

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Convergence with developed economies' sovereign ratings to slow down in 2014

Fitch Ratings anticipated that the convergence between the ratings of developed and emerging sovereign issuers, which started last year, would slow down in 2014. It attributed the deceleration to a stabilization in the Eurozone's sovereign ratings and to a more challenging global financial environment facing emerging markets. It said that rating stability in the Eurozone reflects a gradual economic recovery, narrower fiscal deficits and lower borrowing needs and costs. It added that the tightening of the U.S. Federal Reserve's quantitative easing program has affected emerging markets that have large external financing needs and has underlined the absence of significant growth-inducing reforms in some larger emerging markets. In parallel, Fitch said that there were 16 sovereign downgrades and 12 upgrades globally in 2013 compared to 13 and seven, respectively, in 2012. It noted that sovereign upgrades in emerging markets accounted for 83.3% of upgrades worldwide last year, while sovereign downgrades in emerging economies represented 56.3% of global downgrades. It added that the ratio of downgrades-to-upgrades in emerging markets was 0.9-to-1 in 2013, while that in developed economies was 3.5-to-1. Further, it pointed out that 19% of sovereign ratings worldwide had a 'negative' outlook at end-2013, and included 12 countries from Europe, the Middle East & Africa, three sovereigns from Asia-Pacific and five states from Latin America; while 6% had a 'positive' outlook, all of which are in the Middle East & Africa.

Source: Fitch Ratings

MENA

Sovereign borrowing from commercial sources at \$56bn in 2014

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by the 12 rated countries in the Middle East & North Africa region at \$56bn in 2014, constituting an increase of 27.3% from \$44bn in 2013. It said that \$38bn, or 68% of total sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of \$18bn in 2014. Egypt would account for 31.1% of total borrowing, followed by Morocco with 23.6%, Lebanon with 23.4% and Jordan with 11.8% this year. In parallel, S&P forecast the total sovereign commercial debt stock of the 12 countries at \$462bn at the end of 2014 relative to \$445bn at end-2013, and would include \$317bn in medium- and long-term debt and \$145bn in short-term debt. It noted that the total stock would reach \$504bn this year when including bilateral and multilateral debt, constituting a rise of 3% from \$489bn in 2013. Egypt would account for the highest share of the debt stock, excluding bilateral and multilateral debt, with 51.2%, followed by Lebanon (13.9%), Morocco (13.5%) and Qatar (6.6%). Further, gross long-term sovereign commercial borrowing would be equivalent to 2.7% of the aggregate GDP of the 12 economies this year, while the total sovereign debt from commercial sources would be equivalent to 22.1% of their GDP.

Source: Standard & Poor's

Confidence in insurance markets improves

The MENA Insurance Barometer, a survey of 38 regional and international insurance companies and intermediaries, indicated that confidence in the future of the MENA insurance markets strengthened in 2013 as 76% of respondents expect insurance premiums to expand faster than the region's GDP growth over the next 12 months, up from 68% a year ago. Survey participants are mainly optimistic about personal lines of business that would benefit from additional compulsory insurance requirements, and about commercial insurance that would benefit from new infrastructure and construction projects. Insurers cited the region's robust GDP and insurance market growth as the most relevant strengths for their industry, followed by low natural catastrophe exposure and favorable demographics. It added that a growing and young MENA population would support personal lines insurance such as motor, homeowner's property, life and pensions. Further, insurers identified planned infrastructure and construction projects, low insurance penetration in the region and population growth as the region's top three market opportunities. In contrast, insurers cited poor levels of technical rates and profitability from strong competition as the most relevant weakness of the MENA insurance industry, followed by market fragmentation and shortage of local expertise. Also, insurers considered that political instability is the most serious threat facing their industry, followed by excessive competition, and increased frequency of weather-related losses. In parallel, 16% of insurers expect MENA insurance markets to consolidate over the next 12 months, significantly down from 36% a year ago. The survey noted that the solid levels of capitalization, as well as family ownership of many regional insurers, constitute the main barriers for market consolidation.

Source: Qatar Financial Center

Tourism to account for 7% of GDP by 2024

The World Travel & Tourism Council expected the tourism sector to account for 6.6% of the Middle East's GDP in 2014 and to rise to 7.1% of GDP in 2024. It forecast the broad tourism & travel (T&T) economy to generate demand of \$176.2bn in 2014, and to grow to \$278.6bn in constant 2013 prices by 2024. It projected the sector's real growth rate at 5.2% in 2014 and to average a real expansion rate of 4.7% annually during the 2014-24 period. The WTTC expected business travel spending to reach \$33.1bn this year, and to grow by a real rate of 4% annually to \$49bn in constant prices by 2024. It also forecast leisure travel spending to total \$98.3bn in 2014 and to grow by a real yearly average rate of 4.5% to \$153.3bn in constant prices by 2024. It estimated capital investment in the T&T economy at \$26.3bn in 2014 and at \$44.7bn in constant 2013 prices within 10 years. Further, it forecast the export of tourism services at \$69.8bn this year and at \$104.1bn in constant 2013 prices by 2024, which would account for about 4.5% of the region's total exports in 2014 and for 4.7% of exports in 2024. It said the T&T economy will provide jobs to 4.6 million people, or 6.4% of the region's total employment in 2014; with the figure rising to 6.3 million jobs or 6.8% of employment by 2024.

Source: World Travel & Tourism Council

OUTLOOK

SYRIA

Economic activity to contract by 13% in 2014

Business Monitor International projected Syria's real GDP to contract by 12.5% in 2014 and by an additional 8.1% in 2015 compared to a contraction of 13.5% in 2013, reflecting the impact of the prevailing conflict on private consumption, fixed investment and exports.

BMI anticipated private consumption to contract by 10% in real terms in 2014 and by another 5% in 2015. It noted that Syrians' purchasing power is rapidly eroding due to the elevated inflation and unemployment rates as well as to the increasing number of displaced and refugees. It expected price pressure to remain elevated in 2014 as a result of disruptions to supply lines and trade routes, damages to domestic production and cuts in energy subsidies. It forecast the average inflation rate at 60% in 2014 compared to an estimated rate of 80% in 2013. Further, it projected government spending to decline by 8% in real terms in 2014 relative to a contraction of 5% in 2013. It noted that the 2014 budget projects a 5% nominal increase in spending, reflecting the government's limited ability to finance its expenditures. It added that a significant amount of the budget will be allocated to cover debt incurred by state-owned entities.

In parallel, BMI expected fixed investment to drop by 11% in 2014 and by an additional 9% in 2015 as the violence and international sanctions have kept foreign investment at a minimum and as Syrian investors have relocated their businesses to neighboring countries. Further, it expected Syria's net export position to weigh on headline growth, with total exports falling by 20% in 2014 and by 15% in 2015, and overall imports decreasing by 10% in 2014 and by 5% in 2015. It attributed the fall in exports to the collapse in hydrocarbon exports as the government will find it hard to re-establish production and find buyers for its oil; while the drop in imports is due to the disruption of trade routes and the ongoing depreciation of the currency.

Source: *Business Monitor International*

EGYPT

Economic prospects contingent on reforms

The Institute of International Finance projected Egypt's real GDP growth at 2.3% in the fiscal year ending in June 2014 compared to an estimated growth rate of 2.1% in FY2012/13. It noted that the growth level is well below what is required to significantly reduce the high unemployment rate that reached 13.4% at end-2013. It said that the subdued level of economic activity reflects the prolonged absence of structural reforms, uncertainty about the authorities' commitment to economic policies, delays in the implementation of projects related to the first stimulus package and recurrent violence. It noted that authorities announced two stimulus packages for a total of \$9.2bn equivalent to 3.4% of GDP, that aim to finance additional public investment in infrastructure and fund the 61% increase in the public-sector minimum wage. It pointed out that improved market sentiment since June 2013 has not been matched by similar improvements in economic performance given that private investment remains weak, portfolio inflows is negligible and the tourism sector continues to underperform. As such, it expected consumption, which is supported by the large increase

in wages, subsidies and remittance inflows, to be a key growth driver. Further, it forecast the average inflation rate at 10.5% in the current fiscal year and at 11.9% in the next fiscal year relative to 7.5% in the preceding fiscal year. It said that the double-digit inflation level in the context of subdued commodity prices and weak economic activity reflects supply bottlenecks, spillover from high public-sector wages and the easing of the monetary policy. It noted that the high inflation and weak growth rates would continue to weaken macroeconomic and financial stability, necessitating a tighter monetary policy.

In parallel, the IIF forecast real GDP growth to accelerate to 4% in FY2014/15, driven by the stimulus packages. It indicated that the country's medium- and long-term prospects would deteriorate if authorities fail to implement the needed structural and institutional reforms following the presidential elections. It said that reforms would need to address challenges in the energy sector, ease the strict labor regulations and skills mismatches, improve the quality of public spending, raise the efficiency of social programs, improve the business, trade and investment climate, and enhance governance.

Source: *Institute of International Finance*

ANGOLA

Non-hydrocarbon output to grow by 6% in 2014

The International Monetary Fund projected Angola's real GDP growth at 5.3% in 2014 compared to 4.1% in 2013 as public investment in infrastructure would generate growth opportunities for non-hydrocarbon sectors. It forecast hydrocarbon output to grow by 3% in 2014 relative to 0.6% in 2013, and for the non-hydrocarbon sector to expand by 6.4% compared to a growth rate of 5.8% last year. It anticipated that efforts to ease infrastructure gaps, to improve the business environment and to reform the financial sector would support economic diversification and would accelerate activity in non-hydrocarbon sectors. It expected the inflation rate to average 7.7% in 2014 relative to 8.8% in 2013. But it cautioned that a rapid increase in public spending this year would lead to renewed price pressures, which would limit the scope for further interest rate cuts.

In parallel, the Fund pointed out that the fiscal balance shifted from a surplus of 5.1% of GDP in 2012 to a deficit of 1.5% of GDP in 2013, the first deficit since 2009, reflecting a sharp decline in hydrocarbon revenues and lower-than-projected non-hydrocarbon receipts. It forecast the fiscal deficit to widen to 2% of GDP in 2014, but it noted that the full implementation of the 2014 budget would widen the deficit to about 5% of GDP. Further, the IMF called on authorities to take decisive measures to address arrears. It cautioned from permanent increases in public spending that are not offset by a broadening of the non-hydrocarbon tax base. It urged the authorities to consolidate data related to the hydrocarbon sector, to ensure a timely and complete transfer of oil revenues to the Treasury, and to continue integrating quasi-fiscal operations in the budget, including infrastructure spending by state-owned oil company Sonangol. It forecast the current account surplus to narrow to 2.2% of GDP in 2014 from 5% of GDP in 2013. It projected foreign currency reserves at \$33.9bn, equivalent to 6.9 months of imports, in 2014 relative to \$33.2bn or 7 months of imports in 2013.

Source: *International Monetary Fund*

ECONOMY & TRADE

GCC

Privatization key to raising capital markets issuances

Standard & Poor's anticipated that issuance volume in the Gulf Cooperation Council's (GCC) capital markets would remain flat or slightly accelerate in 2014 compared to overall issuance in 2013. It said that issuance activity this year would be driven by low interest rates, the region's broadly positive economic fundamentals, the implementation of regulations to support capital markets, rising demand for Islamic finance and the continued need for infrastructure investments. It noted that the potential escalation of regional political instability or an unexpected fall in global oil prices constitute the main risks to the development of the GCC's capital markets. It added that uncertainty about the impact of the tightening of the U.S. Federal Reserve's quantitative easing program, increasing emerging market vulnerability and the rise in alternative funding through equity markets would weigh on growth in capital market issuance this year. In parallel, S&P indicated that opening up GCC markets to privatization and strong competition, as well as the transfer of knowledge from a few national monopoly government-related entities to the wider private sector, would be a major requirement for increasing capital market issuance. Further, it considered that the creation of an institutional investment framework that would provide incentives for pension and insurance funds to invest in long-term infrastructure assets would contribute to the deepening of capital markets in the region. Also, it noted that regulatory changes, especially pension reforms, and the way insurance companies invest their excess capital would be key growth drivers for capital markets.

Source: Standard & Poor's

MOROCCO

Reforms key to sustainable public finances

Moody's Investors Service indicated that Morocco's creditworthiness is constrained by its low per-capita GDP levels and significant structural rigidities. It noted that weak labor market efficiency, limited innovation and continued skill mismatches limit the economy's competitiveness and constrain the growth potential of the non-primary sectors. It added that controlling corruption constitutes an additional challenge to the country's institutional strength. In contrast, the agency pointed out that the authorities' recent efforts to reform energy subsidies would support creditworthiness, as reforms would help public finances and external accounts return to more sustainable levels. It said that the fiscal deficit significantly narrowed to 5.5% of GDP in 2013, reflecting reduced energy price pressure and the introduction of a liquid fuel indexation scheme. It estimated the current account deficit to have narrowed from a peak of 9.7% of GDP in 2012 to 8.1% of GDP in 2013. It added that FDI inflows rose significantly over the past few years to value-added sectors. In parallel, Moody's indicated that the 'negative' outlook on Morocco's 'Ba1' government bond rating reflects the significant deterioration in the fiscal and external accounts. It said that it would downgrade the rating if the domestic economic outlook and external accounts deteriorate, and if social and political tensions significantly escalate.

Source: Moody's Investors Service

MOZAMBIQUE

Economy to grow by 8% in 2014, moderate risks to the outlook

The International Monetary Fund anticipated that Mozambique's real GDP growth rate would exceed 8% in 2014 compared to an estimated growth rate of 7% in 2014, reflecting strong activity in mining, construction, transport, communications and financial services. It noted that risks to the outlook are moderate and are mainly related to lower commodity prices and to policy uncertainty in an elections year. Further, it forecast the current account deficit at 43% of GDP in 2014, reflecting imports for large investment projects that are financed by foreign direct investment. It noted that the country's reserve coverage is adequate at 4.5 months of imports, when excluding imports related to megaprojects. In parallel, the IMF welcomed the government's plan to expand public investments this year. But it considered that the rise in such investments should preserve debt sustainability and should take into account capacity constraints. It urged the authorities to make investment priorities and decisions more transparent, to ensure value-for-money and to overcome substantial weaknesses in the planning, evaluation, implementation and monitoring of public investments. It noted that addressing these issues is crucial given that most public investments are financed by borrowing, which is increasing the public debt level. It expected the fiscal deficit to widen to 9.5% of GDP in 2014 from 3% of GDP in 2013, a fiscal deficit level that is not sustainable over the medium-term.

Source: International Monetary Fund

RWANDA

Ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Rwanda's long- and short-term foreign and local currency sovereign credit rating at 'B', with a 'stable' outlook on the long-term ratings. It said that the ratings are constrained by low per capita income, by structural current account deficits and by strained political relations with the Democratic Republic of the Congo. It anticipated the current account deficit to gradually narrow over the medium-term and to average 8% of GDP annually between 2014 and 2017. It forecast the country's gross external financing needs to average about 106% of current account receipts and usable reserves during the 2014-17 period. It said that external borrowing would moderate because of narrower fiscal deficits over the medium-term. In parallel, S&P indicated that the ratings are supported by a low public debt stock and by strong economic performance and policy-making compared to similarly-rated countries. It forecast real GDP growth at 7.5% in 2014 and at 7% annually between 2015 and 2017. It said that the resumption of donor inflows and the continued investment in agriculture, industry and services would continue to drive economic activity over the long-term. It forecast the fiscal deficit to gradually narrow from 5.4% of GDP in 2013 to 4% of GDP in 2014 and to 3% of GDP by 2015, supported by slowing spending growth and rising public revenues. As such, it expected the public debt level to remain at around 28% of GDP between 2014 and 2017. But it noted that the majority of the debt stock is external, which makes the economy vulnerable to exchange rate risks.

Source: Standard & Poor's



BANKING

EGYPT

Banks' sovereign exposure up 22% in 2013

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,684.3bn, equivalent to \$242bn, at the end of 2013, constituting an increase of 16.9% from end-2012. Lending to the private sector reached EGP504.7bn or \$72.5bn, and rose by 5.7% year-on-year. Banks' exposure to government securities totaled EGP672bn, equivalent to \$96.5bn, and rose by 22.1% from end-2012. Banks' sovereign exposure in local currency stood at EGP590.8bn and increased by 17.6% year-on-year; while their exposure in foreign currency reached EGP81.2bn and grew by 69.4% from end-2012. In US dollar terms, banks' sovereign exposure in local currency stood at \$84.9bn, while their exposure in foreign currency reached \$11.7bn. Further, total deposits reached EGP1,316bn, or \$189bn, constituting an increase of 20.6% from end-2012, with private sector deposits totaling EGP1,145.3bn or \$164.5bn at end-2013 and rising by 18.1% year-on-year. Private sector deposits in foreign currency rose by 5.3% year-on-year to EGP221bn, or \$31.8bn, at the end of 2013; while private sector deposits in local currency rose by 21.7% from end-2012 to EGP924.3bn, or \$132.8bn. The dollarization rate of private sector deposits reached 19.3% at the end of 2013 relative to 21.7% a year earlier. The private sector loan-to-deposit ratio was 44.1% relative to 49.3% a year earlier.

Source: Central Bank of Egypt, Byblos Research

QATAR

Tighter global liquidity to negatively affect banks

The International Monetary Fund indicated that Qatari banks are well capitalized and profitable, which allows them to withstand possible shocks. But it noted that banks' deposits and lending are substantially concentrated, while their asset quality is exposed to risks from high single-party exposures. It noted that the authorities' plan to reduce the loan-to-deposit ratio would further improve banks' liquidity profile and asset quality. It cautioned that tighter global liquidity conditions would adversely affect the Qatari banking sector despite the system's reduced reliance on international funding. But it noted that policymakers have enough space to respond to such a shock. Further, it said that regional expansion by the largest Qatari banks would stretch their risk management capacity given the uncertain macroeconomic developments in many regional countries. It added that banks' reliance on foreign funding would resume when infrastructure projects pick up. It called on the Central Bank of Qatar (CBQ) to continue to closely monitor banks' lending standards, concentration risks and cross-border activities, as well as to enhance its early warning system. In parallel, the Fund considered that the CBQ has taken several steps to adjust its liquidity management operations, including capping commercial banks' interest bearing deposits at the CBQ and facilitating the issuance of Treasury bills and bonds. But it noted that volatility in the domestic money market highlights the need for a transparent and well-structured liquidity management framework that would send clear signals to the markets. It said that some flexibility in setting Treasury bills and bond issuance volumes would reduce yields' volatility.

Source: International Monetary Fund

ARMENIA

Consumer, industry and trade account for 64% of overall lending at end-January 2014

Figures released by the Central Bank of Armenia show that the banking sector's total loans stood at AMD1,783bn, equivalent to \$4.4bn, at the end of January 2014, constituting a decrease of 0.9% from end-2013 and a rise of 10% from a year earlier. Loans in foreign currency accounted for 62.2% of total loans at end-January 2014, unchanged from end-2013 and relative to 64.5% a year earlier; while loans to non-residents amounted to 3.1% of total loans at end-January 2014. The distribution of lending by sector shows that consumer loans accounted for 22.1% of overall lending to residents, followed by the industry (21.5%), trade (20.3%), mortgages (8.5%), construction (6.6%), agriculture (6%), services (5.9%) and communications (2.5%), while loans to other sectors represented the remaining 6.7%. Further, deposits excluding accrued interest, totaled AMD1,553bn, equivalent to \$3.8bn at end-January 2014, and constituted a decrease of 3.7% from end-2013 and a rise of 24.7% from a year earlier. Deposits in foreign currency accounted for 69.4% of total deposits at end-January 2014, while non-resident deposits represented 26.6% of the total. The loan-to-deposit ratio in foreign currency stood at 102.9%, down from 119.2% at end-January 2013, while the same ratio in local currency was 141.7% relative to 156.7% a year earlier. The total loan-to-deposit ratio stood at 114.8% at the end of January 2014 compared to 130.2% a year earlier.

Source: Central Bank of Armenia, Byblos Research

TURKEY

Banks' ratings placed on review for possible downgrade

Moody's Investors Service placed on review for possible downgrade the ratings of 10 Turkish banks that are Turkiye Is Bankasi, Ziraat Bankasi, Turkiye Garanti Bankasi, Akbank, Yapi ve Kredi Bankasi, Turkiye Halk Bankasi, Turkiye Vakiflar Bankasi, Turk Ekonomi Bankasi, Sekerbank and Asya Katilim Bankasi. Moody's said that its decision reflects the rising pressure on banks' standalone credit strength and its reassessment of the level of systematic support that should be incorporated in the ratings. It expected the operating environment for the banking system to become more challenging over the next 12 to 18 months because of the significant slowdown in domestic economic activity, the increased funding costs resulting from tightening global liquidity, and the uncertain domestic political situation. It noted that the challenging domestic environment, along with the volatile exchange rate and high inflation level, would weaken banks' asset quality and profitability and would tighten liquidity. But it considered that the banking system is well capitalized with a Core Tier-One ratio of 13% at end-2013, which would allow it to absorb potential credit challenges. The agency indicated that the 10 banks are more directly exposed to these challenges than peers given their lower Core Tier-One capital levels, higher-than-expected volatility in their loan book, lower internal capital generation and/or tighter liquidity positions.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Brent oil prices trades at 10-week low as investors' concerns over Ukraine crisis ease

Brent oil prices are currently trading at \$106 per barrel, constituting the lowest level in 10 weeks, as concerns over an escalation of the Ukraine crisis ease and as investors expect an increase in U.S. oil stocks. Brent oil prices are expected to trade above \$100 a barrel in coming quarters as geopolitical tensions remain high, while prices are projected to track developments in the Middle East. As such, oil prices are forecast to trend higher if supply-led disruptions rise, such as an increase in Iraq's sectarian violence and as South Sudan's civil unrest intensify. In parallel, oil prices would face downward pressures in case Libya's oil ports reopen and if Western-imposed sanctions on Iranian oil exports are lifted. Brent oil prices are expected to rise to \$104.8 a barrel on average in 2014, above Bloomberg's consensus of \$103.5 a barrel; while WTI oil prices are projected to average \$98.5 a barrel in 2014, above Bloomberg's consensus price of \$95.7 a barrel. In parallel, global oil demand is forecast to grow by 1.5% year-on-year to 92.7 million barrels per day as macroeconomic conditions improve.

Source: Business Monitor International, Thomson Reuters, International Energy Agency, Byblos Research

OPEC's oil output up 2% in February 2014

The Organization of Petroleum Exporting Countries' (OPEC) crude oil production reached 31.4 million barrels per day (b/d) in February 2014, up by 1.7% from the preceding month. The significant increase in OPEC's oil production was mainly due to a 19.7% rise in Iraqi production, which reached its highest level in about 30 years. Saudi Arabia's oil production reached 9.85 million b/d in February, equivalent to about 31.4% of total OPEC oil production. It was followed by Iraq with 3.41 million b/d, or 10.9% of the total, and Kuwait with 2.9 million b/d and Venezuela with 2.88 million b/d (9.2% each).

Source: OPEC, Byblos Research

Iran's oil exports reach one-year high in first two months of 2014

Iran's oil exports reached a one-year high of 1.41 million b/d on average in the first two months of 2014, up by about 8.5% from December 2013. The rise in Iranian oil exports is mainly due to the temporary relief caused by the six-month interim nuclear agreement between Iran and the UN Security Council's permanent members plus Germany that went into effect on January 20, 2014. Iran's top oil purchasers, China, India, Japan and South Korea are expected to buy a combined one million b/d on average over the course of the deal.

Source: Thomson Reuters

Middle East's oil consumption to drop by 1% in second quarter

Crude oil consumption in the Middle East region is expected to reach 8.1 million b/d in the second quarter of 2014, constituting a decrease of 0.7% from the first quarter of the year. The region's oil demand is projected to account for 8.9% of global oil demand in the second quarter relative to 9% of the total in the first quarter of the year. In parallel, the region's non-OPEC oil supply is forecast to reach 1.38 million b/d in the second quarter of 2014, up 3% from the first quarter, and is projected to remain unchanged in the third quarter of 2014.

Source: OPEC, Byblos Research

Base Metals: Copper prices to drop by 6% in 2014, constituting third consecutive annual drop

Global refined copper production is forecast to average 21.9 million tons in 2014, constituting an increase of 5.4% from 20.7 million tons in 2013. In parallel, global copper consumption is projected to average 21.4 million tons this year, a rise of 4.2% from a year earlier. Copper demand in mature economies is expected to grow by 2% in 2014, constituting the first such instance since 2010; while consumption in BRICs economies is forecast to continue to grow in excess of the global average. China's copper consumption is anticipated at 9.4 million tons this year, equivalent to about 43.8% of global demand. It would be followed by EU countries with 3.1 million tons (14.3%) and the United States with 1.8 million tons (8.4%). The copper market is expected to remain oversupplied at 445,000 tons in 2014, equivalent to 2% of global demand, and up from a surplus of 176,000 tons in 2013. Copper prices are forecast to average \$6,935 a ton in 2014, down by 5.6% from \$7,346 a ton on average a year earlier, and constituting the metal's third consecutive annual price decline.

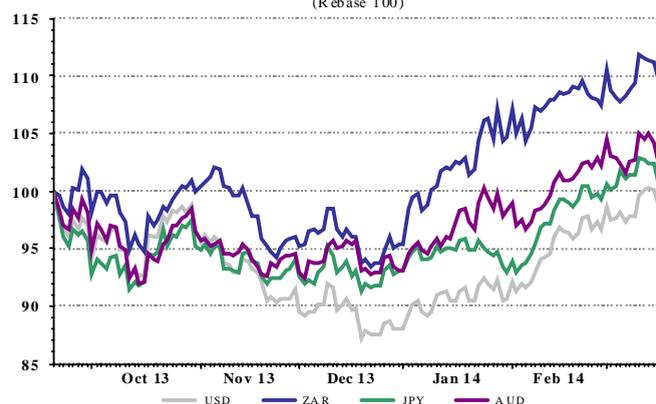
Source: Thomson Reuters GFMS, Byblos Research

Precious Metals: Gold jewelry to account for 54% of consumption and 76% of fabrication in 2014

Global gold supply is projected to decrease by 10.7% in 2014 to 4,230 tons, with mine production accounting for 70.2% of the total. Mine production is anticipated to drop for the first time in six years due to tight margins and to producers' focus on cost reduction. In parallel, global gold fabrication is forecast to rise by 1.4% to 3,030 tons this year. In addition, net producer dehedging, bar investments and official sector purchases are forecast to drop by 31.3% to 1,200 tons this year. Gold jewelry is projected to account for 75.7% of total gold fabrication and for 54.2% of global demand in 2014. In parallel, gold prices are forecast to average \$1,187 a troy ounce in the second quarter of 2014, down by 7.4% from the previous quarter and by 16.1% from the same quarter last year. Gold prices are expected to fluctuate between \$1,090 a troy ounce and \$1,360 a troy ounce in the second quarter of 2014. Overall, gold prices are projected to decrease by 13.2% in 2014 to \$1,225 a troy ounce on average, nearly in line with Thomson Reuter's consensus price of \$1,235 an ounce. Also, gold prices are forecast to largely remain above \$1,200 a troy ounce on average this year, supported by strong global demand for jewelry, bars, coins and industrial uses.

Source: Thomson Reuters GFMS, Byblos Research

Gold Performance in Different Currencies
(R base 100)



Source: Thomson Reuters Datastream, Byblos Research

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	-
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- Stable	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
Rwanda	B Stable	-	B Positive	-	-	-5.4	24.6	24.3	253.7	-	153.6	-11.6	2.1
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 Stable	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	-	-	-	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-	-	-	-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; Standard & Poor's; 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	19-Mar-14	No change	29-Apr-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	11-Mar-14	No change	08-Apr-14
Australia	Cash Rate	2.50	04-Mar-14	No change	01-Apr-14
New Zealand	Cash Rate	2.75	13-Mar-14	Raise 25bps	24-Apr-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	2.00	12-Mar-14	Cut 25bps	23-Apr-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	18-Mar-14	No change	N/A
South Africa	Repo rate	5.50	29-Jan-14	Raise 50bps	27-Mar-14
Kenya	Central Bank Rate	8.50	11-Mar-14	No change	05-May-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	07-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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