

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global financial assets at \$242 trillion at end-2013

The stock of global financial assets reached \$242 trillion at the end of 2013, constituting an increase of 8% from \$224 trillion at end-2012, and posting a compound annual growth rate (CAGR) of 4.9% between 2006 and 2013. Non-securitized loans accounted for \$67 trillion or 27.7% of global financial assets at the end of 2013, followed by stock market capitalization with \$64 trillion (26.4%), public debt securities with \$48 trillion (19.8%), financial institutions' bonds with \$39 trillion (16.1%), securitized loans with \$14 trillion (5.8%), and non-financial corporate bonds with \$10 trillion (4.1%). Also, public debt securities grew at a CAGR of 9.2% during the 2006-13 period, followed by non-financial corporate bonds and non-securitized loans with a CAGR of 7.6% each, financial institutions bonds with 2.9% and stock market capitalization with 2.2%; while securitized loans remained unchanged at end-2013 compared to end-2006. Further, aggregate financial assets were equivalent to 329% of global GDP in 2013, up from 310% of GDP in 2012. Non-securitized loans were equivalent to 91% of global GDP in 2013, followed by stock market capitalization at 87% of global GDP, public debt securities at 66% of worldwide GDP, financial institutions bonds at 53% of global GDP, securitized loans at 19% of the world's GDP, and non-financial corporate bonds at 14% of GDP.

Source: Deutsche Bank, Byblos Research

EMERGING MARKETS

Downgrades outpace upgrades in first quarter of 2014

Standard & Poor's indicated that it downgraded 53 corporate and sovereign issuers in emerging markets (EM) that included 30 issuers worth \$825bn in rated debt, while it upgraded 10 EM issuers that included eight issuers worth \$26bn in rated debt in the first quarter of 2014. The emerging markets downgrade-to-upgrade ratio surged to 5.3-to-1 in the first quarter from 0.8-to-1 in the fourth quarter of 2013. It said that the increase in the ratio reflects the downgrades of the sovereign ratings of Brazil and Ukraine, which drove the majority of the rating actions in EM. It noted that the proportion of issuers with 'negative' outlooks or on CreditWatch with negative implications in EM is at its highest level since 2010. Eastern Europe, the Middle East & Africa had 22 corporate and sovereign downgrades and three upgrades in the first quarter of the year, followed by Latin America with 21 downgrades and three upgrades and Emerging Asia with 10 downgrades and four upgrades. In parallel, S&P downgraded 25 corporate issuers representing \$109bn in rated debt in the covered quarter, while it upgraded eight corporate issuers worth \$26bn. Further, the agency downgraded five sovereigns for a total of \$716bn in the first quarter of 2014, while it did not upgrade any sovereign.

Source: Standard & Poor's

MENA

Country risk level in Arab world slightly increases in first quarter of 2014

Euromoney magazine's quarterly survey on global country risk shows that the risk level in the Arab world slightly increased, as the average score of 19 Arab economies reached 42.06 points in the first quarter of 2014, compared to 42.33 points in the preceding quarter. The region's risk level remains higher than the global risk level that averaged 42.63 points in the first quarter of the year. The GCC countries' average score regressed to 66.85 points from 67.36 points in the preceding quarter, while the average score of non-GCC Arab countries rose to 40.54 points from 30.77 points in the fourth quarter of 2013. The Arab world's Political Risk level stood at 12.11 points, worse than the global average of 13.82 points in the first quarter of 2014; while the Economic Performance score was 13.76 points, almost similar to the global average of 13.59 points. Further, the region's Credit Ratings averaged 3.02 points relative to the global average of 3.13 points; while the Access to Bank Finance & Capital Markets score reached 3.32 points, below the global average of 3.81 points. Qatar is the country with the best risk ratings in the Arab world and ranked in 17th place globally, followed by Kuwait (21st), the UAE (24th) and Saudi Arabia (32nd); while the lowest-ranked countries in the region are Syria that came in 164th place, followed by Mauritania (166th), Sudan (167th) and Djibouti (184th).

Sources: *Euromoney*, Byblos Research

Lack of qualified resources and pace of regulations are main concerns for AML efforts

KPMG's Global Anti-Money Laundering (AML) Survey for 2014 indicated that banks in the Middle East & Africa (ME&A) region need to take a more proactive approach towards reducing their vulnerability to financial crime and to create the infrastructure that would facilitate effective AML enforcement. The survey showed that 92% of banks in the ME&A region considered money laundering as a high risk area within their business risk assessment, compared to 84% of respondents in the world who share similar views. Further, 76.6% of banks surveyed in the region cited the lack of qualified resources, 72.3% of banks cited the lack of overall training and 72.3% of banks identified the pace and impact of regulatory changes as their three main concerns in terms of AML. The survey indicated that political and civil unrest in the ME&A region continue to pose challenges for financial institutions' sanctions screening systems. When asked about changes they would recommend to the AML requirements imposed on their business, 56% of respondents in the region said that they would improve international cooperation in order to facilitate the consistency of approach and 50% of respondents said that regulators should provide additional guidance. In parallel, the survey indicated that the vast majority of banks perform full identification and verification of customers. However, only 24% of respondents use an automated customer risk assessment process due to their inability to record all relevant information in their customer data systems.

Source: KPMG

OUTLOOK

EMERGING MARKETS

Banking sectors in Turkey and South Africa are most vulnerable to tightening in global liquidity

Standard & Poor's anticipated that the gradual tightening of the U.S. Federal Reserve's quantitative easing (QE) program would affect directly some emerging markets' banking systems through reduced global liquidity, or indirectly through lower economic growth. It considered that Turkey's banking system and, to a lesser extent, South Africa's banking sector are the most vulnerable among seven economies that are the most exposed to a tightening of the QE program. It said that the Brazilian banking system would be hit indirectly, while banking sectors in Chile, India, Indonesia and Peru would remain relatively resilient.

It pointed out that banks in Turkey depend the most on external debt for financing and would suffer from the limited access to external funding or from rising refinancing costs. But it noted that a portion of external funding is used for trade finance transactions, which reduces lenders' risk assessment. It considered that Turkish banks have sufficient liquidity buffers to withstand a significant decline in their rollover ratios. Further, it said that banks in South Africa mainly get their funding from core customer deposits and from large local asset management companies. It noted that the latter are more sensitive to pricing and could increase the cost of funding in the event of a faster-than-expected tightening of the QE program and if the South African Reserve Bank significantly raises interest rates. In contrast, it indicated that the dependence of the Chilean, Indian, Indonesian and Brazilian banking systems on external funding is low, while refinancing risks in Peru are limited given that most bank debt is long-term and that the system is highly dollarized.

In parallel, it forecast credit losses for the seven banking sectors to increase because of the economic slowdown, rising interest rates and the possible negative impact of local currency depreciation on companies with foreign currency debt and revenues in local currency. But it noted that banks' earnings would remain sufficient to absorb these losses.

Source: Standard & Poor's

MENA

Growth in oil-importing countries revised downwards

Emirates NBD Bank revised downward its weighted real GDP growth for Arab oil importers to 2.2% in 2014 from a January forecast of 3% and relative to a weighted growth rate of 2.6% in 2013. It attributed the change to a downward revision of real GDP growth forecasts for Lebanon, Morocco and Egypt. It reduced its projections for real GDP growth in 2014 to 2.4% from 3.1% for Morocco, to 2% from 2.2% for Lebanon and to 1.8% from 2.8% for Egypt. In contrast, it maintained its forecast for Tunisia's real GDP growth at 3.4% in 2014 and for Jordan at 3.2%. It said that consumer confidence and local financial markets improved generally in recent months, reflecting the elevated financial assistance, mainly from GCC countries. It expected FDI from GCC economies to oil importers to increase, which would help compensate for weaker FDI inflows from Europe.

But it noted that gains in consumer confidence and local financial markets would not immediately translate into real economic activity and job creation. Further, it cautioned from rising security risks and political uncertainties in Lebanon, Egypt and Tunisia. In contrast, it said that the policy environment is clearer in Jordan and Morocco given that both countries reached an agreement with the International Monetary Fund to implement reforms and due to their more stable domestic environment than the remaining oil importers.

In parallel, it said that authorities in oil-importing countries made some progress in controlling the fiscal and current account deficits and in strengthening balance-of-payments stability. It forecast the fiscal deficit in Egypt to narrow to 11.1% of GDP in 2014 from 13.7% of GDP in 2013, that in Lebanon to fall to 8.8% of GDP from 9.1% of GDP in 2013, that in Jordan to decline to 5.9% of GDP from 6.2% of GDP last year, that in Tunisia to drop to 5.8% of GDP from 6.3% of GDP in 2013 and that in Morocco to decrease to 5.5% of GDP in 2014 from 6% of GDP.

Source: Emirates NBD Bank

IRAQ

Rising oil production to have limited impact on fiscal position

Barclays Capital revised upwards its projection for Iraq's real GDP growth to 7.6% in 2014 from a previous forecast of 5.8% and compared to an estimated growth rate of 4.9% in 2013. It said that the revision reflects the change in Iraq's average oil production forecast to 3.5 million barrels per day (b/d) in 2014 from 3.3 million b/d previously, and relative to an average of 3.1 million b/d in 2013. It noted that the government is not likely to achieve its oil production target level of 4.1 million b/d in 2014. It indicated that downside risks to oil production and exports are significant and include disruptions to oil pipelines, deteriorating domestic security conditions and the lack of adequate storage capacity.

In parallel, Barclays Capital considered that the rise in oil production would not significantly improve Iraq's fiscal outlook, given the expected deterioration in the fiscal balance and erosion of the fiscal buffer. It said that Iraq would post a balanced budget this year compared to an estimated fiscal surplus of 0.5% of GDP in 2013. It forecast global oil prices to average \$104.5 per barrel in 2014, slightly above the country's fiscal breakeven oil price. It said that the 2014 draft budget includes spending of IQD164.5 trillion or \$141bn, which is 16.4% higher than spending in the 2013 budget. It added that the budget estimates public revenues at IQD139.6 trillion, or \$119.7bn in 2014, assuming that the country would export 3.4 million b/d and that oil exports from the Kurdistan region would increase to 400,000 b/d from 250,000 b/d in 2013. It considered that ratifying the 2014 budget would require addressing the stand-off between Erbil and Baghdad over oil exports from the Kurdistan region. It cautioned that failure to agree on revenue-sharing arrangements would undermine budget targets. It expected fiscal underperformance to continue this year if the budget is passed as proposed. It forecast foreign currency reserves at \$73.8bn this year relative to \$70.3bn last year.

Source: Barclays Capital

ECONOMY & TRADE

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Nigeria's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-' and 'BB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'B' and the country ceiling at 'BB-'. It said that the ratings' affirmation reflects the stabilization of the foreign exchange market and of foreign currency reserves, the downward trend in the inflation rate, a tight fiscal position and a rise in oil production. It noted that oil production remains volatile, but increased to 2.25 million barrels per day in the first quarter of 2014 from an average of 2.1 million barrels per day in November and December 2013. It said that the rise in oil production, which reflects increased efforts to address pipeline vandalism and oil theft, supported the increase in the assets of the Excess Crude Account in March. It projected the country's foreign currency reserves at 4.6 months of current account payments at end-2014, in line with the median of 'BB'-rated peers but lower than similarly-rated oil exporters, such as Angola and Gabon. The agency said that the ratings are supported by Nigeria's low public debt level that reached 12.6% of GDP at end-2013 after the recent GDP rebasing, by continued strong economic activity and by a relatively strong current account surplus, debt service ratio and external liquidity. It noted that the GDP rebasing shows a more diversified economy, with the non-oil sector representing 86% of GDP. Further, Fitch pointed out that the progress in the implementation of reforms remains mixed as authorities endorsed the privatization of the electricity sector and are on track with the reforms of the agricultural sector, but they have yet to pass the Petroleum Industry Bill.

Source: Fitch Ratings

SOUTH SUDAN

Real GDP growth to slow down to 2.3% in 2014

Business Monitor International revised downward its forecast for South Sudan's real GDP growth to 2.3% in 2014 from a previous figure of 10.6% and relative to a growth rate of 42% in 2013. It attributed the change to the widespread domestic violence that disrupted oil production, increased the number of displaced and significantly affected investor sentiment. It forecast private consumption to expand by 2% in real terms in 2014, reflecting the rise in domestic prices and the disruptions to domestic food production. Further, it estimated current oil production in South Sudan at 150,000 barrels per day (b/d), around 100,000 barrels below the pre-conflict level, and significantly lower than the 500,000 b/d produced in the country prior to 2012. It said that the drop in oil production would negatively affect net exports and public revenues. It revised upward its projections for the fiscal deficit to 5.5% of GDP in the fiscal year ending in June 2014 from its previous forecast of 1% of GDP. It anticipated that disruptions to oil production would continue over the coming months, which would negatively affect public revenues. But it considered that foreign grants would partly offset the decline in revenues. Further, it expected current spending, mainly military-related expenditures, to remain elevated in coming months, while it forecast capital spending to drop despite the massive infrastructure deficit. It cautioned that risks to the outlook are to the downside.

Source: Business Monitor International

DEM REP CONGO

Economic diversification unlikely over short term

Business Monitor International anticipated that the Democratic Republic of Congo's (DRC) government is not likely to succeed in diversifying the economy away from the copper sector due to the difficult domestic business environment. It pointed out that the DRC is among the countries that are most exposed to lower global copper prices given its dependence on copper exports. It expected the slowdown in the Chinese economy to reduce global copper prices in coming years, which would affect the country's growth prospects. BMI indicated that the DRC's business environment is one of the most challenging in Africa, with an excessive regulatory burden and a poor physical infrastructure that deter foreign investment and prevent local firms from expanding. It pointed out that the poor state of infrastructure prevents goods from being moved across the country, increases production costs and makes economies of scale difficult to achieve. It added that the lack of reliable access to electricity is a main problem for industrial and manufacturing firms and is slowing investment in mining. Further, it said that the poor business environment has severely affected the manufacturing sector, which, in turn, makes the country dependent on imports for almost all consumer products. Overall, it considered that the government lacks the political will, administrative capacity and economic resources to address the poor business environment. It noted that growth in non-mining sectors would not be sufficient to rebalance the economy or to create jobs.

Source: Business Monitor International

INDIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed India's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' with a 'stable' outlook. It also maintained the country ceiling at 'BBB-' and the short-term foreign-currency IDR at 'F3'. It said that the country's relatively high real GDP growth supports the ratings despite the slowdown in economic activity in recent years. It noted that the outlook for the Indian economy is uncertain given the ongoing parliamentary elections. It considered that the implementation of structural and governance reforms, fiscal consolidation plans and measures to control inflationary pressure would require a coherent coalition with a strong electoral mandate. It pointed out that fiscal consolidation remains critical to the ratings as both the fiscal deficit and the public debt level significantly exceed the correspondent medians of 'BBB'-rated sovereigns. It estimated that the government met its fiscal deficit target of 4.8% of GDP in the fiscal year ending in March 2014. But it noted that this was achieved through one-off measures, which raises questions about the feasibility of a fiscal consolidation process over the long term. Further, the agency indicated that India's standards of governance and business environment are relatively weak and constrain its investment potential. In parallel, it pointed out that the country's external position continues to be strong given the high level of foreign currency reserves of \$304bn or 6.1 months of current account receipts, and low net external debt of 4.4% of GDP.

Source: Fitch Ratings



BANKING

QATAR

Private sector lending up 13% year-on-year in March 2014

Figures issued by the Central Bank of Qatar show that total assets of the banking sector reached QAR952.1bn, equivalent to \$261.6bn at the end of March 2014, constituting an increase of 4% from the end of 2013 and a rise of 12.2% from end-March 2013. Loans totaled QAR596.3bn, equivalent to \$163.8bn at end-March 2014, almost unchanged from the preceding month and reflecting a 0.8% monthly drop in public sector lending and a marginal 0.2% decrease in lending to the private sector. Also, total loans grew by 15.2% year-on-year in March 2014, driven by a 12.8% annual increase in credit to the private sector and a 19.3% rise in public sector lending. In parallel, aggregate deposits totaled QAR581bn or \$159.6bn at end-March 2014, constituting an increase of 1% from the preceding month, driven by a 1.7% rise in public sector deposits as private sector deposits remained almost unchanged month-on-month. The sector's total deposits grew by 19.4% year-on-year in March 2014, driven by a 28.8% annual rise in public sector deposits and a 14.8% year-on-year increase in private sector deposits. The loan-to-deposit ratio stood at 102.6% at end-March 2014, down from 105.4% at end-2013 and relative to 106.4% at end-March 2013.

Source: Central Bank of Qatar, Byblos Research

ALGERIA

Lending to private sector up 21% in 2013

Figures released by the Central Bank of Algeria show that commercial banks' total assets reached DA10,826bn or \$133bn at the end of 2013, constituting a rise of 6.9% from DA9,654.4bn at end-2012 and relative to an increase of 7.3% in 2012. Commercial banks' assets were equivalent to about 63.1% of GDP at end-2013, up from 60.9% of GDP a year earlier. Total loans stood at DA5,156.3bn or \$66.5bn at end-2013, up by 20.3% from the preceding year and relative to an increase of 15.1% in 2012. Lending to the private sector reached DA2,722bn or \$35bn and rose by 21.1% from end-2012, while credits to the public sector totaled DA2,434bn or \$31.4bn and increased by 19.3% from a year earlier. Loans were equivalent to 31.5% of GDP at end-2013, up from 27.1% of GDP a year earlier. Deposits totaled DA7,229.1bn or \$93.2bn at end-2013, constituting an increase of 8.1% from end-2012 and relative to a rise of 6.5% in 2012. Total deposits accounted for about 70% of total liabilities at end-2013, of which current deposits accounted for 48.9% of the total and term deposits for the remaining balance of 51.1%. Further, deposits to the private sector grew by 9.8% to DA4,001.2bn or \$51.6bn at end-2013 and accounted for about 55.4% of total deposits, while public sector deposits rose by 3.1% year-on-year to DA2,608.2bn or \$33.6bn and were equivalent to 36.1% of aggregate deposits. Deposits were equivalent to 44.2% of GDP at end-2013 relative to 42.2% in the preceding year. The loan-to-deposit ratio reached about 71.3% at end-2013, compared to 64.1% at end-2012 and 59.3% at end-2011.

Source: Banque d'Algérie, Byblos Research

ANGOLA

Positive medium-term outlook for banks despite short-term challenges

Business Monitor International anticipated that falling government bond yields, banks' over-exposure to the construction and real estate sectors and the introduction of tighter regulations would continue to weigh on Angolan banks' profits and asset growth in coming quarters. It noted that Angola's banking sector has entered a period of consolidation following a decade of rapid expansion as banks address the deteriorating asset quality, falling profitability and a tougher regulatory environment. It said that lending to the private sector grew by 10.9% in 2013 compared to growth of 24% in 2012. It expected the deceleration in lending growth to continue in coming quarters, reflecting an already high credit stock and weakening loan demand in key sectors. Further, it pointed out that delays in public infrastructure spending as well as the government's arrears on payments to contractors have led to a rise in bad debts and non-performing loans. However, BMI considered that the gradual diversification of the banks' loan portfolios, increasing banking penetration rates and improving regulatory oversight would lead to a better and more sustainable growth over the medium- to-long term. It said that falling bond yields and tighter regulations would negatively affect banks' profitability and asset growth in the short-term, but would create greater incentives for banks to increase lending to the economy. But it noted that the lack of financial transparency and corporate auditing remains a significant barrier to the expansion of lending.

Source: Business Monitor International

IRAN

Banking sector in need for reforms

The International Monetary Fund indicated that Iranian banks' asset quality and profitability have been significantly affected by international sanctions and by rigid government credit policies. It said that government directives weakened risk management, particularly at state-owned banks. It added that banks' loan classification procedures are weak, resulting in under provisioning and overstated capital adequacy ratios, particularly for state-owned banks. It said that reported non-performing loans (NPLs) peaked at 17% of total loans in fiscal year 2012/13 that ended in March 2013, equivalent to almost 10% of non-oil GDP. It attributed the rise in the NPL ratio to external trade and cash flow problems in the corporate sector, mainly at state-owned enterprises. Further, it said that lending to the private sector grew by 21% in nominal terms in 2013, equivalent to a decline of 6% in real terms. It noted that lending activity by state-owned banks was more subdued than that by privately-owned banks given that state-owned banks are heavily exposed to weak corporate borrowers. It added that private sector deposits grew by about 27% in nominal terms last year. The Fund encouraged authorities to dismantle the directed-lending policies. It urged the authorities to strengthen the Central Bank of Iran's supervisory powers and enforcement capacity. It considered that the authorities' proposals to address NPLs and to recapitalize public banks need to be supported by restructuring plans and reforms.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil production to increase by 3% in 2014 as U.S. oil supply rises, oil prices to average \$106 a barrel

Global crude oil consumption is expected to grow by an annual average of 1.6% during the 2014-15 period. The Organization for Economic Cooperation and Development countries' oil consumption growth is forecast to remain flat this year as higher consumption in the U.S. would be offset by a further contraction in European and the Pacific region's demand. In parallel, global oil production is projected to expand by an annual average rate of 2.8% during the 2014-15 period, partly due to higher U.S. output. The global crude oil market is expected to be oversupplied in 2014 as oil production from the U.S., Iraq, Saudi Arabia and Canada increases. Also, a relatively softer demand in several emerging economies, mainly in China and Russia, would contribute to a larger market surplus. Brent oil prices are projected to remain above \$100 a barrel during the 2014-15 period and they may trend upwards as risks of an escalation in geopolitical tensions increase, particularly in the Middle East & North Africa. Brent oil prices are forecast to average \$106.5 a barrel in the second quarter of 2014 and to decline to \$102 a barrel on average in the third quarter, while WTI oil prices are expected to average \$99 a barrel in the second quarter and to regress to \$96.9 a barrel in the third quarter of 2014. Overall, Brent prices are projected to drop by 3% to an average of \$105.6 a barrel in 2014.

Source: Economist Intelligence Unit, Byblos Research

Iran's oil exports above Western-set cap

Iran's crude oil exports reached a 20 month-high of 1.65 million b/d in February 2014, constituting the highest level since June 2012. But they regressed for the first time in five months to just over one million b/d in March. Iran's oil exports level exceeded the one million b/d limit set by an interim deal between Iran and The UN Security Council's permanent members plus Germany (P5+1) over Tehran's nuclear program. Also, Iranian oil exports are projected to drop further in April 2014. The deal came into effect on January 20, 2014 and stipulated that Iran's exports should be held at one million b/d through July 20, 2014.

Source: Thomson Reuters

Libya's oil production at 16% of normal capacity

Libya's oil production is currently at about 220,000 barrels a day (b/d), or about 15.7% of the country's normal output level, which is down significantly from an average of 1.4 million b/d at the start of 2013. Earlier this month, the government reached a deal with rebels to partially end their occupation of four oil ports. Libya aims to raise oil production by 400,000 b/d in the next few weeks after the eastern port of Hariga was reopened following the deal signed with rebels who seek greater autonomy and a share of the country's oil revenues.

Source: Thomson Reuters, Byblos Research

OPEC crude oil output to rise by 1% in 2014

The Organization of the Petroleum Exporting Countries' crude oil production is forecast at 30.72 million barrels per day (b/d) on average in 2014, up 0.9% from 2013 and equivalent to 32.7% of global oil production. Saudi Arabia's oil supply is projected at 9.6 million b/d or 31.3% of total OPEC output, followed by Iraq with 3.25 million b/d (10.6%), Kuwait with 2.84 million b/d (9.2%) and the UAE with 2.8 million b/d (9.1%).

Source: Economist Intelligence Unit, Byblos Research

Base Metals: Copper consumption to increase by 4%, prices to drop by 8% in 2014

Copper prices are forecast to fluctuate between \$6,000 a ton and \$7,421 a ton in 2014. Prices are projected to average \$6,790 a ton this year, reflecting a decrease of 7.6% from an average of \$7,346 a ton in 2013 and representing the metal's third consecutive year of decline. Global copper consumption is expected to grow by 4% in 2014 to 21.6 million tons, with demand in mature economies growing by 2% in 2014 for the first time in three years. In addition, copper consumption in Brazil, Russia, India and China is forecast to continue to grow in excess of the global average but at slower rates than in recent years. In parallel, global refined copper production is expected to rise by 5.8% to 22 million tons this year, resulting in a market surplus of 352,000 tons, equivalent to about 1.6% of global demand. The stock-to-consumption ratio is projected to increase from 3.1 weeks in 2013 to 3.8 weeks in 2014.

Source: Thomson Reuters GFMS, Byblos Research

Precious Metals: Gold prices to trade between \$1,100 and \$1,400 per ounce in 2014

Gold prices increased by 6.8% in the first quarter of 2014, driven by weak U.S. economic data and by a rise in safe-haven asset purchases as emerging market risk increased and as several currencies depreciated sharply. But gold prices are projected to decline in coming months due to continued U.S. economic recovery, sustained tapering of the U.S. Federal Reserve's quantitative easing program, increases in U.S. treasury yields and a stronger US dollar. Gold prices are forecast to fluctuate between \$1,100 a troy ounce and \$1,400 an ounce this year. Overall, gold prices are expected to decrease by 13.2% to \$1,225 a troy ounce in 2014. Global gold consumption is projected to reach 4,476.3 tons in 2014, reflecting a drop of 9.7% from 2013. As such, jewelry demand is anticipated at 2,492.7 tons this year and would account for 55.7% of total consumption. It would be followed by retail investments with 1,283.8 tons or 28.7% of the total, of which 75.2% are in gold bars and 24.8% are in coins. Net official sector purchases are forecast to decrease by 32.8% to 275 tons in 2014. In parallel, global gold supply is projected to decrease by 1.6% to 4,185.5 tons this year, of which mine production would account for 73% of total supply.

Source: Thomson Reuters GFMS, 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 Positive	BB- Stable	-	BB	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	-13.6	97.5	14.6	74.0	4.7	343.8	-2.1	0.9
Ethiopia	-	-	-	-	B	-2.8	22.5	18.9	110.6	-	-	-6.4	2.5
Ghana	B Negative	B1 Negative	B Negative	-	B	-10.2	51.2	27.8	54.1	3.2	247.3	-11.9	7.1
Ivory Coast	-	-	-	-	B	-3.1	41.5	17.3	95.0	-	-	-2.9	3.0
Libya	-	-	B	-	B	-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	-6.1	62.0	38.5	89.7	6.9	250.8	-7.3	2.8
Nigeria	BB- Negative	Ba3 Stable	BB- Stable	-	B	-1.9	20.1	5.6	13.4	0.4	33.0	3.3	2.3
Sudan	-	-	-	-	C	-2.0	100.0	85.8	-	-	-	-11.9	-
Tunisia	-	Ba3 Negative	BB- Negative	-	CCC	-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	-	-	-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	-5.9	39.9	142.4	44.2	15.3	611.5	5.3	0.3
Iran	-	-	-	B	CCC	-4.5	21.9	1.7	22.3	17.6	22.6	-0.5	-
Iraq	-	-	-	-	CCC	-0.6	41.0	12.5	51.7	-	-	5.5	-
Jordan	BB- Negative	B1 Stable	-	BB- Stable	CCC	-6.1	83.9	63.3	52.2	10.2	260.4	-10.2	4.9
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	A	31.3	6.5	16.3	30.7	7.2	110.5	43.2	-4.8
Lebanon	B- Stable	B1 Negative	B Negative	B	CCC	-11.1	143.9	81.8	144.6	21.0	122.0	-11.3	4.7
Oman	A Stable	A1 Stable	-	A	A	3.3	4.0	19.4	18.1	3.6	101.1	7.3	2.4
Qatar	AA Stable	Aa2 Stable	-	AA- Stable	AA	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	8.7	3.7	12.9	36.0	1.8	12.4	20.1	1.1
Syria	-	-	-	-	C	-14.0	57.4	20.7	-	-	-	-14.1	-
UAE	-	Aa2 Stable	-	AA- Stable	BB	13.6	32.1	49.2	25.9	3.9	366.8	15.7	1.8
Yemen	-	-	-	-	CC	-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	Positive	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
	Negative	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	-	B	-2.7	38.4	75.2	150.1	21.3	281.8	-1.7	1.5
	Positive	Negative	Stable	-	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-0.7	14.1	29.4	85.1	25.4	139.6	2.6	0.1
	Negative	Positive	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	34.4	45.7	116.4	27.0	327.4	-7.5	1.2
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.3	43.0	79.4	141.5	28.2	759.4	-7.0	4.4
	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	10-Apr-14	No change	08-May-14
Japan	O/N Call Rate	0-0.10	08-Apr-14	No change	30-Apr-14
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	16-Apr-14	No change	04-Jun-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	25-Jun-14
South Korea	Base Rate	2.50	10-Apr-14	No change	09-May-14
Malaysia	O/N Policy Rate	3.00	06-Mar-14	No change	09-May-14
Thailand	1D Repo	2.00	23-Apr-14	No change	N/A
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	9.50	15-Apr-14	Raise 300bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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