

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

ETFs and ETPs assets at \$2.64 trillion at end-June 2014

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached a record high of \$2,639bn at the end of June 2014, constituting an increase of 10.1% from \$2,398bn at end-2013. ETFs are open-ended, index-based equity funds. ETFs and ETPs attracted a record high of \$126.6bn in net inflows in the first half of the year, reflecting a rise of 21.8% from \$103.9bn in the same period of 2013. They included \$84.2bn in equity ETFs and ETPs and \$36.5bn in fixed income. Commodity ETFs and ETPs posted net outflows of \$3bn. Global ETFs' assets stood at \$2,481bn, while those of ETPs totaled \$158bn at end-June 2014. Also, ETFs' assets grew by 10.1%, while those of ETPs rose by 9.7% from end-2013. The U.S. ETF and ETP industry had assets of \$1,862bn and accounted for 70.6% of total assets invested in both ETFs and ETPs, followed by the European industry with \$470bn (17.8%), Asia-Pacific excluding Japan with \$96.7bn (3.7%), Japanese ETFs and ETPs with \$90.2bn (3.4%), the Canadian industry with \$66bn (2.5%), and Latin American ETFs and ETPs with \$9.3bn (0.4%). The U.S. ETF industry represented 71.3% of global ETFs, followed by European ETFs with 17.9%, Asia-Pacific excluding Japan with 3.9% and the Japanese ETF industry with 3.6% of the total. Further, the number of ETFs and ETPs reached 5,358 at the end of June, with ETFs accounting for 70.9% of the total.
Source: ETFGI, Byblos Research

MENA

Private equity fundraising down 14% to \$744m in 2013

The MENA Private Equity Association indicated that private equity funds in the MENA region raised \$744m in 2013, constituting a decrease of 13.8% from \$863m raised in 2012 and compared to \$1.1bn raised in 2011. It attributed the decline in the amount of raised capital partly to the general lack of deal flow in the region, as regional private equity players continue to focus on preserving and enhancing the value of their existing portfolios and on preparing for successful exits. A total of 10 funds raised capital in 2013 compared to 20 funds in 2012, with the average close per fund rising to \$74m last year from \$43m in 2012. Nine growth capital funds raised a combined \$728m or 98% of total capital raised last year, while one venture capital fund raised \$17m or 2% of the total. In parallel, private equity funds invested a total of \$710m in 2013 compared to \$917m in 2012, with the average transaction size decreasing to \$15m in 2013 from \$16m in 2012. The information technology sector attracted 20 deals last year, followed by oil & gas (11 deals), healthcare and consumer goods (six deals each); food & beverage (five deals); leisure and media (four deals each); transport (three deals); telecommunications, manufacturing and other sectors (two deals each); and the education sector (one deal). Morocco and Egypt attracted 13 deals each last year, followed by Lebanon with 12 deals, Saudi Arabia with eight deals and Jordan with seven deals.
Source: MENA Private Equity Association, Byblos Research

Country risk level in Arab world slightly deteriorates in second quarter of 2014

Euromoney magazine's quarterly survey on global country risk shows that the risk level in the Arab world slightly deteriorated in the second quarter of 2014, as the average score of 19 Arab economies reached 41.86 points in the covered quarter compared to 42.06 points in the first quarter of the year. The region's risk level remains higher than the global risk level that averaged 42.61 points in the second quarter of the year. The GCC countries' average score regressed marginally to 66.66 points from 66.85 points in the preceding quarter, while the average score of non-GCC Arab countries dropped to 30.41 points from 30.61 points in the first quarter of 2014. The Arab world's Political Risk level stood at 12.04 points, lower than the global average of 13.79 points in the second quarter of 2014; while the Economic Performance score was 13.68 points, almost similar to the global average of 13.59 points. Further, the region's Credit Ratings averaged 3.02 points relative to the global average of 3.14 points; while the Access to Bank Finance & Capital Markets score reached 3.32 points, below the global average of 3.81 points. Qatar is the country with the best risk ratings in the Arab world and ranked in 17th place globally, followed by Kuwait (21st), the UAE (24th) and Saudi Arabia (33rd); while the lowest-ranked countries in the region are Djibouti that came in 184th place, followed by Syria (167th), Mauritania (166th) and Sudan (165th).

Sources: Euromoney, Byblos Research

M&A deals up by 41% to \$13bn in second quarter of 2014

Figures released by financial information provider Zawya show that a total of 115 merger & acquisition deals were completed in the Middle East & North Africa region in the second quarter of 2014, constituting an increase of 45.6% from 79 deals in the same quarter last year. The aggregate value of M&A deals in the region totaled \$13bn in the covered quarter, up by about 41% from \$9.2bn in the same quarter of 2013. As such, the average deal value reached \$113.3m in the second quarter of 2014, down 2.8% from \$116.6m in the same quarter last year. The value of domestic deals in the region accounted for 72% of total deal value in the covered quarter, followed by outbound deals (25%) and inbound deals (4%); while the volume of domestic deals represented 74% of total deal volume, followed by outbound deals (14%) and inbound deals (12%). Further, the telecommunications sector attracted \$6.5bn or 50.2% of the total value of M&A deals in the region in the second quarter of the year, constituting the highest share among all sectors. In parallel, targeted M&A deals in the MENA region, which cover inbound and domestic deals, reached 101 transactions or 87.8% of total M&A deals in the second quarter, and amounted to \$9.8bn or 75.5% of total M&A deal value. North Africa accounted for 54.2% of targeted M&A deal value in the second quarter and GCC countries represented 20.4%, while overseas markets accounted for 24.5%. Further, Morocco was the top targeted M&A country by value with six transactions worth \$6.3bn.

Source: Zawya, Byblos Research

OUTLOOK

IRAQ

Political instability to affect investments in the Kurdistan Region

Business Monitor International anticipated that the Kurdistan region would have a higher level of independence from Iraq's central government in coming years. It assigned a 40% probability that an extended civil war in Iraq would lead to the partition of the country along sectarian lines, which would grant the Kurdistan region full independence.

BMI anticipated that the pace of investment in the Kurdistan region would remain higher than in the remaining parts of Iraq, regardless if the Kurdistan region becomes an independent state or if it remains part of a federalized Iraq. It noted that the security situation in Kurdistan would remain significantly better compared with northern or southern Iraq. It added that the Kurdistan region's effective institutions would protect investors from the ongoing political crisis in the rest of the country, adding that the legal framework is friendlier to foreign companies than in the remaining parts of Iraq. However, it considered that the ongoing political instability in Iraq would negatively affect investment in Kurdistan, and expected FDI inflows to the Kurdistan region to significantly decelerate over the coming quarters. It added that political instability would adversely affect investments in infrastructure and in the construction sector, with potential new investors maintaining a 'wait-and-see' approach in coming quarters.

In terms of the energy sector, BMI considered that the potential for oil production growth in the Kurdistan region would be higher if the latter remains within an Iraqi federalized structure. It said that an agreement on oil exports between the central government and the Kurdistan Regional Government would give Kurdistan greater legitimacy regarding exports to international markets. In contrast, it pointed out that oil exports from the Kurdistan region would take a longer time to increase if Kurdistan gains full independence. It noted that Kurdistan would need to discount crude exports to attract buyers, and would have to sell significant volumes of oil to substitute the loss of revenues from the central government that it estimated at about \$993m per month.

Source: Business Monitor International

SUDAN

Challenging year for Sudan's economy

The International Monetary Fund projected real GDP in Sudan to grow by 2.6% in 2014 and by 4.2% in 2015, relative to a growth rate of 3.2% in 2013. It forecast the non-hydrocarbon sector to expand by 2.5% in 2014 and by 3.5% in 2015 compared to a growth rate of 2% last year, and for hydrocarbon output to grow by 3.2% in 2014 and by 17% in 2015 relative to growth of 30.2% in 2013. It said that this year would be very challenging for Sudan, given the weak growth prospects, and as the country continues to adjust to the difficult domestic and external environments. It attributed the slowdown in economic activity to the fiscal and monetary tightening that would offset in part the recovery in agriculture and oil production. It forecast the inflation rate at 18.1% at the end of 2014 relative to 41.9%

at end-2013. It said that risks to the outlook are tilted to the downside and include volatile security domestic conditions, the ongoing unrest in South Sudan and the upcoming presidential election in 2015, which is generating political uncertainty and is complicating the economic policy-making process.

In parallel, the Fund forecast the fiscal deficit to narrow from 2.1% of GDP in 2013 to 1.3% of GDP in 2014, due to improved revenue collection and more efficient expenditures. It forecast non-oil tax revenues to rise from 6.1% of GDP in 2013 to 6.4% of GDP, driven by the introduction of new tax measures in September 2013, as well as by additional measures planned in the 2014 budget that include reducing tax exemptions, reforming the taxation of gold-related activities, and improving the efficiency of revenue collection agencies. It expected spending on fuel subsidies to fall from 1.7% of GDP in 2013 to 1.5% of GDP in 2014, reflecting the increase in prices that was implemented in September 2013. Further, it noted that the narrowing of the fiscal deficit would reduce the Central Bank of Sudan's financing of the deficit from 0.8% of GDP in 2013 to 0.6% of GDP in 2014. It expected financing from commercial banks and non-bank institutions to fall from 1.8% of GDP in 2013 to 1.1% of GDP in 2014. It forecast Sudan's public debt level to drop from 90.9% at end-2013 to 89.9% of GDP at end-2014, and expected its gross external debt to decrease from 78.5% of GDP in 2013 to 77.9% of GDP in 2014.

Source: International Monetary Fund

ANGOLA

Economic activity to decelerate

The International Monetary Fund projected Angola's real GDP growth at 3.9% in 2014, reflecting a deceleration in agricultural output and the temporary drop in global oil prices in the first half of the year. It forecast real GDP growth to accelerate to 5.9% in 2015 and to be supported by robust non-hydrocarbon sector activity and by a recovery in the hydrocarbon sector. The Fund expected the inflation rate to reach 7.5% at the end of 2014 relative to less than 7% in June 2014 due to the one-off effect of new import tariffs on prices. But it noted that the inflation rate would resume its downward trend from 2015 onwards. It indicated that the Banco Nacional de Angola's gross international reserves, which reached \$31.2bn at the end of May 2014, are at a comfortable level.

Further, the IMF considered that the 2014 budget is expansionary and is being implemented in the context of weakening oil revenues, which led to a significant deterioration in the overall fiscal balance. As such, it called on authorities to adopt a more cautious fiscal policy in order to limit the government's rising gross financing needs and to save part of the oil wealth for future generations. It considered that the authorities' ambitious capital expenditures program would require a stronger domestic revenue effort, limited growth of current spending, and improving public investment efficiency. The Fund considered that maintaining fiscal and monetary policy buffers is critical to protect against a drop in oil revenues. It called on authorities to develop an oil stabilization fund with clear deposit and withdrawal rules, and to improve coordination in the management of Angola's public financial assets and liabilities.

Source: International Monetary Fund



ECONOMY & TRADE

UAE

Sovereign ratings affirmed on strong balance sheet

Capital Intelligence affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-' and its short-term foreign and local currency sovereign ratings at 'A1+', with a 'stable' outlook on the long-term ratings. It said that the ratings reflect continuing fiscal and current account surpluses in the short- to medium-term, which would further strengthen the external balance sheet and increase the authorities' abilities to absorb economic shocks or to manage contingent liabilities. It added that the ratings take into account the country's moderate public debt level, generally favorable macroeconomic performance and substantial hydrocarbon reserves, as well as Abu Dhabi's ample financial assets. It pointed out that downside risks to the UAE's growth prospects are receding, due in part to the implementation of reforms that aim to diversify the economy. It said that public finances remain sound, supported by prudent fiscal management. It noted that the public debt level stood at about 60% of GDP in 2013 and mainly reflects the borrowing of government-related entities (GREs), while the consolidated government debt was about 12.3% of GDP. It indicated that implicit contingent liabilities are from GRE obligations, but it noted that most GREs have been able to rollover or repay maturing debt obligations. Further, CI noted that a sudden reversal of capital inflows would affect debt rollover or would raise borrowing costs for GREs and private borrowers.

Source: Capital Intelligence

TUNISIA

Economic situation to remain fragile

The International Monetary Fund indicated that improved political clarity would strengthen confidence in the Tunisian economy, and reverse the 'wait-and-see' attitude of investors. However, it noted that the economic situation remains fragile with growth levels below the rates that would significantly reduce unemployment, especially among the youth. It projected real GDP growth at 2.8% in 2014 relative to 2.3% in 2013, as the good performance of the agricultural sector would offset the weaker-than-expected activity in the tourism sector. It added that the inflation rate rose to 5.7% at end-June 2014 compared to 5% at end-March 2014, reflecting higher food prices. The Fund welcomed the Central Bank of Tunisia's decision to raise the policy rate in view of possible inflationary pressure caused by the rise in the minimum wage and in electricity tariffs, as well as from the depreciating exchange rate. Further, it pointed out that Tunisia's external imbalances have widened, which weighed on its foreign currency reserves and resulted in the depreciation of the exchange rate. It urged authorities to continue rebuilding their foreign currency reserves, mainly through further exchange rate flexibility. In parallel, the Fund indicated that Tunisia's fiscal performance was stronger than expected in the first five months of the year due to substantial revenue collection. It welcomed the authorities' efforts to combat tax evasion, simplify the presumptive tax system, modernize tax administration, and strengthen the public enterprise monitoring and governance framework.

Source: International Monetary Fund

CÔTE d'IVOIRE

Sovereign ratings assigned, outlook 'positive'

Fitch Ratings assigned to Côte d'Ivoire long-term foreign and local currency Issuer Default Ratings (IDRs) of 'B', with a 'positive' outlook. The ratings are five notches below investment grade. It also assigned a short-term foreign currency IDR of 'B' as well as a Country Ceiling of 'BBB-', in line with the Country Ceiling of the West African Economic and Monetary Union, to which Côte d'Ivoire belongs. It said that the ratings and the outlook are supported by the implementation of reforms and economic policies since the return of political stability in mid-2011. It expected Côte d'Ivoire to maintain its growth momentum and to continue improving its sovereign debt profile as long as domestic political conditions remain stable. It expected the public debt level to gradually decline in coming years from a projected 42.9% of GDP in 2014 due to debt repayments, solid economic activity and manageable budget deficits. It anticipated the fiscal deficit to remain below 3% of GDP in coming years, despite a significant increase in capital spending and the potential rise in election-related expenditures. But it noted that the country's public finance management is a weakness compared to its peers, given the low and volatile public revenues. It noted that the ratings are constrained by the recent history of the debt structuring and political instability as well as by weak structural indicators, such as low income levels and human development indicators.

Source: Fitch Ratings

ARMENIA

FDI down 24% to \$370m in 2013

Foreign direct investment (FDI) in Armenia totaled \$370m in 2013, constituting a decrease of 24.3% from \$488.8m in 2012 and compared to a rise of 27.8% in aggregate FDI inflows to the 12 economies of the Commonwealth of Independent States (CIS). FDI inflows to Armenia totaled \$515.2m in 2011, \$529.3m in 2010 and \$760m in 2009. Also, FDI flows to Armenia were equivalent to 3.5% of GDP in 2013 down from 4.9% of GDP in 2012, the fifth lowest in the CIS. In parallel, the value of inward Greenfield FDI projects in Armenia totaled \$772.7m in 2013, constituting an increase of 78.2% from \$433.6m in 2012 and relative to a rise of 44.5% in Greenfield FDI projects in CIS countries. The value of Greenfield foreign FDI projects in Armenia reached \$804.5m in 2011, \$264.9m in 2010 and \$1bn in 2009. Further, the value of Greenfield FDI projects in Armenia was equivalent to 7.3% of GDP in 2013, up from 4.4% of GDP in 2012, the second highest ratio in the CIS. Armenia attracted 22 Greenfield FDI projects in 2013 compared to 19 projects in 2012, constituting the fifth largest number of FDI projects among CIS countries last year. The FDI figures cover cross-border Greenfield projects that lead to the direct creation of jobs and capital investment. The figures exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border Greenfield investments across the world.

Source: UNCTAD, fDi Markets, Byblos Research



BANKING

SYRIA

FATF unable to assess anti-money laundering measures

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Syria has made progress to improve its AML/CFT regime since February 2010, when it made a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its strategic AML/CFT deficiencies. It noted that Syria has substantially addressed its action plan at a technical level, including by criminalizing terrorist financing and by establishing procedures for freezing terrorist assets. It considered that Syria has completed its action plan agreed upon with the FATF. But the FATF indicated that, due to the prevailing security conditions, it has not been able to conduct an on-site visit to assess if the process of implementing the required reforms and actions has addressed the deficiencies that it previously identified. Previously identified strategic AML/CFT deficiencies in Syria include the lack of a legal basis for implementing the obligations under United Nations Security Council Resolution 1373, and non-enforcing adequate procedures for identifying and freezing terrorist assets.

Source: *Financial Action Task Force*

EGYPT

Banks' exposure to government debt up 28% year-on-year in April 2014

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,801bn, equivalent to \$256.6bn at the end of April 2014, constituting an increase of 6.9% from the end of 2013 and a rise of 15.9% from end-April 2013. Lending to the private sector reached EGP527.7bn or \$75.2bn, and rose by 4.6% from end-2013 and by 4.7% year-on-year. Banks' exposure to government securities totaled EGP735.5bn, equivalent to \$104.8bn, and rose by 9.5% from end-2013 and by 28% from a year earlier. Banks' sovereign exposure in local currency stood at EGP652.8bn and increased by 10.5% from end-2013 and by 25.4% year-on-year; while their exposure in foreign currency reached EGP82.7bn and rose by 1.8% from end-2013 and by 53% from a year earlier. In US dollar terms, banks' sovereign exposure in local currency stood at \$93bn, while their exposure in foreign currency reached \$11.8bn. Further, total deposits reached EGP1,382.8bn or \$197bn, constituting an increase of 5.1% from end-2013 and of 19.2% from a year earlier. Private sector deposits totaled EGP1,208.9bn or \$172.2bn at end-April 2014, and rose by 5.5% from end-2013 and by 16.7% year-on-year. Also, private sector deposits in foreign currency grew by 2.5% year-on-year to EGP232.6bn or \$33.1bn, at the end of April 2014; while those in local currency rose by 20.7% from end-April 2013 to EGP976.2bn or \$139.1bn. The dollarization rate of private sector deposits reached 19.2% at the end of April 2014 relative to 21.9% a year earlier. The private sector loan-to-deposit ratio was 43.7% at end-April relative to 48.7% a year earlier.

Source: *Central Bank of Egypt, Byblos Research*

SUDAN

Liquid assets at 40% of total assets as at end-2013

The risk-weighted capital adequacy ratio of banks operating in Sudan reached 16.6% at the end of 2013 relative to 12% at the end of 2012 and 13% at end-2011. Also, the banks' Tier-One capital ratio increased to 21.1% at end-2013 from 10.5% at end-2012 and 11% at end-2011. The sector's liquid assets accounted for 39.5% of total assets at end-2013, compared to 41.7% at end-2012 and 36.3% at end-2011; while they represented 99.5% of total short-term liabilities at the end of 2013, relative to 102.5% at end-2012 and 93.8% at end-2011. Also, banks' deposits and investment accounts were equivalent to 62.2% of their total assets at the end of 2013 compared to 63.4% at the end of 2012 and 63.5% at the end of 2011. The banks' off-balance sheet commitments were equivalent to 30.1% of their total assets at the end of 2013 relative to 32.2% at the end of 2012 and 29.8% at the end of 2011. Further, foreign currency loans accounted for 11.8% of the sector's total loans at the end of 2013 compared to 15.7% at the end of 2012 and 9% at the end of 2011; while foreign currency deposits represented 31.9% of total deposits at end-2013 relative to 27% at the end of 2012 and 18.7% at the end of 2011. The sector's non-performing loans reached 8.4% of total loans at end-2013, down from 11.8% at end-2012 and 12.6% at end-2011. Also, the sector's provisions-to-NPLs ratio rose to 53.6% from 33.5% at end-2012 and 39.8% at end-2011. In parallel, the banks' loan-to-deposit ratio reached 85.6% in 2013, up from 77.5% in 2012 and 82.8% in 2011.

Source: *International Monetary Fund*

KUWAIT

Private sector lending up 7% year-on-year in May 2014

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD54.4bn, equivalent to \$193.1bn at the end of May 2014, constituting an increase of 5.7% from the end of 2013 and a growth of 9.5% from end-May 2013. Lending to the private sector reached KD29.8bn or \$105.6bn at end-May 2014, up by 0.9% month-on-month, with similar monthly growth rates in lending to the industry, trade, retail and real estate sectors. Also, growth in lending to the private sector continued to decelerate as it grew by 7% year-on-year in May relative to an annual growth rate of 7.6% in January 2014. The slowdown in lending to the private sector reflects a 7.5% annual growth in corporate lending and an 11.3% rise in retail lending. Total private sector lending grew by 2.7% from the end of 2013. In parallel, the sector's aggregate deposits totaled KD37.9bn or \$134.6bn at end-May 2014, constituting an increase of 4% from the end of 2013. Total deposits rose by 6.6% year-on-year in May 2014, supported by a 6.1% increase in private sector deposits that reached KD32.5bn or \$115.3bn, and by a 9.5% rise in public sector deposits that reached KD5.4bn or \$19.3bn. The loan-to-deposit ratio stood at 78.5% at the end of May 2014 compared to 79.5% at end-2013 and to 78.2% a year earlier.

Source: *Central Bank of Kuwait, EFG Hermes*



ENERGY / COMMODITIES

Natural gas prices to remain nearly unchanged in third quarter, petroleum prices to rise by 2%

U.S. Henry Hub natural gas prices are forecast to average \$4.57 per million British thermal units (Btu) in the third quarter of 2014, down marginally by 0.3% from the previous quarter and constituting a rise of 28.5% from the same quarter last year. Overall, U.S. Henry Hub natural gas prices are anticipated to rise by 27.7% in 2014 to an average of \$4.75 per million Btu. In parallel, the Bloomberg Natural Gas Total Return Sub-Index regressed by 1.7% in June and grew by 13.1% in the first half of 2014. According to the International Monetary Fund, the probability of the 12-month forward U.S. natural gas prices dropping below \$3 per million Btu increased to 7.8% from 6.5%, while the probability of prices rising above \$7 per million Btu declined to 0.8% from 1.1% previously as temperatures increase across the U.S. In parallel, the Petroleum spot price, which is the average of the U.K. Brent, Dubai and West Texas Intermediate spot prices, is forecast to reach \$105.8 a barrel in the third quarter of 2014, constituting an increase of 2.2% from the second quarter and a decrease of 1.5% from the same quarter last year. Overall, crude oil spot prices are projected to remain nearly unchanged at \$104.1 a barrel on average in 2014 and to decline to an average of \$99.6 a barrel in 2015.

Source: International Monetary Fund, Byblos Research

OPEC's oil output up 2% in second quarter

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production reached 29.75 million barrels per day (b/d) in the second quarter of 2014, up by 1.5% from the preceding quarter. Saudi Arabia's oil production reached 9.65 million b/d in the second quarter, equivalent to about 32.7% of total OPEC oil production. It was followed by Iraq with 3.27 million b/d, or 11.1% of the total, Iran with 2.8 million b/d (9.5%), the UAE with 2.7 million b/d (9.2%), Kuwait with 2.6 million b/d (8.8%) and Venezuela with 2.2 million b/d (7.5%). In parallel, OPEC's crude oil production is forecast to grow by 1.3% to 29.86 million b/d in the third quarter of the year.

Source: U.S. Energy Information Administration

Iraqi oil exports to rise by 7% in July 2014

Iraqi crude oil exports are expected to reach 2.6 million barrels per day (b/d) on average in July 2014, up 7.3% from an average of 2.423 million b/d in June. Iraq indicated that it expanded the capacity of its southern export facilities to 3 million b/d. Iraq's current crude oil production is estimated at 3.15 million b/d relative to an average output of 3.11 in June 2014. Iraq currently holds an estimated 150 billion barrels of proven oil reserves.

Source: Thomson Reuters, Byblos Research

Middle East accounts for 17% of world's natural gas production

The Middle East region's aggregate natural gas output was estimated at 568.2 billion cubic meters (bcm) in 2013, up by 4.2% from a year earlier, and equivalent to 16.8% of the world's natural gas supply. Iran's gas production reached 166.6 bcm, or 29.3% of the region's total output. It was followed by Qatar with 158.5 bcm (27.9%), Saudi Arabia with 103 bcm (18.1%), the UAE with 56 bcm (9.9%), Oman with 30.9 bcm (5.4%), Bahrain with 15.8 bcm (2.8%), Kuwait with 15.6 bcm (2.8%), Yemen with 10.3 bcm (1.8%) and Syria with 4.5 bcm (0.8%).

Source: BP, Byblos Research

Base Metals: Copper prices to drop in 2014-15

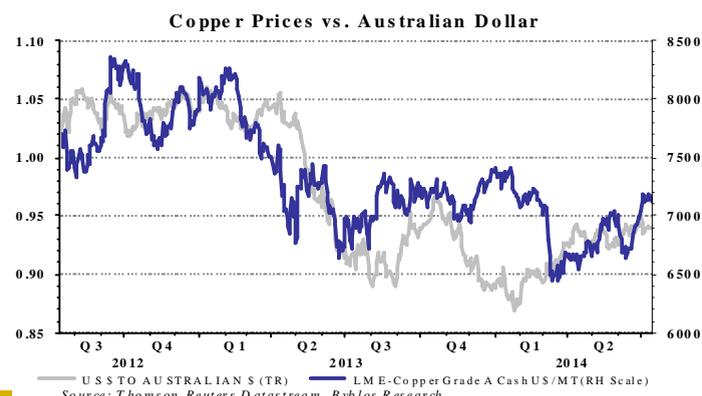
Copper prices are forecast at \$6,818 a ton on average in 2014, constituting a decrease of 7.3% from the previous year, and compared to annual contractions of 7.5% in 2013 and 9.9% in 2012. Also, prices are expected to further decline to \$6,650 a ton in 2015 and to \$6,500 a ton on average in 2016. The copper market is projected to remain oversupplied during the 2014-16 period until the mined surplus is converted into refined metal. The stocks-to-consumption ratio is anticipated to increase from 72 days in 2013 to 73 days in 2014 and to 78 days in 2015. Global refined copper demand is forecast to grow by 4.3% in 2014 and by 4.7% in 2015, due to the metal's strong Chinese demand and to a recovery in European, North American and Indian consumption. China is expected to remain the world's largest copper consumer in 2014 with a 45.2% share of global demand, up from 44.4% of the total in 2013. In parallel, global copper mine production is projected to rise by 3% this year and by 6.6% in 2015. Chile is forecast to remain the world's largest mined copper producer this year with a 33% share of global mined production, up from 32.5% a year earlier.

Source: Deutsche Bank, Byblos Research

Precious Stones: Diamond prices to rise in coming years as growth in consumption outweighs supply

Diamond prices are forecast to rise slightly in coming years as the gap between supply and demand increases. The growth in global diamond mine production would not accommodate rising consumption, particularly in Asia, where per capita incomes are projected to continue to rise in coming years. The price of diamonds is based on the number of carats as well as cut, clarity and color. Global diamond supply is projected to grow by an annual average of about 2.4% during the 2014-18 period. Russia was the world's largest mine producer of diamonds in 2012, according to the latest available figures, with a 27% share of global output. It was followed by the Democratic Republic of Congo with 17%, Botswana with 16%, Zimbabwe with 9% and Canada with 8%, while other countries represented the balance of 23%. In parallel, global diamond consumption is expected to accelerate in coming years, driven by China and India, as spending on jewelry products increase and consumers' appetite for diamond engagement rings rise. The United States was the world's largest diamond consumer in 2012, according to the latest available figures, with a 37% share of global demand. It was followed by China with 13%, Japan with 10%, India with 9% and the Gulf region with 8%.

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	B2	B	-	B	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
	Negative	Negative	Negative	-	Stable								
Ivory Coast	-	B1	B	-	B	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
	-	Positive	Positive	-	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	Negative	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	03-July-14	No change	07-Aug-14
UK	Bank Rate	0.50	10-July-14	No change	07-Aug-14
Japan	O/N Call Rate	0-0.10	13-June-14	No change	15-July-14
Australia	Cash Rate	2.50	01-July-14	No change	05-Aug-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	30-June-14	No change	30-July-14
Taiwan	Discount Rate	1.875	26-June-14	No change	01-Sept-14
South Korea	Base Rate	2.50	10-July-14	No change	14-Aug-14
Malaysia	O/N Policy Rate	3.25	10-July-14	Raise 25bps	18-Sept-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	17-July-14
South Africa	Repo rate	5.50	01-July-14	No change	16-July-14
Kenya	Central Bank Rate	8.50	08-July-14	No change	01-Sept-14
Nigeria	Monetary Policy Rate	12.00	20-May-14	No change	21-July-14
Ghana	Prime Rate	19.00	07-July-14	Raise 100bps	14-Sept-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	0.03	01-July-14	Cut 2bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	12.5	17-July-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

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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

