

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Tourism generates \$1.4 trillion in export earnings in 2013

The World Tourism Organization indicated that tourism receipts from spending by international visitors on accommodation, food & drink, entertainment, shopping and other goods & services grew by 5.3% to \$1,159bn in 2013. Further, tourism receipts from visitors in Europe accounted for 42.2% of all international tourism receipts and grew by 3.8% in 2013, followed by Asia & the Pacific (31%) with an 8.2% rise, the Americas (19.8%) with a 6.4% growth, Africa (3%) with a flat expansion and the Middle East (4.1%) with a drop of 1.9%. Also, spending per tourist was \$1,070 last year, with such expenditures totaling \$1,450 in Asia & the Pacific, \$1,360 in the Americas, \$920 in the Middle East, \$870 in Europe and \$610 in Africa. Also, earnings generated from international passenger transport services amounted to \$218bn last year. Overall, total export earnings generated by international tourism reached \$1,377bn in 2013 and were equivalent to about \$3.8bn per day. Also, international tourism accounted for 29% of the world's exports of services and 6% of overall exports of goods and services last year.

Source: World Tourism Organization

MENA

Tax rates vary across countries

KPMG's Corporate and Indirect Tax Rate survey for 2014 shows that the UAE has the highest corporate tax rate among 11 rates in 17 Arab countries at 55%, followed by Sudan (35%), Morocco (30%), Tunisia and Egypt (25% each), Syria (22%), Yemen, Saudi Arabia and Libya (20% each), Algeria (19%), Iraq, Lebanon and Kuwait (15% each), Jordan (14%), Oman (12%) and Qatar (10%). The UAE's 55% corporate tax rate is only enforced on foreign oil companies. Also, the UAE's corporate tax rate is the highest among 39 rates in 134 countries worldwide. It is followed by Sudan with the fourth highest corporate tax rate globally, Morocco (12th highest), Tunisia and Egypt (21st each), Syria (25th), Yemen, Saudi Arabia and Libya (27th each) and Algeria (28th). In contrast, Qatar has the second lowest corporate tax rate globally, followed by Oman with the third lowest tax rate, Jordan with the fifth lowest, and each of Iraq, Lebanon and Kuwait with the sixth lowest tax rates. The survey indicated that Bahrain is the only Arab country that does not have a corporate income tax. In parallel, Morocco has the highest indirect tax rate among six rates in eight Arab countries at 20%. It is followed by Tunisia with an 18% indirect tax rate, Sudan and Algeria (17% each), Jordan (16%), Lebanon and Egypt (10% each), and Yemen (5%). Indirect tax rates cover the value-added tax or the global sales tax. The survey indicated that Bahrain, Qatar, Oman, Kuwait, Iraq, Libya, Saudi Arabia, Syria and the UAE do not have an indirect tax rate.

Source: KPMG

CEOs more positive about growth prospects

PwC's Middle East CEO Survey for 2014 indicated that chief executive officers (CEOs) in the region are more positive about a recovery in the global economy than they were last year, as 49% of respondents expect the global economy to improve in 2014 compared to 22% of CEOs in the 2013 survey. The survey also indicated that 66% of respondents in the region are very confident about their company's growth prospects over the next 12 months, up from 53% in last year's survey and 60% in the 2012 survey and relative to 39% of respondents around the world who shared similar optimism. In parallel, 32% of CEOs in the Middle East said that their main business growth opportunity over the short-term consists of increasing their share of business in existing markets, followed by developing new products and services (30%), expanding to new geographic markets (17%), exploring new joint ventures or strategic alliances (13%), and mergers & acquisitions (6%). Further, 72% of CEOs in the region considered that the lack of stability in capital markets constitutes the main potential economic and policy threat to their business growth prospects, followed by their government's response to the fiscal deficit and public debt (70%), and the slowdown in high-growth markets (66%). Also, 70% of CEOs said that the availability of key skills as well as bribery and corruption are the main potential business threat for their growth prospects, followed by cybercrime (68%).

Source: PwC

AFRICA

Africa is second most desirable investment destination in the world

EY's 2014 Africa Attractiveness Survey indicated that the continent has become, along with Asia, the second most desirable destination for foreign direct investment in the world, behind only North America. Africa was the fifth most appealing destination for FDI in the 2012 and 2013 surveys and the eighth most desirable destination in the 2011 survey. The survey's results are based on telephone interviews with 503 international decision-makers around the world. The survey shows that 60% of respondents believe that the continent's FDI attractiveness improved in 2013 compared to 17.3% of respondents who said that conditions have deteriorated. Further, 72.7% of respondents forecast the continent's FDI attractiveness to improve over the next three years relative to 10% of respondents who expect it to decline in the medium-term. In parallel, respondents identified the mining & metals sector as having the highest growth potential in Africa, followed by the agricultural sector, infrastructure, the oil & gas sector and financial services. On a country basis, the survey showed that South Africa in the southern part of the continent, Nigeria in the western part of Africa, Kenya in the east, and Morocco and Egypt in North Africa are strongly perceived by investors as the most attractive investment destinations in the continent. In parallel, the survey indicated that current levels of FDI inflows are not proportionate with the continent's potential. It said that this reflects the perception gap between respondents that are already doing business on the continent and those with no business presence.

Source: EY

OUTLOOK

ALGERIA

Non-oil GDP growth at 5.3% in 2014 and 4.9% in 2015

The International Monetary Fund projected Algeria's real GDP growth at 4.3% in 2014 and 4.1% in 2015, compared to a growth rate of 2.7% last year. In parallel, it forecast growth at 3.2% in 2014 and at 4.5% in 2015 for the Middle East & North Africa economies and at 3.4% in 2014 and at 4.6% in 2015 for the region's oil exporters. It also forecast non-oil GDP to grow by 5.3% in 2014 and by 4.9% in 2015, down from 5.9% last year, and compared to non-oil GDP growth of 4.6% for the region's oil exporting countries this year and 5% next year. It expected the country's nominal GDP to reach \$219.5bn in 2014 and \$227.6bn in 2015, up from \$206.1bn in 2013. It forecast Algeria's annual average inflation rate at 4% in each of 2014 and 2015, compared to 3.3% in 2013. It also expected broad money to grow by 9% in both 2014 and 2015 relative to a growth rate of 8.2% last year. The Fund projected the central government's fiscal balance to post deficits of 1.9% of GDP in 2014 and of 2.9% of GDP in 2015, compared to surpluses of 2.6% of GDP in 2014 and of 1.4% of GDP in 2015 in oil-exporting economies. It estimated public revenues at 36.1% of GDP in 2014 down from 37.5% of GDP last year, and total expenditures at 38.1% of GDP this year down from 39.2% of GDP in 2013.

The IMF projected Algeria's public debt to reach 9.7% of GDP at end-2014 and 8.1% of GDP at end-2015, relative to 9.2% at end-2013. It also forecast total gross external debt at 1.5% of GDP this year and 1.4% of GDP next year. Further, the Fund estimated Algeria's exports of goods & services at \$70.5bn in 2014 and at \$67.1bn in 2015 relative to \$68.3bn in 2013, and forecast imports of goods & services at \$67.4bn in 2014 and at \$68.7bn in 2015 compared to \$65.7bn in 2013. It also anticipated the current account surplus to widen from \$0.9bn, or 0.4% of GDP in 2013 to \$1.1bn, or 0.5% of GDP in 2014 and to shift to a deficit of \$2.9bn, or 1.3% of GDP in 2015, and relative to surpluses of 11.9% of GDP in 2014 and of 9.7% of GDP in 2015 for oil-exporting economies.

Source: *International Monetary Fund*

UAE

Non-oil growth at 5.2% in 2014, foreign assets to reach \$567bn

The Institute of International Finance projected real GDP growth in the UAE to slow down to 4.2% in 2014 from a growth rate of 4.7% in 2013 due to a decline in the growth of crude oil production to 1% in 2014 from 4.5% in 2013. It forecast hydrocarbon output to expand by 2.3% in 2014 compared to a growth rate of 4.4% last year, and for non-hydrocarbon growth to decelerate to 5.2% in 2014 from 4.9% in 2013. It said that non-hydrocarbon activity would be supported by tourism, transportation, trade and by a strong recovery in the real estate sector. It expected the completion of major projects and the preparations to host World Expo 2020 to keep non-hydrocarbon growth at slightly above 5% in coming years. It forecast the inflation rate to average 2.7% in 2014 relative to an average of 1.4% in 2013 and to reach 3.7% at end-2014, driven by a significant increase in housing and housing-related costs.

Also, the IIF forecast the UAE's fiscal surplus to narrow to 8.5% of GDP in 2014 from 10.6% of GDP last year, under the assumption of an average oil price of \$105 per barrel (p/b) and flat oil exports volumes. It projected the fiscal breakeven oil price to rise to \$69 p/b in 2014 from \$67 p/b in 2013. It also expected the current account surplus to narrow to \$50bn, or 11.7% of GDP in 2014, from \$60.2bn or 14.7% of GDP in 2013; and for net external assets to increase to \$510.7bn or 119.8% of GDP in 2014 from \$460.4bn or 112.5% of GDP in 2013. In parallel, the IIF forecast the UAE's gross public foreign assets at \$567bn by the end of 2014, which would mitigate the adverse impact of lower global oil prices. It said that under a scenario where global oil prices drop by \$20 to \$85 p/b starting in 2014, the UAE's current account balance would remain in surplus through 2020, while the fiscal balance would shift to a deficit by 2016. As a result, it expected gross foreign assets to continue to increase and to decline by 2019 under this scenario. It said that the UAE will be less affected by a drop in oil prices than most oil exporters in the region, given its relatively diversified economy and lower breakeven oil price.

Source: *Institute of International Finance*

EGYPT

Fiscal deficit to narrow to 11% of GDP in 2014

The International Monetary Fund projected Egypt's real GDP growth rate at 2.3% in 2014 and 4.1% in 2015, up from 2.1% in 2013, and compared to growth of 2.7% in 2014 and 4.2% in 2015 in the Middle East & North Africa's oil-importing economies. It forecast Egypt's annual average inflation rate at 11.1% in 2014 and 11.4% in 2015, up from 9.1% in 2013 and compared to inflation rates of 8.9% in 2014 and 8.4% in 2015 for the region's oil-importing economies. Further, it expected the growth of broad money at 16.3% this year and at 14.4% next year relative to a growth rate of 18.5% last year. The Fund projected the central government's fiscal deficit to narrow from 14.1% of GDP in 2013 to 11.1% of GDP in 2014 and 12.2% of GDP in 2015, compared to deficits in oil-importing countries of 8.5% of GDP in both 2014 and 2015. It estimated public revenues at 24.5% of GDP this year and at 23.7% of GDP next year and total expenditures at 37.8% of GDP in 2014 and at 36% of GDP in 2015.

The IMF forecast Egypt's public debt to reach 91.3% of GDP at the end of 2014 and 92.7% of GDP at end-2015, up from 89.2% at end-2013, as well as total external debt at 16.4% of GDP at the end of this year and at 18.5% of GDP at the end of next year. Further, the Fund estimated exports of goods & services from Egypt at \$47.4bn in 2014 and at \$48.6bn in 2015, compared to \$48bn in 2013; and imports of goods & services at \$72.2bn in 2014 and at \$75.7bn in 2015, relative to \$67.1bn in 2013. It forecast the country's current account deficit at \$3.9bn or 1.3% of GDP in 2014 and at \$15.2bn or 4.6% of GDP in 2015, compared to deficits for the region's oil-importing countries of 5.5% of GDP in 2014 and 6.4% of GDP in 2015. The Fund expected the country's gross official reserves to reach \$15bn at end-2014 and \$16.7bn at end-2015, up from \$14.5bn at end-2013.

Source: *International Monetary Fund*

ECONOMY & TRADE

SYRIA

Total economic losses from conflict at \$144bn, equivalent to 276% of 2010 GDP

The Syrian Center for Policy Research estimated the total economic losses in Syria from the start of the conflict up until the end of 2013 at \$143.8bn in current prices, equivalent to 276% of the country's 2010 GDP. It said that output loss totaled \$70.9bn during the covered period and accounted for 49.3% of total economic losses, followed by losses from damaged capital stock with \$64.8bn (45.1%) and the increase in off-budget military spending with \$8.1bn (5.7%). It defined the rise in military expenditures as the reallocation of resources from productive processes to non-productive or even destructive aims. It estimated total economic losses at \$66bn in 2013, including \$37.1bn in output loss, \$25.9bn in damaged capital stock and \$3bn in increased military spending. Also, it estimated total losses at \$61bn in 2012 that included \$29.7bn in damaged capital stock, \$27.1bn in output loss and \$4.2bn in increased military spending; and at \$16.8bn in 2011, of which \$9.2bn in damaged capital stock, \$6.7bn in output loss and \$1bn in increased military spending. In parallel, it estimated GDP losses at SYP2,042bn in constant 2000 prices during the covered period, equivalent to 139% of Syria's 2010 GDP. It said that losses in the domestic trade segment accounted for 22.8% of total output loss during the covered period, followed by the transport & communication sector with 17.5%, the mining sector with 14.3%, the manufacturing sector with 12.2%, government services with 9.7%, the agricultural sector with 9.5%, the financial & real estate sectors with 5.6%, social services with 3.6%, the construction sector with 2.7% and utilities with 2.3%.

Source: Syrian Center for Policy Research

SAUDI ARABIA

Favorable outlook for 2014 and 2015

The International Monetary Fund indicated that Saudi Arabia's economic outlook is favorable as it projected real GDP growth to exceed 4% in each of 2014 and 2015, and expected the inflation level to remain subdued. It anticipated that public spending and robust private sector activity would drive growth. It said that the authorities' ambitious economic reform and investment program would further develop infrastructure, improve the business environment, increase the quality of education and skills, and employ more Saudi nationals in the private sector. It noted that risks to the outlook are well balanced. In parallel, the IMF expected the fiscal surplus to further narrow in 2014, given the continuous increase in public spending, while it cautioned that the surplus would shift to a deficit in the next few years. As such, it called on authorities to slow down the growth in public spending. It pointed out that the country's substantial fiscal buffer would protect the economy in the event of a negative shock, such as a fall in global oil prices. It welcomed the authorities' efforts to strengthen the fiscal framework and encouraged them to further reform the annual budget, to introduce a medium-term budget framework, and to develop tools to manage the volatility of oil revenues. Further, it considered that the introduction of a formal macroprudential framework would strengthen financial stability.

Source: International Monetary Fund

TURKEY

Ratings affirmed, outlook remains 'negative'

Standard & Poor's affirmed Turkey's long-term foreign and local currency sovereign credit rating at 'BB+' and 'BBB', respectively, and maintained the 'negative' outlook on the ratings. It also affirmed the short-term foreign and local currency rating at 'B' and 'A-2', respectively. It said that the 'negative' outlook reflects persisting risks to the country's economic prospects. It noted that Turkey has limited policy buffers against potential external risks due in part to an erosion of institutional checks and balances. It added that the latter poses risks to business confidence and to economic stability. Further, it considered that external vulnerabilities are less manageable, given the sizable foreign currency position of the corporate sector, the wide current account deficit, the uncertain global environment and the high pass-through of exchange rate depreciation into inflation. The agency said that the financial sector's gross external liabilities have more than tripled to \$178bn between 2009 and 2013, equivalent to an annual inflow of non-resident lending to the financial sector of 4% of GDP. It cautioned that the debt rollover rates would decline to below 100% and that the refinancing rates would rise significantly if the external financing environment deteriorates. It considered that the country's growth potential would remain limited in the absence of credit-fueled growth and of structural changes. In parallel, S&P forecast Turkey's narrow external debt at 128% of current account receipts (CARs) at the end of 2014 compared to 120.7% of CARs at the end of 2013. It said that it would downgrade the ratings in the event of a severe growth shock or a balance-of-payments crisis that would negatively affect the fiscal performance and the stability of the financial sector.

Source: Standard & Poor's

MOZAMBIQUE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Mozambique's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+' with a 'stable' outlook. Also, it maintained the Country Ceiling at 'B+' and the short-term IDR at 'B'. It said the affirmation of the ratings reflects strong economic activity, widening fiscal deficits and the elevated public debt level. It forecast real GDP growth to average 8% over the next three years, driven by the country's substantial natural resources. It noted that continued foreign investment into the coal and natural gas industries, estimated at \$5bn or 30% of GDP per year, would help develop both sectors. But it cautioned from delays in infrastructure investment, falling commodity prices and an intensification of political violence. Further, it projected the fiscal deficit to widen to 7.7% of GDP in 2014 from 3% of GDP in 2013. But it noted that the deficit would be narrower than the government's target of 12.8% of GDP due to challenges in the execution of capital projects, lower-than-budgeted donor inflows and high revenues from capital gain taxes on the gas sector. In parallel, it expected the public debt to rise to 47.7% of GDP in 2015 from 42.5% of GDP in 2012, above the median of 41.8% of GDP of 'B'-rated peers. It pointed out that the ratings are constrained by the lower income level and human development indicators than similarly-rated peers.

Source: Fitch Ratings



BANKING

UAE

Lending caps to protect banks against real estate price correction

Standard & Poor's indicated that the UAE banking sector's exposure to the local real estate market has remained at high levels in the past two years when real estate prices posted strong growth. It noted that real estate loans accounted for about 30% of banks' aggregate loans at end-2013 and were equivalent to 122% of their total equity. It added that banks' exposure to the sector remained below the peak reached in 2008, when total lending to the real estate sector was equivalent to 150% of banks' equity. It said that construction-related loans have increased over the past 12 months, but it noted that part of the rise was due to the reclassification of some exposures. It pointed out that the total value of mortgages has remained almost stable in the past year. However, S&P expected construction-related loans to continue to rise as developers launch new projects, and forecast the value of mortgages to accelerate as new local and expatriate customers seek to enter the market. As such, it anticipated that banks' exposure to the real estate sector would increase in coming years. In parallel, S&P considered that more than 25% of the UAE banking system's loan portfolio would be exposed to risks in the event of a correction in real estate prices. It noted that spillover effects of a potential correction on other sectors and on the job market would be channeled to the banking system through the latter's exposure to these sectors or to personal loans. It considered that the new caps on mortgage lending would constitute a buffer against the negative impact of price corrections. But it cautioned from the rapid increase in banks' exposure to the real estate sector.

Source: Standard & Poor's

QATAR

Private sector lending up 15% year-on-year in April 2014

Figures issued by the Central Bank of Qatar show that total assets of the banking sector reached QAR950.7bn, equivalent to \$261.2bn at the end of April 2014, constituting an increase of 3.8% from the end of 2013 and a rise of 9.9% from end-April 2013. Loans totaled QAR600bn, equivalent to \$164.8bn at end-April 2014, constituting a marginal rise of 0.6% from the preceding month and reflecting a 0.9% monthly drop in public sector lending and a 1.2% month-on-month increase in lending to the private sector. Also, total loans grew by 12.8% year-on-year in April 2014, driven by a 14.6% annual increase in credit to the private sector and a 10.3% rise in public sector lending. In parallel, aggregate deposits totaled QAR584.3bn or \$160.5bn at end-April 2014, constituting an increase of 0.6% from the preceding month, driven by a 0.2% rise in public sector deposits and a monthly 0.6% increase in private sector deposits. The sector's total deposits grew by 11.7% year-on-year in April 2014, reflecting a 13.6% annual rise in public sector deposits and an 11.3% year-on-year increase in private sector deposits. The loan-to-deposit ratio stood at 102.7% at end-April 2014, down from 105.4% at end-2013 and relative to 101.7% at the end of April 2013.

Source: Central Bank of Qatar, Byblos Research

SAUDI ARABIA

Agency takes rating actions on five banks

Capital Intelligence affirmed the Financial Strength Rating (FSR) of National Commercial Bank (NCB), Al Rajhi Bank (ARB), Samba Financial Group (SAMBA), and Riyadh Bank (RB) at 'AA-', while it upgraded that of Saudi Hollandi Bank (SHB) to 'a' from 'a-'. It also affirmed the long-term foreign currency rating of NCB, ARB, SAMBA and RB at 'AA-', and that of SHB at 'a'. It maintained the short-term foreign currency rating of ARB and SAMBA at 'A1', that of NCB and RB at 'A1+' and that of SHB at 'a2'. It revised the outlook on SHB's ratings to 'stable' from 'positive', and kept the 'stable' outlook on the remaining banks' ratings. It attributed the upgrade of SHB's FSR to the improvement in the bank's profitability, asset quality and capital adequacy ratio. Further, it said that NCB's FSR is supported by its strong liquidity, sound asset quality and steady profitability, but is constrained by relatively higher-than-peers cost structure and declining average capital ratios. Also, it indicated that SAMBA's FSR reflects its very strong capital ratios, solid liquidity level and improving asset quality, but the FSR is constrained by the bank's relatively weak operating profitability. Further, it said that RB's FSR is supported by its improved asset quality and profitability as well as by its very sound capital profile. But it noted that the FSR is constrained by the slow growth in retail deposits, relatively tight liquidity ratios and low operating profitability. In parallel, it indicated that ARB's FSR reflects its robust profitability, strong customer deposit base and more-than-adequate capital ratios. But it noted that ARB's FSR is constrained by the continued increase in non-performing Islamic finance facilities, low rate of internal capital generation and declining operating and net profitability.

Source: Capital Intelligence

TUNISIA

NPLs at private and public banks still high

The risk-weighted capital adequacy ratio (CAR) of banks operating in Tunisia reached 9.2% at the end of 2013 relative to 11.8% at end-2012 and 11.9% at end-2011. The CAR of private banks reached 10.9% at end-2013, while that of public banks was 5.2%. Further, the sector's capital-to-assets ratio reached 6.1% at the end of 2013, down from 7.8% at end-2012. Credit to the private sector accounted for 26.2% of total loans at end-2013 compared to 67.7% at end-2012; while lending in foreign currency represented 4.8% of total loans at end-2013, unchanged from end-2012. The sector's deposit-to-loan ratio reached 89.6% at the end of 2013, almost unchanged from 89.7% at end-2012. The deposit-to-loan ratio at private banks reached 99%, while that at public banks was 76.2% at the end of 2013. Also, the sector's non-performing loans (NPL) ratio was 14.9% at the end of 2013, unchanged from end-2012 but up from 13.3% at end-2011. The private banks' NPL ratio stood at 10.4% at end-2013, while the public banks' ratio reached 21.2%. Further, the sector's provisions-to-NPL ratio increased to 60.3% at end-2013 from 45.9% at end-2012. In parallel, the banks' return on assets was 0.7% last year compared to 0.6% in 2012; while their return on equity reached 8.9% in 2013 relative to 8% in 2012.

Source: International Monetary Fund



ENERGY / COMMODITIES

Crude oil prices to drop by 2% in 2014

Brent oil prices are forecast to average \$108.1 a barrel in 2014, down by 1.6% from last year; while WTI oil prices are projected to grow by 6.2% this year to an average of \$99.5 a barrel. Global crude oil demand is expected to average 90.2 million barrels per day (b/d) in the second quarter of 2014, unchanged from the previous quarter but reflecting a rise of 1.1% from the same quarter last year. The Organization for Economic Cooperation and Development (OECD) countries' consumption is projected to drop by 1.3% quarter-on-quarter to 45.2 million b/d in the second quarter of the year, of which OECD Americas would account for about 53% of total OECD demand, followed by OECD Europe (30%) and OECD Asia Pacific (17%). Further, crude oil consumption in developing countries is anticipated at 29.6 million b/d in the second quarter, up 1% from the preceding quarter; while Chinese oil demand is forecast to rise by 4% to 10.5 million b/d in the covered quarter.

Source: Organization of the Petroleum Exporting Countries

KRG starts crude oil exports to global markets

The Kurdistan Regional Government (KRG) indicated that it officially sold its first independent crude oil shipment to international markets through the Turkish export hub of Ceyhan, despite strong opposition from the central government in Baghdad. The KRG said that crude oil export receipts would be deposited in an escrow account at Turkey's Halkbank, and that 5% of the proceeds would be allocated towards Iraq's Kuwait war reparation international obligations. It added that 17% of oil revenues would accrue toward the KRG's budget, while the balance would go to the central government. In parallel, the central government launched arbitration proceedings against Turkey and terminal operator BOTAS at the International Chamber of Commerce. Iraq argues that Kurdish independent oil exports are in violation of the Iraq-Turkey 1973 pipeline tariff agreement.

Source: Bank of America Merrill Lynch

Middle East's gold consumption down 16% in first quarter, UAE captures largest share

Gold consumption in the Middle East region reached 66.2 tons in the first quarter of 2014, equivalent to \$2.8bn and constituting a decrease of about 16% from 57.1 tons in the same quarter last year. The region's jewelry demand reached 54.6 tons in the first quarter, equivalent to \$2.3bn, and reflecting an increase of 13% from the same quarter last year; while bar and coin investments grew by 33% to 11.7 tons or \$484m. The UAE's gold consumption totaled 25.4 tons in the covered quarter, equivalent to \$1.1bn and accounted for 38.4% of the region's total consumption. It was followed by Saudi Arabia with 17.6 tons (26.6%) and Egypt with 16.2 tons (24.5%), while other gulf countries' gold demand reached 7.1 tons (10.7%).

Source: World Gold Council, Byblos Research

South Sudan's oil production down by 33%

South Sudan's crude oil output is currently estimated at 165,000 barrels per day (b/d), down by 32.7% from 245,000 b/d reached prior to the civil unrest that began in December 2013. The country's oil output is expected to rise to about 200,000 b/d within three months. In parallel, Sudan has offered South Sudan to supply it with materials, engineers and electricity to speed up the repair of oilfields damaged by the five-month rebellion.

Source: Thomson Reuters, Byblos Research

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

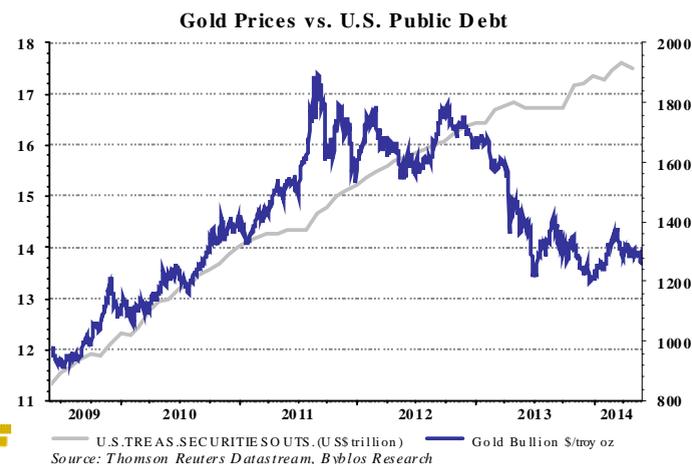
Global refined copper production is forecast to reach 21.9 million metric tons in 2014, reflecting a rise of 5.6% from 2013; while global refined copper consumption is projected to grow by 4.2% to 21.4 million tons this year. As such, the copper market is expected to remain oversupplied in 2014, with an anticipated surplus of 519,000 tons. Copper prices grew to an 11-week high at \$6,959 a ton on May 28, mainly due to stronger U.S. economic data and as hopes for a stimulus package to support the Chinese slowing economy raised investors' demand for the metal. Copper remains the preferred metal used as a collateral by companies and investors in China as a way to circumvent strict lending standards enforced by Beijing. China accounts for about 40% of the world's copper demand, with most of that metal used by the country's manufacturing and construction sectors. Copper prices are projected to fluctuate between \$6,500 a ton and \$7,000 a ton in the near term. Copper prices are forecast at \$6,650 a ton on average in the second quarter of 2014, constituting a decrease of 5.1% from the preceding quarter. Overall, copper prices are projected to decrease by 7.7% to \$6,785 a ton in 2014.

Source: Citigroup, Wall Street Journal, The Australian, Byblos Research

Precious Metals: Gold prices down 21% in first quarter of 2014

Gold prices averaged \$1,293.1 a troy ounce in the first quarter of 2014, up by 1.3% from the preceding quarter but down by 20.8% from the same quarter of 2013. Global gold consumption reached 1,074.5 tons in the first quarter of 2014, equivalent to \$44.7bn and constituting a marginal decrease of 0.3% from 1,077.2 tons in the same quarter last year. Net ETF flows were zero in the first quarter relative to outflows of 176.5 tons in the same quarter of 2013. Central Banks continued to purchase gold for diversification and risk management purposes, as they added 122.4 tons, equivalent to about \$5.1bn, in the first quarter. Global gold jewelry demand grew by 2.9% year-on-year to 570.7 tons, equivalent to \$23.7bn in the first quarter, mainly due to lower gold prices and to seasonal factors such as the Chinese new year. Also, total gold bar and coin investments dropped by 39.2% year-on-year to 282.5 tons or \$11.7bn in the covered quarter. In parallel, global gold supply increased by about 1% to 1,048.5 tons in the first quarter of 2014 as the moderate growth in the metal's mine production was offset by the decrease in gold recycling activity.

Source: World Gold Council, 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	21-May-14	No change	13-June-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	9.50	22-May-14	Cut 50bps	24-June-14
South Africa	Repo rate	5.50	22-Mar-14	No change	01-July-14
Kenya	Central Bank Rate	8.50	05-May-14	No change	04-July-14
Nigeria	Monetary Policy Rate	12.00	20-May-14	No change	01-July-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	28-May-14	Raise 25bps	N/A
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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