

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps down 7% to \$276bn in fourth quarter of 2013

Trading in emerging markets Credit Default Swaps (CDS) totaled \$1,064bn in 2013, constituting a rise of 31% from \$809bn in 2012. CDS trading reached \$276bn in the fourth quarter of last year, down by 7.1% from \$297bn in the third quarter of 2013, but up by 94.4% from \$142bn in the fourth quarter of 2012. Trading in emerging markets CDS rose in four out of the past five quarters. Further, the use of sovereign CDS as a hedging tool increased given their better liquidity, mainly in the context of slowing economic activity in emerging markets and potential outflows from emerging economies. The most frequently-traded sovereign CDS contracts in the fourth quarter of 2013 were those of Brazil at \$65bn, followed by Mexico at \$31bn and Turkey at \$29bn; while the most frequently-traded corporate CDS contracts were those on Pemex at \$2.6bn, Gazprom at about \$2.5bn and Petrobras at \$1.7bn. The survey covered data on CDS contracts for 19 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

MENA

Social networking sites accessed by 77% of Internet users in the Middle East & Africa region

A survey conducted by the U.S.-based opinion polling think tank Pew Research Center indicated that the median share of participants who own a mobile phone in the Middle East & Africa (ME&A) region is 86%, higher than 83% in 24 emerging countries. The share of participants who own a mobile phone is the highest in Jordan (95%), followed by South Africa (91%), and Tunisia and Egypt (88% each); while it is the lowest in Ghana (79%), Nigeria (78%) and Uganda (59%). Further, 19% of mobile owners in the ME&A region have a smartphone, similar to the median share in emerging markets. Lebanon has the highest share of Smartphone penetration at 45% of mobile phone owners, followed by Jordan (38%) and South Africa (33%); while Uganda (4%), Tunisia (12%) and Senegal (13%) have the lowest share in the ME&A region. Also, 30% of adults in ME&A aged between 18 and 29 years have a smartphone, 17% of those between 30 and 49 years old own such a device and 7% of those who are 50 years or older possess a smartphone. In parallel, the survey showed that a median of 41% of adults in the ME&A region are Internet users, compared to a median of 44% of the population in emerging economies. Further, a median of 77% of Internet users in the ME&A region access social networking sites, similar to that in emerging economies. Egypt has the highest share of Internet users who access social networking sites (88%), followed by Tunisia (85%) and Jordan (84%); while Senegal (73%), Lebanon (72%) and South Africa (62%) have the lowest shares. The survey was conducted as part of the Pew Research Center's Global Attitudes Project.

Source: Pew Research Center

Qatar has highest cost of living in Arab world

Data and analytics provider Xpatulator's Cost of Living Index for the first quarter of 2014 ranked Qatar as the most expensive country among 20 Arab countries and the 44th most expensive among 222 countries and territories worldwide. It was followed by the UAE (61st), Lebanon (73rd), Sudan (85th), Djibouti (108th), Kuwait (118th), Bahrain (120th), Libya (124th), Palestine (145th), Oman (166th), Jordan (174th), Yemen (186th), Iraq (189th), Saudi Arabia (195th), Morocco (205th), Egypt (207th), Mauritania (210th), Algeria (211th), Tunisia (215th) and Syria (221st). The index measures the cost of living in 780 locations in every country and territory around the world. The firm provides data and information to help companies and employees calculate the difference in salaries, allowances, and the overall cost of living when moving personnel from their current location to a different part of the world. Locations with the highest rankings are the most expensive, while those with the lowest rankings are the least expensive. In parallel, the survey shows that Doha is the most expensive city among 31 Arab cities in the first quarter of 2014 and the 93rd most expensive among more than 500 cities and locations worldwide. It was followed by Abu Dhabi (120th), Dubai (127th), Khartoum (147th) and Beirut (168th). Damascus is the least expensive Arab city and ranked in 514th place globally. It was preceded by Tunis (511th), Algiers (500th), Casablanca (495th) and Alexandria (483rd).

Source: Xpatulator, Byblos Research

Press Freedoms regress in several Arab countries

International organization Reporters Without Borders ranked Mauritania in first place among 20 Arab countries and in 60th place among 180 countries on its Press Freedom Index for 2014. It was followed by Kuwait (91st), Lebanon (106th), Qatar (113th), the UAE (118th), Algeria (121st), Tunisia (133rd), Oman (134th), Morocco (136th), Libya (137th), Palestine (138th), Jordan (141st), Iraq (153rd), Egypt (159th), Bahrain (163rd), Saudi Arabia (164th), Yemen (167th), Djibouti (169th), Sudan (172nd) and Syria (177th). As such, 15 out of 20 Arab countries came in the third tier of the global rankings. The index measures the level of freedom that journalists and the media have in each country and the efforts made by governments to ensure that press freedom is respected. Lower rankings reflect higher press freedom level. Further, the rankings of eight Arab countries improved, nine declined and three remained the same year-on-year. Kuwait's rank regressed by 13 spots, the steepest decline among Arab countries; while Palestine's rank rose by nine spots, the best improvement in the region.

Source: Reporters Without Borders

OUTLOOK

INDIA

Domestic and external risks to weigh on outlook

The International Monetary Fund projected India's real GDP growth at 4.6% in fiscal year 2013/14 ending in March 2014 relative to a growth rate of 5% in FY2012/13. It noted that economic activity has been on a downward trend since FY2011/12 when real GDP growth decelerated to 6.2% from 9.3% in FY2010/11. It attributed the marked slowdown in economic growth to global developments and domestic supply constraints. But it forecast economic activity to rebound to 5.4% in FY2014/15 driven by stronger global growth, better export competitiveness, a favorable monsoon, and improving confidence. It said that extended economic and financial volatility, a lengthy slowdown in the Eurozone's economic growth, and higher global oil prices constitute the main external risks to the outlook; while slow progress in structural reforms, persistently high inflation rates, failure to ease supply constraints, and the use of expansionary fiscal policy are the main domestic risks.

In parallel, the Fund indicated that authorities were able to maintain macroeconomic and financial stability despite the challenging macroeconomic environment. It welcomed the government's efforts to reduce external vulnerabilities, rebuild buffers and stimulate investment. It forecast the current account deficit to narrow from 4.8% of GDP in FY2012/13 to 3.3% of GDP in FY2013/14, supported by a rebound in exports, a rise in remittance inflows, a rapid decline in gold imports, weakening domestic demand and stable global oil prices. But the IMF considered that the policy space remains constrained by wide fiscal deficits, high public debt level and elevated inflation rates. It called on authorities to control the inflation rate that is expected to remain in double digits in FY2014/15, to consolidate the fiscal position given the projected widening of the fiscal deficit to 8% of GDP in the next fiscal year, and to address supply bottlenecks and promote sustainable growth.

Source: International Monetary Fund

ANGOLA

Economy to grow by 7.3% in 2014, public spending and hydrocarbon sector to drive activity

Business Monitor International projected Angola's real GDP growth at 7.3% in 2014 compared to an estimated growth rate of 5.8% in 2013 and 7.5% in 2012. It attributed last year's slowdown in economic activity to drought, delays in the implementation of infrastructure projects and reduced oil output. But it expected the ongoing implementation of the 2013-17 National Development Program and higher oil production to stimulate activity in coming quarters. However, it pointed out that short-term risks are to the downside and are mainly related to challenges facing international oil companies operating in the country. It forecast real GDP growth to average 7.4% annually between 2014 and 2018, but it cautioned from under-spending on infrastructure projects that would affect economic activity.

BMI expected private consumption to grow by 9% in real terms in 2014, driven by a stable inflationary environment and rapidly rising per capita income levels. It anticipated private consumption to account for 39.7% of GDP this year and to reach

42.6% of GDP by 2018. Also, it expected public spending to expand by 10% this year, driven by the government's infrastructure investment program. It forecast public spending growth to remain in high single-digits and to constitute a key driver of growth in coming years. It forecast the fiscal deficit to widen from 2.1% of GDP in 2013 to 3.9% of GDP in 2014.

Further, BMI forecast gross fixed capital formation growth at 14% in 2014, unchanged from last year, supported by public and private investments. It anticipated fixed capital formation to account for 17% of GDP this year and to reach 19.7% of GDP by 2018. It expected the construction, energy and transport sectors to receive a significant share of public investments, and forecast the oil and gas industry to absorb the bulk of private investments. In parallel, it anticipated that the sustained high imports would constrain the contribution of net exports to GDP. As such, it projected the current account surplus to narrow from 7.4% of GDP in 2014 to 3.9% of GDP by 2018.

Source: Business Monitor International

GHANA

Economic slowdown to continue in 2014

The International Monetary Fund expected the slowdown in Ghana's economic activity and the rising inflationary pressures that started last year to continue in 2014. It estimated that real GDP growth decelerated to 5.5% in 2013, well below the rates achieved in recent years, due to large external and fiscal imbalances as well as energy disruptions. It cautioned that the government would not achieve its target fiscal deficit of 8.5% of GDP in 2014 in the absence of supportive measures. It estimated the fiscal deficit to have widened to 10.9% of GDP in 2013 compared to a target deficit of 9% of GDP due to lower-than-expected public revenues, higher-than-budgeted spending on the wage bill, and rising interest costs. It noted that the deficit would have been wider in the absence of significant revenue measures, the elimination of fuel subsidies, large increases in utility prices, and reduction of other public expenditures. Further, it anticipated that the challenging domestic environment, weak public finances and unfavorable outlook for gold prices would maintain the current account deficit at high levels. It noted that the current account deficit widened to 13% of GDP in 2013 due to the large fiscal deficit and weaker external environment, which further weighed on the country's foreign currency reserves. It indicated that the inflation rate stood at 13.5% at the end of 2013 and exceeded the authorities' target, reflecting the weakening of the Ghanaian cedi and large administered price increases.

The Fund called on authorities to implement urgent measures to address macroeconomic imbalances. It noted that additional fiscal savings are required to address short-term vulnerabilities, contain rising public debt levels, and reduce interest rates. It added that structural reforms to ensure permanent expenditure discipline are key to sustainable fiscal consolidation. It called on authorities to review the current tax regime in order to gradually eliminate tax exemptions and expand the tax base. Further, the Fund welcomed the tightening of monetary policy to defend the inflation target. But it considered that the new foreign exchange regulations would not resolve the underlying pressures in the foreign exchange market.

Source: International Monetary Fund



ECONOMY & TRADE

UAE

Abu Dhabi ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Abu Dhabi's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA' respectively, with a 'stable' outlook. It also maintained the short-term foreign currency IDR at 'F1+' and the UAE Country Ceiling at 'AA+'. It said that the ratings are supported by a strong sovereign balance sheet, solid fiscal position, relatively robust economic growth, a slight decline in the debt of government-related entities (GREs) and of sovereign-owned entities (SOEs), and improving banking sector performance. It estimated Abu Dhabi's sovereign net foreign assets at 182% of GDP in 2013 compared to 153% of GDP in 2012, the third highest such ratio in the world after Luxembourg and Kuwait. Also, it estimated that the fiscal balance posted a double-digit surplus in 2013, reflecting a modest increase in public spending and a rise in public revenues. It expected the fiscal surplus to remain in double-digits over the coming two years. Further, it said that the debt of GREs and SOEs fell slightly last year, reflecting the authorities' commitment to contain indebtedness. It noted that explicit contingent liabilities are clearly delineated and the supervision of the borrowing plans of GREs and SOEs has been tightened. In parallel, the agency indicated that the banking sector became more resilient in line with the strengthening of the local and Dubai economies. It said that the non-performing loans ratio at Abu Dhabi banks fell to 4.8% at end-2013, the lowest since end-2009, and compared to 5.4% at end-2012; while provisioning rose to 88% last year from 80% in 2012. But it noted that the banks' asset quality issues remain.

Source: Fitch Ratings

NIGERIA

Central Bank Governor suspension not credit negative

Fitch Ratings considered that the unexpected suspension of the Central Bank of Nigeria Governor Lamido Sanusi does not significantly change Nigeria's credit fundamentals. But it noted that the suspension has resulted in a sharp sell-off of the naira and to a rise in naira-denominated bond yields, which would increase inflationary pressure if they continue over an extended period of time. It noted that rising inflationary pressure would lead to further monetary tightening, including a possible rise in interest rates when the Monetary Policy Committee convenes towards the end of March. The agency indicated that Governor Sanusi's suspension followed his critique about the disappearance of part of oil revenues from the state's Nigerian National Petroleum Corporation. Further, the agency indicated that Nigeria's failure to increase its foreign currency reserves, including reserves at the Excess Crude Account (ECA), when global oil prices are high has been a long-standing weakness in the sovereign credit profile. It noted that Nigeria's foreign currency reverses, which were equivalent to 5.6 months of gross current account payments at end-2013, are not excessively large for a country that is dependent on oil revenues. It noted that the Central Bank's recent interventions to support the naira have led to further depletion in reserves and expected this trend to continue. It considered that a larger buffer would be positive for the sovereign credit profile.

Source: Fitch Ratings

DEM REP CONGO

Ratings affirmed, outlook 'stable'

Standard & Poor's affirmed the Democratic Republic of the Congo's (DRC) long-term foreign and local currency sovereign credit ratings at 'B-' and its short-term foreign and local currency ratings at 'B'. It noted that the long-term ratings have a 'stable' outlook. The agency indicated that the ratings are constrained by weak institutions, continuing conflict in the Eastern part of the country, poor governance and extremely low income levels, high dependence on external financing, and very limited economic policy flexibility. But it noted that the ratings are supported by sustained growth in real GDP per capita of between 4% and 5% in coming years, and by the low public debt burden following the 2010 debt forgiveness. It considered that the economy is vulnerable to a downturn in global commodity prices, mainly copper, given that mining and mining-related investments are key growth drivers. It expected net FDI inflows to remain high during the coming years and to constitute a key source of external financing. But it cautioned from the adverse impact of political instability and volatility of global commodity prices on such inflows. It said that the public debt level is subject to currency risk given that 70% of the debt stock is denominated in foreign currency and that foreigners hold most of the government's commercial debt. It forecast the DRC's net external debt to average 90% of current accounts receipts (CARs) between 2014 and 2017; and for its gross external financing needs to average 140% of CARs plus usable reserves during the 2014-17 period.

Source: Standard & Poor's

MOZAMBIQUE

Ratings downgraded on rapid debt accumulation

Standard & Poor's downgraded Mozambique's long-term foreign and local currency sovereign credit ratings to 'B' from 'B+' with a 'stable' outlook. It lowered the transfer & convertibility assessment to 'B' from 'B+', while it maintained the short-term rating at 'B'. It attributed the downgrade to wider-than-expected fiscal deficits and higher-than-projected increase in the public debt stock. It noted that the country's external commercial borrowing increased in 2013, mainly as a government-owned agency issued debt equivalent to 5% of GDP under government guarantees. It noted that external indebtedness is rising given that the government and private sector are accumulating debt to finance infrastructure investments. It forecast the public debt level at about 47% of GDP this year and expected it to peak at about 50% of GDP by 2017. It noted that more than two-thirds of the country's debt stock is external, which makes it vulnerable to exchange rate risk. It projected the current account deficit to remain high and to average 36% of GDP between 2014 and 2017. It forecast the country's gross external financing requirements to average 162% of current account receipts (CARs) and usable reserves during the 2014-17 period, and for external debt net of liquid assets to average 53% of CARs. In parallel, it pointed out that the ratings are constrained by low GDP per capital level, structural and external deficits, and heavy reliance on donor funding and cross-border investment for economic growth, fiscal revenues and balance-of-payments needs.

Source: Standard & Poor's



BANKING

EGYPT

Outlook on banking sector remains negative

Moody's Investors Service indicated that the outlook on Egypt's banking system remains 'negative', reflecting ongoing social and political tensions and weak public finances that continue to dent investor and consumer confidence. It said that banks' high exposure to the sovereign poses a significant credit risk and ties the banking sector's solvency to sovereign default risk. It noted that banks' holdings of government debt was equivalent to 5.7 times their shareholders' equity at the end of September 2013. It expected banks to further increase their sovereign exposure, as the fiscal deficit continues to be wide and as the government continues to rely on local banks to fill the funding gap in the absence of foreign funding. Further, it anticipated that the domestic operating environment would remain challenging over the next 12 to 18 months given that the low foreign investment inflows, tourism activity and consumer confidence would lead to subdued growth in lending. It expected banks' asset-quality metrics to further deteriorate given the challenging operating conditions and extensive restructuring and rescheduling of loans. It pointed out that banks' capital buffer is not sufficient to absorb potential losses under adverse conditions. It said that banks reported an average Tier-One capital ratio of 11.8% at end-September 2013 when applying a zero risk-weight to the banks' holding of government securities. But it noted that the ratio drops to below 6% when applying a risk weighting of 150% that is more in line with global standards.

Source: Moody's Investors Service

QATAR

Private sector lending up 19% year-on-year in January 2014

Figures issued by the Central Bank of Qatar show that total assets reached QAR937.3bn, equivalent to \$257.5bn at the end of January 2014, constituting an increase of 2.3% from the end of 2013 and a rise of 13.1% from end-January 2013. Loans totaled QAR591.4bn, equivalent to \$162.5bn at end-January 2014, constituting an increase of 2.3% month-on-month, driven by a 2.7% monthly rise in lending to the private sector and a 1.9% increase in public sector lending. Also, total loans grew by 15.7% year-on-year in January 2014, driven by an 18.7% annual increase in private sector credit and a 13.2% rise in public sector lending. In parallel, aggregate deposits totaled QAR554bn, equivalent to \$152.2bn at end-January 2014, constituting an increase of 1% from QAR548.4bn in the preceding month, as the 3.5% rise in private sector deposits was offset by a 2.1% decline in public sector deposits. The sector's total deposits grew by 16% year-on-year in January 2014. The loans-to-deposits ratio stood at 107% at end-January 2014, up from 105.4% at end-2013, but roughly in line with the average loan-to-deposit ratio during 2013.

Source: Central Bank of Qatar, Byblos Research

TURKEY

Monetary tightening to affect SME loans more than residential mortgages

Moody's Investors Service anticipated that Turkey's more restrictive monetary policy would increase the level of arrears for residential mortgage and for small- and medium-sized enterprises (SME), given that it would result in a slowdown in economic activity. It considered that SME loans are more sensitive to adverse economic conditions than mortgages. It added that Turkish SME loans are more affected by higher rates due to their shorter maturities and as borrowers typically refinance their loans regularly. But it noted that the rise in interest rates will negatively affect the ability of both mortgage and SME borrowers to take new loans. It said that this would slow down the rise in housing prices. However, the agency considered that the country's residential mortgage market will remain strong due to moderate growth in real terms that has prevented the creation of a bubble, strict mortgage market regulations, and favorable demographics that will continue to drive demand. Further, it said that Turkish covered bonds, which are currently only SME-backed, offer structural protections that offset their riskier asset profile as well as other asset weaknesses. But it pointed out that covered bonds will be exposed to weakening issuer creditworthiness in a restrictive monetary policy environment.

Source: Moody's Investors Service

CHINA

Shadow banking poses risks to financial sector

Information provider IHS Global Insight indicated that the Chinese authorities' decision to bailout the CNY3bn or \$495m fund arranged by one of China's largest investment trust companies highlights systemic risks within the shadow banking industry. It said that authorities decided to bailout the product for several reasons, rather than impose market discipline. First, it considered that a default would have caused a liquidity crunch given that it would have occurred during a period of high cash demands. Second, it noted that the shadow banking segment lacks the required legal framework to address a default. Third, it expected additional financial reforms to be implemented soon, which would make shadow banking reforms more effective. Overall, it considered that a single default would have dampened confidence, reduced economic growth and caused more funds to fail. In parallel, it said that the rapid expansion of shadow banking activities over the past five years constitutes one of the most serious risks to the Chinese economy. It noted that trust companies currently constitute the second-largest financial sector in China behind formal banks. It estimated the total assets of some 60 trust companies operating in the country at about CNY10.1 trillion or \$1.6 trillion. It expected further potential defaults to occur given the expected slowdown in economic activity. As such, it considered that the recent bailout to be a missed opportunity to address a prominent moral hazard in the financial industry.

Source: IHS Global Insight



ENERGY / COMMODITIES

Brent oil prices to drop by 1% in second quarter

Brent prices are forecast to average \$106.5 a barrel in the second quarter of 2014, down 0.9% from the previous quarter but up 3.4% from the same quarter last year. In parallel, WTI oil prices are expected to average \$99 a barrel in the second quarter of the year, up by 2.4% from the preceding quarter and by 5.2% from the second quarter of 2013. As such, the WTI-Brent price differential is anticipated to narrow to an average of \$7.5 a barrel in the second quarter of 2014 from \$10.8 a barrel in the previous quarter. In parallel, global oil demand is projected to average 92.7 million b/d in 2014, up by 1.6% from last year, while global oil supply is forecast to increase by 2.6% year-on-year to 94 million b/d on average this year. The global oil market is expected to remain in surplus in 2014, while the Organization for Economic Cooperation and Development's stock-to-consumption ratio is anticipated to decrease from 7.92 weeks in 2013 to 7.74 weeks in 2014. The global oil market is projected to post surpluses during the 2014-15 period as production continues to expand rapidly in North America and as Iraq's crude production accelerates.

Source: *Economist Intelligence Unit, Byblos Research*

South Sudan's oil output down 39% from pre-conflict level

South Sudan's oil production is currently estimated at about 150,000 b/d, constituting a decrease of 38.8% from an average of 245,000 b/d before fighting erupted between government forces and rebels loyal to former Vice President Riek Machar. The drop in output and worries of further shutdowns is leading usual buyers of the country's oil, such as China, to seek alternative sources. Before the conflict began in December 2013, South Sudan had been working to restore its oil output to 350,000 b/d, the level reached prior to the January 2012 dispute with Sudan that shut down output for more than one year.

Source: *Financial Times, Thomson Reuters, Byblos Research*

OPEC's crude oil production to rise in 2014

The Organization of Petroleum Exporting Countries' (OPEC) crude oil production is forecast to increase by 0.9% year-on-year to 30.69 million b/d in 2014. Saudi Arabia is expected to remain OPEC's largest oil producer with a market share of 31.3% in 2014. It would be followed by Iraq with 10.5% of the total, Kuwait with 9.4%, the UAE with 9.1%, Iran with 8.7%, Venezuela with 8%, Nigeria with 6.6%, Angola with 6%, Algeria with 4% and Qatar with 2.4%. In parallel, OPEC's production of natural gas liquids is forecast to rise by 3% year-on-year to 6.59 million b/d in 2014.

Source: *OPEC, Byblos Research*

Libya's crude oil output at 14% of capacity

Libya's crude oil production is currently at about 230,000 b/d, equivalent to about 14.4% of the country's normal output level, and constituting a decline of 83.6% from an average of 1.4 million b/d reached in the first half of 2013. The significant decline in production is mainly due to the shutdown of oilfields as protests and clashes in the area intensify. Libya's oil infrastructure is repeatedly targeted by protests, shutdowns and strikes led mainly by armed rebels who refuse to recognize the state's authority following the revolt that overthrew President Muammar al-Gaddafi in October 2011.

Source: *Thomson Reuters, Byblos Research*

Base Metals: Aluminium prices to stagnate in 2014 and to grow by about 16% in 2015

Global aluminium demand is projected to reach 53 million tons in 2014, constituting an increase of 5% from 50.5 million tons in 2013. China's aluminium consumption is anticipated at 24.9 million tons in 2014, equivalent to 47% of global demand. It would be followed by Western European countries with 6.8 million tons (12.9%), North America with 6.1 million tons (11.6%) and the Rest of the World (RoW) with 15.1 million tons (28.5%). In parallel, global aluminium production is forecast to reach 51.8 million tons in 2014, constituting an increase of 4.8% from 49.4 million tons in 2013. China's aluminium production is projected to reach 25 million tons in 2014, equivalent to 48.3% of global supply. It would be followed by North America with 4.6 million tons (8.8%), Western European countries with 4 million tons (7.8%) and the RoW with 18.2 million tons (35.1%). The aluminium market is anticipated to post a surplus of 1.3 million tons in 2014 as the metal's demand outweighs supply. The stock-to-consumption ratio is expected to decrease from 6.9 weeks in 2013 to 5.6 weeks in 2014 and to 4.6 weeks in 2015. Aluminium prices are forecast to grow by a marginal 0.2% year-on-year to \$1,850 a ton in 2014 and to rise by 16.2% to \$2,150 a ton in 2015 as the stock-to-consumption ratio decelerates.

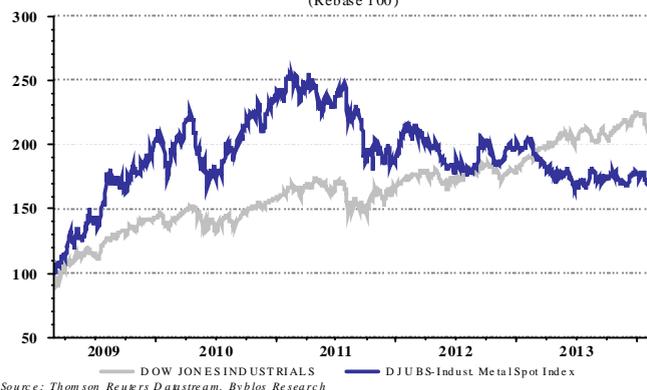
Source: *Barclays Capital, Byblos Research*

Precious Metals: Silver prices to decrease by 5% in second quarter and by 20% in 2014

Global silver fabrication demand is projected to reach 26,591 tons in 2014, constituting a marginal increase of 0.2% from 26,550 tons in 2013. As such, silver industrial consumption is expected to grow by 2.8% year-on-year to 14,672 tons in 2014, while jewelry and silverware purchases are forecast to rise by 4.5% year-on-year to 7,772 tons in 2014. In parallel, global silver mine production is anticipated to grow by 1.3% year-on-year to 25,669 tons in 2014, while global old silver scrap supply is forecast to decrease by 4% to 6,955 tons this year. As such, global silver production is forecast to reach 32,824 tons in 2014, which would constitute a decrease of 0.2% from 32,895 tons in 2013. Further, the implied physical demand for silver is anticipated at 6,232 tons in 2014, constituting a drop of 1.8% from 6,345 tons in 2013. Silver prices are projected to average \$18 a troy ounce in the second quarter of 2014, constituting a decrease of 5.3% from the previous quarter. Overall, silver prices are forecast to average \$19 a troy ounce in 2014, which would constitute a decrease of 20.2% from \$23.8 a troy ounce in 2013.

Source: *Barclays Capital, Byblos Research*

Industrial Metals vs. Dow Jones Industrial Average
(Rebase 100)



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	-2.2	14.3	1.5	7.0	1.4	-	2.9	-
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	1.2	33.2	22.8	-21.1	2.6	76.5	7.1	-1.6
	Stable	Stable	Positive	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-13.6	97.5	14.6	74.0	4.7	343.8	-2.1	0.9
	Stable	Negative	Stable	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.8	22.5	18.9	110.6	-	-	-6.4	2.5
	-	-	-	-	Stable								
Ghana	B	B1	B	-	B	-10.2	51.2	27.8	54.1	3.2	247.3	-11.9	7.1
	Negative	Negative	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-3.1	41.5	17.3	95.0	-	-	-2.9	3.0
	-	-	-	-	Stable								
Libya	-	-	B	-	B	-4.5	4.5	7.9	-304.0	3.0	-	6.3	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	0.1	35.1	39.7	73.6	1.5	6.0	-2.1	10.2
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-6.1	62.0	38.5	89.7	6.9	250.8	-7.3	2.8
	Negative	Negative	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-1.9	20.1	5.6	13.4	0.4	33.0	3.3	2.3
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-2.0	100.0	85.8	-	-	-	-11.9	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-7.1	47.4	54.1	111.0	9.8	333.9	-5.8	2.0
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-2.3	31.4	23.8	113.7	2.7	263.7	-5.2	0.4
	Stable	-	-	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-5.9	39.9	142.4	44.2	15.3	611.5	5.3	0.3
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-4.5	21.9	1.7	22.3	17.6	22.6	-0.5	-
	-	-	-	Negative	Stable								
Iraq	-	-	-	-	CCC	-0.6	41.0	12.5	51.7	-	-	5.5	-
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-6.1	83.9	63.3	52.2	10.2	260.4	-10.2	4.9
	Negative	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	31.3	6.5	16.3	30.7	7.2	110.5	43.2	-4.8
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-11.1	143.9	81.8	144.6	21.0	122.0	-11.3	4.7
	Negative	Negative	Negative	Stable	Stable								
Oman	A	A1	-	A	A	3.3	4.0	19.4	18.1	3.6	101.1	7.3	2.4
	Negative	Stable	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	7.3	32.0	87.8	75.8	12.7	481.9	27.6	-0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	A	8.7	3.7	12.9	36.0	1.8	12.4	20.1	1.1
	Positive	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	C	-14.0	57.4	20.7	-	-	-	-14.1	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	13.6	32.1	49.2	25.9	3.9	366.8	15.7	1.8
	-	-	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.8	48.1	16.4	49.7	-	-	-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-	-	-	-2.2	45.5	74.8	125.1	18.8	553.5	-9.0	3.4
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.7	8.4	31.0	1.6	21.5	2.0	2.1
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-8.0	67.9	23.5	18.7	5.8	173.3	-3.9	1.9
	Negative	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BB	4.8	13.2	59.8	148.2	18.4	728.3	0.9	5.7
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.0	18.2	93.2	136.0	20.9	282.3	-0.6	3.1
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	-	B	-2.7	38.4	75.2	150.1	21.3	281.8	-1.7	1.5
	Stable	Negative	Stable	-	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-0.7	14.1	29.4	85.1	25.4	139.6	2.6	0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	34.4	45.7	116.4	27.0	327.4	-7.5	1.2
	Negative	Stable	Stable	Stable	Stable								
Ukraine	CCC+	Caa2	B	-	CC	-4.3	43.0	79.4	141.5	28.2	759.4	-7.0	4.4
	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 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	11-Mar-14
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	28-Jan-14	Raise 550bps	18-Mar-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	26-Feb-14	No change	N/A
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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