

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

AFRICA

Sub-Saharan Africa's sovereign borrowing from commercial sources at \$61bn in 2014

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by the 17 rated countries in Sub-Saharan Africa at \$61bn in 2014, constituting an increase of 48.8% from \$41bn in 2013. It said that \$16bn or 26.2% of total sovereign borrowing would refinance maturing long-term debt, which would result in an estimated net borrowing requirement of \$45bn in 2014. South Africa would account for 36.3% of total borrowing, followed by Nigeria with 23.1%, Angola with 20.3% and Ghana with 7.9% this year. In parallel, S&P forecast the total sovereign commercial debt stock of the 17 countries at \$315bn at the end of 2014 relative to \$273bn at end-2013, and would include \$260bn in medium- and long-term debt and \$55bn in short-term debt. South Africa would account for the highest share in the aggregate debt stock at 52.5% of total issuance, followed by Nigeria (17.8%), Angola (10.2%) and Ghana (5.2%). Further, gross long-term sovereign commercial borrowing would be equivalent to 5.2% of aggregate GDP of the 17 economies this year, while the total sovereign debt from commercial sources would reach 27% of their GDP.

Source: Standard & Poor's

GCC

Insurance market attractive to global insurers

Moody's Investors Service indicated that the insurance market in Gulf Cooperation Council (GCC) presents an attractive medium-term growth opportunity to global reinsurers. It noted that the low insurance penetration rate, rising awareness about the benefits of insurance, and the high number of infrastructure and hydrocarbon related projects in GCC countries have resulted in strong demand for both commercial and personal lines of insurance. But it noted that the high compound annual growth rate in the GCC insurance market during the 2006-13 period has not yet been fully reflected in reinsurance premiums due to local insurance carriers retaining more risk, as well as due to the lack of extreme losses in the GCC region in 2013. It said that overcapacity in the global reinsurance market, along with the low level of natural catastrophe claims in the Gulf region and generally healthy loss ratios for insurers, has added pressure on reinsurance renewal rates. It noted that many commercial reinsurance policies are shifting from quota sharing arrangements to excess of loss coverage. As such, it pointed out that reinsurance buyers in the GCC are benefiting from softening rates.

Source: Moody's Investors Service

MENA

M&A deals up 42% to \$11bn in fourth quarter of 2013

Figures released by financial information provider Zawya show that a total of 98 merger & acquisition deals were completed in the Middle East & North Africa region in the fourth quarter of 2013, constituting an increase of 5.4% from 93 deals in the fourth quarter of 2012. Also, the aggregate value of M&A deals in the region totaled \$10.6bn in the fourth quarter of last year, up by 42.2% from \$7.5bn in the same quarter of 2012. As such, the average deal value reached \$108.7m in the fourth quarter of 2013, up 35% from \$80.5m a year earlier. The value of domestic deals in the region accounted for 74% of total deal value in the covered quarter, followed by outbound deals with 26% and inbound deals with 1%; while the volume of domestic deals represented 74% of total deal volume, followed by outbound deals with 14% and inbound deals with 12%. Further, the telecommunication sector attracted \$5.6bn or 52.8% of the total in the fourth quarter of last year, constituting the highest share among all sectors. In parallel, targeted M&A deals in the MENA region, that include inbound and domestic deals, reached 84 transactions or 85.7% of total M&A deals in the fourth quarter, and amounted to \$7.9bn or 74.3% of total M&A deal value. North Africa accounted for 56% of targeted M&A deal value in the fourth quarter, followed by the Levant region with 26%, and GCC countries with 18%. Morocco was the main destination for M&A with five transactions valued at \$5.9bn.

Source: Zawya

Readiness for decentralization below global average

The World Bank's Government Closeness Index indicated that Arab countries are not as ready for decentralization as other countries worldwide. The region received an average score of 0.2 points, well below the global average of 2.5 points. Also, the Gulf Cooperation Council (GCC) countries' average score of 0.3 points was higher than that of non-GCC Arab countries of 0.2 points. The index measures a local government or administration's closeness to its people, whereby a local government or municipality is defined as closer to its people if it covers a small geographical area and population, enjoys home rule and cannot be arbitrarily dismissed by higher-level governments. Higher rankings reflect a system's readiness for overall decentralization. The index ranked West Bank & Gaza in first place among 18 Arab countries and in 52nd place among 158 countries globally. It was followed by the UAE (58th), Sudan (80th), Lebanon (87th), Morocco (92nd), Tunisia (102nd), Iraq (103rd), Algeria (110th), Egypt (114th), Libya (115th), Jordan (116th), Syria (120th), Kuwait (123rd), Qatar (129th), Yemen (132nd), Mauritania (147th), Saudi Arabia (150th), and Oman (152nd).

Source: World Bank

OUTLOOK

QATAR

Non-hydrocarbon growth rate at 10% in medium-term, domestic and external risks remain

The International Monetary Fund projected Qatar's real GDP growth at 5.9% in 2014 compared to an estimated growth rate of 6.1% in 2013, with hydrocarbon output shrinking by 1% relative to growth of 1.2% in 2013 and non-hydrocarbon sector activity expanding by 10.7% compared to a growth rate of 10% last year. It said that public investments would support economic activity and would keep annual non-hydrocarbon growth at about 10% over the medium-term. It forecast the average inflation rate at 3.3% in 2014 relative to 3.1% in 2013 and to remain at between 3% and 4% over the medium-term. It noted that the expected gradual decline in commodity prices would help reduce inflationary pressure resulting from strong economic activity. It anticipated the fiscal surplus to narrow to 6.8% of GDP in 2014 from 11% of GDP in 2013, and for the current account surplus to regress to 24.2% of GDP this year from 29.2% of GDP last year. It attributed the narrowing of the fiscal and current account surpluses to flat liquid natural gas production, falling crude oil output from mature fields, lower global hydrocarbon prices and growing public spending. It noted that the fiscal balance would shift to a deficit and the current account surplus would drop to 5% of GDP over the medium-term.

In parallel, the Fund indicated that domestic risks to the outlook are mainly related to the ongoing public investment program. It cautioned from the possibility of overheating in the near term, and overcapacity in the medium-term. It added that the extent to which public investment will permanently improve private sector productivity remains uncertain. Further, it said that Qatar remains exposed to several global risks. It noted that short-term risks include global financial market volatility, a persistent slowdown in emerging markets, and a renewed crisis in the Eurozone. It said that the main medium-term risk is the possibility of a sharp decline in global oil and gas prices resulting from growing unconventional oil and natural gas supplies, subdued global growth, and rising energy efficiency.

Source: International Monetary Fund

TURKEY

Growth to decelerate on uncertainties

Credit Suisse projected Turkey's real GDP growth at 2.2% this year compared to an estimated growth rate of 4.3% in 2013. It said that the slowdown in economic activity reflects a change in the domestic environment. It anticipated that the macroprudential measures announced on December 31, 2013, the monetary policy tightening implemented on January 28, 2014 and the decline in capital inflows would decelerate credit growth to 15% in 2014. It forecast private consumption to grow by 1.3% in real terms in 2014 relative to 3.8% in 2013 and projected no real growth in fixed investments this year relative to a rise of 3.5% in real terms last year. It said that the risks to the investment outlook are to the downside, mainly if weaker consumer and business confidence is coupled with weaker-than-expected recovery in the global economy.

Further, Credit Suisse forecast the inflation rate to average 7.6% in 2014 relative to 7.5% of 2013 and to reach 7.7% at end-2014 compared to 7.4% at end-2013. It noted that the inflationary environment would be more challenging in the second quarter of the year if the government decides to increase utility prices in that quarter rather than in October 2014. It anticipated that the increase in interest rates would be adequate to control inflation expectations. But it noted that authorities might have to tighten lira liquidity in the event of further deterioration in the inflation outlook. In parallel, it indicated that domestic demand growth is slowing and the economy is rebalancing towards external demand, which would narrow the current account deficit to 5.7% of GDP in 2014 from 7.7% of GDP in 2013.

Source: Credit Suisse

NIGERIA

Structural reforms needed despite favorable economic outlook

The International Monetary Fund projected Nigeria's real GDP growth at 7.3% in 2014 compared to an estimated growth rate of 6.4% in 2013, driven by the agriculture sector, trade and services. It forecast hydrocarbon output to grow by 6.8% in 2014 relative to a contraction of 1.8% in 2013, and for the non-hydrocarbon sector to expand by 7.4% compared to a growth rate of 7.7% last year. It projected the inflation rate at 7% at the end of 2014 compared to 7.9% at the end of 2013, mainly supported by lower food prices and tight monetary policy. It expected the current account surplus to improve to 3.7% of GDP in 2014 from 3.1% of GDP in 2013, and for foreign currency reserves to rise to \$44.5bn or 5.5 months of import cover, from \$43.6bn or 5.7 months in 2013. It noted that the foreign reserves level remains comfortable despite uncertainties about the tightening of monetary policies in advanced economies. It forecast the fiscal deficit to narrow to 2.9% of GDP in 2014 from 4.7% of GDP in 2013. Overall, it considered that Nigeria's economic outlook remains favorable, but key risks include lower hydrocarbon revenues from oil production losses, lower global oil prices, a tightening in global liquidity, domestic political and security uncertainties and the slow implementation of reforms.

In parallel, the IMF called on authorities to rebuild the external and fiscal buffers, avoid politically-related pressures on spending, strengthen the transparency and governance of the oil sector, and enhance financial stability. It encouraged the government to increase non-oil public revenues by broadening the tax base, improving tax administration and limiting tax exemptions, and by further reducing oil subsidies. It urged officials to improve oil revenue management, and to complete the transition from the Excess Crude Account to the Sovereign Wealth Fund. It called on authorities to address oil theft and production losses as well as to strengthen the regulatory framework by passing the Petroleum Industry Bill. Further, the Fund pointed out that structural reforms should aim at enhancing the business environment, improving productivity, broadening financial access to small- and medium-sized enterprises, and strengthening governance and institutional capacity.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

Ratings to remain divergent between GCC and other Aarb sovereigns

Moody's Investors Service indicated that sovereign ratings in the Middle East & North Africa region reflect the sharp economic and fiscal gaps and political dynamics between Gulf Cooperation Council (GCC) economies and non-GCC countries. It said that all GCC sovereigns have investment-grade ratings that are mainly supported by their strong and external fundamentals, and that all member countries have a 'stable' outlook on their sovereign ratings except for Bahrain's ratings that have a 'negative' outlook. The agency forecast economic activity in GCC economies to remain solid and for the inflation level to remain in low single-digits. It projected real GDP growth in GCC economies at 4.3% in 2014 and 4.2% in 2015, supported by the non-hydrocarbon sector. It pointed out that fiscal policies would not significantly stimulate economic activity in GCC countries, given the decline in their fiscal space. It noted that growth in budgetary spending would continue to decelerate in 2014 as higher fiscal breakeven oil prices restrain fiscal policy space. But it expected external strengths to provide substantial credit support in case of additional tightening of the fiscal space. It noted that the external breakeven oil price for the larger GCC economies is approximately \$10 to \$20 per barrel, lower than their fiscal breakeven price, while their sovereign wealth funds external assets significantly exceed their annual public spending and debt stock. In contrast, Moody's said that non-GCC states suffer from deterioration in their credit profiles following the global financial crisis and political unrest in the region. It expected economic growth to remain subdued and for fiscal challenges to persist in non-GCC countries this year. It projected real GDP growth at 2.9% in non-GCC economies in 2014, but to rise to 4.2% in 2015 if political risks recede.

Source: Moody's Investors Service

SAUDI ARABIA

Sovereign ratings upgraded, outlook 'stable'

Fitch Ratings upgraded Saudi Arabia's long-term foreign and local currency Issuer Default Ratings (IDRs) to 'AA' from 'AA-' with a 'stable' outlook. It also upgraded the Country Ceiling to 'AA+' from 'AA' and affirmed the short-term foreign currency IDR at 'F1+'. It attributed the upgrade to the further strengthening of sovereign and external balance sheets, continued efforts to address the high unemployment rate and the shortage of affordable housing, improving banking soundness, and to a decline in domestic oil consumption. It said that the country's net external assets of more than 100% of GDP at end-2013 significantly exceed those of similarly-rated peers. It pointed out that labor market reforms have progressed, but it noted that the unemployment rate of 11.5% is still above the median level among similarly-rated countries. Further, Fitch said that the decline in domestic oil consumption has eased the pressure on the fiscal breakeven oil price. But it noted that the decline is due to the greater availability of gas rather than to a fall in overall energy consumption. It anticipated the increase in the fiscal breakeven oil price to moderate in coming years, given that capital spending peaked in 2013.

Source: Fitch Ratings

QATAR

Optimism of non-hydrocarbon sector deteriorates

The D&B Business Optimism Index for Qatar shows that the level of optimism in the non-hydrocarbon sector reached 49 in the first quarter of 2014 compared to 53 in the previous quarter and 45 in the same quarter last year. The index for expected new orders regressed to 65 from 67 in the previous quarter and that for expected sales decreased to 63 from 65 in the preceding quarter. But 67% of firms in the non-hydrocarbon sector are anticipating an increase in their order book status and 68% are expecting a rise in their sales as a result of better economic conditions. Also, the index for the level of selling prices declined to 18 from 27 in the fourth quarter of 2013, reflecting strong competition and price regulation. Further, the index for expected profits regressed to 48 from 60 in the fourth quarter of 2013, and that for inventory levels decreased to 31 from 55 in the preceding quarter. But the index for the number of employees grew to 51 from 44 in the previous quarter as companies have new projects in the pipeline. On a sector basis, the manufacturing index declined to 51 from 53 in the fourth quarter of last year, and was the sector with the most optimistic outlook in the first quarter of 2014. The construction index decreased to 51 from 53 in the fourth quarter of last year; the finance, real estate & business services index regressed to 50 from 53 in the previous quarter; the trade & hospitality index decreased to 43 from 52 in the preceding quarter; and the transport & communications index declined to 47 from 50 in the preceding quarter.

Source: Dun & Bradstreet

ARMENIA

IMF approves new 38-month \$128m arrangement

The International Monetary Fund indicated that it has approved a \$127.6m Extended Fund Facility (EFF) to support Armenia's economic program during the 2014-17 period. It noted that the approval allow the immediate disbursement of \$18.2m, while the balance would be disbursed over the duration of the program. It said that Armenia's performance under the 2010-13 arrangements was sound. But it noted that real GDP growth and inflation rates remain volatile, the current account deficit continues to be wide which would keep the economy vulnerable to shocks, and the poverty and unemployment levels are still high. As such, it considered that the new 38-month EFF would help stimulate economic activity, support poverty reduction's efforts, stabilize the inflation environment, and reduce fiscal and external vulnerabilities. It expected fiscal policy to provide a stimulus in 2014, and to follow a gradual consolidation during the 2015-17 period that would reduce the public debt level. It noted that revenue measures would support consolidation and would create room to address social and investment needs. It said that the monetary policy will continue to target inflation in the context of a flexible exchange rate regime. Further, it anticipated structural reforms to support medium-term growth by improving the business climate, strengthening public institutions, improving the economy's connectivity and competition, creating a stronger environment for private and foreign direct investment, and by addressing key risks, mainly in the energy sector. The IMF indicated that risks to the program are manageable and the country's repayment capacity is strong.

Source: International Monetary Fund



BANKING

KUWAIT

Lending up 6% year-on-year in January 2014

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD51.6bn, equivalent to \$182.8bn at the end of January 2014, constituting a marginal increase of 0.2% from the end of 2013 and a rise of 8.8% from end-January 2013. The sector's aggregate lending reached KD32.7bn, or \$116bn at end-January 2014, up by 0.3% from end-2013 and by 6.4% from a year earlier. The annual increase in total lending was mainly driven by a 7.3% rise in lending to the private sector that reached KD31.2bn or \$110.6bn at end-January 2014, and to a 6.4% growth in credit to the public sector that totaled KD1.5bn or \$5.3bn. Further, the sector's aggregate deposits totaled KD36.1bn or \$128bn at end-January 2014, constituting a marginal decrease of 0.5% from the end of 2013. Total deposits rose by 6.7% year-on-year in January 2014 supported by a 7.7% increase in private sector deposits that reached KD31bn or \$110bn and by a 1.3% growth in public sector deposits that totaled KD5.1bn or \$18bn. The loans-to-deposits ratio stood at 90.6% at the end of January 2014 compared to 90% at end-2013 and to 91% a year earlier.

Source: Central Bank of Kuwait

TURKEY

Banks' stand-alone credit profiles downgraded

Standard & Poor's reduced the stand-alone credit profiles (SACPs) of Türkiye Garanti Bankası (Garanti), Türkiye İş Bankası (İşbank), Türkiye Vakıflar Bankası (VakıfBank), and Yapi ve Kredi Bankası (YapıKredi) to 'bb+' from 'bbb-' and that of HSBC Bank to 'bb-' from 'bb', while it maintained that of Albaraka Turk Katılım Bankası (Albaraka Turk) at 'bb-'. Further, it affirmed the long-term counterparty credit ratings of İşbank, VakıfBank, YapıKredi, Garanti and HSBC Bank at 'BB+' and that of Albaraka Turk at 'BB', and maintained the 'negative' outlook on the ratings. The agency attributed its decision to reduce the SACP of the five banks to its downgrade of the industry risk score to '6' from '5' as part of its review of Turkey's Banking Industry Country Risk Assessment (BICRA). The BICRA assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. Following the review, the agency downgraded Turkey's BICRA to 'Group 6' from 'Group 5' and maintained the economic risk score at '6'. S&P indicated that Turkey's industry score reflects the change of its assessment of system-wide funding risks to "very high risks" from "high risks", and its assessment of "intermediate risks" to the country's institutional framework and competitive dynamics. It said that system-wide funding risks rose, reflecting the weakening in domestic activity and the subdued global economic conditions. It noted that the Turkish banking system is currently more vulnerable to domestic and external shocks. It anticipated that Turkish banks would pay a higher premium for their foreign borrowings in 2014, which would weigh on their already contracting margins. It said that the trend for the banking sector's industry risk is 'stable', while that for the economic risk is 'negative' given that a potential hard economic landing would increase credit risks and weaken the banks' asset quality.

Source: Standard & Poor's

NIGERIA

Ratings on large banks affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDR) of First Bank of Nigeria (FBN), Zenith Bank, United Bank for Africa (UBA) and Guaranty Trust Bank (GTB) at 'B+' and that of Access Bank, Diamond Bank, Union Bank and Fidelity Bank at 'B'. It affirmed all banks' short-term IDRs at 'B' and said that their long-term IDRs have a 'stable' outlook. Also, it maintained the long-term and short-term IDRs of FBN Holding at 'B' and its viability rating (VR) at 'b'. It affirmed the long-term National Ratings of Stanbic IBTC Bank (SIBTC) at 'AAA(nga)' and its short-term rating at 'F1+(nga)', and assigned the same ratings to SIBTC Holding. It said that the long-term IDRs of FBN, UBA, Diamond, Fidelity and Union are driven by the level of support from the Nigerian authorities in case of need; while those of Zenith, GTB and Access are driven by their intrinsic strengths. It noted that the level of government support did not weaken, despite market volatility and the uncertainty created by the suspension of the Governor of the Central Bank of Nigeria. In parallel, Fitch affirmed the VR of Zenith and GTB at 'b+', that of FBN and Access at 'b', and that of UBA, Diamond, Fidelity and Union at 'b-'. It pointed out that the VRs of Nigerian banks indicate a highly speculative fundamental credit quality, mainly due to an extremely challenging domestic operating environment that directly affects the banks' overall weak financial profiles. It noted that Zenith and GTB's higher VRs reflect their strong company profiles, low risk appetite and sound financial metrics.

Source: Fitch Ratings

DEM REP CONGO

De-dollarization of the economy unlikely in coming years

Business Monitor International anticipated that the high dollarization rate of the Democratic Republic of Congo's (DRC) economy is not likely to decrease anytime soon. It noted that the DRC is one of the world's most dollarized economies given that the US dollar accounts for at least half of all money in circulation and for over 90% of bank deposits, and that the Congolese franc plays at best a supporting role in the economy. It considered that the government's efforts to increase the use of the Congolese franc will take years to feed through. It expected the US dollar to remain the key currency in the DRC over the medium- to long-term, given the economy's total dependence on imported goods & services and a history of hyperinflation and currency devaluation. In parallel, BMI considered that the widespread use of the US dollar has supported price stability and helped reduce transaction costs. But it noted that the current situation reduces the authorities' ability to manage the domestic economy. It said that the weak domestic financial system and the high levels of dollarization prevent monetary policy from having any substantial impact on the economy. It pointed out that the Banque Centrale du Congo (BCC) has little ability to respond to inflationary pressures or to use interest rate policy to stimulate economic activity. It noted that setting interest rates for deposits in local currency is irrelevant, given that the vast majority of deposits are in US dollars.

Source: Business Monitor International



ENERGY / COMMODITIES

Natural gas prices to rise by 22% in 2014

U.S. natural gas Henry Hub prices are projected to reach \$4.64 per million British thermal units (Btu) on average in the second quarter of 2014, up 15.4% from the same quarter of last year; while European natural gas prices are expected to average \$11.63 per million Btu during the same quarter. Overall, U.S. natural gas Henry Hub prices are anticipated to rise by 21.7% year-on-year to \$4.54 per million Btu on average in 2014. In parallel, global natural gas demand is expected to increase by 1.9% year-on-year to 3,466.4 billion cubic meters in 2014. Further, global natural gas consumption is projected to continue to be supported by heavy investments in expanding electricity capacity and liquefied natural gas (LNG) import capacity, particularly in Asia. Further, the Dow Jones-UBS Energy Sub-Index grew by 2.6% last month and by 6.1% from end-2013, while the Dow Jones-UBS Natural Gas Sub-Index regressed by 1.1% last month and rose by 16.6% in the covered period. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index improved by 5.8% in February and by 4.7% in the first two months of the year and the Dow Jones-UBS Brent Crude Sub-Index increased by 3.1% last month and decreased by 1.1% from end-2013.

Source: Economist Intelligence Unit, Dow Jones Indices

M&A down 41% in Middle East's oil & gas sector

The overall number of M&A transactions in the Middle East region's oil and gas sector reached 26 in 2013, constituting a decrease of 41% from 44 deals a year earlier. Also, the overall value of M&A deals grew by about 14.8% year-on-year to \$3.1bn in 2013. The total number of M&A upstream transactions in the Middle East, which is also known as the exploration and production sector, reached 16 in 2013, down 54.3% from 35 in 2012. The transactions value in the upstream sector rose to 1.8% of global upstream value in 2013 from 1.5% in 2012. The combined number of transactions in the UAE, Oman and Iraq accounted for about 60% of the total number of upstream transactions in the region. Further, there were five deals completed in the downstream sector, which consists of refining, processing and purifying, of which two were in the petrochemicals sector.

Source: EY

South Sudan's oil exports to decrease in April

South Sudan's crude oil exports is forecast to reach 4 million barrels or 133,333 barrels per day (b/d) in April 2014, constituting a decrease of about 16.7% from 4.8 million barrels set to be exported in March. The anticipated drop in exports next month is due to producers' cautious approach towards the instability in the region and to the country's unrest since December 2013. South Sudan's crude oil production is estimated at about 160,000 b/d in early March 2014.

Source: Platts, Byblos Research

Jordan to start oil production in 2018

Jordan expects to start producing oil from oil shale and to generate electricity using clean technologies in 2018. It said that it would also export its energy as soon as the multibillion-dollar energy projects become operational. It indicated that oil production would rise gradually every year to reach significant quantities by early 2020. In parallel, the government is expected to sign an agreement to build a \$2bn oil shale-fuelled power plant this year with a group of Chinese, Emirati and Jordanian firms.

Source: The Jordan Times

Base Metals: Chinese aluminium consumption to account for 49% of global demand in 2014

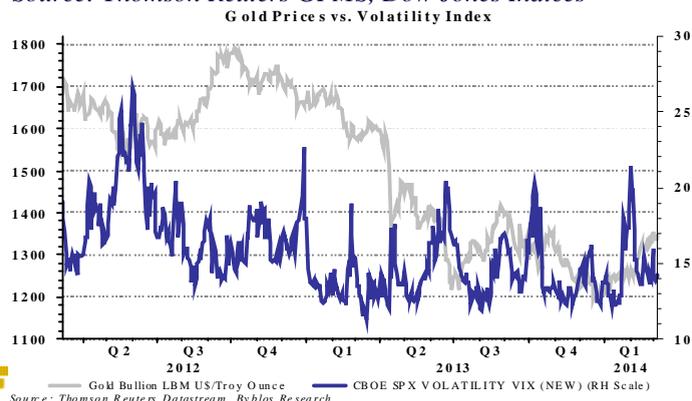
Aluminium prices are forecast to reach \$1,800 per ton on average in the second quarter of 2014, constituting a rise of 4.7% from the previous quarter and a drop of 1.9% from the same quarter last year. Global aluminium production is expected to reach 51.7 million tons this year, up by 4% from last year; while global aluminium consumption is projected to rise by 5.2% year-on-year to 52 million tons in 2014. China's aluminium consumption is anticipated at 25.4 million tons this year, equivalent to about 48.9% of global demand. It would be followed by EU countries (12.4%) and the United States (9.9%). In parallel, Chinese production is projected to reach 26 million tons in 2014, equivalent to 50.3% of total production, followed by Russia (6.5%) and Canada (5.5%). In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 2% in February and declined by 3% in the first two months of 2014, while the Dow Jones-UBS Aluminium Sub-Index rose by 2.1% last month and fell by 4.2% from end-2013. The Dow Jones-UBS Copper Sub-Index regressed by 0.2% in February and by 6.1% in the first two months of the year, while the Nickel Sub-Index grew by 5.3% last month and by 5.8% in the covered period.

Source: Economist Intelligence Unit, Dow Jones Indices

Precious Metals: Silver prices could fall to \$15 a troy ounce and to average \$19 an ounce in 2014

Silver prices are forecast to average \$20.4 a troy ounce in the first quarter of 2014, constituting a decrease of 1.8% from an average of \$20.8 an ounce in the fourth quarter of 2013. Prices are expected to continue to trend lower in the second and third quarters, but to modestly recover in the fourth quarter of the year. Silver prices could decrease to as low as \$15 a troy ounce in 2014 due to a lack of investors' interest in the metal and to slow industrial demand. Overall, silver prices are forecast to drop by 20.2% year-on-year to \$19 an ounce in 2014. In parallel, global silver consumption is forecast to increase marginally by 0.3% in 2014 relative to a growth rate of 0.7% a year earlier. Also, silver demand from the electronics sector is expected to be weak in coming quarters. In parallel, the Dow Jones-UBS Precious Metals Sub-Index improved by 7.7% in February and by 9.8% in the first two months of 2014, while the Silver Sub-Index rose by 10.9% last month and by 9.5% from end-2013. Also, the Dow Jones-UBS Gold Sub-Index rose by 6.6% in February and by 9.9% in the first two months, while the Platinum Sub-Index grew by 5.2% last month and by 5.3% from end-2013.

Source: Thomson Reuters GFMS, Dow Jones Indices



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	Stable	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	Stable	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-Mar-14	No change	03-Apr-14
UK	Bank Rate	0.50	06-Mar-14	No change	10-Apr-14
Japan	O/N Call Rate	0-0.10	18-Feb-14	No change	11-Mar-14
Australia	Cash Rate	2.50	04-Mar-14	No change	01-Apr-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	05-Mar-14	No change	16-Apr-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	06-Mar-14	No change	09-May-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	10.75	26-Feb-14	Raise 25bps	02-Apr-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-Mar-14	No change	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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