million b/d (9.8%). In parallel, total non-Organization of Petroleum Exporting Countries' oil supply is expected to rise by 2% year-on-year to 54.9 million b/d in the first quarter of 2014. Brent oil prices are forecast to average $106 a barrel in the first quarter of 2014, while WTI crude oil prices are projected to average $96.6 a barrel in the covered quarter. Overall, Brent prices are expected to average $104 a barrel in 2014, down 4.3% from $108.7 a barrel on average in 2013. The Brent-WTI spread is anticipated at $7.3 this year and is projected to decrease to $6 in 2015.

Source: Organization of the Petroleum Exporting Countries, Thomson Reuters, Byblos Research

Syria's oil production down by 96% from pre-March 2011 level

The Syrian government estimated the country's current crude oil output at 14,000 b/d, constituting a decrease of 96.4% from its pre-war level of 385,000 b/d. It attributed the significant decline in crude oil production since March 2011 to a rise in armed attacks on oil facilities, to Western-imposed sanctions, and to the suspension of foreign oil firms' operations in the country. The major decrease in oil production has led to petrol shortages across the country, which reinforced black market sales and compelled the government to import the majority of its oil needs, mainly from Iran.

Source: Syrian Arab News Agency

MENA countries to expand power sector capacity over the 2014-18 period

The Middle East & North Africa (MENA) region is expected to expand its electrical production capacity by 139.5 gigawatts (GW) during the 2014-18 period. The decision was mainly due to the fast-growing demand for electricity and to lagging supply, which led to chronic power shortages across many MENA countries. The GCC countries are projected to generate an additional 65.9 GW during the covered period, or 47.2% of the total, followed by Mashreq countries with 34 GW (24.4%), Maghreb states with 19.4 GW (13.9%), Iran with 18.5 GW (13.3%) and the Rest of Arab World with 1.7 GW (1.2%).

Source: Arab Petroleum Investments Corporation, Byblos Research

Libya's oil output at 23% of capacity

Libya's crude oil production is currently at about 375,000 b/d, equivalent to about 23.4% of the country's normal output level, and down significantly from an average of 1.4 million b/d at the start of 2013 and from 460,000 b/d in recent weeks. The significant decline in oil production is partly due to the shutdowm of oil pipelines by armed groups. Libya estimated its cumulative oil revenue losses from the ongoing protests at more than $7bn. Libya currently holds Africa's largest proven oil reserves.

Source: Thomson Reuters, Byblos Research

Base Metals: Copper prices to fall by 9% in first quarter and by 1% in 2014

Copper prices are forecast to average $7,200 a metric ton in the first quarter of 2014, constituting an increase of 0.7% from the previous quarter and a decrease of 9.2% from the same quarter of the preceding year. Overall, copper prices are expected to regress by 1% year-on-year to $7,250 a ton on average in 2014. The copper market is projected to post a surplus of 368,000 tons this year, up from a surplus of 308,000 tons in 2013, due to a rise in mining activities. Global refined copper consumption is expected to rise by 4% year-on-year relative to increases of 3% and 4.2% in 2012 and 2013, respectively. China is forecast to remain the world's largest consumer of refined copper in 2014, with about 47.2% of total demand. In parallel, global refined production is projected to rise by 4.2% year-on-year in 2014 compared to increases of 2.4% and 4.5% in 2012 and 2013, respectively.

Source: Economist Intelligence Unit, Byblos Research

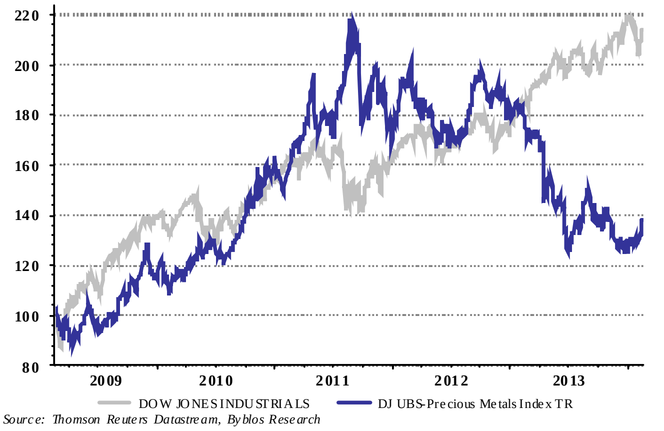
Precious Metals: Gold prices down 15% in 2013

Gold prices averaged $1,276.2 a troy ounce in the fourth quarter of 2013, down from $1,326.3 a troy ounce on average in the third quarter, and compared to averages of $1,631.8 a troy ounce and $1,414.8 a troy ounce in the first and second quarters, respectively. Overall, gold prices averaged $1,411.2 a troy ounce in 2013, down 15.4% from $1,669 an ounce on average in 2012. In parallel, global gold consumption reached 3,756.1 tons in 2013, equivalent to $170.4bn and constituting a decrease of 15% from 4,415.8 tons in the preceding year. The decline is mainly due to investors' divestures from gold Exchange Traded Funds (ETFs) and to lower central bank purchases. ETF outflows reached 880.8 tons, equivalent to $40bn, during 2013 and relative to net inflows of 279.1 tons, or $15bn in the previous year. Central Banks' net purchases of gold dropped by 32.3% year-on-year to 368.6 tons, or $16.7bn in 2013. Global jewelry demand grew by 16.5% year-on-year to 2,209.5 tons, equivalent to $100.2bn in 2013 and nearly reached its pre-2008 crisis level. Also, total gold bar and coin investments' consumption rose by 28.3% year-on-year to a record high of 1,654.1 tons, or $75bn, in the covered year. In parallel, global gold supply declined by about 1.7% to 4,340 tons last year as the decrease in gold recycling activity exceeded the moderate growth in the metal's mine production.

Source: World Gold Council, Byblos Research

Precious Metals vs. Dow Jones Industrial Average

(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	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 (%)
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-2.2	14.3	1.5	7.0	1.4	-	2.9	-
Angola	BB- Stable	Ba3 Stable	BB- Positive	- -	BB Stable	1.2	33.2	22.8	-21.1	2.6	76.5	7.1	-1.6
Egypt	B- Stable	Caa1 Negative	B- Stable	B- Negative	CCC Stable	-13.6	97.5	14.6	74.0	4.7	343.8	-2.1	0.9
Ethiopia	-	-	-	-	B Stable	-2.8	22.5	18.9	110.6	-	-	-6.4	2.5
Ghana	B Negative	B1 Negative	B Stable	- -	B Stable	-10.2	51.2	27.8	54.1	3.2	247.3	-11.9	7.1
Ivory Coast	- -	- -	- -	- -	B Stable	-3.1	41.5	17.3	95.0	-	-	-2.9	3.0
Libya	- -	- -	B Stable	- -	B Stable	-4.5	4.5	7.9	-304.0	3.0	-	6.3	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	- -	0.1	35.1	39.7	73.6	1.5	6.0	-2.1	10.2
Morocco	BBB- Negative	Ba1 Negative	BBB- Stable	- -	B Stable	-6.1	62.0	38.5	89.7	6.9	250.8	-7.3	2.8
Nigeria	BB- Stable	Ba3 Stable	BB- Stable	- -	B Stable	-1.9	20.1	5.6	13.4	0.4	33.0	3.3	2.3
Sudan	- -	- -	- -	- -	C Stable	-2.0	100.0	85.8	-	-	-	-11.9	-
Tunisia	- -	Ba3 Negative	BB- Negative	- -	CCC Stable	-7.1	47.4	54.1	111.0	9.8	333.9	-5.8	2.0
Burkina Faso	B Stable	- -	- -	- -	- -	-2.3	31.4	23.8	113.7	2.7	263.7	-5.2	0.4
Middle East													
Bahrain	BBB Stable	Baa2 Negative	BBB Stable	BBB Stable	BB Stable	-5.9	39.9	142.4	44.2	15.3	611.5	5.3	0.3
Iran	- -	- -	- -	B Negative	CCC Stable	-4.5	21.9	1.7	22.3	17.6	22.6	-0.5	-
Iraq	- -	- -	- -	- -	CCC Stable	-0.6	41.0	12.5	51.7	-	-	5.5	-
Jordan	BB- Negative	B1 Stable	- -	BB- Stable	CCC Stable	-6.1	83.9	63.3	52.2	10.2	260.4	-10.2	4.9
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	31.3	6.5	16.3	30.7	7.2	110.5	43.2	-4.8
Lebanon	B- Negative	B1 Negative	B Negative	B Stable	CCC Stable	-11.1	143.9	81.8	144.6	21.0	122.0	-11.3	4.7
Oman	A Negative	A1 Stable	- -	A Stable	A Stable	3.3	4.0	19.4	18.1	3.6	101.1	7.3	2.4
Qatar	AA Stable	Aa2 Stable	- -	AA- Stable	AA Stable	7.3	32.0	87.8	75.8	12.7	481.9	27.6	-0.2
Saudi Arabia	AA- Positive	Aa3 Stable	AA- Positive	AA- Stable	A Stable	8.7	3.7	12.9	36.0	1.8	12.4	20.1	1.1
Syria	- -	- -	- -	- -	C Negative	-14.0	57.4	20.7	-	-	-	-14.1	-
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	13.6	32.1	49.2	25.9	3.9	366.8	15.7	1.8
Yemen	- -	- -	- -	- -	CC Stable	-5.8	48.1	16.4	49.7	-	-	-2.7	-

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-	-	-								
	-	Stable	Stable	-	-	-2.2	45.5	74.8	125.1	18.8	553.5	-9.0	3.4
China	AA-	Aa3	A+	-	BBB								
	Stable	Stable	Stable	-	Stable	-2.1	27.7	8.4	31.0	1.6	21.5	2.0	2.1
India	BBB-	Baa3	BBB-	-	BB								
	Negative	Stable	Stable	-	Stable	-8.0	67.9	23.5	18.7	5.8	173.3	-3.9	1.9
Kazakhstan	BBB+	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	4.8	13.2	59.8	148.2	18.4	728.3	0.9	5.7
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-2.0	18.2	93.2	136.0	20.9	282.3	-0.6	3.1
Romania	BB+	Baa3	BBB-	-	B								
	Stable	Negative	Stable	-	Stable	-2.7	38.4	75.2	150.1	21.3	281.8	-1.7	1.5
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-0.7	14.1	29.4	85.1	25.4	139.6	2.6	0.1
Turkey	BB+	Baa3	BBB-	BB+	B								
	Negative	Stable	Stable	Stable	Stable	-1.8	34.4	45.7	116.4	27.0	327.4	-7.5	1.2
Ukraine	CCC+	Caa2	B	-	CC								
	Negative	Negative	Negative	-	Stable	-4.3	43.0	79.4	141.5	28.2	759.4	-7.0	4.4

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2013

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	29-Jan-14	No change	19-Mar-14
Eurozone	Refi Rate	0.25	06-Feb-14	No change	06-Mar-14
UK	Bank Rate	0.50	06-Feb-14	No change	06-Mar-14
Japan	O/N Call Rate	0-0.10	18-Feb-14	No change	N/A
Australia	Cash Rate	2.50	04-Feb-14	No change	04-Mar-14
New Zealand	Cash Rate	2.50	30-Jan-14	No change	13-Mar-14
Switzerland	3 month Libor target	0.00-0.25	12-Dec-13	No change	20-Mar-14
Canada	Overnight rate	1.00	22-Jan-14	No change	05-Mar-14
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	29-Jan-14	No change	19-Mar-14
Taiwan	Discount Rate	1.88	26-Dec-13	No change	25-Mar-14
South Korea	Base Rate	2.50	13-Feb-14	No change	13-Mar-14
Malaysia	O/N Policy Rate	3.00	29-Jan-14	No change	06-Mar-14
Thailand	1D Repo	2.25	22-Jan-14	No change	12-Mar-14
India	Reverse repo rate	8.00	28-Jan-14	Raise 25bps	01-Apr-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	10.00	22-Jan-14	Raise 550bps	18-Feb-14
South Africa	Repo rate	5.50	29-Jan-14	Raise 50bps	27-Mar-14
Kenya	Central Bank Rate	8.50	Jan-14	No change	11-Mar-14
Nigeria	Monetary Policy Rate	12.00	19-Feb-14	Raise 200 bps	25-Mar-14
Ghana	Prime Rate	18.00	19-Feb-14	No change	Apr-14
Angola	Base rate	9.25	Nov-13	Cut 50bps	N/A
Mexico	Target Rate	3.50	31-Jan-14	Cut 25bps	31-Mar-14
Brazil	Selic Rate	10.50	15-Jan-14	Raise 50bps	26-Feb-14
Armenia	Refi Rate	7.50	11-Feb-14	Cut 25bps	N/A
Romania	Policy Rate	3.50	04-Feb-14	No change	N/A
Bulgaria	Base Interest	0.04	01-Feb-14	Raise 2bps	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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