

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Capital project and infrastructure spending to reach \$9 trillion by 2025

PwC expected global spending on capital and infrastructure projects to reach \$9 trillion by 2025 relative to \$4.2 trillion in 2012, constituting a compound annual growth rate of 6.4% during the 2012-25 period. It noted that unexpected global events or disruptions constitute the main risks to the outlook. It indicated that capital project and infrastructure spending in developing economies would account for about two thirds of global spending by 2025 relative to a current share of 50%. It said that the expected surge in infrastructure spending in emerging markets is contingent on the proper mix of economic, social and environmental factors, as well as on the creation of a more conducive business environment. It projected infrastructure spending in Asia-Pacific at \$5.3 trillion by 2025, driven mainly by China's growth, followed by North America with \$1.2 trillion, Western Europe (\$777m), Latin America (\$557m), the Middle East (\$510m), Central & Eastern Europe (\$508m) and Sub-Saharan Africa (\$180m). It expected the Asia-Pacific market to represent about 60% of global infrastructure spending by 2025; while it projected Western Europe's share to fall to less than 10% from a about 20% currently. It noted that the manufacturing sector, which includes petroleum refining, chemicals and heavy metals, would account for 21.3% of global infrastructure spending by 2025 relative to 18.8% in 2012; while the extraction sector would represent about 14% of spending worldwide.

Source: PwC, Oxford Economics

Outlook on global reinsurance sector revised to 'negative'

Moody's Investors Service revised its outlook on the global reinsurance sector to 'negative' from 'stable'. It attributed the change to an oversupply of capacity in the sector, new entrants in the form of non-traditional capital, more substitute products, low interest rates, and greater bargaining power of buyers. It said that reinsurance buyers have greater incentives to improve their capital efficiency given the tighter regulatory oversight and the need for better internal governance. It noted that reinsurers face more competition, especially in the catastrophe reinsurance product line. It added that low interest rates and the pursuit of investments have led investors to massively invest in reinsurance risks. It indicated that non-traditional capital has already displaced a portion of traditional capacity from the catastrophe reinsurance segment, which holds high strategic stakes for many reinsurers. It added that catastrophe reinsurance drives industry results, dictates reinsurers' capital needs and capital structures, and subsidizes less profitable product lines. It noted that reinsurers are setting up various defensive strategies, which are credit neutral at best, in order to remain competitive and to earn their cost of capital. It considered that reinsurers that have already demonstrated their strategic relevance to clients and possess relevant size, superior claims service, whole-account capabilities, and a solid insurance platform are best positioned to cope with the sector's challenges.

Source: Moody's Investors Service

EMERGING MARKETS

Fixed income trading volume up 14% year-on-year to \$1,589bn in first quarter of 2014

Trading in emerging markets debt instruments totaled \$1,589bn in the first quarter of 2014, constituting a rise of 20.4% from \$1,320bn in the fourth quarter of 2013 and an increase of 13.6% from \$1,399bn in the first quarter of 2013. Further, local instruments turnover reached \$984bn in the first quarter of 2014, up by 14.8% from \$857bn in the fourth quarter of 2013 and by 4.8% from \$939bn in the same quarter of the previous year. They accounted for 62% of total emerging market debt trades in the covered quarter. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$596bn in the first quarter of 2014, rising by 30.1% from \$458bn in the fourth quarter of 2013 and by 32% from \$452bn in the first quarter of 2013. The volume of traded Sovereign Eurobond totaled \$302bn in the covered quarter, while the volume of traded corporate Eurobonds reached \$250bn. Sovereign Eurobonds accounted for 19% of total debt trading, while corporate debt represented 16% of the total. The most frequently traded instruments in the first quarter of 2014 were Mexican assets with \$273bn or 17.2% of the total, followed by Brazilian instruments with \$148bn (9.3%), Russian debt securities with \$137bn (8.6%), Indian instruments with \$105bn (6.6%) and assets from Hong Kong with \$83bn (5.2%).

Source: EMTA

MENA

FDI in Arab world down 9% to \$48bn in 2013

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in Arab economies totaled \$48.4bn in 2013, constituting a decline of 9.4% from \$53.4bn in 2012. FDI inflows to Arab countries accounted for 5.5% of total FDI in developing countries and for 3.3% of global foreign direct investment in 2013. Nine Arab countries saw an increase in FDI inflows and eight posted a decline in inflows in 2013. The UAE was the largest recipient of FDI in the region with \$10.5bn, or 21.7% of total FDI in Arab countries, followed by Saudi Arabia with \$9.3bn (19.2%) and Egypt with \$5.6bn (11.5%). The smallest recipients of inflows were Libya with \$702m (1.5%), Djibouti with \$286m (0.6%) and Palestine with \$177m (0.4%). Djibouti posted the highest increase in FDI inflows in 2013 at 160%, followed by Oman with 56.3% and Sudan with 24.4%; while Libya registered the steepest year-on-year decline of 50.7%, followed by Kuwait with 40.8% and Tunisia with 31.6%. Further, FDI inflows to Arab countries were equivalent to 1.7% of aggregate Arab GDP in 2013 compared to a ratio of 2% of GDP globally. FDI inflows to Mauritania were equivalent to 27.6% of its GDP last year, followed by Djibouti (19.6% of GDP) and Lebanon (6.4% of GDP). In parallel, FDI outflows from Arab countries reached \$29.5bn in 2013, constituting a rise of 62.1% from \$18.2bn in 2012. Kuwait was the largest source of outflows with \$8.4bn (28.4%), followed by Qatar with \$8bn (27.2%) and Saudi Arabia with \$4.9bn (16.8%).

Source: UNCTAD, Byblos Research

OUTLOOK

ALGERIA

Economic growth model unsustainable over the long term

The Institute of International Finance projected Algeria's economic growth at 3.3% in 2014 relative to a growth rate 2.7% in 2013. It attributed the acceleration in economic activity to slower decline in oil production and to an expansionary fiscal policy following the fiscal consolidation in 2013. It forecast the non-hydrocarbon sector to expand by 5% in 2014 relative to a growth rate of 6% in 2013 and expected the contraction in hydrocarbon output at 1% in 2014 compared to a contraction of 5% in 2013. Further, it forecast the inflation rate to average 2.3% in 2014 compared to an average rate of 3.2% in 2013. The IIF considered that the country's growth model, which is based on hydrocarbon-financed fiscal spending and heavy government intervention in the economy, is not sustainable. It noted that the decline in global hydrocarbon prices and the persistent fall in the country's hydrocarbon exports would weaken economic performance over the coming years. It said that the country's outlook depends on economic reforms and diversification.

The IIF forecast the fiscal deficit to widen to 2.2% of GDP in 2014 from a deficit of 0.1% of GDP in 2013. It expected hydrocarbon revenues to decline to 21.1% of GDP in 2014 from 22.4% of GDP in 2013 due to the continued decrease in hydrocarbon exports. It projected the current account balance to shift to a deficit of 2.3% of GDP this year from a surplus of 0.9% of GDP last year, constituting the first deficit since 1999. It said that Algeria would withstand large shocks to oil revenues in coming years, given its large fiscal buffer that is equivalent to 86% of GDP. But it noted that authorities need to implement fiscal consolidation measures in order to increase the economy's resilience to shocks, such as reducing current transfers and public-sector wages.

The IIF indicated that Algeria's key immediate challenges include increasing hydrocarbon production through new investments, and addressing the rapid pace of growth in fuel consumption. Further, it noted that authorities need to improve the business climate, to lift heavy regulations, to ease restrictions on foreign investments, to modernize the financial system and to reduce the heavy tax burden on businesses.

Source: Institute of International Finance

ARMENIA

Potential GDP growth rate at 5.5% in 2014

The World Bank projected Armenia's real GDP to grow by 5% in 2014 compared to a growth rate of 3.5% in 2013 and relative to growth of 2.4% in the developing economies of Europe and Central Asia and 2.2% in the Commonwealth of Independent States (CIS). The expected growth for 2014 would make it the seventh-best performing economy among 12 CIS countries, similar to the Georgian economy's growth rate and higher than Moldova (3%), Russia (0.5%), Belarus (-0.5%) and Ukraine (-5%). The Bank indicated that Armenia is exposed to worsening geopolitical tensions in Russia and Ukraine through trade linkages to both countries as well as through remittance and FDI inflows from Russia.

The World Bank projected private consumption in Armenia to grow by 4.7% in real terms in 2014 relative to a growth rate of 3.8% last year, while it expected government consumption to increase by 3% in real terms in 2014 compared to a rise of 3.5% in 2013. Also, it forecast fixed investment to expand by 5% in 2014 compared to a growth rate of 6.5% in 2013. It anticipated that net exports would still negatively affect real GDP growth this year as it forecast net export's contribution to GDP to reach -0.6 percentage points in 2014 relative to -1.3 percentage points in 2013. The Bank forecast Armenia's current account deficit to narrow to 8.7% of GDP in 2014 from 10.5% of GDP in 2013 and 12% of GDP in 2012.

In parallel, the World Bank expected the gap between Armenia's real and potential GDP growth rates to widen to -1.6% in 2014 from -1.2% in 2013 and -0.2% in 2012, and relative to -3.4% in 2011. It noted that the country's potential GDP growth has been improving since 2011 as it increased from 3.7% in 2011 to 3.8% in 2012 and 4.5% in 2013. It forecast Armenia's potential GDP growth at 5.5% in 2014.

Source: World Bank

ANGOLA

Economy to grow by 5.2% in 2014

Business Monitor International revised downward its projection of economic growth in Angola to 5.2% in 2014 from a previous forecast of 5.9% and compared to an estimated growth rate of 4.1% in 2013. It attributed the revision to the larger-than-expected impact on economic activity of risks related to hydrocarbon production and to public under-spending. But it anticipated that a recovery in oil production and high public spending would maintain solid growth over coming years. It forecast real GDP growth to average 5.2% annually during the 2014-18 period.

BMI expected private consumption to grow by 8.5% in real terms in 2014, driven by a stable inflationary environment. It forecast the inflation rate to average 7.8% in 2014 compared to an average rate of 8.3% in 2013. But it considered that the introduction of new customs tariffs would increase the price of several imported goods. Also, it expected public spending to expand by 8% in 2014, driven by the government's infrastructure investment program. It forecast public spending growth to remain in high single-digits and to constitute a key driver of growth in coming years. But it noted that capital spending levels would continue to fall short of the government's targets due to execution issues. It forecast the fiscal deficit to widen from 1.6% of GDP in 2013 to 3.9% of GDP in 2014, reflecting flat oil revenues, a narrow tax base and high public spending.

Further, BMI forecast gross fixed capital formation to grow by 8.5% in 2014 and by 8.9% annually during the 2014-18 period, supported by public and private investments. It expected the construction, energy and transport sectors to receive a significant share of public investments. In parallel, it anticipated that sustained high imports would constrain the contribution of net exports to GDP. As such, it projected the current account surplus to gradually narrow in coming years and to shift to a deficit of 0.4% of GDP by 2018.

Source: Business Monitor International



ECONOMY & TRADE

AFRICA

External borrowing to continue to increase

Business Monitor International anticipated that governments in Sub-Saharan Africa would continue to tap international capital markets due to their heavy public spending commitments, low borrowing costs and falling budget support from the international community. It considered that SSA governments would increase their exposure to non-concessional external borrowing over the coming years, given that external borrowing would remain relatively less expensive compared to domestic issuance. As such, it expected external debt levels to rise in SSA countries in coming years. Also, it forecast debt servicing cost to increase given the anticipated rise in global interest rates as well as the continuing issuance of Eurobonds. However, BMI expected external debt in SSA to remain at sustainable levels due to robust economic growth and elevated concessional debt level. But it noted that countries with budgets focused on recurrent spending or with budgets that are vulnerable to unexpected changes in tax rates would be more at risk from rising debt levels. It indicated that such countries include Ghana, Mozambique, Zambia and Kenya. As such, it indicated that governments need to heavily rely on debt management in order to avoid debt-related stress. It added that deteriorating sovereign profiles in a number of the region's key economies would result in higher financing costs, as investors would price-in these risks and become more selective.

Source: *Business Monitor International*

EGYPT

Public finances to stay dependent on foreign aid

Merrill Lynch indicated that the Egyptian government's external debt redemptions total \$3.7bn in the second half of 2014 and include \$0.7bn to the Paris Club due in July, \$0.5bn in Central Bank deposits due to Qatar in October and \$2.5bn in bond redemptions due to Qatar in November. It considered that the government would not be able to service its external obligations without negative implications on the Central Bank's foreign currency reserves. As such, it said that Egypt needs significant financial support from GCC countries in the second half of 2014 to support its currency and to ease external funding pressures. It expected that Egypt would need about \$12bn in additional GCC aid in FY2014/15 in order to finance its current account deficit and external debt amortizations, and to maintain stable foreign currency reserves. In parallel, Business Monitor International considered that the disbursement of \$575m in U.S. military aid to Egypt would not reduce its structural fiscal deficit. It noted that the U.S. decision to resume military aid to Egypt has greater political implications than an economic impact, given the small size of the aid compared to the \$16bn in pledged support by GCC countries. It estimated Egypt's fiscal deficit to narrow to 11.4% of GDP in the fiscal year ending in June 2014 from a deficit of 14.2% of GDP in FY2012/13. But it pointed out that the country's fiscal position would not be on a sustainable trajectory until the implementation of significant reforms to the subsidy system. It added that cuts in subsidies to general consumers would be very slow at first, while it expected authorities to significantly cut subsidies to the industrial sector.

Source: *Merrill Lynch, Business Monitor International*

JORDAN

Gradual pick up in economic activity

The International Monetary Fund projected Jordan's real GDP growth to accelerate to 3.5% in 2014 from 2.9% in 2013 and forecast the inflation rate at 2.5% at end-2014 compared to 3.3% at end-2013. It said that Jordan's economy is gradually recovering, and noted that the current account deficit excluding grants continues to narrow. But it pointed out that the external environment remains difficult given the ongoing conflict in Syria, the recent turmoil Iraq and the continued fluctuation in gas imports from Egypt. The Fund called on authorities to improve the business climate, to review the hiring and compensation system in the public sector, to equip new entrants to the labor market with skills needed in the private sector, to address the constraints to female labor market participation and to enhance the quality of institutions. It considered that maintaining the momentum of fiscal consolidation would reduce the public debt stock over the medium-term. It pointed out that the ratification of an appropriate income tax law by Parliament would help finance the country's social programs, would make the country's tax system more in line with regional peers, and would lead to a fair distribution of taxes. It called on authorities to eliminate tax exemptions and to improve the tax administration.

Source: *International Monetary Fund*

CÔTE d'IVOIRE

Positive economic outlook for 2014, reforms needed

The International Monetary Fund indicated that Côte d'Ivoire's macroeconomic prospects for 2014 are positive. It projected real GDP growth at 8.5% in 2014 and at 7.9% in 2015 compared to an estimated growth rate of 8.7% in 2013 and forecast the average inflation level at 1.2% this year relative to an average rate of 2.6% last year. It projected the fiscal deficit at 2.3% of GDP in 2014 and at 3% of GDP in 2015 relative to a deficit of 2.3% of GDP in 2013. It noted that the financing of the fiscal deficit would be consistent with the authorities' medium-term debt strategy that includes a more diversified investor base and a lengthening of debt maturities. It forecast the current account deficit to widen to 3.2% of GDP in 2014 from 1.6% of GDP in 2013 and anticipated that higher FDI inflows and project loans would finance the expected widening in the current account deficit this year. The Fund indicated that Côte d'Ivoire's main challenges are to sustain the growth momentum and to improve its inclusiveness through the implementation of structural reforms. It called on authorities to promote private sector development, to implement the action plan for restructuring public banks and to develop the financial sector. It noted that authorities need to improve the transparency and efficiency of public spending, to restructure the cash planning and cash management at the Treasury, to further reinforce the financial situation of the electricity sector, and to strengthen debt management. It pointed out that reducing the wage bill over the medium-term would create the needed fiscal space for social spending. In parallel, the IMF approved the disbursement of \$75.2m to Côte d'Ivoire under the Extended Credit Facility arrangement, bringing total disbursements under the arrangement to about \$551.4m.

Source: *International Monetary Fund*



BANKING

JORDAN

Lending growth to pick up in 2015

Business Monitor International anticipated that activity in Jordan's commercial banks would continue to grow at a modest pace in the second half of 2014. It did not expect a rapid recovery in credit growth anytime soon, given the pressure from ongoing region instability on corporate lending and the weak performance of the domestic industrial sector. It anticipated that lending to the public sector and utilities would stay flat over the coming quarters as a result of the government's fiscal consolidation efforts. It noted that subdued export growth and the rapidly deteriorating political situation in Iraq would negatively affect lending to the trade sector. But it forecast lending to the construction sector to remain strong and to be a key earning driver for banks. Further, it pointed out that the Central Bank of Jordan's three successive interest rate cuts have produced little improvements in credit conditions, with banks retaining a risk-averse approach to lending. It added that the weighted average interest rate on loans and advances reached a four-year high of 9.1% at April 2014 despite the cut in the repo rate. As such, it projected credit growth in Jordan's banking sector at 6% in 2014 and at 9% in 2015. It attributed the acceleration in credit growth in 2015 to strengthening economic activity on the back of robust public investment and the gradual improvement in domestic demand. In parallel, it noted that deposit growth recovered significantly last year, in line with improved investor confidence, and expected it to reach 8% in 2014. It forecast banks' assets to grow by 7% in 2014 and by 6% in 2015.

Source: *Business Monitor International*

BAHRAIN

Credit risks at high level

Standard & Poor's Banking Industry Country Risk Assessment (BICRA) classified Bahrain's banking sector in Group '6', with an industry and economic risk scores of '6'. 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. The agency noted that other countries in BICRA's Group '6' include Guatemala, Spain, Thailand and Turkey. S&P indicated that Bahrain's economic risk score reflects its "high risks" in economic resilience and credit risks, and its "intermediate risks" in economic imbalances. It said that the assessment of Bahrain's economic risks takes into account the economy's high reliance on hydrocarbon revenues, elevated GDP per capita level, and strong net external asset position. S&P added that its assessment reflects the sensitivity of the economy to fluctuations in global oil prices given the lack of economic diversification, as well as the ongoing correction in the domestic real estate market to which the banking system is heavily exposed. In parallel, it said the industry score indicates that the sector faces "very high risks" in its competitive dynamics, and "intermediate risks" in its institutional framework and system-wide funding. It noted that Bahrain's over-banked population leads to tough competition and limited pricing ability and profitability.

Source: *Standard & Poor's*

TURKEY

Ratings on largest private banks downgraded

Fitch Ratings downgraded the long-term foreign and local currency IDR of *Turkiye Is Bankasi*, *Turkiye Garanti Bankasi* and *Akbank* to 'BBB-' from 'BBB' with a 'stable' outlook. It also affirmed the long-term IDRs of *Yapi ve Kredi Bankasi* at 'BBB' and revised the outlook to 'negative' from 'stable'. Also, it reduced the Viability Ratings (VRs) of the four banks to 'bbb-' from 'bbb'. The four banks are the largest private sector banks in Turkey. It attributed the downgrade of the banks' VRs to increased risks from recent rapid credit growth and higher external debt in the context of a moderate deterioration in most financial metrics in recent years. Fitch indicated that the banks' ratings remain supported by still reasonable financial metrics in terms of asset quality, performance and capitalization; by their strong franchises; and by a broadly favorable operating environment in the near- to medium-term. It expected the banks' asset quality to moderately deteriorate as loan books season, but it noted that continued economic growth, the broad-based nature of corporate lending and the still moderate overall household leverage would contain the downturn. It said that foreign currency liquidity risks have increased significantly as a result of greater external borrowing, which includes a sizeable short-term component. It pointed out that Turkish banks would be highly dependent on their foreign currency balances at the Central Bank of Turkey if foreign funding rollover rates drop. But it noted that this would put pressure on the sovereign's foreign currency reserves and financial flexibility.

Source: *Fitch Ratings*

GHANA

Negative prospects for banking sector

Business Monitor International indicated that the weak state of the Ghanaian economy is negatively affecting activity in the domestic banking sector, especially borrowing and lending activities. On the borrowing side, it pointed out that consumers and businesses face a high inflation rate that reached 14.8% in May 2014, an elevated interest rate that stands at 18% and a severe currency depreciation of 23% since the start of the year. It added that the introduction of a 17.5% value-added tax on almost all bank charges and financial services would further dent borrowing activity. On the lending side, it expected banks' risk aversion to weigh on loan growth. It said that heightened uncertainty would cause banks to become very cautious when granting loans, given that the level of non-performing loans is already high across most sectors. It noted that the NPL ratio stood at 20.7% in the commerce and finance sector and at 19.5% in the mining & quarrying sector in February 2014. Further, it projected banks' assets to grow by 15% in 2014 compared to a growth rate of 32.1% in 2013. In parallel, BMI indicated that the Bank of Ghana (BoG) removed most of the foreign exchange restrictions introduced in February 2014, which would provide banks with more flexibility. It added that the BoG proposed several measures that would benefit banks such as obliging mining and oil & gas companies to open retention accounts at Ghanaian banks.

Source: *Business Monitor International*



ENERGY / COMMODITIES

Brent oil prices to average \$110 per barrel in 2014

Brent oil prices are expected to average \$110 per barrel (p/b) in 2014, up from a previous forecast of \$105 p/b, due to tighter-than-anticipated supply and stronger-than-expected demand. On the supply side, expectations of additional supply gains in Iraq and some output recovery in Libya have not materialized, as security conditions worsened in both countries. Also, the Organization of the Petroleum Exporting Countries' production is stable at 30 million barrel per day (b/d), while new supply from the U.S. to global markets remains constrained. The ongoing turmoil in Iraq has added a risk premium to tighter market conditions. Brent oil prices averaged \$108 p/b so far this year, but prices have increased by over \$4 p/b since the onset of unrest in Iraq on June 10 and currently stands at \$114 p/b. The spread of violence in Iraq and the continued shutdown of capacity in Libya would sustain a relatively significant risk premium and raise price volatility in coming months. However, risks from the unrest in Iraq would remain contained unless oil production and export facilities in the South of the country come under threat. In parallel, global oil demand is expected to rise by 1.4 million b/d in 2014 compared to a previous forecast of 1.3 million b/d, mainly due to higher demand in emerging markets.
Source: Institute of International Finance, Byblos Research

Moody's raises oil price assumptions

Moody's Investors Service increased the Brent crude price assumptions it uses for rating purposes to \$105 per barrel (p/b) for the remainder of 2014 from \$95 p/b previously, and to \$95 p/b in 2015 from \$90 p/b previously. It also revised upward its assumptions for WTI crude prices to \$100 p/b for the rest of 2014 from a previous figure of \$90 p/b, and to \$90 p/b in 2015 from \$85 p/b previously. It attributed its decision to firm global demand and to supply constraints in the MENA region.
Source: Moody's Investors Service

Middle East accounts for 43% of world's proven natural gas reserves

The Middle East region's proven natural gas reserves were estimated at 2,835.4 trillion cubic feet (tcf) at end-2013, equivalent to 43.2% of the world's natural gas reserves. Iran held the region's largest proven natural gas reserves with 1,192.9 tcf, or 42.1% of the region's total reserves. It was followed by Qatar with 871.5 tcf, equivalent to 30.7% of the region's total, Saudi Arabia with 290.8 tcf (10.3%), the UAE with 215.1 tcf (7.6%), Iraq with 126.7 tcf (4.5%) and Kuwait with 63 tcf (2.2%).
Source: BP, Byblos Research

Middle East accounts for 9% of world's oil consumption

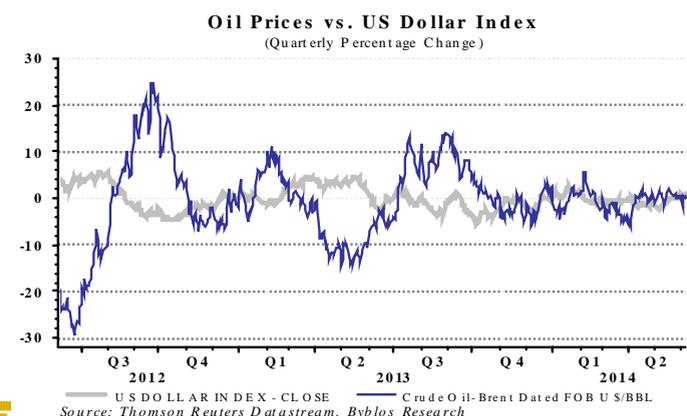
The Middle East region's aggregate oil consumption was estimated at 8.5 million barrels per day (b/d) in 2013, equivalent to 9.2% of the world's oil demand. Saudi Arabia's consumption reached 3.1 million b/d, or 36.1% of the region's total demand. It was followed by Iran with 2 million b/d (23.5%), the UAE with 0.8 million b/d (9.1%), Kuwait with 0.5 million b/d (5.8%), Qatar with 0.3 million b/d (3.1%) and Israel with 0.2 million b/d (2.7%); while other Middle Eastern countries' oil demand reached 1.7 million b/d (19.7%).
Source: BP, Byblos Research

Base Metals: Copper prices to maintain a downward trend over near term

Global copper prices are forecast to average \$6,800 per ton in 2014, below their year-to-date average price of \$6,886 per ton. The downward trend in copper prices is expected to continue into 2015 with an average price of \$6,750 per ton in 2015. The fall in global copper prices mainly reflects weaknesses in the Chinese economy, the world's largest copper consumer. A slowdown in China's real estate sector and broader financial distress in the country would put downward pressure on copper demand growth. Also, the Chinese government is expected to continue to closely monitor commodity financing deals and to pressure domestic lenders to reduce loans backed by copper collateral, which would reduce a key driver of Chinese refined copper imports. However, Chinese authorities could reduce oversight of copper financing and could further ease monetary policy and implement fiscal stimulus, which would increase copper demand. But a sustained move in copper prices above \$7,000 per ton is not likely, given that fundamental weaknesses in the Chinese economy that would lead to a slowdown in activity in coming years persist.
Source: Business Monitor International, Byblos Research

Precious Metals: Gold prices to average \$1,170 a troy ounce annually between 2014 and 2018

The continuous increase in global gold prices to above \$1,320 a troy ounce would indicate that prices would further rise in coming weeks and would range between \$1,350 a troy ounce and \$1,400 a troy ounce. The upward trend in gold prices is mainly due to the unrest in Iraq and to fear of oil disruptions in the country. The demand for gold would rise if the perceived threat to Iraqi oil supply grows. In parallel, global gold mine production is expected to increase by 2.3% annually during the 2014-18 period. The Democratic Republic of Congo would be the main contributor to the rise in global gold production, given the 84% annual increase in gold production. Also, China is expected to remain an important gold producer with about 1.7 million troy ounce in additional supply during the covered period. Further, China's robust appetite for gold would drive both domestic and global gold production; while mining firms are expected to come under growing pressure to rationalize gold production in the context of falling prices. Overall, gold prices are expected to average \$1,170 a troy ounce annually between 2014 and 2018, significantly lower than the average price of \$1,669 in 2012.
Source: Business Monitor International, 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	1.3
	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	2.7
	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	6.0
	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	0.6
	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	2.1
	-	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	1.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
	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	3.0
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	Negative	Positive	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2
	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	18-June-14	No change	30-July-14
Eurozone	Refi Rate	0.15	05-June-14	Cut 10bps	03-July-14
UK	Bank Rate	0.50	05-June-14	No change	10-July-14
Japan	O/N Call Rate	0-0.10	13-June-14	No change	15-July-14
Australia	Cash Rate	2.50	03-June-14	No change	01-July-14
New Zealand	Cash Rate	3.25	12-June-14	Raise 25bps	24-July-14
Switzerland	3 month Libor target	0.00-0.25	19-June-14	No change	18-Sept-14
Canada	Overnight rate	1.00	04-June-14	No change	16-July-14
Emerging Markets					
China	One-year lending rate	6.00	06-July-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	18-June-14	No change	N/A
Taiwan	Discount Rate	1.875	27-Mar-14	No change	26-June-14
South Korea	Base Rate	2.50	12-June-14	No change	10-July-14
Malaysia	O/N Policy Rate	3.00	09-May-14	No change	10-July-14
Thailand	1D Repo	2.00	18-June-14	No change	06-Aug-14
India	Reverse repo rate	8.00	03-June-14	No change	05-Aug-14
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-June-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	08-Dec-13	Cut 50bps	N/A
Turkey	Base Rate	8.75	24-June-14	Cut 75bps	N/A
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	05-June-14	No change	07-July-14
Angola	Base rate	9.25	Nov-13	Cut 50bps	N/A
Mexico	Target Rate	3.00	06-June-14	Cut 50bps	11-July-14
Brazil	Selic Rate	11.00	28-May-14	Raise 25bps	16-July-14
Armenia	Refi Rate	7.00	24-June-14	Cut 25bps	N/A
Romania	Policy Rate	3.50	04-Feb-14	No change	N/A
Bulgaria	Base Interest	0.05	01-June-14	No change	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	9.50	15-Apr-14	Raise 300bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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