

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Private equity investments up 46% to \$5.6bn in first quarter of 2014

Private equity funds dedicated to emerging markets raised \$6.5bn in the first quarter of 2014, constituting a decrease of 18.8% from \$8bn in the same quarter of 2013. Emerging Asia funds raised \$4bn, with China accounting for \$2.3bn and India for \$169.4m; followed by CEE & CIS funds with \$1.5bn, with Russia accounting for \$250m. Also, Sub-Saharan Africa funds raised \$522m, followed by Latin America & the Caribbean with \$414.6m, with Brazil accounting for \$205.6m; MENA funds with \$46m and multi-regional funds with \$6m. In parallel, private equity investments in emerging markets totaled \$5.6bn in the first quarter of 2014, up 46.2% from \$3.9bn in the same quarter of 2013. Also, the number of transactions reached 242 deals in the covered quarter, compared to 214 deals in the first quarter of 2013. The average deal was worth \$23.3m in the first quarter of 2014, with the median investment size at \$10.4m. Emerging Asia attracted 78.4% of private equity investments in value terms, followed by Latin America & the Caribbean with 10.9%, Sub-Saharan Africa with 8.4%, the CEE & CIS with 2.3% and the MENA region with 0.02%. China attracted 37.5% of emerging markets private equity investments in the covered quarter, followed by India with 13.4% and Brazil with 2.4%.
Source: Emerging Markets Private Equity Association

Developing economies account for 78% of global mobile subscriptions and 65% of Internet users

The International Telecommunications Union indicated that developing economies have increased their share of mobile phone subscriptions in recent years, as they accounted for 77.6% of total mobile subscriptions at the end of 2013 compared to a 67.1% share at the end of 2008. It estimated mobile cellular penetration rates in developing economies at 87.6% at the end of 2013 relative to 49% at end-2008, and compared to a penetration rate of 119.2% in developed economies and a global rate of 93.1% at end-2013. In parallel, developing countries accounted for 65.1% of Internet users worldwide at end-2013 compared to 51.8% at end-2008, while the global number of internet users has almost doubled between 2008 and 2013 to around 2.7 billion users. It noted that Internet user penetration stood at 30% in developing countries at end-2013 compared to 75.7% in developed countries and 38% globally. It said that Internet user penetration reached 73.1% in Europe at the end of 2013, followed by 61.8% in the Americas, 50.8% in the Commonwealth of Independent States, 37.4% in the Arab World, 30.1% in Asia & the Pacific region and 16.8% in Africa. It added that fixed broadband penetration levels in developing countries remained low at 5.8 subscriptions per 100 people at the end of 2013 compared to 26.6 subscriptions per 100 persons in developed countries. But the developing world's share of fixed broadband subscriptions is growing steadily, as it accounted for an estimated 50.6% of global subscriptions at end-2013 relative to 39.1% five years earlier.

Source: International Telecommunications Union, Byblos Research

MENA

Rule of law lags global trends

The World Justice Project's Rule of Law Index for 2014 shows that the average score for the seven countries of the MENA region included in the survey reached 0.53 points and was lower than the global average score of 0.56 points. The region's average score came below those of Western Europe & North America (0.72 points) and East Asia & the Pacific region (0.61 points). However, it exceeded the average scores of Eastern Europe & Central Asia (0.5 points), Latin America & the Caribbean (0.49 points), Sub-Saharan Africa (0.47 points) and South Asia (0.43 points). In comparison, the average score of the six Arab countries included in the survey was 0.54 points. The UAE was the region's top-ranked country and came in 27th place among 99 countries, followed by Jordan (38th place), Tunisia (41st), Lebanon (49th), Morocco (52nd), Egypt (74th) and Iran (82nd). In parallel, Tunisia came in first place among Arab countries on the Constraints on Government Powers factor; the UAE ranked first on the Absence of Corruption, the Order & Security, the Regulatory Enforcement and the Criminal Justice factors. Also, Morocco came first on the Open Government category; Lebanon ranked first on the Fundamental Rights factor and Jordan came first on the Civil Justice factor. The survey indicated that the most serious rule of law challenges facing the region are the deficient protection of fundamental rights, the limited accessibility to official information and the relatively weak constraints on government powers.

Source: World Justice Project, Byblos Research

Press freedom regresses in the region

In its annual survey of press freedoms in 197 countries and territories, think tank Freedom House indicated that press freedom slightly deteriorated in the Arab world in 2013, as the average score of the 20 Arab countries included in the survey was 69.6 points in 2013 relative to 68.8 points in 2012. The survey provides a numerical rating from zero as most free to 100 as least free for each country. The rankings of seven Arab countries improved, nine regressed and four remained unchanged; while the scores of four countries improved, 11 regressed and five remained unchanged from the previous survey. Egypt posted the worst decline in rankings and scores among Arab countries, as its rank fell by 15 spots and its score regressed by six points. Mauritania had the highest level of press freedom among Arab countries and came in 95th place globally, while Syria had the lowest level and ranked in 189th place worldwide. Five Arab countries came in the 'Partly Free' category, while the rest fell in the 'Not Free' segment. Freedom House downgraded the level of freedom in Libya to 'Not Free' from 'Partly Free' due to the deteriorating security situation on members of the press in 2013. It upgraded the level of freedom in Algeria from 'Not Free' to 'Partly Free' mainly due to the licensing of three private television stations. It noted that 2% of the MENA region's population lives in states where the media is 'Free', 14% live in countries or territories where the media is 'Partly Free', and 84% live in states where the media is 'Not Free'.

Source: Freedom House, Byblos Research

OUTLOOK

GCC

Non-hydrocarbon sector to grow by 5.4% in 2014, fiscal surplus to narrow to 8.3% of GDP

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) at 4.2% in 2014, unchanged from 2013, as oil production remains restrained in the context of rising global oil supply and moderate growth in demand. It forecast hydrocarbon output to grow by 0.9% in 2014 relative to a growth rate of 1.1% in 2013, and for the non-hydrocarbon sector to grow by 5.4% in 2014, unchanged from last year. Further, it anticipated non-hydrocarbon private sector growth to accelerate to 6.2% in 2014 from 5.9% in 2013, supported by strong domestic demand as well as by private consumption and investment. But it expected non-hydrocarbon public sector growth to slow down to 3.5% in 2014 from 5% in 2013 as authorities across the GCC start to control their public spending. It projected non-hydrocarbon GDP growth in 2014 at 11% in Qatar, 7% in Oman, 5.2% in the UAE, 4.8% in Bahrain, 4.6% in Saudi Arabia and 4.5% in Kuwait. It projected the average inflation rate at 3% in 2014 compared to 2.6% in 2013.

The IIF projected the consolidated fiscal surplus of GCC countries to narrow from 10.6% of GDP in 2013 to 8.3% of GDP in 2014 based on an average oil price of \$105 p/b. It attributed the narrowing of the surplus to a decrease in oil production and prices despite the deceleration in public spending growth. It noted that the GCC's fiscal policy is becoming less expansionary and forecast public spending to rise by 4.8% in 2014 compared to an average growth of 8.2% in the previous two years. It projected Bahrain's budget breakeven oil price at \$122 barrel per day (p/b) in 2014, the highest in the GCC and that in Kuwait at \$52 p/b, the lowest in the region. It forecast the GCC's overall current account balance to fall from \$339.7bn, or 20.5% of GDP, in 2013 to \$286.7bn or 16.8% of GDP in 2014; and for its net foreign assets to reach \$2.3 trillion, equivalent to 137.9% of GDP in 2014, compared to \$2.1 trillion or 129.4% of GDP in 2013. The IIF cautioned that a drop in global oil prices along with unrestrained public spending would weigh on the fiscal balance over the medium-term. It said that policymakers need to be alert to potential risks from the sharp rise in housing and equity prices.

Source: Institute of International Finance

JORDAN

Spillovers from Syrian crisis and disruptions to Egyptian gas imports are main risks

The International Monetary Fund projected Jordan's real GDP growth at 3.5% in 2014 compared to a growth rate of 2.9% in 2013, and expected growth to accelerate to 4.5% over the medium-term. It forecast the inflation rate to average 3% in 2014 compared to 5.6% in 2013, and to reach 2% in the medium-term. It projected the current account deficit to marginally widen to 10% of GDP in 2014 from a deficit of 9.8% of GDP in 2013, but to gradually narrow to 4.5% of GDP over the medium-term due to a lower energy import bill. It forecast foreign currency reserves to cover 5.8 months of imports at end-2014 relative to 5.1 months of import cover at end-2013. It pointed

out that risks to the outlook remain substantial and are mostly related to the conflict in Syria and to the continued fluctuations in gas imports from Egypt.

In parallel, it anticipated the fiscal deficit to narrow to 10.3% of GDP in 2014 from 11.1% of GDP in 2013. It considered that the 2014 budget supports economic activity as well as fiscal consolidation, and encouraged the authorities to implement contingency measures if their fiscal targets are threatened. It noted that the ratification of the new income tax law and the reduction in tax incentives would strengthen public revenues. It called on authorities to contain the public wage bill and to reform the subsidy system in order to make public spending more efficient. It encouraged authorities to enhance transparency and governance, mainly in tax administration and public financial management. Further, it considered that the implementation of structural reforms is essential to safeguard macroeconomic stability. It noted that improving the business climate, reducing skill mismatches and promoting the participation of women in the labor force would promote job creation. It welcomed the recent measures to facilitate the access to finance for small businesses, and called for ratifying the new laws on investment, secured lending and insolvency.

Source: International Monetary Fund

ANGOLA

Non-oil GDP growth to average 6.6% in 2014-15

The International Monetary Fund projected economic growth in Angola at 5.3% in 2014 and 5.5% in 2015 relative to a growth rate of 4.1% in 2013 and compared to growth in Sub-Saharan Africa's oil-exporting countries of 6.6% in 2014 and 6.5% in 2015. It expected the country's real non-oil GDP to grow by 6.4% in 2014 and by 6.7% in 2015, up from 5.8% in 2013, and compared to non-oil real GDP growth of 6.2% in 2014 and 7% in 2015 in the region's oil exporting countries. The Fund forecast Angola's annual average inflation rate at 7.7% in both 2014 and 2015, compared to 8.8% in 2013 and to inflation rates of 6.6% and 6.3% in 2014 and 2015, respectively, for SSA's oil-exporting economies. It estimated total investment at 14.6% of GDP in 2014 and 14.2% of GDP in 2015, up from 13.3% of GDP in 2013. It also expected the growth of broad money at 22.5% this year and at 17.6% next year, compared to 14.3% last year. It added that claims on the non-financial private sector grew by 24.2% and by 10.9% in 2012 and 2013, respectively.

The Fund projected the central government's fiscal deficit to widen from 1.5% of GDP in 2013 to 2% of GDP in 2014 and to 2.6% of GDP in 2015, compared to a deficit in oil-exporting peers of 1.8% of GDP in 2014 and 1.5% of GDP in 2015. It estimated public revenues at 39.3% of GDP this year and at 37.2% of GDP in 2015, and total expenditures at 41.3% of GDP in 2014 and at 39.8% of GDP in 2015. Further, it expected the current account surplus to narrow from 5% of GDP in 2013 to 2.2% of GDP in 2014 and to shift to a deficit of 0.4% of GDP in 2015. In comparison, it forecast oil-exporting countries in SSA to post current account surpluses of 2.9% of GDP this year and 1.8% of GDP next year. It projected Angola's gross official reserves at 6.9 months of import cover at end-2014 and end-2015.

Source: International Monetary Fund

ECONOMY & TRADE

SUDAN

IMF calls for greater exchange rate flexibility

The International Monetary Fund indicated that Sudan's economic performance has improved in the first quarter of 2014, in line with the projections under the Staff-Monitored Program. It said that the annual inflation rate fell to 35.7% at end-March 2014 from 41.9% at end-2013 and estimated the fiscal deficit to have narrowed to 0.2% of GDP in the first quarter of 2014 from 0.5% of GDP in the same quarter last year. It noted that reserve money grew by 3.2% annually and broad money increased by 6.7% year-on-year in the covered period. However, the Fund indicated that the gap between the official and parallel market exchange rates continues to widen, reflecting uncertainty about revenues from oil transit fees, domestic political uncertainty in the run-up to next year's presidential elections, and imbalances in the foreign exchange market. It urged authorities to address these imbalances through greater exchange rate flexibility that would help restore competitiveness, support economic activity and exports, avoid the depletion of foreign reserves and provide a shock absorber for the economy. Further, the IMF considered that resolving the country's unsustainable external debt is central for the implementation of the government's poverty reduction policies, for supporting inclusive growth and for helping Sudan adjust to the impact of South Sudan's independence. It urged the authorities to continue to reach out to external creditors for comprehensive debt relief.

Source: International Monetary Fund

DEM REP CONGO

Ratings constrained by fragile economic fundamentals and weak institutions

Moody's Investors Service indicated that the Democratic Republic of Congo's (DRC) 'B3' sovereign rating reflects the fragile state of the economy and the country's very weak institutions. It said that the DRC's institutional weakness constitutes one of the main long-term constraints to its sovereign creditworthiness and rating, and worsens the potential risks from the country's weak economic fundamentals. It pointed out that the country's per capita income of \$422 at end-2013 is the lowest among Moody's-rated sovereigns, adding that 70% of the population lives under the poverty line. However, it indicated that these weaknesses are offset in part by the country's robust growth prospects and by the gradual improvement in governance indicators over the past 10 years. It forecast the DRC's real GDP growth rate to average 10.2% over the next two years, which would exceed the average growth rate of the past 10 years by 3.4 percentage points. It noted that economic activity is supported by substantial foreign investment inflows into the mining sector and by the expected rise in domestic consumption, as the economy recovers from previous domestic conflicts. Further, it attributed the gradual improvement in governance indicators in part to the full implementation of several reform programs to enhance transparency and to improve the business climate. The agency pointed out that a sustained decline in the global prices of the DRC's main exports, a rapid depreciation of the Congolese franc and a large deterioration in the fiscal balance would lead to downward pressure on the ratings.

Source: Moody's Investors Service

NIGERIA

Rebasing of national accounts makes Nigeria largest economy in Africa

The Institute of International Finance indicated that the rebasing of Nigeria's national income accounts from 1990 to 2010 shows a more comprehensive picture of the structure of the economy. It said that the rebasing revealed a more diversified economic base that is dominated by services, as the contribution of the oil & gas and agricultural sectors was revised downward. It noted that services accounted for 52.3% of nominal GDP in 2013 compared to 33% prior to the rebasing, while the share of the agricultural sector decreased from 34.7% to 22% and that of the oil & gas industry fell from 32.4% to 14.4%. It pointed out that the revision estimated the country's GDP at \$510bn in 2013, which is 89% higher than under the old series and which makes Nigeria the largest economy in Africa and the 24th largest in the world. In parallel, the IIF indicated that real GDP growth rates were less affected by the rebasing despite the change in growth engines. It anticipated that the diversification of growth drivers would positively affect activity. It expected real GDP growth to remain above 6% annually in coming years, with the economy becoming less vulnerable to fluctuations in the agricultural sector. But it noted that the implementation of structural reforms is crucial to ensure high and inclusive growth over the long-term. Further, it said that the fiscal deficit stood at less than 2% of GDP in 2013, while the public debt level was revised to 12.6% of GDP from 24% of GDP under the old series.

Source: Institute of International Finance

ETHIOPIA

Agencies assign sovereign ratings

Standard & Poor's assigned to Ethiopia long- and short-term foreign and local currency sovereign credit ratings of 'B' with a 'stable' outlook. It also assigned a transfer & convertibility assessment of 'B'. It said that the ratings are constrained by Ethiopia's low GDP per capita level, large public-sector contingent liabilities and a lack of monetary policy flexibility. It noted that the ratings are supported by strong government effectiveness, moderate fiscal debt after debt relief, and moderate external deficits. In parallel, Fitch Ratings assigned to Ethiopia long-term foreign and local currency Issuer Defaults Ratings (IDRs) of 'B' with a 'stable' outlook. It also assigned a short-term foreign currency IDR and a Country Ceiling of 'B'. It said that the ratings reflect a balance between the country's structural weaknesses and vulnerability to shock on one hand, and its strong economic performance and improved public and external debt ratios on the other hand. It noted that the current account deficit that reached 5.4% of GDP in 2013 weighs on the country's low foreign currency reserves of two months of current account receipts. Also, Moody's Investors Service assigned to Ethiopia local and foreign currency issuer ratings of 'B1' with a 'stable' outlook. It assigned a 'B1' foreign currency bond ceiling and a 'B2' foreign currency bank deposit ceiling. The agency said that the ratings reflect Ethiopia's relatively small economy, low per capita income, substantial reliance on the volatile agriculture sector, weak institutional strength, moderate fiscal strength and moderate susceptibility to event risks, mainly political events.

Source: Standard & Poor's, Fitch Ratings, Moody's Investors Service



BANKING

JORDAN

Private sector lending contracts by 1.5% in first quarter of 2014

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD43.3bn or \$61.1bn at the end of March 2014, constituting a rise of 1.2% from the end of 2013 and an increase of 7.1% from end-March 2013. Resident private sector loans rose by a marginal 0.7% from end-2013 to JD17.3bn, while credit facilities to the non-resident private sector fell by 47.9% to JD426.3m, leading to a decrease of 1.5% in overall private sector lending in the first quarter of 2014. Resident private-sector lending accounted for 40% of total assets at end-March 2014. In parallel, resident private sector deposits reached JD22.6bn, constituting an increase of 1.9% from the end of 2013 and a rise of 8% from a year earlier. Also, deposits of non-bank financial institutions rose by 30.5% from end-2013 to JD362.7m. The government's deposits totaled JD961.8m, up 29.3% from end-2013, while those of public non-financial institutions increased by 7.5% to JD377.2m. Further, claims on the public sector increased by 2% to JD10.7bn in the first quarter of the year, with claims on the central government accounting for 95.7% of lending to the public sector. Claims on the public sector accounted for 24.6% of total assets at end-March 2014 compared to 23.3% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD6.2bn, up 8.2% from JD5.7bn at end-2013; while capital accounts and allowances rose by 5.2% to JD6.5bn. Deposits with foreign banks reached JD3.6bn at end-March 2014, up 8.2% from end-2013, while the sector's foreign liabilities were almost unchanged at JD6.7bn.

Source: Central Bank of Jordan, Byblos Research

QATAR

Lending concentration in real estate and construction sectors is main risk

Standard & Poor's maintained Qatar's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', as well as its economic risk score at '4' and industry risk score at '5'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. S&P noted that other countries in BICRA's 'Group 4' include Kuwait, Mexico, Oman and South Africa. Further, it indicated that Qatar's economic risk score reflects "low risks" in economic resilience, "intermediate risks" in credit risk in the economy and "high risks" in economic imbalances. It considered that the high lending concentration in real estate and construction sectors constitutes one of the main risks to the banking sector. In parallel, it said that its industry score indicates that the country faces "intermediate risks" in its institutional framework and system-wide funding, and "high risks" in its competitive dynamics. It noted that Qatari banks would not face major capitalization or liquidity issues when dealing with the introduction of Basel III rules. But it indicated that banks' risk appetite remains elevated with ambitious expansion abroad and robust asset expansion over the past few years. It said that the trend for economic and industry risks is "stable".

Source: Standard & Poor's

ARMENIA

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

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,926bn, equivalent to \$7.1bn at the end of March 2014, constituting a marginal decrease of 0.6% from the end of 2013 and a rise of 13.9% from end-March 2013. Total loans stood at AMD1,834bn, equivalent to \$4.4bn at end-March 2014, up by 2% from end-2013 and by 10.7% from end-March 2013. Loans in foreign currency accounted for 62.7% of total loans at end-March 2014 relative to 62.2% at end-2013 and 64.4% a year earlier; while loans to non-residents amounted to 3.1% of total loans at end-March 2014. Deposits totaled AMD1,648bn, equivalent to \$4bn at end-March 2014, constituting an increase of 2.2% from end-2013 and a rise of 22.2% from a year earlier. Deposits in foreign currency accounted for 70.8% of total deposits at end-March 2014, down from 71.6% a year-earlier and compared to 70.2% at end-2013. Non-resident deposits represented 27.5% of total deposits at end-March 2014 relative to 28.8% at end-2013 and 25.6% at end-March 2013. In parallel, the risk-weighted capital adequacy ratio of banks operating in Armenia reached 16.4% at the end of March 2014, unchanged from a year earlier. The sector's liquid assets were equivalent to 29.6% of total assets at end-March 2014 relative to 26.1% a year earlier; while they represented 145.6% of total short-term liabilities at the end of March 2014 compared to 136.1% a year earlier. The loan-to-deposit ratio in foreign currency stood at 98.6%, down from 110.5% at end-March 2013, while the same ratio in local currency was 142% relative to 153.7% at end-March 2013.

Source: Central Bank of Armenia, Byblos Research

GHANA

Currency weakness to continue

Business Monitor International anticipated that the Ghanaian cedi would further depreciate to GHS3 per US dollar in the coming three months from about GHS2.92 per dollar currently. It attributed the continuous weakness of the currency to low local confidence in the economy from concerns about the wide fiscal and current account deficits and the elevated public debt level. It expected the cedi to continue to depreciate beyond the coming months, but at a slower pace than in 2013 and in early 2014. It said that the slowdown in depreciation reflects a narrower current account deficit and a gradual recovery in confidence. It forecast investment to be subdued in 2014 and 2015 due to low investor sentiment towards Ghana from macroeconomic instability. It considered that the authorities' policy measures, which included raising the interest rates by 200 basis points and introducing foreign exchange control, have had little impact on the cedi. It expected authorities to further increase interest rates by an additional 200bps in coming months in response to rising inflation. But it noted that the increase is not likely to have an immediate impact on inflation or on the currency. It cautioned that local confidence would remain weak and FDI inflows would significantly decline in the absence of policy change. It pointed out that this would further weaken the cedi and increase inflation rates. It added that imports would become extremely expensive, which would weigh on economic activity and would require a sudden change in policy.

Source: Business Monitor International



ENERGY / COMMODITIES

Natural gas prices to rise by 34% in 2014

U.S. Henry Hub natural gas prices are forecast to reach \$4.9 per million British thermal units (Btu) on average in the second quarter of 2014, constituting a decrease of 5.8% from the previous quarter. Overall, U.S. Henry Hub natural gas prices are anticipated to rise by 34% to an average of \$5 per million Btu in 2014. According to the International Monetary Fund, the probability of the 12-month forward U.S. natural gas prices dropping below \$3 per million Btu decreased to 7.6% from 10.5%, while the probability of prices rising above \$7 per million Btu declined to 1.5% from 5.7% previously. Also, the probability of WTI oil prices falling below \$90 a barrel and Brent oil prices decreasing below \$100 a barrel in the next 12 months is about 38% and 41%, respectively. In parallel, the Dow Jones-UBS Energy Sub-Index increased by 3% in April and by 7.3% in the first four months of 2014, while the Dow Jones-UBS Natural gas Sub-Index grew by 9.6% last month and by 22.7% from end-2013. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index declined by 0.7% in April and increased by 3.7% in the first four months, while the Dow Jones-UBS Brent Crude Sub-Index was unchanged last month and fell by 1.5% from end-2013.

Source: Citigroup, IMF, Dow Jones Indices, Byblos Research

Syria's indirect losses to oil sector at \$18bn

The Syrian regime estimated the direct losses to the country's petroleum and mineral resources sectors from the ongoing conflict at SYP502bn or \$3.4bn. The losses include wasted and stolen oil and gas as well as damages to infrastructure, facilities and pipelines. In parallel, the government indicated that indirect losses to the petroleum sector from the turmoil are estimated at about \$18.3bn. Syria's crude oil production is expected to average 30,000 b/d in 2014, down 50% from 60,000 b/d in 2013. Syria's oil and natural gas production has declined significantly since 2011 due to the ongoing hostilities between regime and opposition forces and to Western-imposed sanctions.

Source: Syrian Arab News Agency, Byblos Research

OPEC's oil output nearly unchanged in April

The Organization of Petroleum Exporting Countries' (OPEC) crude oil production reached 29.6 million barrels per day (b/d) in April 2014, up by 0.5% from the preceding month. Saudi Arabia's oil production reached 9.58 million b/d in April, equivalent to about 32.4% of total OPEC oil production. It was followed by Iraq with 3.3 million b/d, or 11.2% of the total and Kuwait with 2.78 million b/d (9.4%). In parallel, the International Energy Agency indicated that OPEC needs to significantly raise its oil output in the second half of 2014 to meet global demand as China builds its strategic reserves and as stocks in industrialized countries remain low.

Source: OPEC, International Energy Agency, Byblos Research

Developing countries' oil demand up 1% in second quarter of 2014

Crude oil consumption in developing countries' is forecast to average 29.61 million b/d in the second quarter of 2014, up 1.2% from the preceding quarter. In parallel, crude oil consumption in the Middle East region is expected to reach 7.98 million b/d in the second quarter, constituting a decrease of 1% from the first quarter of the year. The region's oil consumption is projected to account for 27% of developing economies' oil demand.

Source: OPEC, Byblos Research

Base Metals: Steel prices on a downward trend due to market oversupply and weak demand

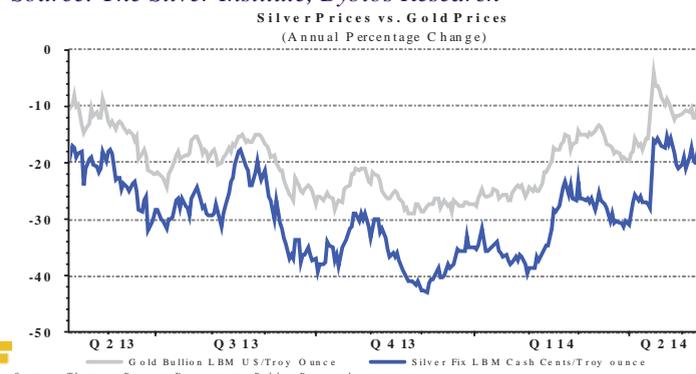
The global steel market is expected to remain in surplus in coming years but would steadily narrow as the metal's weak prices lead to production cuts across the world. Global steel prices are forecast to remain subdued during the 2014-18 period, mainly due to persistent global overcapacity and weak growth in demand. Also, the availability of cheap Chinese steel on the market would continue to suppress prices in coming quarters. In addition, arbitrage opportunities between U.S. and Asian steel prices is projected to remain significant during coming years. In parallel, Chinese steel export growth is expected to weaken in the coming five years but would not be sufficient to place significant upside pressure on global steel prices over the next 18 months. The Carbon Steel World Price is forecast to drop by 1.8% to \$695 a ton on average in 2014. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 3% in April and decreased by 1.7% in the first four months of 2014, while the Dow Jones-UBS Aluminium Sub-Index rose by 0.4% last month and fell by 2.8% from end-2013. The Dow Jones-UBS Copper Sub-Index improved by 0.5% in April and regressed by 10.4% in the first four months of the year, while the Nickel Sub-Index grew by 15.1% in April and by 31.5% in the covered period.

Source: Business Monitor International, Dow Jones Indices

Precious Metals: Silver demand up 13% in 2013

Global physical silver demand reached 1,081.1 million ounces in 2013, constituting an increase of 13.3% from 954.4 million ounces in 2012. Industrial fabrication, the largest component of physical silver demand, decreased by 0.4% to 586.6 million ounces last year and accounted for 54.3% of total physical silver demand. It was followed by coins & bars with 245.6 million ounces (22.7%), jewelry with 198.8 million ounces (18.4%) and silverware with 50 million ounces (4.6%). Asia's silver industrial demand was led by China and grew by 3% last year. Silver jewelry fabrication grew by 9.6% in 2013 due to the improved economic outlook in the industrialized world, which lifted consumer confidence and stimulated demand. Global silverware fabrication rose by 12% in 2013 to a three-year high. In parallel, global silver supply declined by about 2.7% to 978.1 million ounces in 2013, of which mine production grew by 3.4% and accounted for 83.8% of total production. Mexico was the world's leading silver producer in 2013, followed by Peru, China, Australia and Russia. Silver prices averaged \$23.79 an ounce in 2013, down 23.5% from 2012, and constituting the third-highest nominal average price on record.

Source: The Silver Institute, 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 Stable | B1 Stable | B Stable | - | 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 | 08-May-14 | No change | 05-June-14 |
| UK | Bank Rate | 0.50 | 08-May-14 | No change | 05-June-14 |
| Japan | O/N Call Rate | 0-0.10 | 30-Apr-14 | No change | 21-May-14 |
| Australia | Cash Rate | 2.50 | 06-May-14 | No change | 03-June-14 |
| New Zealand | Cash Rate | 3.00 | 24-Apr-14 | Raise 25bps | 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 | 09-May-14 | No change | 10-July-14 |
| Thailand | 1D Repo | 2.00 | 23-Apr-14 | No change | 18-June-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 | 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 | 05-May-14 | No change | 04-July-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 | 7.25 | 13-May-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 |



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