

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign borrowing from commercial sources at \$7.1 trillion in 2014

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by the 127 rated countries worldwide at \$7.1 trillion in 2014, constituting an increase of 2.7% from \$7 trillion in 2013. It said that \$4.4 trillion, or 61.2% of total sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of \$2.8 trillion in 2014. The Asia-Pacific region would account for 35.5% of global borrowing this year, followed by North America (32.9%), Europe (24.1%), Latin America (5.9%), Sub-Saharan Africa (0.9%) and the Middle East & North Africa region (0.8%). In parallel, S&P forecast the total sovereign commercial debt stock of the 127 countries at \$44.7 trillion at the end of 2014 relative to \$42.1 trillion at end-2013, including \$39.4 trillion in medium- and long-term debt and \$5.3 trillion in short-term debt. It noted that the total stock would reach \$46 trillion this year when including bilateral and multilateral debt, constituting a rise of 6.1% year-on-year. The Asia-Pacific region would account for 34.5% of the global debt stock, excluding bilateral and multilateral debt, followed by North America (30%), Europe (29.5%), Latin America (4.3%), the MENA region (1%) and Sub-Saharan Africa (0.7%). Further, gross long-term sovereign commercial borrowing would be equivalent to 9.4% of the aggregate GDP of the 127 economies this year, while the total sovereign debt from commercial sources would be equivalent to 58.8% of their GDP.

Source: Standard & Poor's

MENA

Tourism in North Africa to account for 12% of GDP by 2024

The World Travel & Tourism Council expected the tourism sector to account for 12.1% of North Africa's GDP in 2014 and to rise marginally to 12.2% of GDP by 2024. It forecast the broad tourism & travel (T&T) economy to generate demand of \$77.9bn in 2014 and to grow to \$124.1bn in constant 2013 prices by 2024. It projected the sector's real growth rate at 3.9% in 2014 and to average a real expansion rate of 4.8% annually during the 2014-24 period. The WTTC expected business travel spending to reach \$11.7bn this year and to grow by a real rate of 4.5% annually to \$18.3bn in constant prices by 2024. It also forecast leisure travel spending to total \$40.4bn in 2014 and to grow by a real yearly average rate of 4.8% to \$64.3bn in constant prices by 2024. It estimated capital investment in the T&T economy at \$11.4bn in 2014 and at \$18.6bn in constant 2013 prices within 10 years. Further, it forecast the export of tourism services at \$19.9bn this year and at \$33.1bn in constant 2013 prices by 2024, which would account for about 10% of the region's total exports in 2014 and for 10.1% of exports in 2024. It said that the T&T economy would provide jobs to 6.1 million people, or 11.7% of the region's total employment in 2014; with the figure rising to 7.8 million jobs by 2024.

Source: World Travel & Tourism Council

Logistics environment nearly unchanged in Arab world

The World Bank's Logistics Performance Index for 2014 showed that the overall logistics environment in the Arab world was nearly unchanged over the past two years and remained worse than the logistics climate worldwide. The region received an average score of 2.7 points in 2014 compared to 2.74 points in 2012, lower than the global average score of 2.89 points. But the logistics environment varies among Arab countries as the Gulf Cooperation Council (GCC) countries' average score of 3.22 points was significantly higher than that of non-GCC Arab countries of 2.45 points. The LPI provides a cross-country assessment of the logistics gap among countries and reflects perceptions of the logistics environment of trading partner countries. It is based on a survey of operators on the ground who provided feedback on the logistics friendliness of the countries in which they operate and those with which they trade. The rankings of 11 Arab countries improved, three declined and four remained unchanged, with Morocco being excluded from the index in 2014. Also, the scores of 11 Arab countries improved and seven regressed from the previous survey. The UAE and Qatar remained the highest ranked Arab countries at 27th and 29th place, respectively, globally, and are the only Arab countries among the top 30 worldwide in terms of logistics readiness. They were followed by Saudi Arabia (49th), Bahrain (52nd) and Kuwait (56th). In contrast, Sudan (153rd), Djibouti (154th) and Syria (155th) were the lowest-ranked Arab economies. Germany has the best logistics environment in the world, while Somalia has the least competitive logistics climate.

Source: World Bank, Byblos Research

SMEs' spending on ICT at \$22bn in 2014

Deloitte & Touche estimated spending on information & communication technology (ICT) services by small- and medium-sized enterprises (SMEs) in the Middle East at \$22bn in 2014, constituting an increase of 10% from \$20bn in 2013 and compared to \$18bn in 2012 and \$17bn in 2011. It anticipated that SMEs' spending on ICT would account for about 23% of their total spending in 2014. It attributed the increase in ICT spending by SMEs to the rising number of SMEs in the region as well as to SME needs for key ICT services, such as web-presence, e-commerce and cloud computing. But it noted that SMEs' spending on ICT in the Middle East is significantly underdeveloped as it is substantially less than the \$229bn spent on ICT by SMEs in West Europe in 2013 and the \$324bn spent by SMEs in North America. It estimated the annual spending on ICT at \$20,000 per SME in the region, significantly below the amount that an SME should spend on this sector. It said that SMEs in the region are lagging behind larger businesses in terms of their online presence. It noted that SMEs have not utilized e-commerce as another consumer sales channel given that they face several challenges in setting-up their own e-commerce platform. Overall, it considered that the region's digital economy is still at a nascent stage but is expanding at a fast pace, which offers existing, new and potential SMEs in the Middle East a better platform for development.

Source: Deloitte & Touche

OUTLOOK

JORDAN

Economic activity to accelerate on rising public spending

Business Monitor International projected Jordan's real GDP growth at 3.3% in 2014 and at 4.1% in 2015 relative to an estimated growth rate of 2.7% in 2013. But it noted that regional instability would continue to adversely impact economic activity as it would prevent a significant recovery of the country's tourism sector and of foreign direct investment inflows. It forecast government spending to rise by 2.5% in real terms this year compared to an average growth rate of 6.3% during the 2008-12 period. It noted that the 2014 budget intends to increase public spending by 12.8%, with current expenditures rising by 10.9% and capital spending growing by 24.2%. It added that the budget includes increases in public sector wages and employment, which would prevent much-needed public sector consolidation.

Further, BMI expected private consumption to expand by 3% in real terms in 2014 relative to an average growth rate of 3.2% between 2008 and 2012, as the rising number of Syrian refugees would support domestic demand. It noted that consumption by Jordanians would remain constrained by the rising cost of living with the average inflation rate reaching 4.7% in 2014. In addition, it forecast gross fixed capital formation to grow by 5.9% in real terms in 2014 compared to an average growth rate of 3.3% during the 2008-12 period, supported mainly by public investment. It said that the government's investment program, which is financed by grants from GCC countries and from multinational donors, would sustain strong construction activity in coming quarters and would focus on tourism, energy and transport infrastructure.

In parallel, BMI projected Jordan's total exports to grow by 3% in 2014, reflecting the decline in potash and phosphate exports as well as the disruptions of transit trade route through Syria. It expected imports to rise by 3.5% this year relative to an average decline of 0.2% between 2008 and 2012 as the continuing increase in the number of Syrian refugees would support demand for basic goods and as strong construction activity would drive demand for raw materials and capital goods.

Source: Business Monitor International

MOROCCO

Economy to grow by 4% in 2014, risks to the downside

The International Monetary Fund projected Morocco's real GDP growth at 3.9% in 2014 relative to a growth rate of 4.5% in 2013. It forecast real primary GDP to contract by 1% in 2014 following a 17% expansion in 2013 and for non-primary GDP to accelerate to 4.8% this year from 2.4% last year. It attributed the rebound in non-primary sectors to stronger domestic demand as uncertainties that have negatively affected consumption and investment last year recede. It expected net exports to positively contribute to economic activity, supported by newly developed industries such as automobile and aeronautics, and by improving conditions in Europe. Overall, it considered that Morocco's economic performance this year is contingent on the sustainability of the recovery of non-primary activity and the

outcome of the agricultural season. But it considered that risks to the outlook are tilted to the downside. It said that a prolonged period of economic slowdown in Europe would depress demand for Moroccan exports, would slow remittance and FDI inflows, and would weigh on foreign currency reserves; while global monetary tightening would challenge Morocco's borrowing capacity from global markets. It noted that this would restrain growth-enhancing spending and put at risk growth prospects. As such, it pointed out that Morocco's medium-term economic outlook would depend on the sustained implementation of structural reforms that rebalance the fiscal and external accounts, improve competitiveness, strengthen the resilience of the economy and promote higher potential growth. It forecast the average inflation rate at 2.5% in 2014 compared to 0.4% last year, reflecting higher domestic prices of some energy products.

In parallel, the IMF projected the fiscal deficit at 4.9% of GDP this year relative to a deficit of 5.4% of GDP last year. It considered that reforming the subsidy system would ensure fiscal sustainability, reduce fiscal risks, and promote more effective social protection. It forecast the current account deficit to narrow to 6.5% of GDP in 2014 from 7.4% of GDP last year, supported by lower global oil prices, higher demand from Europe and stronger exports. It anticipated foreign currency reserves to rise to \$20bn this year from \$19.3bn last year, equivalent to 4.3 months of import cover in both years.

Source: International Monetary Fund

ARMENIA

Real GDP to grow by 4.3%, current account deficit at 7.2% of GDP in 2014

The International Monetary Fund projected economic growth in Armenia at 4.3% in 2014 and 4.5% in 2015 relative to an estimated growth rate of 3.2% in 2013. It forecast the annual average inflation rate at 5% in 2014 and at 4% in 2015 relative to 5.8% in 2013. The Fund projected the fiscal deficit to narrow to 2.3% of GDP in 2014 and to 2% of GDP in 2015 from 2.5% of GDP in 2013. It estimated public revenues including grants at 23.5% of GDP in 2014 and at 23.3% of GDP in 2015 relative to 23.3% of GDP in 2013, and total expenditures at 25.9% of GDP this year and at 25.4% of GDP next year, compared to 25.8% of GDP last year.

The IMF expected Armenia's public debt level to reach 45.2% of GDP at end-2014 and 46% of GDP at end-2015 relative to 45.4% of GDP at end-2013. It also forecast total gross external debt at 77% of GDP at end-2014 and at 77.7% of GDP at end-2015 relative to 79.3% of GDP in 2013. Further, the Fund estimated Armenia's exports of goods & services to rise to \$2.8bn in 2014 and to \$2.9bn in 2015 from \$2.6bn in 2013, and for imports of goods & services to grow to \$5.2bn in 2014 and to \$5.4bn in 2015 from \$5bn in 2013. It projected the country's current account deficit at 7.2% of GDP in 2014 and at 6.8% of GDP in 2015 relative to 8.4% of GDP in 2013. The Fund expected the country's gross official reserves to reach \$2.2bn at the end of 2014 and \$2.3bn at end-2015 equivalent to 4.9 months of import cover in both years, compared to \$2.3bn or 5.2 months of import cover at end-2013.

Source: International Monetary Fund



ECONOMY & TRADE

SYRIA

Travel and tourism economy to account for 9.6% of GDP in 2014

The World Travel & Tourism Council (WTTC) indicated that the travel & tourism (T&T) industry's contribution to the Syrian economy fell by 26% to SYP347.7bn, equivalent to 10.6% of GDP in 2013 and compared to SYP1,051.3bn in 2010; while its aggregate contribution to employment declined by 12.9% to 490,600 jobs or 7.8% of total employment, and relative to a total of 957,500 jobs in 2010. The T&T industry's direct contribution to economic activity fell by 26.1% in real terms to SYP147.1bn, or 4.5% of GDP in 2013, compared to SYP440.3bn in 2010; while its direct contribution to employment dropped by 12% to 190,700 jobs or 3% of total employment, compared to 400,400 jobs in 2010. In parallel, the WTTC forecast the broad T&T economy to generate SYP305.4bn or 9.6% of overall activity in 2014, and to provide 452,900 jobs or 6.9% of total employment. The sector's overall contribution to GDP would decrease by 12.2% in real terms in 2014, while its aggregate contribution to employment would decline by 7.7%. Further, it projected the T&T industry's direct contribution to economic activity to fall by 11.3% to SYP130.5bn in 2014 or about 4.1% of GDP; and for its direct contribution to employment to contract by 7.7% to 176,000 jobs or 2.7% of total employment. It expected the T&T industry's total contribution to activity to grow by 2.9% annually and to reach SYP408bn, or 8.4% of GDP by 2024; and for its contribution to employment to rise by 4% per year to 672,000 jobs or 7.3% of employment by 2024.

Source: World Travel & Tourism Council

IRAQ

Economic activity to accelerate to 6% in 2014, public spending to increase

The International Monetary Fund indicated that the Iraqi economy expanded by 4.2% in real terms in 2013, supported by a 7% growth in non-hydrocarbon sector activity as oil production and exports were lower-than-projected. It expected the recovery in the hydrocarbon sector to support activity in 2014, given that domestic security conditions would affect activity in non-hydrocarbon sectors. It projected Iraq's real GDP growth to exceed 6% in 2014, supported by 3.2 million barrels per day (b/d) in oil production and 2.6 million b/d in oil exports. In parallel, the Fund indicated that the fiscal deficit widened to 6% of GDP in 2013 due to lower-than-expected oil receipts and increased spending pressure. It noted that the government financed its deficit from the Development Fund of Iraq that declined from over \$18bn at end-2012 to \$6.5bn at end-2013. It said that the 2014 draft budget includes large spending outlays that reflect new commitments for security, social assistance and pensions, and transfers to provinces. It called on authorities to reduce their spending commitments in order to preserve macroeconomic stability, and to well-manage oil revenues over the long-term by containing current spending and accumulating fiscal and external buffers. Further, the IMF pointed out that the current exchange rate is supported by large foreign currency reserves and provides a key nominal anchor to the economy.

Source: International Monetary Fund

EGYPT

Public finances continue to deteriorate, reforms needed

The Institute of International Finance projected Egypt's fiscal deficit to narrow to 11.9% of GDP in the fiscal year ending in June 2014 from 13.6% of GDP in FY2012/13 when including grants, but to exceed the government's target deficit of 10.4% of GDP. It said that the narrowing of the deficit reflects the rise in grants to 3.5% of GDP in the current fiscal year from 0.3% of GDP in the preceding fiscal year. However, when excluding grants, the IIF forecast the fiscal deficit to widen to 15.4% of GDP in FY2013/14 from 13.9% of GDP in FY2012/13, reflecting weaker tax revenues from subdued economic activity and continued large increases in public spending. It noted that public expenditures would rise by at least 16% in FY2013/14 to the equivalent of 34.6% of GDP, and would include 11% of GDP on subsidies and social benefits, 8.7% of GDP on the wage bill and 8.2% of GDP on debt servicing. As such, it expected the public debt level to rise to 97% of GDP in FY2013/14 from 93.8% of GDP in FY2012/13 and 83.1% of GDP in FY2011/12. It considered that the ongoing rise in the debt-to-GDP ratio reflects the country's large borrowing requirements and weaker economic growth, and raises concerns over debt sustainability. In parallel, the IIF indicated that the government's target of reducing the fiscal deficit to 6% of GDP by FY2017/18 would require the implementation of revenue and spending reforms, such as shifting the global sale tax to a value-added tax system, introducing a new mining law, broadening the tax base, revising the income tax law and reviewing the fuel subsidies system.

Source: Institute of International Finance

TUNISIA

Subdued economic activity in 2014, significant short-term risks remain

The International Monetary Fund projected Tunisia's real GDP growth at about 2.8% in 2014 compared to an estimated growth rate of 2.6% in 2013. It said that the domestic economic situation remains very fragile and that the growth rate is too low to meet the population's high social aspirations. It noted that the current account deficit widened to 8.4% of GDP in 2013 due to weak phosphate exports, low receipts from the tourism sector and reduced external demand for Tunisian goods. It forecast the current account deficit at 7.2% of GDP in 2014 as the weak external demand would prevent a more significant improvement. It pointed out that the fiscal deficit narrowed to 4.5% of GDP in 2013 due to the deferral of payment orders issued in 2013 to 2014, and to the significant under-execution of investment spending. But it forecast the fiscal deficit to widen to 8% of GDP in 2014, reflecting the settlement of deferred payments. In parallel, the IMF indicated that short-term risks to the outlook remain significant and include a lengthy political transition period, heightened security tensions or a worsening economic outlook for Tunisia's main trading partners. It noted that reforming the banking sector and implementing structural reforms that are critical to job creation, such as a new investment code, the competition law, the bankruptcy law and trade facilitation measures would reduce the economy's vulnerabilities.

Source: International Monetary Fund



BANKING

EGYPT

Outlook on banks' long-term foreign currency ratings revised to 'stable'

Capital Intelligence revised the outlook on the 'B-' long-term foreign currency ratings (FCRs) to 'stable' from 'negative' of Banque du Caire (BdC), National Bank of Egypt (NBE), Arab African International Bank (AAIB), Arab International Bank (AIB), Bank of Alexandria (BoA), Commercial International Bank (CIB), and the Export Development Bank of Egypt (EDBE). It attributed the change to its similar action on Egypt's sovereign ratings that was driven by the decline in short-term financing risks, the rise in international liquidity and the gradual improvement in the domestic political environment. It added that the banks' exposure to the sovereign debt links their ratings to the sovereign's creditworthiness. It said that the banks' ratings reflect significant credit risk given that their ability to fulfill their financial obligations on time is very vulnerable to adverse changes in domestic and external conditions. In parallel, the agency affirmed the Financial Strength Rating (FSR) of CIB at 'BBB-', that of AAIB, AIB and BoA at 'BB', and that of BdC, NBE and EDBE at 'BB-'. It maintained the 'negative' outlook on all the FSRs as it would review the banks' FSRs and outlook when they publish their 2013 audited financial statements. It said that banks operating in Egypt have managed well their balance sheets in the context of continued high credit and political risks. But it noted that the banks' FSRs are vulnerable to downward pressure given the challenging operating environment and elevated economic risks.

Source: Capital Intelligence

ANGOLA

Banks' capital adequacy at 18%, NPLs at 6.1%

The risk-weighted capital adequacy ratio of banks operating in Angola reached 18% at the end of September 2013 relative to 18.3% at the end of 2012 and 18.5% at end-2011. Also, the sector's Tier-One capital ratio stood at 12.9% at end-September 2013 compared to 13.6% at end-2012 and 14.3% at end-2011. The sector's liquid assets reached 28.2% of total assets at end-September 2013 relative to 26.3% at end-2012, while they were equivalent to 35.8% of total short-term liabilities at end-September compared to 33.7% at end-2012. Further, the sector's loan-to-deposit ratio was 64.3% at end-September compared to 65.5% at end-2012 and 59.5% at end-2011. Banks' lending to the private sector accounted for 95.7% of total loans at end-September 2013 relative to 94.3% at end-2012 and 94.6% at end-2011; while their lending in foreign currency represented 40.6% of total loans at end-September compared to 42.7% at end-2012 and 50.9% at end-2011. The sector's non-performing loans (NPLs) reached 6.1% of total loans at end-September 2013, down from 6.8% at end-2012 but up from 2.4% at end-2011. Banks' net NPLs were equivalent to 8.9% of capital at end-September 2013, down from 11.6% at end-2012 but up from 2.8% at end-2011. In parallel, the banks' annualized return on assets reached 1.1% in September 2013, compared to 1.6% in 2012 and 2.6% in 2011, while their return on equity reached 8.5% on an annualized basis in September, down from 12.5% in 2012 and 21.6% in 2011.

Source: International Monetary Fund

GHANA

Positive prospects for banking sector despite regulatory challenges

Business Monitor International indicated that the prospects of Ghana's banking sector remain positive despite the challenges caused by the introduction of new foreign currency rules and by uncertainty about interest rates and the Ghanaian cedi. It said that total assets grew by 32.8% in 2013 relative to growth of 23.5% in 2012, with foreign assets rising by 31.5% compared to an increase of 8.9% in 2012, and domestic assets expanding by 32.9% relative to a rise of 24.9% in 2012. It indicated that the capital adequacy ratio of banks operating in Ghana stood at 18.5% at end-2013, almost unchanged from 18.6% at end-2012. Further, it noted that gross loans & advances increased by 11.6% in real terms in 2013 compared to growth of 28% in 2012, with credit to the private sector rising by 10.8% in real terms in 2013 relative to growth of 23.2% in 2012. It attributed the slowdown in lending growth to tighter domestic credit conditions, and expected additional increases in interest rates this year given the ongoing depreciation of the cedi. It said that banks' aggregate assets were equivalent to 49% of GDP in 2013 up from 39% of GDP in 2012; their total loans to the private sector reached 21% of GDP relative to 16% of GDP in 2012; and their total deposits stood at 32% of GDP compared to 28% of GDP in 2012. In parallel, BMI indicated that the high level of non-performing loans constitutes the key concern for Ghana's banking sector, as NPLs accounted for 12% of total outstanding loans at end-2013.

Source: Business Monitor International

TURKEY

Banks have resilient loss absorption capacity

Fitch Ratings anticipated that the operating environment will become increasingly challenging for Turkish banks in 2014, given that economic activity would slow down, margins would be squeezed, asset quality would worsen and refinancing costs would further rise. It said that macroeconomic instability does not provide a favorable operating environment for banks. It pointed out that a weaker Turkish lira may affect some borrowers' ability to repay their foreign-currency denominated loans, with foreign currency risks varying significantly across banks. However, Fitch considered that higher interest rates and a weaker lira would not be entirely negative for Turkish banks. It noted that higher rates would slow down lending growth as it has been very high and has led to a rise in credit risk. It added that Turkish banks re-price loans quickly, which would limit the period of margin squeeze. The agency indicated that rated banks are adequately resilient to weather the impact of a moderately negative scenario, such as lower economic growth, weaker profitability and a deterioration in asset quality. It said that leading private-sector banks have robust loss absorption capabilities but noted that Yapi ve Kredi Bankasi's capital ratios compare less favorably to local peers, which would result in a higher risk of a downgrade. It added that state-owned Turkiye Vakiflar Bankasi has a moderate capital buffer that would put its ratings under pressure in case of a severe downturn.

Source: Fitch Ratings



ENERGY / COMMODITIES

LNG prices to reach high levels in first half

Liquefied natural gas (LNG) prices are expected to be relatively higher in the first half of 2014 but to decelerate by the end of the year as new supply from Australia and Papua New Guinea comes online and as Angolan output moves closer to capacity. But prices are projected to fall thereafter as Australia continues to ramp up production and as the market starts to absorb initial U.S. LNG exports. LNG prices for delivery to North Asia are forecast to average \$18.75 per million British thermal unit (Btu) in the first quarter of 2014, up by 17.6% from the fourth quarter of 2013 and by 15.7% from the same quarter of last year. Overall, LNG prices are expected to rise by 8.7% to \$17.41 Btu on average in 2014. Global LNG exports are projected to rise by 2.3% to 337.4 billion cubic meters in 2014, while global LNG imports are forecast to increase by 2.3% to 337.5 billion cubic meters this year. China is expected to capture a growing share of global demand, as it would account for over 9% of global imports by 2015, up from less than 1% in 2006. Also, LNG demand is projected to rise as new countries in South-East Asia, Latin America and some Eastern European countries seek to improve their energy independence.

Source: *Economist Intelligence Unit*

Syria's oil output down 94% from pre-war level

Syria's crude oil production averaged less than 25,000 barrels per day (b/d) in January 2014, constituting a decrease of about 94% from an average of 400,000 b/d between 2008 and 2010. Syria's oil and natural gas production has declined significantly since March 2011 due to the ongoing hostilities between regime and opposition forces and to Western-imposed sanctions. In parallel, Syria's natural gas sector was not impacted as severely as its oil sector, although production was down by at least 30% from pre-conflict levels. Also, Syria's energy sector is not expected to recover in the near-term.

Source: *U.S. Energy Information Administration*

Oil production outages down 2% in February

Global crude oil production outages reached 3.26 million b/d on average in February 2014, down by 2.1% from 3.33 million b/d in January as the rise in Iranian and Iraqi oil output outweighs the worsening shortages in Africa. Libya had the largest oil production outage in February at 0.85 million b/d or 26.1% of the total. It was followed by output shortfalls from Iran with 0.78 million b/d (23.9%), Iraq with 0.45 million b/d (13.8%), Nigeria with 0.39 million b/d (12%), Syria with 0.37 million b/d (11.3%) and South Sudan with 0.14 million b/d (4.3%).

Source: *Thomson Reuters, Byblos Research*

KRG to export 100,000 b/d via Iraqi pipeline

The Kurdistan Regional Government (KRG) indicated that it agreed to export 100,000 b/d of crude oil under Iraqi supervision and through the Baghdad-controlled pipeline to Turkey starting on April 1, 2014. It said that the oil would be marketed by the State Organization for Marketing of Oil under existing federal arrangements for oil exports. The move was largely seen as a 'gesture of goodwill' as negotiations with Baghdad over the KRG's wider oil sovereignty and budget freeze are ongoing. The KRG currently holds an estimated 45 billion barrels of oil reserves.

Source: *Thomson Reuters, Platts*

Base Metals: Nickel prices to rise in coming years and average \$15,850 a ton between 2014 and 2018

Global nickel mine production is projected to average 2,392 tons in 2014, constituting a rise of 7.6% from 2,224 tons in 2013. Global nickel mine supply is expected to increase at an annual average growth rate of 5.5% during the 2014-18 period. The sustained output increase in the nickel market is due to a pipeline of projects and expansion plans in major producing countries such as the Philippines, Indonesia and Australia. But the key downside risk to production is the downfall of more junior mining companies, which are projected to contribute from 6% to 18% of new nickel supply between 2014 and 2020. The Philippines is expected to drive output growth over the covered period, with output increasing significantly from an estimated 347,000 tons in 2013 to 607,000 tons by 2018. However, exogenous risks stemming from heavy rains, rebel attacks and economic nationalism in the Philippines could negatively affect mine supply. Also, Indonesia is expected to be the second-largest driver of growth in nickel mine output during the coming years. Nickel prices are forecast to average \$15,850 a ton between 2014 and 2018, up by 5.1% from \$15,081 a ton on average in 2013.

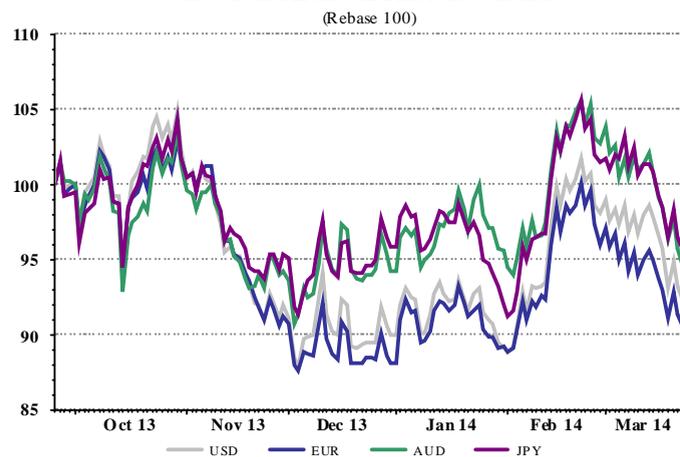
Source: *Business Monitor International, Byblos Research*

Precious Metals: Gold prices to decrease as U.S. and Chinese economic activity accelerates

Gold prices reached a six-month high of \$1,376 a troy ounce on March 14, 2014, mainly due to a slowdown in U.S. economic activity as a result of adverse winter-weather conditions, high Chinese credit concerns and escalating tensions over Ukraine. But prices later decelerated due to a more aggressive-than-expected decision in March's Federal Open Market Committee meeting and to a lack of a significant escalation since Russia's annexation of the Crimean Peninsula. The Federal Reserve's announcement that its stimulus program could end this fall and that benchmark interest rates could rise six months later is expected to put downward pressure on gold prices. But prices are expected to remain supported in case of a rise in geopolitical tensions. Overall, Gold prices are forecast to reach \$1,050 a troy ounce at the end of 2014, down by about 20% from current prices, mainly due to a re-acceleration in the U.S. and China's economic activity and to the continuous tapering of the U.S. Federal Reserve's Quantitative Easing program.

Source: *Goldman Sachs, Byblos Research*

Silver Performance in Different Currencies



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	30-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	20-Mar-14	No change	19-Jun-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	19-Mar-14	No change	30-Apr-14
Taiwan	Discount Rate	1.88	25-Mar-14	No change	27-Mar-14
South Korea	Base Rate	2.50	13-Mar-14	No change	10-Apr-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	24-Apr-14
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



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

