

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

China to overtake the United States as the largest economy in the world by end-2014

Moody's Investors Service anticipated that China would overtake the United States as the largest economy in the world by the end of 2014, five years earlier than most economists had previously expected. It said that it based its forecast on the World Bank's International Comparison Program (ICP) that provided GDP figures for 2011 based on purchasing power parity (PPP). Moody's estimated China's GDP at \$17.9 trillion at end-2014 compared to \$17.5 trillion for the United States. It considered that PPP exchange rates are more representative for comparing the relative size of economies than the volatile market exchange rates, given that price levels, especially for non-tradable goods and services, are normally higher in high-income economies. It added that market exchange rates are affected by several factors such as currency speculation, interest rates, government intervention and capital flows. In parallel, the World Bank indicated that member countries of the Eurozone and the Organization for Economic Co-operation and Development accounted for 54% of the world GDP in 2011, followed by Asia & the Pacific region including China and India (30%), Latin America excluding Mexico and Argentina (5.5%) and Africa and Western Asia (4.5% each). It added that the six largest middle-income economies in the world that are China, India, Russia, Brazil, Indonesia and Mexico accounted for 32.3% of global GDP in 2011; while the six largest high-income economies that are the United States, Japan, Germany, France, United Kingdom, and Italy accounted for 32.9% of world GDP in 2011.

Source: Moody's Investors Service, World Bank

EMERGING MARKETS

Trading in Credit Default Swaps up 93% to \$409bn in first quarter of 2014

Trading in emerging markets Credit Default Swaps (CDS) totaled \$409bn in the first quarter of 2014, constituting a rise of 93% from \$212bn in the same quarter of 2013 and an increase of 48% from \$276bn in the fourth quarter of last year. The increase in CDS trading in emerging markets was attributed to the inclusion of Chinese CDS for the first time. But trading posted a 77% annual rise in the first quarter when excluding Chinese CDS, due to a sharp increase in Russian CDS trades. The most frequently-traded sovereign CDS contracts in the first quarter of 2014 were those of Brazil at \$72bn, followed by Russia at \$70bn and Turkey at \$57bn; while the most frequently-traded corporate CDS contracts were those on Russia's Gazprom at \$6bn, Brazil's Petrobras at about \$2.5bn and Mexico's Pemex at \$1.5bn. The survey covered data on CDS contracts for 20 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

MENA

Arab world ahead of developing economies in cellular, mobile broadband and Internet penetration

Figures released by the International Telecommunication Union (ITU) show that the penetration rate of fixed telephone lines in the Arab world reached 8.9 lines per 100 inhabitants at the end of 2013 compared to a penetration rate of 10.9% in developing economies. The total number of fixed telephone lines in Arab states reached 32.6 million at the end of 2013. Also, the ITU estimated the penetration rate of mobile cellular lines in Arab states at 108.8% at the end of 2013, up from 105.4% at end-2012 and 26.8% at end-2005, and relative to 87.6% in developing economies. The total number of mobile cellular subscriptions in Arab states reached 398.6 million at end-2013 but accounted for just 7.7% of subscriptions in developing economies. Further, Arab states' Internet penetration reached 37.4 users per 100 inhabitants at end-2013 relative to rates of 33.8% at end-2012 and 8.3% at end-2005, and compared to a rate of 30% in developing countries. The ITU estimated the number of Internet users in the Arab world at 137.2 million at the end of 2013, up from 121.3 million at end-2012 and 26.2 million at end-2005. In parallel, mobile broadband penetration in the Arab world rose to 20.6 users per 100 inhabitants at end-2013 from 16.1% at end-2012 and 5.1% at end-2010, compared to 16.8% in developing economies. The number of Arab mobile broadband subscribers was 75.4 million at the end of 2013 relative to 58 million at end-2012 and 17.9 million at end-2010. In addition, the penetration rate of fixed broadband in Arab states was 2.8 users per 100 inhabitants at end-2013, compared to 5.8% in developing economies. The number of fixed broadband subscriptions in Arab economies reached 10.4 million at end-2013.

Source: International Telecommunication Union, Byblos Research

Arab social progress lags global trends

The Social Progress Imperative's Social Progress Index (SPI) for 2014 ranked the UAE as the country with the best performance in terms of social progress among 14 Arab countries and the 37th highest among 132 countries worldwide. It was followed by Kuwait (40th), Saudi Arabia (65th), Tunisia (69th), Jordan (75th), Lebanon (83rd), Egypt (84th), Algeria (87th), Morocco (91st), Djibouti (115th), Iraq (118th), Mauritania (121st), Yemen (125th) and Sudan (128th). The index evaluates how effectively a country turns economic success into social progress, and vice versa. It measures social progress based on the multiple dimensions of social and environmental performance, and independently of economic development. Countries with the highest rankings and scores have the best performance in terms of social progress. The region received an average score of 55.9 points in the 2014 survey, lower than the global average score of 63.67 points. The Gulf Cooperation Council (GCC) countries' average score was 69.32 points, higher than that of non-GCC Arab countries of 52.24 points in the survey.

Source: Social Progress Imperative, Byblos Research

OUTLOOK

IRAQ

Non-oil GDP growth to average 2.1% in 2014-15

The International Monetary Fund projected economic growth in Iraq at 5.9% in 2014 and 6.7% in 2015, up from 4.2% in 2013, and compared to growth of 3.4% in 2014 and 4.6% in 2015 for Middle Eastern oil exporting countries. It forecast the country's real non-oil GDP to grow by 1.6% in 2014 and by 2.5% in 2015, compared to a contraction of 1.4% in 2013. It expected Iraq's annual average inflation rate at 1.9% in 2014 and 3% in 2015, compared to inflation rates of 8.7% and 8.6% in the region's oil-exporting countries for 2014 and 2015, respectively. Also, it anticipated broad money to grow by 10.5% this year and by 10.1% next year, relative to a growth rate of 16% in 2013. The Fund projected the government's fiscal deficit to narrow from 5.9% of GDP in 2013 to 2% of GDP in 2014 and to shift to a surplus of 0.1% of GDP in 2015. It forecast the fiscal breakeven oil price at \$109.4 per barrel in 2014 and at \$97.7 per barrel in 2015 relative to \$117.9 per barrel in 2013. It also forecast the government's non-oil fiscal deficit at 66.7% of non-oil GDP in 2014 and at 62.4% of non-oil GDP next year, relative to 71.8% of non-oil GDP last year. It estimated overall government revenues at 43.1% of GDP in 2014, unchanged from 2013, and non-oil revenues at 5.1% of non-oil GDP, compared to 6.9% of non-oil GDP in 2013; and total expenditures at 45.1% of GDP this year relative to 49.1% of GDP last year.

The IMF projected Iraq's public debt to reach 16.3% of GDP at the end of 2014 and 14.1% of GDP at end-2015, down from 31.3% of GDP at end-2013. It also forecast total gross external debt at 10.7% of GDP this year and 9.3% of GDP next year, relative to 26.1% of GDP last year. Further, the Fund estimated Iraq's exports of goods & services at \$102.4bn in 2014 and \$107.5bn in 2015, and imports of goods & services at \$95.4bn in 2014 and \$101.2bn in 2015. It forecast the current account to post surpluses of \$2.5bn or 1% of GDP in 2014 and \$3.1bn or 1.2% of GDP in 2015. It expected the country's gross official foreign currency reserves to grow from \$77.7bn at end-2013 to \$80.1bn at end-2014 and \$82.7bn by end-2015. The Fund anticipated Iraq's oil production to increase from 2.99 million barrels per day in 2013 to 3.24 million b/d this year, and for oil exports to rise from 2.39 million b/d last year to 2.6 million b/d in 2014.

Source: International Monetary Fund

GHANA

Economic slowdown to continue in 2014, wide fiscal and current account deficits are main risks

The International Monetary Fund projected Ghana's real GDP growth to decelerate to 4.8% in 2014 from an estimated growth rate of 7.1% in 2013, as high interest rates and a weaker currency are negatively affecting domestic demand. It forecast the average inflation rate at 13% in 2014 relative to 11.7% in 2013. It considered that reducing the inflation rate to within the target range would require further tightening of monetary policy and additional fiscal consolidation. It said that the short-term economic outlook is subject to significant risks related to the wide fiscal and current account deficits and elevated financing needs, which would weigh on interest and exchange rates.

The IMF forecast the fiscal deficit to narrow to 9.4% of GDP in 2014 from 10.1% of GDP in 2013, but to miss the target deficit of 8.5% of GDP for 2014. It considered that meeting the 2014 fiscal deficit would be challenging in the context of high interest rates, a depreciating currency and decelerating economic activity. Further, it projected the public debt level to rise to 59.4% of GDP in 2014 from 53.2% of GDP in 2013, reflecting the increase in the external public debt to 30% of GDP this year from 23.8% of GDP last year. It cautioned from the high debt service-to-revenue ratio, although the risks of debt distress remain moderate. It called on authorities to adopt a more ambitious medium-term consolidation plan to stabilize the public debt level and the debt servicing cost at sustainable levels.

In parallel, it forecast the current account deficit to narrow to 10.2% of GDP in 2014 from 12.3% of GDP in 2013, and for foreign currency reserves to fall to 2.7 months of import cover this year from 3.2 months last year. It called on the Bank of Ghana to limit its net credit to the government, to strengthen its liquidity management and inflation forecasting framework, and to continue to allow the exchange rate to adjust in order to prevent further erosion of the reserve buffer.

Source: International Monetary Fund

NIGERIA

Non-oil GDP growth to average 7.3% in 2014-15

The International Monetary Fund projected Nigeria's real GDP growth at 7.1% in 2014 and 7% in 2015, up from 6.3% in 2013. In comparison, it forecast growth at 5.4% in 2014 and 5.5% in 2015 for Sub-Saharan Africa and at 6.6% in 2014 and 6.5% in 2015 for the region's oil exporting countries. It expected the country's real non-oil GDP to grow by 7% in 2014 and by 7.5% in 2015, down from 7.9% in 2013, and relative to growth rates of 6.2% in oil exporting countries this year and 7% next year. The Fund forecast Nigeria's annual average inflation rate at 7.3% in 2014 and 7% in 2015 relative to 8.5% last year, and compared to average inflation rates of 6.6% in 2014 and 6.3% in 2015 for oil exporting economies. It projected the country's real per capita GDP to grow by 4.3% in 2014 and by 4.2% in 2015 compared to a growth rate of 3.4% in 2013. Also, it estimated the growth of broad money at 33.2% this year and at 35% next year, compared to 35.1% last year.

In parallel, the Fund forecast the fiscal balance to post deficits of 1.8% of GDP in 2014 and 1.7% of GDP in 2015 compared to 4.9% of GDP in 2013. It estimated public revenues at 22.1% of GDP this year and at 22.3% of GDP in 2015, and for public expenditures to remain unchanged at 23.9% of GDP in each of 2014 and 2015. The IMF projected total investment at 23.6% of GDP in both 2014 and 2015, relative to 24.6% of GDP in 2013. It forecast net FDI at 2.1% of GDP in 2014 and at 2% of GDP in 2015 relative to 2.2% of GDP in 2013. Also, it projected the country's current account surplus at 4.9% of GDP in 2014 and 4% of GDP in 2015 compared to 4.7% of GDP in 2013. In comparison, it forecast the region's oil exporting countries to post current account surpluses of 2.9% of GDP this year and 1.8% of GDP next year. Further, the Fund projected Nigeria's gross official reserves at 6.5 months of imports of goods & services at end-2014 and at 6.4 months of import cover at end-2015.

Source: International Monetary Fund



ECONOMY & TRADE

EGYPT

Sovereign ratings affirmed on ongoing donor support, outlook 'stable'

Standard & Poor's affirmed Egypt's long-term foreign and local currency sovereign credit ratings at 'B-' with a 'stable' outlook, and maintained the short-term ratings at 'B'. It attributed the affirmation of the ratings to the ongoing donor support that provides sufficient foreign currency funds to manage the country's short-term fiscal and external financing needs. It noted that the \$15bn in pledged support from Kuwait, Saudi Arabia and the UAE reduces the likelihood of a balance-of-payments crisis. It forecast foreign currency reserves to stabilize at more than two months of current account payments during the 2014-17 period. In parallel, it pointed out that Egypt's public finances are weak and that the public debt level is elevated and its servicing is high. It said that the successive governments are implementing expansionary budgets, but it expected authorities to start restructuring the energy subsidy system and to introduce a property tax in July 2014. It forecast the net public debt level to rise to 79% of GDP at end-2014 from 68% of GDP at end-2012. It said that the Central Bank would continue to monetize the government's local currency debt. It estimated Egypt's gross external financing needs at 102% of current account receipts plus usable reserves in 2014, relative to 96% in 2013.

Source: Standard & Poor's

MOROCCO

Outlook revised to 'stable' on improving fiscal and external balances

Standard & Poor's revised to 'stable' from 'negative' the outlook on Morocco's 'BBB-' long-term foreign and local currency sovereign credit ratings, and maintained the short-term ratings at 'A-3'. It attributed the outlook revision to the continued narrowing of the country's fiscal and external deficits on the back of public finance reforms and a more favorable external environment. It said that the ratings are supported by positive growth prospects, a moderate public debt burden and political and social stability. But it noted that the ratings remain constrained by low income levels, ongoing social needs, a relatively high external liability position, and the deterioration in the external debt stock and fiscal balance in recent years. It considered that improvements in the fiscal balance would require measures beyond subsidy reforms, such as addressing the public-sector wages that cost about 13% of GDP per year. Further, it pointed out that Morocco's net external liability position remains high at about 140% of current account receipts, or 60% of GDP. It projected the country's gross external financing requirements at over \$15bn or 96.7% of current account receipts plus usable reserves in 2014. It expected the external financing needs to be covered by \$4bn in FDI, by the full rollover of \$5.5bn in short-term external debt, by sovereign and private-sector external issuances and by multilateral and bilateral debt. In parallel, Fitch Ratings affirmed Morocco's long-term foreign and local currency Issuer Default Ratings at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It attributed its decision to the country's resilience despite the turmoil in the region.

Source: Standard & Poor's, Fitch Ratings

LIBYA

Reform to subsidy system is not likely in near term

Business Monitor International anticipated that the Libyan authorities are not likely to reform the domestic subsidy system in coming quarters, which would contribute to the ongoing fiscal crisis. It estimated the cost of subsidies at about \$8.7bn in 2013, equivalent to 16% of total expenditures. It noted that spending on energy subsidies is equivalent to more than 11% of GDP, and that on food subsidies is equivalent to about 2.8% of GDP. It added that gasoline and diesel consumption rose by 15% in 2013, which is above the normal annual growth rates of 3% to 7% posted in recent years. Further, it pointed out that the increase in the cost of subsidies has been simultaneous with the decline in public revenues. It said that a drop in public spending on subsidies is not likely, given the authorities' limited ability to reform the subsidy system. As such, it forecast the fiscal deficit to widen to 26.3% of GDP in 2014 from an estimated deficit of 1.8% of GDP in 2013. It anticipated that authorities would finance public spending from unused government spending as well as from the country's substantial foreign currency reserves. It noted that foreign currency reserves, which totaled \$118.6bn at the end of November 2013 and covered about 43.2 months of imports, constitute a significant cushion against systematic risks to financial stability. But it considered that risks to fundamental financial stability would remain significant in coming quarters, mainly if oil exports continue to decrease in the second half of 2014.

Source: Business Monitor International

AFRICA

Minimal rating changes expected over near term

Moody's Investors Service indicated that the 'stable' outlook assigned to 12 out of the 15 rated sovereigns in Sub-Saharan Africa reflects minimal ratings movement in the near term. It said that persistent structural credit challenges and institutional weaknesses offset the region's robust growth prospects and limit the scope for higher ratings. It noted that the 'positive' outlook assigned to Angola's 'Ba3' rating shows the scope for potential selective rating upgrades over the next 12 to 18 months. Further, it said that the deteriorating fiscal metrics constitute an increasing risk to public finance stability for some SSA sovereigns, which could lead to rating downgrades over the coming year. It noted that the 'negative' outlook on Ghana's 'B1' rating and on South Africa's 'Baa1' rating reflects in part the downside risk to credit quality in SSA. It pointed out that tighter global credit conditions would weigh on the region's international issuance prospects, while commodity exporters are increasingly exposed to uncertainty from weakening emerging market demand and commodity price volatility. In parallel, Moody's indicated that the majority of sovereign ratings in SSA are at the lower end of its rating scale, reflecting common challenges such as low economic diversification, chronic infrastructure bottlenecks and underdeveloped institutions that constrain credit quality. It noted that the exceptions include Botswana, Mauritius, South Africa and Namibia that have investment grade ratings due to their developed institutions.

Source: Moody's Investors Service



BANKING

JORDAN

Construction and trade account for 41% of overall lending at end-March 2014

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD18.7bn at the end of March 2014, constituting a decrease of 1.3% from JD18.9bn at end-2013 and a rise of 3% from end-March 2013. The resident private sector accounted for 89.7% of total credit relative to 86.2% at end-March 2013; followed by the central government with 6.3%, down from 6.9% a year earlier; the non-resident private sector with 2.3% relative to 4.9% at end-March 2013; public entities with 1.7%, compared to 1.9% a year earlier; and financial institutions with 0.04%. Foreign currency lending accounted for 14.2% of total lending, up from 13.3% at end-March 2013. The distribution of lending by sector shows that construction represented JD4.2bn or 22.4% of overall lending, up from 20.5% at the end of March 2013; while general trade represented JD3.5bn or 18.9% of the total relative to 20.7% a year earlier. They were followed by industry with JD2.6bn, or 14.1% of overall lending; public services & utilities with JD2.1bn (11.3%); transportation services with JD572.4m (3.1%); tourism, hotels & restaurants with JD529.7m (2.8%); financial services with JD402.4m (2.2%); agriculture with JD232.2m (1.2%), and mining with JD162.4m (0.9%). Further, other lending accounted for JD4.3bn, or 23% of total credit, of which JD223.6m were extended to buy shares. In parallel, loans & advances totaled JD15.9bn of overall credit at end-March 2014, followed by overdrafts with JD2.5bn and discounted bills with JD296.6m.

Source: Central Bank of Jordan, Byblos Research

MOROCCO

Lending to resident private sector up 5% annually in March 2014

Figures issued by Bank Al-Maghrib show that total assets of commercial banks operating in Morocco reached MAD1,085.9bn or \$133.2bn at the end of March 2014, constituting a decrease of 1.1% from the end of 2013 but a rise of 5% from end-March 2013. Banks' credit to the resident private sector totaled MAD736.7bn or \$90.4bn at end-March 2014, up by 5.3% from a year earlier. Banks' lending to the resident private sector was mainly driven by an 18% annual increase in loans to financial institutions, an 8% year-on-year rise in consumer loans and a 5% annual growth in residential mortgages. Further, deposits totaled MAD699.6bn or \$85.9bn at end-March 2014, up by 0.5% month-on-month and by 3.5% annually, and were mainly driven by demand deposits that accounted for 58.7% of total deposits at end-March 2014. The loan-to-deposit ratio stood at 105% at the end of March 2014, up from 104% in the preceding month. In parallel, Bank Al-Maghrib lowered the reserve requirement ratio by 200 basis points to 2% in March 2014 in order to ease liquidity pressures. Further, nominal non-performing loans increased by 4.4% month-on-month due to higher NPLs in the retail sector, leading to a 24.1% annual rise in NPLs. The NPL ratio stood at 6.3% in March 2014, up from 5.9% at end-2013.

Source: Bank Al-Maghrib, EFG Hermes

QATAR

Banks' profitability to remain solid in 2014 despite risks

Standard & Poor's anticipated that the profitability of Qatari banks would remain solid over the next 12 months, supported by high interest margins, by rapidly increasing business volumes, and by the banks' generally low cost base. It forecast banks' lending to grow by about 10% to 15% annually in coming years, driven by a favorable environment and solid economic activity. But it considered that the banking sector faces several risks. It said that the rise in interest rates in the United States within the next two years constitutes the most immediate constraint on banks' profitability. It added that a steep increase in U.S. interest rates would compress Qatari banks' interest margins given the structural mismatch of their balance sheets, which carry long-term assets and short-term deposits. It estimated that a 100 basis point rise in interest rates would decrease the profits of rated Qatari banks by about 9% on average. But it noted that the gradual normalization of rates would provide Qatari banks with the necessary time to adjust their pricing. Further, it said that the high single-name exposure and real estate sector concentration exposes Qatari banks to the risk of default of large borrowers or to setbacks in the real estate sector. It noted that banks' increasing appetite for geographic expansion in riskier countries would weigh on their financial profiles and performance. It added that the banking system would suffer from a sudden and persistent drop in global oil and gas prices through its exposures to large investment projects or to the expatriate retail segment.

Source: Standard & Poor's

KUWAIT

Private sector lending up 8% year-on-year in March 2014

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD54.1bn, equivalent to \$192.3bn at the end of March 2014, constituting an increase of 5.1% from the end of 2013 and a growth of 11% from end-March 2013. Lending to the private sector reached KD29.5bn or \$104.9bn at end-March 2014, up by 1.9% from end-2013 and by 8% from a year earlier. Lending to the private sector increased by 1.6% month-on-month in March, as retail lending remained the main driver of loan growth and rose by 12.5% year-on-year. Also, corporate lending grew by 8% annually in March 2014, and was mainly driven by trade, real estate and construction. Further, the sector's aggregate deposits totaled KD37.5bn or \$133.2bn at end-March 2014, constituting an increase of 2.9% from the end of 2013. Total deposits rose by 8.8% year-on-year in March 2014, supported by an 8.8% increase in private sector deposits that reached KD32.3bn or \$114.7bn, and by an 8.2% rise in public sector deposits that reached KD5.2bn or \$18.5bn. The loan-to-deposit ratio stood at 79% at the end of March 2014 compared to 79.5% at end-2013 and to 79.2% a year earlier.

Source: Central Bank of Kuwait, EFG Hermes



ENERGY / COMMODITIES

Natural gas prices to rise by 23% in 2014

Global natural gas demand is forecast to increase by 1.7% to 3,448.8 billion cubic meters in 2014. Gas consumption in the United States is projected at 746.1 billion cubic meters this year, equivalent to 21.6% of total demand. It would be followed by European countries in the Organization for Economic Co-operation and Development (14.4%), Russia (12.3%), China (5.4%) and Iran (4.7%). In parallel, global gas production is projected to rise by 2.7% to 3,535 billion cubic meters in 2014. The global gas market is expected to remain in surplus during the 2014-15 period. U.S. Henry Hub natural gas prices are projected to average \$4.5 per million British thermal units (Btu) until the end of the third quarter of 2016 compared to an average of \$3.7 per million Btu in the previous four years. U.S. Henry Hub natural gas prices are forecast to reach \$4.64 per million Btu on average in the second quarter of 2014, up 15.4% from the same quarter of last year; while European natural gas prices are projected to average \$11.46 per million Btu during the same quarter. Overall, U.S. Henry Hub natural gas prices are anticipated to rise by 23.2% to \$4.6 per million Btu on average in 2014.

Source: *Economist Intelligence Unit, Byblos Research*

OPEC's basket price almost unchanged in April

The Organization of Petroleum Exporting Countries' oil reference basket price reached \$104.27 a barrel in April 2014, up by a marginal 0.1% from the preceding month. Nigeria's Bonny Light had the highest price among the basket's components as it reached \$110.19 per barrel (p/b) in April, followed by Angola's Girassol at \$108.8 p/b, Algeria's Saharan Blend at \$108.09 p/b, the UAE's Murban at \$107.75 p/b, Saudi Arabia's Arab Light at \$104.87 p/b, Qatar Marine at \$104.53 p/b and Iran Heavy at \$104.32 p/b. All prices included in the basket rose slightly in April 2014, with the exception of the Saharan Blend.

Source: *Organization of the Petroleum Exporting Countries*

Emerging markets spend \$500bn on fossil fuel subsidies annually

The International Energy Agency and the International Monetary Fund estimated annual expenditures on fossil fuel subsidies in emerging markets at more than \$500bn. The subsidy rate reached 82% of the full cost of electricity and fuel supply in Venezuela in 2012, the latest available figure. It was followed by Libya with 80.2%, Saudi Arabia with 78.9%, Iran with 73.8%, Iraq with 62.4% and Algeria with 56.7%. Also, OPEC members accounted for more than 50% of the world's fossil fuel consumption subsidies in 2012. Countries in the Middle East & North Africa have one of the highest subsidy concentration rates worldwide.

Source: *International Energy Agency, IMF, Thomson Reuters*

Oil output to remain nearly unchanged in 2014

Crude oil production in the Middle East & North Africa region is forecast to average 24.87 million b/d in 2014, constituting a marginal decrease of 0.4% from 2013. Saudi Arabia's crude oil output is projected at 9.6 million b/d in 2014, equivalent to about 38.6% of the region's crude oil production. It would be followed by Iraq at 3.24 million b/d (13%), Kuwait at 2.93 million b/d (11.8%), the UAE at 2.82 million b/d (11.3%), Iran at 2.4 million b/d (9.7%) and Algeria at 1.22 million b/d (4.9%).

Source: *International Monetary Fund*

Base Metals: Zinc prices to increase by 8% in 2014

Global mined zinc output is projected to remain subdued in coming years, with an average annual production growth rate of 1.8% through 2018. The modest growth in mine production is due to the depletion of numerous large-size deposits and to the lack of new mining projects on the horizon. In addition to the closure of the Brunswick and Perseverance mines in Canada in 2013; the Century mine in Australia, the Lisheen mine in Ireland and the Skorpion mine in Namibia are among a series of zinc mining operations that are forecast to be depleted by 2016. China is projected to remain the world's largest zinc producer during the 2014-18 period, with production growing at an annual average rate of 2.9%, down from an average annual growth rate of 10.5% during the 2002-12 period. In addition, zinc mine production in India and Peru is expected to post the largest increases in the covered period, with India having the metal's highest annual average growth rate globally at 11.5%. Zinc prices are forecast to average \$2,074 a metric ton in the second quarter of 2014, up by 0.7% from the preceding quarter and by 12.6% from the same quarter of 2013. Overall, zinc prices are projected to grow by 8.3% to \$2,069 a ton on average in 2014.

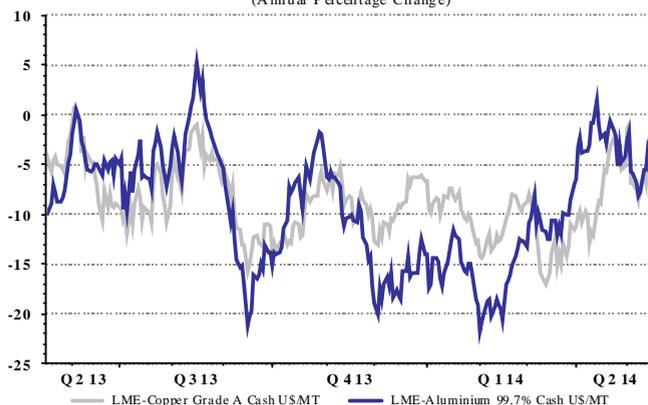
Source: *Business Monitor International, IMF, Byblos Research*

Precious Metals: Gold prices to stabilize during 2014 due to investors' stronger demand

Global gold production is expected to average 4,248 tons in 2014, reflecting a decrease of 1.2% from the preceding year. As such, gold mine supply is projected to account for 69.2% of global supply this year, while scrap output would account for 30.2% of the total. Gold prices are expected to stabilize during 2014 due to continued strong Chinese retail jewelry consumption and to investors' strong demand for gold and gold-backed financial products. Gold prices are forecast to average \$1,310 an ounce on average in the second quarter of 2014, constituting an increase of 1% from the previous quarter. Overall, gold prices are projected to drop by 6.8% to an average of \$1,320 a troy ounce in 2014. In parallel, the Dow Jones-UBS Precious Metals Sub-Index decreased by 0.1% in April and improved by 5.3% in the first four months of 2014, while the Silver Sub-Index regressed by 3% last month and by 1.4% from end-2013. Also, the Dow Jones-UBS Gold Sub-Index grew by 1% in April and by 7.7% in the first four months of the year, while the Platinum Sub-Index rose by 0.5% last month and by 3.9% from end-2013.

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

Copper Prices vs. Aluminum Prices
(Annual Percentage Change)



Source: *Thomson Reuters Datastream, Byblos Research*



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
	Stable	Positive	Stable	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.4
	Stable	Negative	Stable	Stable	Stable								
Ethiopia	B	B1	B	-	B	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B	B1	B	-	B	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
	Negative	Negative	Negative	-	Stable								
Ivory Coast	-	-	-	-	B	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
	-	-	-	-	Stable								
Libya	-	-	B	-	B	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
	Stable	Negative	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.1
	Negative	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-1.3	89.3	74.0	-	-	-	-8.2	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
	Stable	-	-	-	-								
Rwanda	B	-	B	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
	Stable	-	Positive	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
	-	-	-	Stable	Stable								
Iraq	-	-	-	-	CCC	-2.0	16.3	10.7	69.5	-	-	1.0	-
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
	Negative	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	-
	Stable	Negative	Negative	Stable	Stable								
Oman	A	A1	-	A	A	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
	Stable	Stable	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA	AA-	A	7.1	2.6	11.8	24.3	1.9	11.4	15.8	1.0
	Positive	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-12.0	65.0	27.4	-	-	-	-3.7	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	7.9	12.3	38.0	38.0	4.0	330.2	13.3	1.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.7	51.4	15.0	51.8	-	-	-1.5	-
	-	-	-	-	Stable								



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-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	2.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.9
	Negative	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.4
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.5
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	0.3
	Negative	Positive	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.8
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	5.4
	Negative	Negative	-	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2014



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	09-May-14	No change	12-Jun-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



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

