

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate upgrades outpace downgrades in emerging markets in 2013

Fitch Ratings indicated that the fragile economic recovery in Europe, the subdued economic growth in the United States and the slowing activity in emerging markets were key factors that affected global corporate finance credit quality in 2013. It said that the ratio of downgrades-to-upgrades in emerging markets was 0.9-to-1 in 2013, while that in developed economies was 1.3-to-1. The agency said that corporate issuers in Europe accounted for 42% of downgrades in 2013, followed by those in North America (35%), Latin America (12%), Asia-Pacific (6%) and the Middle East & Africa region (5%). It noted that corporate issuers in North America represented 40% of upgrades globally last year, followed by those in Europe and Latin America (21% each), Asia-Pacific (16%) and the ME&A region (2%). In parallel, industrial firms accounted for 60% of total downgrades and for 54% of upgrades globally in 2013, banks & financial companies represented 37% and 39%, respectively, and insurance firms accounted for 3% of downgrades and for 7% of upgrades last year. Fitch indicated that about half of the downgrades of financial institutions were caused by sovereign downgrades in Europe, the Middle East & Africa region. It noted that the margin of downgrades-to-upgrades was 1.3-to-1 across industrial firms and 1-to-1 across financial institutions in 2013. In parallel, it said that 14 issuers defaulted last year compared to 18 defaults in 2012, resulting in a default rate of 0.51%.

Source: Fitch Ratings

EMERGING MARKETS

Bond and equity outflows at \$44bn in first quarter of 2014, AUM at \$1,260bn

Capital flows to emerging market equity and bond funds posted net outflows of \$43.9bn in the first quarter of 2014, with bond outflows at \$10.8bn and net equity outflows at \$33.1bn. Latin America posted outflows of \$3.9bn from bond funds in the first quarter of 2014, followed by Emerging Europe, the Middle East & Africa (EMEA) with outflows of \$3.6bn and Emerging Asia with outflows of \$3.2bn. Emerging Asia posted outflows of \$22.2bn from equity funds, followed by Latin America with outflows of \$6.6bn and the EMEA region with outflows of \$4.3bn in the first quarter of 2014. Further, Brazil was the largest source of bond outflows at \$2.2bn, followed by Russia with \$1bn and China with \$894m. Also, China was the largest source of equity outflows at \$7.3bn, followed by Korea with \$4.6bn and Brazil with \$3.5bn in the first quarter of 2014. In parallel, assets under management (AUM) in emerging markets totaled \$1,260bn in the first quarter of 2014, with bonds reaching \$337.6bn and equities totaling \$922.5bn. The EMEA region had \$132.6bn in bond-related AUM, followed by Latin America with \$121.8bn and Emerging Asia with \$83.2bn. Further, Emerging Asia had \$633.9bn in equity-related AUM, followed by the EMEA region with \$164.9bn and Latin America with \$123.7bn.

Source: Barclays Capital

MENA

M&A deals down by 49% to \$7bn in first quarter of 2014

Figures released by financial information provider Zawya show that a total of 86 merger & acquisition deals were completed in the Middle East & North Africa region in the first quarter of 2014, constituting a marginal increase of 1.2% from 85 deals in the same quarter last year. Also, the aggregate value of M&A deals in the region totaled \$6.8bn in the covered quarter, down by about 49% from \$13.2bn in the same quarter of 2013. As such, the average deal value reached \$78.9m in the first quarter of 2014, down 49.3% from \$155.5m in the same quarter last year. The value of outbound deals in the region accounted for 35% of total deal value in the covered quarter, followed by domestic deals with 33% and inbound deals with 32%; while the volume of domestic deals represented 64% of total deal volume, followed by outbound deals with 21% and inbound deals with 15%. Further, the oil & gas sector attracted \$2.2bn or 32.7% of the total value of M&A deals in the region in the first quarter of the year, constituting the highest share among all sectors. In parallel, targeted M&A deals in the MENA region, which cover inbound and domestic deals, reached 68 transactions or 79% of total M&A deals in the first quarter, and amounted to \$4.4bn or 65% of total M&A deal value. GCC countries accounted for 37.3% of targeted M&A deal value in the first quarter and North Africa represented 26.8%, while overseas markets accounted for 35.6%.

Source: Zawya, Byblos Research

Barriers to trade vary across Arab countries

The Enabling Trade Index (ETI) for 2014 ranked the UAE as the country with the lowest barriers to trade among 15 Arab countries and with the 16th lowest barriers among 138 countries worldwide. It was followed by Qatar (19th), Oman (31st), Bahrain (33rd), Jordan (40th), Morocco (43rd), Saudi Arabia (48th), Kuwait (74th), Tunisia (76th), Lebanon (82nd), Egypt (97th), Libya (106th), Algeria (120th), Yemen (128th) and Mauritania (129th). The ETI, which is issued by the World Economic Forum every two years, measures the extent that individual economies have developed institutions, policies and services that facilitate the free flow of goods over borders and to destinations. Countries with the highest rankings and scores have the lowest trade barriers. The region received an average score of 4.03 points in the 2014 survey, which is similar to the global average of 4.05 points. The Gulf Cooperation Council (GCC) countries' average score was 4.59 points, higher than that of non-GCC Arab countries of 3.66 points in the 2014 survey. The 2014 results of the ETI are not comparable to the 2012 survey due to changes in the methodology.

Source: World Economic Forum, Byblos Research

OUTLOOK

EMERGING MARKETS

Economic growth at 4.9% in 2014, downside risks on the rise

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 4.9% in 2014 from a January forecast of 5.1%, and compared to a growth rate of 4.7% in 2013. It said that a stronger external demand in advanced economies would support economic activity in emerging markets and developing economies. But it noted that this would be partly offset by tighter global financial conditions that would weigh on domestic demand. The Fund maintained its growth projections for Emerging & Developing Asia at 6.7%; while it reduced its forecast to 5.4% from 6.1% for Sub-Saharan Africa; revised downwards its forecast to 3.2% from 3.4% for the Middle East & North Africa; lowered its projection to 2.5% from 2.9% for Latin America & the Caribbean, reduced its forecast to 2.4% from 2.9% for Emerging & Developing Europe, and lowered its projection to 2.3% from 2.6% for the Commonwealth of Independent States.

In parallel, the IMF indicated that downside risks to emerging economies have increased. It said that tighter financial conditions and higher cost of capital would lead to a larger-than-projected slowdown in investment and consumption in emerging markets. It noted that the potential reversal in capital flows from emerging markets remains a concern and that a rapid-than-expected normalization of the U.S. monetary policy would renew market volatility. It said that the materialization of these risks would lead to financial turmoil and difficult adjustments in some emerging economies, with a risk of contagion. The Fund said that many emerging markets have some common policy priorities to weather turmoil and to maintain high medium-term growth levels. First, it called on authorities to allow exchange rates to respond to changing fundamentals and to facilitate external adjustment. Second, it considered that additional monetary tightening is crucial in economies with high inflation rates. Third, it encouraged policy-makers to address their wide fiscal deficits, mainly in the context of elevated public debt level and large refinancing needs. Fourth, it said that many emerging economies need to implement structural reforms that include investment in infrastructure, the removal of trade barriers, and the rebalancing of growth towards consumption in China.

Source: International Monetary Fund

SUDAN

Real GDP growth to decelerate to 2.4% in 2014 on rising security and political risks

Business Monitor International projected Sudan's economic growth at 2.4% in 2014 relative to an estimated growth rate of 2.9% in 2013. It attributed the deceleration in economic activity to growing security and political risks. It expected private consumption to increase by 2.3% in real terms this year compared to a growth rate of 2.9% last year. It said that domestic unrest has disrupted economic activity and has prevented households from maintaining their income levels. It expected inflationary pressure to continue in coming months, which would further erode consumers' purchasing power. It forecast the average inflation rate at 33.4% in 2014 relative to 37.1% in 2013.

Further, it anticipated government spending to expand by 2% in real terms in 2014 compared to growth of 1% in 2013, driven by the elevated spending needs on security issues. It expected the subdued revenues from the slowdown in economic activity and the decline in oil transit fees from South Sudan to constrain public spending.

In parallel, it pointed out that the government would seek to accommodate investors in the oil, mining and hydrocarbon sectors in order to stimulate growth. But it forecast fixed capital formation to increase by 2.5% in real terms this year compared to a growth rate of 3% last year, reflecting the prevailing security risks that would weigh on investment decisions. It anticipated that the implementation of reforms over the long-term would help investor sentiment recover, provided the normalization of security conditions. Further, BMI considered that net exports would continue to negatively affect headline growth, given the domestic unrest and the decline in revenues from oil transit fees. It forecast the current account deficit at 7.3% of GDP in 2014, almost unchanged from 7.4% of GDP in 2013.

Source: Business Monitor International

IRAN

Economy to grow by 1.5% in FY2014/15, structural reforms needed

The International Monetary Fund projected Iran's real GDP growth at 1.5% in fiscal year 2014/15 ending in March 2015 compared to a contraction of 1.7% in FY2013/14. It forecast hydrocarbon output to shrink by 0.5% in FY2014/15 relative to a contraction of 5.7% FY2013/14 and for non-hydrocarbon sector activity to expand by 1.6% in the current fiscal year compared to a contraction of 1.4% in the preceding fiscal year. It attributed the stabilization in economic activity to positive external factors and to improvements in domestic demand. It noted that the exchange rate depreciation continues to support non-oil exports, adding that prospects of the hydrocarbon and the manufacturing sectors have improved. It forecast the average inflation rate at 23% in FY2014/15 relative to 35.2% in FY2013/14, supported by tighter monetary policy, the introduction of fiscal consolidation measures and the implementation of supply-side reforms. It projected the fiscal deficit at 2.5% of GDP in FY2014/15 relative to 2.2% of GDP in the preceding fiscal year. It considered that containing the fiscal deficit at around 2% to 3% of GDP would support economic activity and help reduce the inflation level.

In parallel, the Fund indicated that the near-term outlook remains highly uncertain and is subject to downside risks that include a difficult external environment and the high unemployment level. It cautioned that the economy would suffer from new adverse shocks if discussions about a permanent nuclear agreement are derailed. Further, it said that the country's medium-term prospects are contingent on strengthening the overall policy framework and on improving investment and productivity. It noted that comprehensive structural reforms are required to improve the business environment, restructure the corporate sector, promote private sector investment, allow the financial sector to better allocate savings and to handle risks, as well as to address the high unemployment rate.

Source: International Monetary Fund



ECONOMY & TRADE

JORDAN

Medium-term prospects improve, risks persist

The International Monetary Fund expected Jordan's economy to strengthen over the medium-term. It projected real GDP growth to accelerate from 3% in 2013 to 3.5% in 2014 and to 4.5% over the medium-term, and for the inflation rate to decline from just above 3% at end-2013 to 2.5% at end-2014 and to 2% in the medium-term. It forecast the current account deficit, including grants, to narrow from about 10% of GDP in 2013 to 4.5% of GDP over the medium-term, reflecting a lower energy bill. But it indicated that risks to the outlook remain high and include spillovers from the Syrian conflict and additional disruptions to energy imports. It called on authorities to continue to protect the country's external stability and to reduce vulnerabilities. Further, the fund expected the combined primary deficit, which includes the primary budget deficit and losses of the state-owned National Electric Power Company, to narrow to 8.3% of GDP in 2014 from 9.3% of GDP in 2013, reflecting revenue measures and rising electricity tariffs. It considered that tax reforms, which aim to reverse the substantial decline in public receipts since 2007, are key to fiscal consolidation. It added that the ratification of the draft income tax law and the reduction of tax incentives would support fiscal consolidation efforts. In parallel, the IMF indicated that the economy needs to grow by 6.1% annually during the 2013-20 period in order to create enough jobs to absorb new entrants to the labor force.

Source: *International Monetary Fund*

ALGERIA

Current account balance to shift to deficit

Business Monitor International projected Algeria's current account balance to shift from a surplus of 0.4% of GDP in 2013 to a deficit of 0.5% of GDP in 2014, constituting the first such deficit since 1998. It expected the current account deficit to widen in coming years and to reach 3% of GDP by 2018. It said that the current account deficit reflects rising imports and a steady decline in hydrocarbon export revenues. It forecast the share of hydrocarbon exports in overall hydrocarbon production to gradually decline to 67.8% of production by 2018 from 73% in 2012 and 80% in 2006. It expected the average Brent oil price to fall from \$108.7 per barrel (p/b) in 2013 to \$104.8 p/b this year and \$102 p/b next year. Further, it projected imports to grow by 4.1% annually during the 2014-18 period, reflecting the strong outlook for household consumption and fixed investment, as well as the country's limited manufacturing industry. It expected the substantial barriers to foreign investment and the weak business environment to deter capital inflows. In parallel, BMI indicated that Algeria's foreign currency reserves of \$194bn at end-January 2014, its sovereign wealth funds' assets projected at \$90bn at end-2014 and its low external debt level of 1.6% of GDP provide considerable buffers. However, it expected the country's foreign currency reserves to gradually decline in coming years and to cover at least 20 months of imports by the end of 2024 compared to more than 36 months of imports currently. It expected vulnerabilities to significantly increase in coming years in the absence of structural reforms.

Source: *Business Monitor International*

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Turkey's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'F3' and the Country Ceiling at 'BBB'. It also affirmed the country's senior, unsecured foreign and local currency bonds at 'BBB-' and 'BBB', respectively. It said that the domestic economy remains highly volatile, adding that the predictability of macroeconomic policy is weaker than in similarly-rated emerging markets. It considered that authorities aim to reduce the country's vulnerability to short-term capital outflows and to ease downward pressure on foreign currency reserves and on the Turkish lira through higher risk premiums on local financial assets. It expected real GDP growth to decelerate to 2.5% in 2014, reflecting a decline in consumer and investor confidence. It pointed out that political uncertainty ahead of the presidential elections in August 2014 and parliamentary elections in June 2015 would adversely impact the economic outlook. Further, Fitch forecast the current account deficit to narrow to 6% of GDP in 2014 and to 5% of GDP in 2015. But it considered that a sustained slowdown in capital inflows would have an adverse impact on the country's economic and financial stability, given the large external financing needs and weak international liquidity position. It pointed out that Turkey is not facing a 'sudden stop' of capital. But it indicated that the country's net external debt as a percentage of GDP remains on an upward trend, while the non-bank private sector is heavily exposed to interest and exchange rates shocks. It noted that the banking sector supports the ratings as it is well-capitalized, profitable and has a non-performing loans ratio of less than 3%.

Source: *Fitch Ratings*

CÔTE d'IVOIRE

Positive economic outlook for 2014

The International Monetary Fund indicated that Côte d'Ivoire's macroeconomic prospects for 2014 are positive, with a solid real GDP growth and a low inflation rate. But it noted that the outlook is partly contingent on rising private investment and on adequate external financing that would increase public investment to close to 8% of GDP. It estimated real GDP growth at 8.7% in 2013, close to the government's target growth level, adding that the inflation rate remained subdued at about 2.5%. It also noted that budget execution was better-than-expected in 2013. In parallel, the Fund pointed out that Côte d'Ivoire has made significant progress in implementing structural reforms, mainly by improving the business climate. It welcomed the authorities' efforts to rapidly finalize and adopt a medium-term wage bill strategy, a financial sector reform strategy, a restructuring plan for state-owned banks and measures to strengthen public financial management. But it noted that some reforms were delayed. It considered that continued strong macroeconomic performance and further progress in the government's structural reform program are necessary to support GDP growth, to improve living standards and to allow Côte d'Ivoire to transform itself into an emerging economy.

Source: *International Monetary Fund*



BANKING

EGYPT

Banks' exposure to government debt up 25% year-on-year in January 2014

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,711.6bn, equivalent to \$245.4bn, at the end of January 2014, constituting an increase of 1.6% from end-2013 and a rise of 16.2% from end-January 2013. Lending to the private sector reached EGP508.2bn or \$72.9bn, and rose by 0.7% from end-2013 and by 4.2% year-on-year. Banks' exposure to government securities totaled EGP680.9bn, equivalent to \$97.6bn, and rose by 1.3% from end-2013 and by 25.4% from a year earlier. Banks' sovereign exposure in local currency stood at EGP599.8bn and increased by 1.5% from end-2013 and by 22% year-on-year; while their exposure in foreign currency reached EGP81.1bn and fell by a marginal 0.2% from end-2013 and grew by 57.7% from a year earlier. In US dollar terms, banks' sovereign exposure in local currency stood at \$86bn, while their exposure in foreign currency reached \$11.6bn. Further, total deposits reached EGP1,325.1bn, or \$190bn, constituting an increase of 0.7% from end-2013 and of 19% from a year earlier, with private sector deposits totaling EGP1,152.3bn or \$165.2bn at end-January 2014 and rising by 0.6% from end-2013 and by 16.4% year-on-year. Private sector deposits in foreign currency fell by 0.9% year-on-year to EGP220.9bn, or \$31.7bn, at the end of January 2014; while private sector deposits in local currency rose by 21.4% from end-January 2013 to EGP931.4bn, or \$133.5bn. The dollarization rate of private sector deposits reached 19.2% at the end of January 2014 relative to 22.5% a year earlier. The private sector loan-to-deposit ratio was 44.1% at end-January relative to 49.3% a year earlier.

Source: Central Bank of Egypt, Byblos Research

QATAR

Banks' foreign currency ratings affirmed

Capital Intelligence affirmed the long-term foreign currency rating (FCR) of Qatar National Bank (QNB) at 'AA-', that of Commercial Bank of Qatar (CBQ), Qatar Islamic Bank (QIB) and Doha Bank (DB) at 'A', that of Qatar International Islamic Bank (QIIB) at 'A-' and that of QNB ALAHLI (AAH) at 'B-'. It maintained the outlook on the long-term FCR of QNB, CBQ and QIB at 'stable' and that of DB at 'positive'; while it revised the outlook on QIIB's FCR to 'positive' from 'stable' and that on AAH's rating to 'stable' from 'negative'. It indicated that the banks' FCRs reflect the ongoing government support to the Qatari banking system, their intrinsic financial profile, and solid domestic economic activity. In parallel, the agency affirmed the financial strength rating (FSR) of QNB at 'AA-', that of QIIB at 'A-', that of DB and QIB at 'A' and that of AAH at 'BBB-'; while it revised the FSR of CBQ from 'A' to 'A-'. It said that all banks' FSR have a 'stable' outlook, with the exception of QIIB that has a 'positive' outlook and AAH that has a 'negative' outlook. The agency said that QNB's FSR reflects the bank's ownership, very strong credit metrics and franchise, and diversified business profile as well as a supportive domestic operating environment. It attributed the downgrade of CBQ's FSR to its weaker asset quality and declining capital adequacy.

Source: Capital Intelligence

ARMENIA

Deposits up 22% year-on-year in February 2014

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,826bn, equivalent to \$6.8bn at the end of February 2014, constituting a decrease of 4% from the end of 2013 and a rise of 11% from end-February 2013. Total loans stood at AMD1,810bn, equivalent to \$4.4bn at end-February 2014, up by 0.6% from end-2013 and by 9.1% from end-February 2013. Loans in foreign currency accounted for 62.7% of total loans at end-February 2014 relative to 62.2% at end-2013 and 65.2% a year earlier; while loans to non-residents amounted to 3% of total loans at end-February 2014. Deposits totaled AMD1,552bn, equivalent to \$3.8bn at end-February 2014, constituting a decline of 3.8% from end-2013 and a rise of 22.4% from a year earlier. Deposits in foreign currency accounted for 69.6% of total deposits at end-February 2014, unchanged from a year-earlier and compared to 70.2% at end-2013. Non-resident deposits represented 25.1% of total deposits at end-February 2014 relative to 28.8% at end-2013 and 21.8% at end-February 2013. In parallel, the risk-weighted capital adequacy ratio of banks operating in Armenia reached 16.3% at the end of February 2014, constituting a decline from 16.6% a year earlier and from 16.8% at the end of 2012. The sector's liquid assets were equivalent to 29.3% of total assets at end-February 2014 relative to 26.3% a year earlier and 25.6% at end-2012; while they represented 152% of total short-term liabilities at the end of February 2014 compared to 138.2% a year earlier and 126.1% at end-2012. The loan-to-deposit ratio in foreign currency stood at 105.2%, down from 122.5% at end-February 2013, while the same ratio in local currency was 142.8% relative to 150.1% at end-February 2013.

Source: Central Bank of Armenia, Byblos Research

NIGERIA

Outlook on banks' ratings revised to 'negative'

Standard & Poor's revised the outlook on the 'BB-' long-term counterparty credit ratings of Access Bank, First Bank of Nigeria, Stanbic IBTC Bank, Guaranty Trust Bank and Zenith Bank to 'negative' from 'stable'. It attributed the change to its similar action on Nigeria's sovereign ratings that was driven by heightened political and institutional tensions, lower-than-expected oil production and falling fiscal buffers. It anticipated that regulatory changes and rising domestic political pressure would test the banks' operating performance over the coming 12 to 18 months. But it expected the positive economic growth, the gradual economic diversification, as well as banks' low level of non-performing loans and sound liquidity indicators, to maintain stability in the financial sector. It noted that the newly-appointed governor of the Central Bank of Nigeria (CBN) would continue the regulatory reform process and would not weaken the roles of regulators and the government in maintaining banking sector stability. It said that it would lower the banks' ratings in the event of a sovereign downgrade and a lower-than-expected banks' asset-quality, operating performance and capitalization level. It added that increased competition among banks, a slowdown in regulatory reforms, and political interference or governance issues at the CBN would weigh on the banks' ratings.

Source: Standard & Poor's



ENERGY / COMMODITIES

Brent oil prices to decline in coming months but to remain above \$100 a barrel

Brent prices have relatively decelerated in recent weeks, mainly due to positive supply developments from Iraq and Libya, two OPEC members that have been producing significantly below their potential output. Brent oil prices are expected to trend downwards in coming months but would remain above \$100 a barrel in the medium term. However, significant risks may place upward pressures on prices, such as the inability of Iraq to raise its oil production through 2014 as security concerns may discourage investments. Overall, Brent oil prices are forecast to grow by 3.5% year-on-year to \$105 a barrel on average in 2014, while WTI oil prices are projected to grow by 2.7% to \$100.7 a barrel in 2014. In parallel, the Dow Jones-UBS Energy Sub-Index regressed by 1.8% in March and grew by 4.2% from end-2013. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index fell by 0.3% in March and increased by 4.4% in the first quarter, while the Dow Jones-UBS Brent Crude Sub-Index decreased by 0.5% last month and by 1.6% from end-2013.

Source: Business Monitor International, Dow Jones Indices

MENA investments in power sector to reach \$316bn between 2015 and 2019

Total investments in the Middle East & North Africa's power sector are projected at \$316bn during the 2015-19 period, of which \$188bn or 59.5% would be allocated to new capacity generation, and \$128bn or 40.5% would go towards power transmission and distribution. As such, the Gulf Cooperation Council countries' investments are projected to reach \$121bn, or 38.3% of the total, followed by Mashreq countries with \$92.1bn (29.1%), Iran with \$59.6bn (18.9%), Maghreb states with \$40bn (12.7%) and the Rest of the Arab World with \$3.3bn (1%).

Source: Arab Petroleum Investments Corporation

Middle East's crude oil exports to rise by 2035

The Middle East's total crude oil exports are expected to exceed 20 million b/d by 2035, mainly due to rising demand in the Asia-Pacific region. In parallel, the Middle East and Africa's oil consumption in residential, commercial and agricultural sectors is projected to grow by an annual average of 1.9% between 2010 and 2020 relative to an annual growth rate of 3.4% during the 1990-2010 period. Also, the region's oil demand for electricity generation is forecast to grow by 2.1% per year between 2010 and 2035.

Source: Organization of the Petroleum Exporting Countries

Blockade of Libyan oil facilities to end

The Libyan government indicated that it reached an agreement with federalist rebels to gradually end their eight-month blockade of petroleum facilities in the east. The deal stipulated that the Zueitina and Hariga ports, which account for about 200,000 barrels per day (b/d) of export capacity, would open immediately. Also, the larger ports, Ras Lanuf and Es Sider, which previously shipped about 500,000 b/d of Libya's crude oil, would be handed back to central authorities in two to four weeks following further negotiations. The reopening of the eastern oil ports would raise Libya's oil output from its current level of about 150,000 b/d but it would not reach its normal capacity of 1.4 million b/d.

Source: Thomson Reuters, Byblos Research

Base Metals: Copper prices to fall by 8% in 2014

Global copper supply is expected to average 22 million tons in 2014, constituting an increase of 5.7% from a year earlier, of which mine production would account for 85.4% of total supply. Chile's copper mine supply is forecast to reach 6.2 million tons in 2014, equivalent to 28.4% of global output. It would be followed by Africa with 2.4 million tons (10.9%), China with 1.75 million tons (8%), Peru with 1.34 million tons (6.1%) and the U.S. with 1.31 million tons (6%). In parallel, global copper consumption is projected to average 21.7 million tons this year, up 4.6% from 2013. The global copper market is expected to remain in surplus until 2016, while the stocks-to-consumption ratio is anticipated to increase from 71 days in 2013 to 74 days in 2014 and to 79 days in 2015. Copper prices are forecast to average \$6,770 a ton this year, constituting a decrease of 7.7% from \$7,331 a ton on average in 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index decreased by 1.6% in March and by 4.6% in the first quarter of 2014, while the Dow Jones-UBS Aluminium Sub-Index rose by 1% last month and fell by 3.2% from end-2013. The Dow Jones-UBS Copper Sub-Index regressed by 5.1% in March and by 10.8% in the first quarter of the year, while the Nickel Sub-Index grew by 7.9% in March and by 14.2% in the covered quarter.

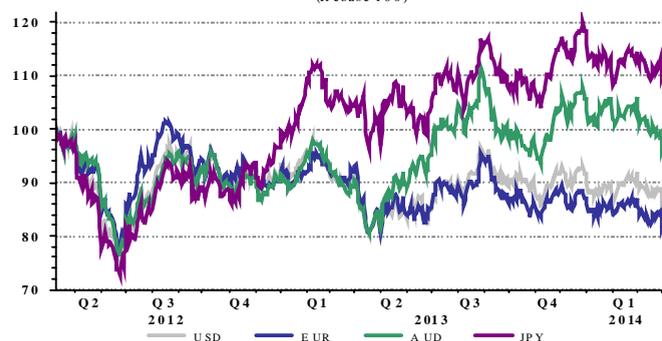
Source: Deutsche Bank, Dow Jones Indices, Byblos Research

Precious Metals: Auto-catalyst demand to account for 45% of global platinum consumption in 2014

Global platinum consumption is projected to average 7.3 million ounces in 2014, constituting a decrease of 4.5% from the previous year and compared to a growth rate of 7.9% in 2013. Auto-catalyst demand would account for 44.9% of the metal's global consumption, while that of jewelry would be equivalent to 29% of the total in 2014. In parallel, global platinum production is expected to average 6.7 million ounces this year, constituting a decline of 4.7% from 2013 and relative to a growth rate of 3.4% last year. Platinum prices are forecast to average \$1,525 an ounce in the second quarter of 2014, reflecting an increase of 5.2% from the previous quarter. Overall, platinum prices are projected to rise by a marginal 0.3% to \$1,491 an ounce this year. In parallel, the Dow Jones-UBS Precious Metals Sub-Index regressed by 4% in March and improved by 5.4% in the first quarter of 2014, while the Silver Sub-Index declined by 7% last month and increased by 1.8% from end-2013. Also, the Dow Jones-UBS Gold Sub-Index decreased by 2.9% in March and rose by 6.7% in the first quarter, while the Platinum Sub-Index fell by 1.9% last month and increased by 3.3% from end-2013.

Source: Deutsche Bank, Dow Jones Indices, Byblos Research

Brent Oil's Performance in Different Currencies
(Rebase 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 Negative	-	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- Negative	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	03-Apr-14	No change	08-May-14
UK	Bank Rate	0.50	06-Mar-14	No change	10-Apr-14
Japan	O/N Call Rate	0-0.10	08-Apr-14	No change	N/A
Australia	Cash Rate	2.50	01-Apr-14	No change	06-May-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	1.875	27-Mar-14	No change	Jun-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	01-Apr-14	No change	03-Jun-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	27-Mar-14	No change	22-May-14
Kenya	Central Bank Rate	8.50	11-Mar-14	No change	05-May-14
Nigeria	Monetary Policy Rate	12.00	25-Mar-14	No change	20-May-14
Ghana	Prime Rate	18.00	07-Apr-14	No change	05-Jun-14
Angola	Base rate	9.25	Nov-13	Cut 50bps	N/A
Mexico	Target Rate	3.50	21-Mar-14	No change	25-Apr-14
Brazil	Selic Rate	11.00	02-Apr-14	Raise 25bps	28-May-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-Apr-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 Amiryman 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

