

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

GCC

Healthcare market to reach \$69bn by 2018

Alpen Capital projected the size of the healthcare services market in the Gulf Cooperation Council (GCC) countries to reach \$69.3bn in 2018 and to post a compound annual growth rate (CAGR) of 12% during the 2013-18 period. It also forecast the size of the healthcare services market at \$44.2bn in 2014 and at \$55.5bn in 2016 relative to \$39.4bn in 2013. It anticipated the outpatient market in the GCC to reach \$54.6bn in 2018 and to grow at a CAGR of 11.9% during the 2013-18 period, and forecast the inpatient market to total \$14.8bn by 2018 and to expand at a CAGR of 12.3% during the covered period. It expected the outpatient market to account for about 78.8% of the total healthcare market in 2018, almost unchanged from 78.9% in 2013. Further, it projected the healthcare market in Qatar to post a CAGR of 14.4% during the 2013-18 period, followed by the UAE (+13.1%), Oman (+11.8%), Saudi Arabia (+11.4%), Kuwait (+9.4%) and Bahrain (+5.6%). It forecast Saudi Arabia's healthcare market to account for 45.4% of the GCC's total healthcare market in 2018 compared to a share of 46.5% in 2013, the UAE market share to rise to 26.8% from 25.5%, that in Qatar to grow to 13% from 11.7%, that in Oman to slightly decrease to 5.4% from 5.5%, that in Kuwait to fall to 7.8% from 8.8% and that in Bahrain to decline to 1.6% from 2.1%.

Source: Alpen Capital

MENA

ICT readiness lags global trends

The World Economic Forum/INSEAD Business School's Network Readiness Index for 2014 shows that the average score for the 16 countries of the MENA region included in the survey reached 3.85 points. The index reflects the factors driving networked readiness, which is the capacity of countries to fully benefit from new information and communication technologies (ICT) in their competitiveness strategies and their citizens' daily lives. The region's average score came below the global average score of 4 points and those of Central & Eastern Europe (4.19 points) and the Commonwealth of Independent States (4.04 points), and compared to an average score of 5.2 points among developed economies. The region's average score was above the average scores of Latin America (3.72 points), Developing Asia (3.66 points) and Sub-Saharan Africa (3.16 points). In comparison, the average score of the 15 Arab countries included in the survey was 3.92 points, with an average score of 4.76 points among Gulf Cooperation Council (GCC) countries and of 3.35 points among non-GCC Arab countries. Qatar was the region's top-ranked country and came in 23rd place globally, followed by the UAE (24th place) and Bahrain (29th) as the only Arab countries to rank among the top 30 worldwide. In contrast, Libya (138th), Yemen (140th) and Mauritania (142nd) were the lowest-ranked Arab economies.

Source: World Economic Forum, Byblos Research

Equity markets up 14% in first four months of 2014

Arab stock markets increased by 13.6% and GCC markets rose by 13.2% in the first four months of 2014 compared to increases of 4.7% and 6.7%, respectively, in the same period of 2013. Activity on the Dubai financial market increased by 50.1% in the first four months of 2014 and posted the best performance among Arab markets during the period. It was followed by the Qatar financial market with a 22.1% rise, the Egyptian equity market with a 21.7% growth, the Beirut stock exchange with a 19.8% improvement, the Abu Dhabi exchange with a 17.6% increase, the Bahrain bourse with a 14.3% expansion, the Saudi Arabia equity market with a 12.3% growth, the Casablanca stock exchange with a 3.9% rise, the Amman stock market with a 2.8% increase and the Tunis equity market with a 2.4% improvement. In parallel, activity on the Libyan stock market dropped by 7% and posted the weakest performance among Arab stock markets in the first four months of 2014. It was followed by the Palestine equity market with a 4.2% drop, the Iraqi stock exchange with a 2.3% decline, the Kuwait stock market with a 1.9% decrease, the Oman equity market with a 1.6% drop and the Khartoum bourse with a 1.4% decline, while the Damascus financial market remained nearly unchanged from end-2013. In comparison, global equities rose by 1.5% and emerging market equities declined by 0.6% in the first four months of 2014.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Debt issuance down 67% to \$4bn in first quarter of 2014

Figures issued by Thomson Reuters show that Equity Capital Markets' (ECM) issuance in the Middle East reached \$1bn in the first quarter of 2014, down 46% from \$1.9bn in the same quarter of 2013. There were two initial public offerings in the region, which accounted for total ECM activity in the Middle East during the covered quarter. The energy & power sector was the most active sector in the first quarter of 2014 with a total issuance of \$905m, or 89.2% of ECM activity, while the materials sector accounted for the remaining \$109m or 10.8%. Also, debt issuance in the region totaled \$4bn in the first quarter of 2014, the lowest quarterly volume since the third quarter of 2011, and constituted a decrease of 67% from \$12.1bn in the same quarter of 2013. Islamic debt issuance reached \$6.4bn from 17 issues in the covered quarter, and declined by 34% year-on-year. Further, the volume of mergers and acquisitions (M&A) reached \$5.7bn in the first quarter of 2014, down 15% from \$6.8bn in the first quarter of 2013, and posted the weakest first quarter activity level since 2004. In parallel, investment banking and advisory fees in the Middle East stood at \$120.3m in the covered quarter, reflecting a decline of 2% year-on-year. Fees from M&A deals totaled \$46.4m and accounted for 38.6% of the overall fee pool, followed by ECM fees with \$39.6m (33%), debt capital markets fees with \$17.4m (14.5%), and syndicated lending fees with \$16.9m (14%).

Source: Thomson Reuters

POLITICAL RISK OVERVIEW - April 2014

EGYPT

Egypt's former Defense Minister Abdelfattah el-Sissi and Mr. Hamdeen Sabbahi registered for the May 2014 presidential election. An Egyptian court banned Muslim Brotherhood (MB) members from running in future elections. Mr. Sabbahi's campaign warned against the use of state resources and media in favor of presidential candidate el-Sissi. The EU formed an observation mission for the upcoming presidential election following an invitation issued by the Egyptian government and the High Elections Commission. Attacks on security forces continued with militant group Afnan Misr claiming several bomb attacks. Clashes continued between MB supporters and the police across the country. An Egyptian court sentenced 683 defendants to death, including MB spiritual leader Mohamed Badie, over alleged violence and killings of policemen.

IRAN

Talks between Iran and the UN Security Council's permanent members plus Germany (P5+1) over Tehran's nuclear program took place in Vienna in the middle of April. Iranian Foreign Minister Mohammad Javad Zarif said that Iran and P5+1 countries have solved more than half of their issues in the ongoing diplomatic effort to seek a Comprehensive Agreement, but that significant disagreements remain. The International Atomic Energy Agency (IAEA) said that Iran continues to comply with the November Joint Plan of Action. Nuclear negotiations were unaffected by the U.S. refusal to grant a visa to Iran's new UN envoy over his role in the 1979 hostage crisis in Tehran.

IRAQ

The country's security situation deteriorated ahead of the April 30 parliamentary elections, with Shiite militias operating openly and with the ongoing fighting between government forces and Sunni insurgents in the Anbar province. The Islamic State of Iraq and the Levant consolidated its presence in the city of Fallujah, including staging a military parade and organizing basic services. The government continued to use the Anbar crisis to marginalize Sunni political opposition as well as to secure domestic and international political support. Sectarian violence continued this month across the country, leading to at least 750 deaths, the highest monthly death toll this year, and to over 1,540 injuries. The Electoral commission said that more than 12 million Iraqis voted in parliamentary polls, equivalent to a voter turnout of 60%, while it indicated that it cancelled balloting in parts of the Anbar province due to the ongoing violence. The Cabinet endorsed a "National Safety" bill, which defines a "state of emergency" and gives near-absolute powers to the Prime Minister to determine what constitutes an emergency. The bill prompted widespread fears that the government could use the law to eliminate its opponents.

DEM REP CONGO

The leader of the Ugandan Islamist rebel group, Jamil Mukulu, fled his hideout in eastern DRC after a U.N.-backed offensive destroyed several camps belonging to his militia. Armed operations against the Force de Résistance Patriotique de l'Ituri continued in the Ituri region in the northeast. The Mai Mai-Simba militia leader Paul Sadala was killed on April 14, two days after he surrendered with 42 members of his militia to the Congolese army in the Mambasa territory.

LIBYA

The General National Congress (GNC) remained polarized despite the March ousting of Prime Minister Ali Zeidan. Interim Prime Minister Abdullah al-Thinni resigned after gunmen attacked his home and family. A group of gunmen stormed the GNC and disrupted the session to elect a new Prime Minister. The government began direct negotiations with the federalist movement leader, Ibrahim Jedran, over the oil terminal crisis.

SOUTH SUDAN

Fighting between government troops and Sudan People's Liberation Army-in-Opposition (SPLA-IO) escalated, as both parties continued to accuse each other of violating the current ceasefire. The killing of over 200 persons during the SPLA-IO's capture of the town of Bentiu drew international condemnation. The United Nations Mission in South Sudan condemned the alleged attack by a group of armed youth on its base in the Jonglei state. The site currently provides protection to about 5,000 internally displaced people, mainly from the ethnic Nuer group to which rebel leader Riek Machar belongs. The Intergovernmental Authority on Development resumed the third session of South Sudan peace talks that focus on political dialogue for national reconciliation.

SUDAN

The Sudan Revolutionary Front (SRF) and the National Consensus Forces (NCF) advocated in a joint statement the need of a comprehensive solution to the country's crises. Also, they renewed calls for establishing a transitional government and an independent body to facilitate the national dialogue. The SRF accused the government of escalating military operations against civilians and armed opposition instead of declaring the cessation of hostilities and creating confidence building measures. The NCF criticized a government decree that imposes restrictions on political assembly and media commentary. Peace talks between the government and the Sudanese People's Liberation Movement-North (SPLM-N) resumed on April 22nd. The SPLM-N agreed to negotiate a framework agreement with the Sudanese government, while the latter described the move as a "return to point zero".

SYRIA

The Syrian regime announced that the country's presidential elections would be held on June 3, 2014. President Bashar al-Assad announced his candidacy on April 28, 2014. The regime renewed its campaign to seize rebel-held areas of Homs. The regime continued its Qalamoun offensive near the Lebanese border after capturing several towns. Rebel infighting continued in the east. The regime's airstrikes and barrel bombings of Aleppo continued. The Organization for the Prohibition of Chemical Weapons-UN Joint Mission said that 92.5% of all declared chemical weapons (CW) in Syria were either removed or destroyed. The UN Security Council said that it will launch an investigation into allegations of a renewed use of CW involving chlorine gas in Syria. The country's humanitarian situation continued to deteriorate as violence intensified and as fighting escalated throughout the country.

TUNISIA

Clashes between Tunisian security forces and religious extremists close to the Ansar al-Chariaa movement resumed in the town of Rouhia, part of the Siliana governorate. Violence arose a day after security forces raided a local mosque and arrested 40 salafists, including jihadis that recently returned from Syria. Tunisian security forces backed by jets and helicopters began a major offensive to root out al Qaeda-linked militants from a hideout in the Chaambi mountains on the border with Algeria.

YEMEN

The UN envoy Jamal Benomar said that President Abed Rabbo Mansour Hadi and the Huthis have agreed to promote dialogue related to the rebels' disarmament, demobilization and reintegration. U.S. drone strikes have reportedly killed 55 al-Qaeda militants in the south. Thousands of demonstrators rallied in Sanaa to demand the dismissal of the government and an end to the ongoing fuel shortages. The UN said that 47% of the country's population is in need of emergency humanitarian services. *Source: International Crisis Group*

OUTLOOK

MENA

Oil-importing economies to grow by 2.7% in 2014

The International Monetary Fund projected economic growth in the Middle East & North Africa at 3.2% in 2014, down from a January forecast of 3.4% and compared to real GDP growth of 4.9% for emerging and developing economies and of 3.6% for the global economy this year. It expected the growth rate of the region's oil-exporting economies to accelerate to 3.4% in 2014 from a rate of 2% in 2013, reflecting robust non-hydrocarbon activity and stabilizing oil production. It forecast hydrocarbon output to expand by 0.4% in 2014 relative to a contraction of 2% last year, and for the non-hydrocarbon sector to grow by 4.6% in 2014 compared to a growth rate of 3.9% in 2013. Further, the Fund forecast real GDP growth in oil-importing countries, excluding Syria, to remain unchanged at 2.7% in 2014. It anticipated consumption to remain the main growth driver this year, but it expected investment to rise for the first time since the start of regional unrest. It anticipated exports to strengthen due to higher demand in trading partners. It noted that public investment would rise, driven by donor financing and subsidy reforms. It added that improvements in private investment would be gradual and contingent on reform implementation and improved confidence.

The IMF indicated that downside risks remain elevated for oil-importing economies. It said that setbacks in political transitions, intensification of domestic social and security tensions, and spillovers from regional conflicts would dent confidence and threaten macroeconomic stability. It cautioned that higher domestic interest rates from a sharp tightening in global financial conditions would affect lending to the private sector and investment in countries with limited exchange rate flexibility. It considered that the reliance on domestic sources of financing, official donor flows, external bond guarantees and long-term FDI inflows would help contain external risks. Further, it said that structural reforms need to target bureaucratic inefficiency and corruption, as well as to modify tax systems that do not support competitiveness, improve access to finance and change labor regulations that do not support job creation. It added that fiscal consolidation and exchange rate flexibility would be necessary to preserve macroeconomic stability and promote confidence.

Source: International Monetary Fund

SUDAN

Average inflation rate at 20.4%, public debt to reach 89.3% of GDP in 2014

The International Monetary Fund projected real GDP in Sudan to grow by 2.7% in 2014 and by 4.6% in 2015, relative to growth of 3.4% in 2013, and compared to growth rates of 2.8% and 4.1% in 2014 and 2015, respectively, for oil importers in the MENA region. It estimated the country's nominal GDP at \$63.3bn in 2014 and at \$65.8bn in 2015, relative to \$70.1bn in 2013. It forecast Sudan's annual average inflation rate at 20.4% in 2014 and at 14.3% in 2015, relative to 36.5% in 2013. Also, it forecast broad money to grow by 17% this year and by 15.5% next year, relative to a growth rate of 13.2% in 2013.

In parallel, the Fund projected the fiscal deficit at 1.3% of GDP in each of 2014 and 2015, relative to a deficit of 2.1% of GDP in 2013. It estimated public revenues to reach 11.1% of GDP in each of 2014 and 2015, compared to 9.3% of GDP in 2013, and for total expenditures and net lending to amount to 12.9% of GDP this year and 13.2% of GDP next year, relative to 12% of GDP in 2013. The IMF expected Sudan's public debt level to rise to 89.3% of GDP at end-2014 and 85.9% of GDP at end-2015 from 90.9% at end-2013. It also forecast total gross external debt to increase to 74% of GDP in 2014 and 73.6% of GDP in 2015 from 64.7% of GDP in 2013. Further, the Fund estimated Sudan's exports of goods & services at \$7.3bn in 2014 and \$8.1bn in 2015 compared to \$5.6bn in 2013; and its imports of goods & services at \$11.1bn in 2014 and \$11.3bn in 2015 relative to \$11bn in 2013. It forecast the country's current account balance to post a deficit of \$5.2bn in 2014 and \$4.7bn in 2015, equivalent to 8.2% of GDP and 7.1% of GDP, respectively, and relative to a deficit of \$7.4bn or 10.6% of GDP in 2013. The Fund expected gross official reserves to reach \$1.9bn at end-2014 and \$2.3bn at end-2015 relative to \$1.6bn at end-2013.

Source: International Monetary Fund

DEM REP CONGO

Economic growth to average 8.6% in 2014-15

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth rate at 8.7% in 2014 and 8.5% in 2015 compared to a rate of 8.5% in 2013. In parallel, it forecast growth at 5.4% in 2014 and 5.5% in 2015 for Sub-Saharan Africa (SSA), and at 6.5% in 2014 and 6.7% in 2015 for the Common Market for Eastern & Southern Africa (COMESA), to which the DRC belongs. It forecast the country's annual average inflation rate at 2.4% in 2014, up from 0.8% a year earlier, and compared to average inflation rates of 6.1% in SSA and 5.9% in the COMESA. It also expected the country's average inflation rate to rise to 4.1% in 2015 relative to 5.9% for SSA and 6.1% for COMESA. It projected the DRC's real per capita GDP to grow by 5.5% in 2014 and by 5.4% in 2015 relative to growth of 5.3% in 2013. Further, it anticipated broad money to expand by 12.3% in 2014 and by 17.7% in 2015 relative to 11.1% last year. It added that claims on the non-financial private sector grew by 25.6% and by 26.5% in 2012 and 2013, respectively, relative to 22.6% and 13.8% for COMESA.

In parallel, the Fund projected the government's fiscal balance to post deficits of 5.5% of GDP in 2014 and 5.7% of GDP in 2015 when excluding grants, relative to 6% of GDP in 2013; while it estimated deficits of 2.1% of GDP in 2014 and 1.6% of GDP in 2015, when including grants, relative to 1.7% of GDP in 2013. It projected public revenues, excluding grants, at 13.7% of GDP in 2014 and 13.8% of GDP in 2015 and total expenditures at 19.3% of GDP in 2014 and 19.5% of GDP in 2015. The IMF projected the country's external debt to official creditors at 12.3% of GDP in 2014 and 12.7% of GDP in 2015, up from 10.9% of GDP in 2013. Further, it expected the current account to post deficits of 7.9% of GDP in 2014 and 7.2% of GDP in 2015, compared to 9.9% of GDP in 2013. The Fund forecast the country's gross official reserves to reach 1.7 months of imports of goods & services at end-2014 and 1.8 months of import cover at end-2015.

Source: International Monetary Fund



ECONOMY & TRADE

JORDAN

Sovereign ratings affirmed, outlook 'negative'

Standard & Poor's affirmed Jordan's long-term foreign and local currency sovereign credit ratings at 'BB-' and kept the 'negative' outlook on the ratings. It maintained the short-term sovereign credit ratings at 'B'. It said that the ratings are constrained by the country's wide fiscal and current account deficits, by the vulnerability of the economy to regional political shocks and by the lack of monetary policy flexibility. It noted that the losses of the state-owned National Electric Power Company from disruptions in Egyptian gas supplies have weighed on public finances. It expected Jordan's fiscal and external balances to remain vulnerable to Egyptian gas disruptions until at least mid-2015, by which time the liquid natural gas terminal that allows imports of Israeli gas will be completed and the government's energy diversification efforts will materialize. It noted that the rising government debt burden has become a more-pronounced ratings vulnerability and forecast the public debt level at 75.4% of GDP at the end of 2014. It pointed out that regional unrest would keep Jordan dependent on bilateral and multilateral lending to meet its external financing needs and would delay its ability to regain unrestricted market access. It forecast the country's gross financing needs at 112.5% of current account receipts plus usable reserves at end-2014 and to rise to 116.7% by the end of 2017. In parallel, the International Monetary Fund approved the disbursement of \$264.7m to Jordan under the 36-month Stand-By Arrangement of \$2bn, bringing total disbursements under the arrangement to \$1.3bn.

Source: Standard & Poor's, International Monetary Fund

TUNISIA

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed Tunisia's long-term foreign currency Issuer Default Rating (IDR) at 'BB-' and its long-term local currency at 'BB', with a 'negative' outlook on both IDRs. It maintained the Country Ceiling at 'BB' and the short-term foreign currency IDR at 'B'. The agency indicated that the country's external finances are a rating weakness. It said that the current account deficit has gradually widened in recent years and reached 8.4% of GDP in 2013 due to subdued exports to the European Union and slowing tourism receipts. It noted that the external debt level increased due to limited FDI inflows, which were equivalent to 2.8% of GDP on average over the past three years. It added that foreign currency reserves are low, equivalent to 3.2 months of current account payment at end-2013. Further, it said that the fiscal deficit widened to 6.5% of GDP in 2013, which increased the public debt level to 45.4% of GDP last year. Also, it pointed out that the weak banking sector weighs on the ratings. It expected the government to support public banks' recapitalization and restructuring, given their average NPL ratio of 21% at end-June 2013, their fragile capital buffers and their large exposures to vulnerable state-owned companies. It estimated the banks' recapitalization to cost about 2% to 3% of GDP during the 2014-15 period, which would also weigh on public finances. In parallel, the IMF approved the disbursement of \$225m to Tunisia under the 24-month Stand-By Arrangement of \$1.8bn, bringing total disbursements under the arrangement to about \$888.4m.

Source: Fitch Ratings, International Monetary Fund

IRAN

Capital Intelligence affirmed Iran's long-term local and foreign currency sovereign ratings at 'B' and revised the outlook from 'negative' to 'stable'. It also maintained the short-term foreign and local currency ratings at 'B'. It attributed the outlook revision to the improvement in the political climate, the easing of some international sanctions and CI's expectations that the economy will start stabilizing in the near-term. It said that political risks in Iran decreased following the appointment of a reform-oriented government and the interim nuclear agreement. It noted that the agreement would provide Iran with sanctions relief of around \$7bn, or 2% of GDP for the six-month period ending in July 2014. It added that the deal would allow Iran to repatriate \$4.2bn of oil revenues held in foreign accounts, to maintain oil sales at around one million barrels per day and to potentially generate \$1.5bn in additional revenues from the suspension of sanctions on the country's petrochemical exports, automobile industry and trading of gold and precious metals. It indicated that the risk of imposing additional sanctions on Iran in the near-term has receded. Further, it considered that macroeconomic management has started to improve under the current government as the Iranian rial is stabilizing and the inflation rate is on a downward trend. It currently estimated the country's foreign assets at 18 months of import cover. But it noted that Iran's ability to access and use its foreign assets is constrained by sanctions, while the size of liquid and freely-usable foreign assets is unknown.

Source: Capital Intelligence

UAE

Real estate price correction unlikely in near term

The Institute of International Finance indicated that the recent surge in real estate and equity prices in the UAE do not reflect the formation of another real estate bubble. It considered that there are major differences between the current increase in prices and the one during the 2004-08 period, which was more driven by speculative excesses. It noted that the recent increase in asset prices has been driven by "safe haven" inflows, by improved economic fundamentals and by the World Expo 2020. It added that investors are currently more cautious, policy-making has improved and the Central Bank's regulations are tighter. Also, it pointed out that credit growth, which is a key feature of asset bubbles, remains relatively modest, indicating that a significant portion of asset purchases are not financed through bank credit. Further, it noted that property prices per square meter have increased sharply, but they remain below their peak of September 2008 and significantly lower than in most major capitals of emerging and mature economies. It added that the UAE's average house price-to-income ratio is the lowest among comparable economies. Overall, the IIF considered that the likelihood of a sharp correction in prices, which would generate major macroeconomic and financial consequences, is low in the near term, given the measures implemented to contain financial risks from the housing and equity markets. But it noted that the Central Bank would need to further tighten macroprudential policies if house prices continue to rise at a rapid pace.

Source: Institute of International Finance



BANKING

EMERGING MARKETS

Bank lending conditions deteriorate in first quarter of 2014

The Emerging Markets Lending Conditions Index declined to 48.2 in the first quarter of 2014 from 49.4 in the preceding quarter, constituting its lowest level since the fourth quarter of 2011. Also, the index remained below the 50 mark for the second consecutive quarter, reflecting continued deterioration in overall bank lending conditions. The decline in the index reflects weaker economic performance as demand for loans declined, that for trade finance slowed, while non-performing loans rose. In addition, banks continued to tighten their credit standards for loans given that funding conditions were little changed. The deterioration in bank lending conditions in the first quarter of the year was led by Emerging Europe whose Lending Conditions Index decreased to 46.7 from 49.8 and by Latin America whose Index declined to 48.2 from 50.6. The Lending Conditions Index for Emerging Asia remained unchanged at 45.2. The Lending Conditions Index for the MENA region was the highest globally at 53.3 in the first quarter of 2014, up from 52 in the preceding quarter, reflecting continuous easing in lending conditions. The index for Sub-Saharan Africa region dropped to 51.3 from 52.6 in the fourth quarter of last year, but remained above the 50 mark. In parallel, the Funding Conditions Index regressed to 47 from 47.2 in the fourth quarter of 2013 and the Trade Finance Index decreased to 50.8 from 53.6 in the fourth quarter of 2013. Further, the Non-Performing Loans Index declined to 47.4 in the first quarter of 2014 from 50.1 in the preceding quarter, reflecting a rise in NPLs.

Source: *Institute of International Finance*

EGYPT

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

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,739.3bn, equivalent to \$249.4bn at the end of February 2014, constituting an increase of 3.3% from end-2013 and a rise of 16.4% from end-February 2013. Lending to the private sector reached EGP512.6bn or \$73.5bn and rose by 1.6% from end-2013 and by 4.2% year-on-year. Banks' exposure to government securities totaled EGP692.2bn, equivalent to \$99.3bn, and rose by 3% from end-2013 and by 24.8% from a year earlier. Banks' sovereign exposure in local currency stood at EGP610.7bn and increased by 3.4% from end-2013 and by 21.6% year-on-year; while their exposure in foreign currency reached EGP81.6bn and rose by a marginal 0.4% from end-2013 and by 55.8% from a year earlier. In US dollar terms, banks' sovereign exposure in local currency stood at \$87.6bn, while their exposure in foreign currency reached \$11.7bn. Further, total deposits reached EGP1,341.8bn or \$192.4bn, constituting an increase of 2% from end-2013 and of 19% from a year earlier, with private sector deposits totaling EGP1,171.5bn or \$168bn at end-February 2014 and rising by 2.3% from end-2013 and by 17.1% year-on-year. Private sector deposits in foreign currency grew by 2.7% year-on-year to EGP228.8bn or \$32.8bn, at the end of February 2014; while private sector deposits in local currency rose by 21.2% from end-February 2013 to EGP942.7bn or \$135.2bn.

The dollarization rate of private sector deposits reached 19.5% at the end of February 2014 relative to 22.3% a year earlier. The private sector loan-to-deposit ratio was 43.8% at end-February relative to 49.2% a year earlier.

Source: *Central Bank of Egypt, Byblos Research*

ANGOLA

Banking system has strong growth potential, credit risks are elevated

Moody's Investors Service anticipated that credit conditions for Angolan banks would remain stable over the next two years, supported by robust economic activity, high liquidity buffers and stable and adequate capital buffers. It noted that Angolan banks are expanding rapidly with total assets reaching \$71bn at end-2013 compared to \$39bn at end-2009, driven by high oil revenues and strong economic growth. It projected real GDP growth at 6.8% in 2014, which would stimulate banks' credit and business growth. It said that banks' deposit-funding base and high liquidity would strengthen their financial stability. It forecast the banking sector's Tier-One capital ratio at around 14% to 15% in the coming two years, leading to a stable capital buffer. It considered that the capital and liquidity buffers would allow banks to withstand unexpected "mild" pressures in their operating environment. But Moody's considered that banks would continue to face challenges due to the lack of corporate transparency and an inefficient legal system, which would increase credit risks. As such, it expected non-performing loans and loan-loss provisions to remain high, which would constrain banks' profitability. It added that low interest rates and rising costs would weigh on banks' profitability.

Source: *Moody's Investors Service*

NIGERIA

Challenging year for Nigerian banks

Business Monitor International reduced its forecast for Nigerian banks' deposit growth to 7% in 2014 from 15% previously, compared to a growth rate of 5.2% in 2013 and a compound annual growth rate of 21.3% in the past five years. It attributed the slowdown in deposit growth to tight monetary policy and capital flight. It said that the policy rate was stable at 12% in 2013, its highest level in the past eight years, and expected the Central Bank of Nigeria (CBN) to increase it to 14% by the end of 2014. It expected political and macroeconomic uncertainties to continue to drive capital flight at least until the 2015 elections. In addition, it pointed out that the CBN increased the cash reserve requirement (CRR) on public sector deposits to 75% from 50% in January 2014 and the CRR on private deposits to 15% from 12% in March 2014. It considered that the increase in the CRR on private sector deposits is not likely to have a significant impact on banks' liquidity, while the rise in the public sector's CRR would constrain banks' profits. In parallel, BMI revised downwards its projection for banks' asset growth to 15% for 2014 from a previous forecast of 17%, reflecting the slowdown in deposit growth and the relatively tight liquidity conditions. However, it said that banks would be able to expand their loan books, mainly their lending to the private sector, using the existing deposit base given the sector's low loan-to-deposit ratio of 79% at end-2013.

Source: *Business Monitor International*



ENERGY / COMMODITIES

Oil prices to drop by 5% in 2014

Global crude oil demand is forecast to average 91.9 million barrels per day (b/d) in the second quarter of 2014, reflecting a rise of 0.8% from the previous quarter and an increase of 1.2% from the same quarter last year. The Organization for Economic Cooperation and Development (OECD) countries' consumption is projected to drop by 1.5% quarter-on-quarter to 45.3 million b/d in the second quarter, of which OECD Americas would account for 52.8% of total OECD demand, followed by OECD Europe (30%) and OECD Asia (17.2%). Further, crude oil consumption in non-OECD countries is anticipated at 46.6 million b/d in the second quarter, up 3.1% from the preceding quarter. In parallel, global crude oil production is expected to average 93 million barrels per day (b/d) in the second quarter of 2014, reflecting an increase of 0.8% from the previous quarter and a rise of 2% from the same quarter of 2013. Brent oil prices are forecast at \$103 a barrel on average in the second quarter, down by 4.6% from the preceding quarter; while WTI oil prices are expected remain unchanged from the first quarter of the year at an average of \$98 a barrel. In parallel, Brent oil prices decreased by 3.2% in the first four months of 2014 and rose by 0.4% in April 2014 to \$107.8 a barrel, while WTI prices rose by 1.9% from end-2013 and fell by 1.5% last month to \$100.1 a barrel.

Source: Citigroup, Byblos Research

DRC opens one of Africa's largest gold mines

The Democratic Republic of the Congo (DRC), one of the world's main gold producers, announced that it formally opened one of Africa's largest gold mine. The Kibali mine's gold production is forecast at 550,000 ounces in 2014. The mine's gold reserves are currently estimated at 11.6 million ounces and are projected to last until 2031. The Kibali mine is developed by the Kibali Goldmines, a joint venture that is 45% owned by South African firm Randgold Resources, 45% by South Africa's AngloGold Ashanti and 10% by the Congolese state. The DRC has massive resources of gold and copper, among others.

Source: Agence France Presse

Iraqi oil exports up 17% in April 2014

Iraqi crude oil exports reached 2.512 million barrels per day (b/d) in April 2014, constituting a rise of 17.4% from 2.139 million b/d in the preceding month. As such, exports of 2.51 million b/d, or 99.9% of the total, were shipped from the southern oil port of Basra, constituting the highest level of exports from the south since 2003. Also, Iraq's oil revenues totaled \$7.58bn in April 2014. The Iraqi government indicated that it intends to export 2.4 million b/d on average this year. Iraq is the second-largest crude oil producer among OPEC countries.

Source: Thomson Reuters, Byblos Research

Oil blockade continues as rebels refuse to deal with new Prime Minister

Libya's oil production is currently at about 250,000 barrels a day (b/d), or about 17.9% 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. Last month, the government reached a deal with rebels to partially end their occupation of several oil ports in eastern Libya. But rebels refuse to deal with new Prime Minister Ahmed Maiteeq, a stance that could disrupt efforts to reopen the terminals.

Source: Thomson Reuters, Byblos Research

Base Metals: Nickel prices to rise as Indonesian export ban of unprocessed minerals continue

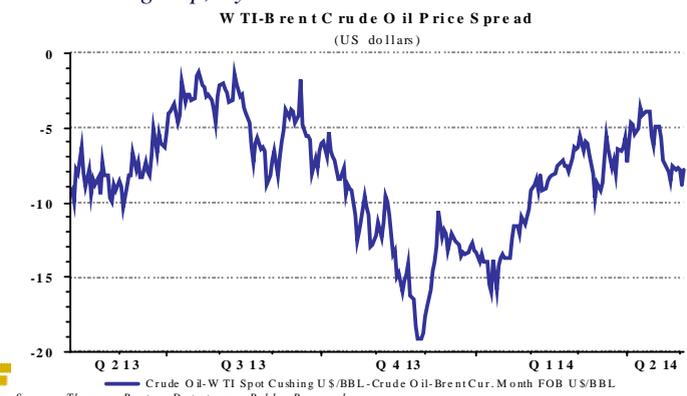
Nickel prices have increased by about 31.4% from end-2013 to \$18,270 a ton on May 5, 2014. The rise was mainly due to Indonesia, the world's leading supplier of high-grade nickel ores, banning exports of raw mineral ores in January 2014. The recent rise in refined nickel prices is expected to persist in the second quarter of 2014 but, overall, nickel prices are forecast to weaken in the second half of the year if Indonesia's ban is either eased or removed. The ongoing Indonesian ban on nickel ore exports is projected to continue to constrain seaborne supply in coming months, which would keep refined nickel prices elevated in the second quarter of the year. Refined nickel prices are projected to average near \$19,000 a ton in coming months. In parallel, LME Copper Grade A 3-month future prices declined by 9.8% in the first four months of 2014 and remained nearly unchanged in April 2014 to \$6,642 a metric ton, Aluminium High grade 3-month future prices was unchanged from end-2013 and rose by 0.8% last month. Also, Zinc high grade 3-month futures prices decreased by 0.7% in the first four months but increased by 2.9% in April, while prices of Nickel futures increased by 31.8% from end-2013 and by 15.3% in April 2014.

Source: Business Monitor International, Byblos Research

Precious Metals: Silver prices to drop by 14% in 2014

Silver prices are forecast to average \$20.7 a troy ounce in 2014, constituting a decrease of 13.6% from the previous year. Global silver production is projected to grow by 2.4% in 2014 to an average of 1,081 million ounces, of which 77% are from mine production and 20.4% are derived from scrap. In parallel, total silver fabrication demand is expected to drop by 3.4% this year to 851.9 million ounces. Industrial demand is anticipated to account for 45.3% of global demand, followed by jewelry with 21%, coins and metals with 11.2%, silverware with 5.5% and the photography industry with 5.2%. Further, net implied investment, which is a number used to balance silver supply and demand and could include physical bar investments, is anticipated at 226.1 million ounces in 2014, up by 30% from 2013. In parallel, silver prices decreased by 1.1% from end-2013 and fell by 3.5% in April 2014. In addition, gold prices rose by 7.1% from in the first four months and by 0.3% to \$1,293.7 a troy ounce in April 2014. while the price of platinum improved by 4.9% from end-2013 and by 0.4% to \$1,424 an ounce in April. Also, palladium prices rose by 12.2% in the first four months of the year and by 3.2% to \$803 a troy ounce last month.

Source: Citigroup, 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 Stable	-	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 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 Stable	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 Stable	CCC	-11.1	143.9	81.8	144.6	21.0	122.0	-11.3	4.7
Oman	A Stable	A1 Stable	-	A Stable	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	30-Apr-14	No change	18-Jun-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	30-Apr-14	No change	21-May-14
Australia	Cash Rate	2.50	01-Apr-14	No change	06-May-14
New Zealand	Cash Rate	2.75	24-Apr-14	No change	12-Jun-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	30-Apr-14	No change	18-Jun-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	24-Apr-14	No change	22-May-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	25-Apr-14	No change	06-Jun-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	0.05	01-May-14	Raise 1bps	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



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

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



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

