

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign creditworthiness deteriorates since global financial crisis

Standard & Poor's indicated that sovereign creditworthiness around the world has slightly deteriorated since the start of the global financial crisis in 2008. It noted that the average long-term sovereign rating currently ranges between 'BBB' and 'BBB-' compared to just below 'BBB+' in 2008. But it said that the average sovereign rating becomes marginally above 'A+' when the ratings are weighted by nominal GDP, one notch below the 'AA-' peak in mid-2008. S&P attributed the declining trend in the unweighted average ratings to the eroding credit quality of rated sovereigns as well as to the newly-rated sovereigns in emerging or frontier markets that are in the lower rating categories, mainly in the 'B' segment. It noted that sovereigns rated in the 'B' category have been the single largest group since 2007, with 33 sovereigns rated in this segment at end-June 2014 relative to 25 sovereigns five years ago. It added that the number of 'AAA'-rated sovereigns declined to 13 by June 2014 from 18 in December 2008, mostly due to downgrades in the Eurozone. As such, it noted that the share of 'AAA' ratings has gradually dropped from 15% in 2008 to 10% at the end of June 2014, the lowest percentage on record. In parallel, the agency pointed out that 'negative' outlooks still outnumber 'positive' trends, indicating that the number of downgrades would likely exceed upgrades in the coming 12 months. However, it said that the 'negative' outlook balance eased in the first half of the year in all regions, except in Latin America. It defined the outlook balance as the sum of 'positive' outlooks and CreditWatch placements minus 'negative' outlooks.

Source: Standard & Poor's

Insurers' losses from natural and man-made disasters at \$44bn in first half of 2014

Global re-insurer Swiss Re estimated the total economic losses from natural catastrophes and man-made disasters at \$44bn in the first half of 2014, including insured and uninsured catastrophe losses. It noted that total losses from natural catastrophes reached \$41bn in the first half of 2014, down by 30.5% from \$59bn in the same period last year and well below the average losses of \$94bn during the first half in the last 10 years. It indicated that losses from natural catastrophes represented 93.2% of total losses, while those from man-made disasters totaled \$3bn and accounted for 6.8% of the total. In parallel, it said that insurers' overall losses totaled \$21bn in the covered period, down 16% from \$25bn in the first half of 2013, and were lower than the average losses of \$27bn in the first half of the previous 10 years. As such, it noted that the global insurance industry covered 47.7% of total losses in the first half of 2014. It pointed out that insurers' losses from natural catastrophes fell by 9.5% annually to \$19bn in the first half of 2014 and were below the average losses of \$23bn in the first half of the previous 10 years. It noted that insurers' losses from natural catastrophes accounted for 90.5% of the insurance industry's total losses, while claims from man-made disasters represented 9.5% of total insurers' losses.

Source: Swiss Re

MENA

Business climate diverges across Arab world

The Economist Intelligence Unit's Business Environment Rankings (BER) anticipated that Qatar would have the best business environment among 11 Arab countries in the 2014-18 period and the 21st best climate among 82 countries globally. It is followed by the UAE in 30th place, Bahrain (35th), Saudi Arabia (41st), Kuwait (45th), Jordan (55th), Morocco (66th), Tunisia (67th), Egypt (68th), Algeria (75th) and Libya (79th). The BER measures the quality of the business environment and reflects the major criteria used by companies to formulate their global business strategies. Arab countries received an average score of 6 points on the index for the 2014-18 period, up from 5.8 points in the previous survey that covered the 2009-13 period, but lower than the global average of 6.6 points. In comparison, GCC countries received an average score of 6.9 points, up from 6.7 points in the 2009-13 period; while non-GCC Arab countries had an average of 5.3 points relative to 5 points in the previous survey. Also, the scores of nine Arab countries improved, while those of Bahrain and Egypt deteriorated. The rankings of four Arab countries improved, four declined and three remained unchanged from the previous survey. The ranks of Morocco and Saudi Arabia rose by four spots each, the highest improvement regionally, while those of Kuwait and Egypt regressed by six spots each, the steepest decline in the region.

Source: Economist Intelligence Unit, Byblos Research

Human development level varies across Arab world

The United Nations' Human Development Index for 2013 showed that the level of human development in the Arab world was unchanged year-on-year, as the average score of the 20 Arab countries included in the index was 0.682 points, similar to the score of 0.681 points in 2012, and below the global average of 0.702 points in 2013. The HDI measures a country's achievements on three basic dimensions of human development that are health, education and income. Qatar was the top ranked Arab country and came in 31st place globally among 187 countries. It was followed by Saudi Arabia in 34th place, the UAE (40th) and Bahrain (44th); while the lowest ranked Arab countries were Yemen, which came in 154th place worldwide, Mauritania (161st), Sudan (166th) and Djibouti (170th). The rankings of five Arab countries regressed, with Libya posting the steepest decrease of five spots year-on-year; while the rankings of 14 Arab countries remained unchanged year-on-year. Morocco was the only Arab country to post an improvement in its rank with a rise of two spots. Further, the United Nations considered that Qatar, Saudi Arabia, the UAE, Bahrain and Kuwait have a 'very high' level of human development, while it placed Algeria, Jordan, Lebanon, Libya, Oman and Tunisia among countries with a 'high' level of development. Further, Egypt, Iraq, Morocco, Palestine and Syria had a 'medium' level of human development; while Djibouti, Mauritania, Sudan and Yemen came in the 'low' level category.

Source: UNDP, Byblos Research

OUTLOOK

SUDAN

Economy to grow by 3% on average in 2014-15, faces monetary and public finance challenges

The Economist Intelligence Unit projected Sudan's real GDP growth at 2.5% in 2014 compared to an estimated growth rate of 3% in 2013. It attributed the slowdown in economic activity to the negative impact of the conflict in South Sudan on cross-border trade and on Sudan's ability to attract foreign investment. It anticipated that authorities would find it difficult to increase oil production and to draw foreign investment to the sector. As such, it forecast oil production to rise marginally from an average of 122,000 barrels per day (b/d) in 2013 to 130,000 b/d in 2014. It forecast real GDP growth to accelerate to 3.6% in 2015 and to average 3.7% during the 2016-18 period as the economy further absorbs the impact of South Sudan's independence and as the government's austerity program ends. Further, it estimated the average inflation rate at 35.1% in 2014 compared to an average rate of 37.1% last year. It forecast the inflation rate to fall to an annual average of 22% during the 2015-18, provided that the government allows the Central Bank of Sudan to contain and reduce the monetization of the fiscal deficit.

In parallel, the EIU said that the US dollar remains scarce in the domestic market, and expected the pressure on foreign currency supply to increase as the conflict in South Sudan would reduce oil exports. It noted that the official exchange rate of SGD5.7 per dollar continues to be under pressure due to hard currency shortages and foreign exchange controls. It noted that the Sudanese pound was trading at SDG9.5 against the US dollar on the black market in mid-June 2014 compared to SDG8.2 per dollar in mid-January. It forecast the official exchange rate to depreciate to an average of 6.16 pounds against the US dollar in 2014 and to end the year at SDG6.19 per dollar. It projected Sudan's foreign exchange reserves at \$1.2bn at the end of 2014, equivalent to 1.2 months of import cover, relative to \$193m or 0.2 months of import cover at end-2013. Also, the EIU expected Sudan to post a fiscal deficit of 4.1% of GDP in 2014, narrower than last year's deficit of 5% of GDP. But it forecast the deficit to widen to 4.6% of GDP in 2015 as authorities would partly roll back austerity measures ahead of the presidential elections in 2015. It projected the current account deficit to widen to 10.6% of GDP this year from 6.7% of GDP in 2013 as exports grow at a slower pace than imports.

Source: Economist Intelligence Unit

ARMENIA

Economy at risk from regional geopolitical tensions

The European Bank for Reconstruction and Development (EBRD) projected economic growth in Armenia at 3% and 3.5% in 2014 and 2015, respectively, relative to a growth rate of 3.5% for 2013. In comparison, it forecast economic activity in the six economies of Eastern Europe & the Caucasus (EEC) to contract by 2.6% this year and to grow by 1% in 2015. It said that Armenia's projected growth rates for 2014 and for 2015 would make it the third fastest-growing economy among EEC countries, unchanged from its rank in 2013. Further, the EBRD projected the inflation rate in Armenia to average 3.4% in 2014,

down from an average rate of 5.8% in 2013, the second lowest rate among EEC countries in this year.

The EBRD cautioned that a slowdown in remittance inflows to Armenia would negatively affect domestic economic activity. It noted that the growth in remittance inflows to Armenia decelerated in 2013 and maintained its downward trend so far in 2014. It attributed the decrease in such inflows to the slowdown of the Russian economy, the largest source of remittance inflows to the country. Further, it considered that the Cabinet reshuffle in Armenia and the decision of the Constitutional Court on pension reform would increase near-term political uncertainties in the country and would weigh on private investor confidence. It considered that the planned expansionary fiscal policy for this year would offset the negative impact on the economy from the slowdown in Russia's economic activity and the deteriorating regional security situation.

Source: European Bank for Reconstruction and Development

CÔTE d'IVOIRE

Socio-political instability is key risk to sustainable growth

The Institute of International Finance projected Côte d'Ivoire's real GDP growth at 8.6% in 2014 and 8.3% in 2015 compared to a growth rate of 9.1% in 2013, driven by high public and private investments. It forecast total investment to exceed 16% of GDP in 2015 as part of the government's National Development Program, which would support private sector growth. It forecast economic activity to remain strong over the medium-term, due to rising commodity exports and to the development of the manufacturing sector. It said that reforms in key sectors will continue to create favorable domestic conditions, which would lead to sustainable growth in coming years. But it noted that challenges in maintaining the country's strong performance persist, mainly in improving transparency and further reducing regulatory burdens for the private sector. It pointed out that socio-political instability is a risk over the medium-term, given uncertainties about the presidential and legislative elections scheduled in 2015, as well as the slow progress towards national reconciliation. It added that external risks include subdued growth in the Eurozone and a drop in global commodity prices.

In parallel, the IIF projected the fiscal deficit to marginally widen from 2.3% of GDP in 2013 to 2.6% of GDP in 2014 and 2.8% of GDP in 2015. It expected the fiscal deficit to remain under control despite high capital spending, due to rising non-tax revenues and additional grants. It cautioned that foregone revenues, such as exemptions from the newly adopted investment code, could constrain the increase in government revenues in coming years. It considered that the government would adjust public investment, which absorbs 37% of spending, in case of an adverse fiscal environment. Further, it forecast the current account deficit at 2.2% of GDP in 2014 and 2% of GDP in 2015 relative to 1.6% of GDP in 2013. It said that the restoration of political stability will continue to attract more FDI and project loans from the international community, which would help accumulate foreign currency reserves. It forecast foreign currency reserves at \$5.1bn in 2014 or 4.2 months of import cover, and at \$6bn in 2015 or 4.5 months of import cover.

Source: Institute of International Finance

ECONOMY & TRADE

SAUDI ARABIA

Optimism of non-hydrocarbon sector deteriorates

The D&B Business Optimism Index for Saudi Arabia showed that the composite optimism index for the non-hydrocarbon sector reached 36 in the third quarter of 2014, constituting a drop of 14 points from the previous quarter. The quarter-on-quarter contraction is due to slower business activity during the month of Ramadan and the summer season. The index for the number of employees fell marginally to 44 in the third quarter of 2014 from 45 in the second quarter, that for expected new orders decreased to 43 from 59 in the previous quarter, and the index for expected profits contracted to 41 from 55 in the second quarter. Also, the index for expected sales declined to 41 in the current quarter from 64 in the preceding quarter, the index for inventory levels declined to 32 from 34 in the previous quarter, and that for the level of selling prices dropped to 13 from 25 in the second quarter of 2014. Further, the transportation, storage & communication index declined to 44 from 49 in the second quarter of 2014 and was the most optimistic non-hydrocarbon sector. The manufacturing index regressed to 36 in the third quarter of 2014 from 49 in the second quarter; the finance, real estate & business services index dropped to 30 from 48 in the previous quarter; and the trade & hospitality index declined to 28 in the third quarter of 2014 from 53 in the second quarter. In parallel, the construction index remained unchanged at 49.

Source: Dun & Bradstreet

DEM REP CONGO

Ratings affirmed, outlook 'stable'

Standard & Poor's affirmed the Democratic Republic of Congo's (DRC) long-term foreign and local currency sovereign credit ratings at 'B-' and its short-term foreign and local currency ratings at 'B'. It kept the outlook on the long-term ratings at 'stable'. The agency indicated that the ratings are constrained by weak institutions, poor governance, continuing conflict in the eastern part of the country, extremely low income levels, high dependence on external financing, and limited economic policy flexibility. But it noted that the ratings are supported by a low government debt level that is expected to decline from 18.9% of GDP in 2013 to 11.1% of GDP in 2017. It considered that the economy is vulnerable to a downturn in global commodity prices, mainly copper, given that mining and mining-related investments remain key growth drivers. It expected net FDI inflows to remain high during the coming years and to constitute a key source of external financing. But it cautioned from the adverse impact of political instability and the volatility of global commodity prices on such inflows. It indicated that the public debt level is subject to currency risks, given that 75% of the debt stock is denominated in foreign currency and that foreigners hold most of the government's commercial debt. It pointed out that authorities rebased the national accounts, which increased the nominal GDP. In turn, this reduced the public debt and the current account deficit relative to GDP. It projected the DRC's gross external financing needs to average 122% of current account receipts plus usable reserves over the covered period, and expected the current account deficit to average 8.5% of GDP between 2014 and 2017.

Source: Standard & Poor's

JORDAN

Ratings downgraded on rising geopolitical risks

Dun & Bradstreet downgraded Jordan's country risk rating by one quartile from 'DB5a' to 'DB5b' due to the impact of the rapid advances made by the Islamic State militants in Iraq. It noted that Jordan's rating remains within the 'High Risk' category. It indicated that militants seized control of the border between Iraq and Jordan, which would restrain trade between the two countries. It said that reduced trade activity would weigh on the cash flow of Jordanian companies that trade with Iraq and would put at risk their long-term viability. It added that the prevailing conditions would constrain investment flows to Jordan in the short- to medium-term, as investors would wait for the situation to stabilize. Also, it expected rising insecurities to negatively affect the tourism sector in Jordan. However, it anticipated that financial support from Gulf countries, the European Union and the United States would increase in order to ensure the country's stability. In parallel, it pointed out that Jordan's economic outlook is slowly strengthening but remains weak and vulnerable to unrest in Syria and Iraq. It said that the seasonally-adjusted real GDP grew by 3.3% year-on-year in the first quarter of 2014, the highest rate since the third quarter of 2011. But it noted that the growth level remains well below the 6% needed to address the high unemployment and poverty levels. It indicated that the current account deficit is at unsustainable levels. It added that the external debt level rose from 67% at end-2013 to 74% of GDP at end-March 2014, the highest level since end-2007.

Source: Dun & Bradstreet

ANGOLA

Ratings affirmed on strong growth prospects and healthy public finances, outlook 'stable'

Standard & Poor's affirmed Angola's long- and short-term foreign and local currency sovereign credit ratings at 'BB-/B' with a 'stable' outlook. The agency indicated that the ratings are supported by a large domestic oil & gas sector, strong growth prospects, low government debt level, and a net external creditor position. But it noted that the ratings are constrained by weak institutions, low development of the non-hydrocarbon economy, and underlying political tensions. It pointed out that Angola is heavily dependent on the oil sector and is exposed to potential oil price and production shocks, and that its capacity to adequately respond to such shocks is untested. S&P reduced Angola's real GDP growth rate to 4.5% in 2014 from 8% previously, due to lower-than-expected oil and agricultural output. But it projected growth to rebound to 6% in 2015 and to remain at this level until 2017. It forecast the country's fiscal deficit to narrow from 1.6% of GDP in 2013 to 1% of GDP in 2014, as the reduction in oil production would be offset by higher oil prices and lower-than-targeted infrastructure and development spending. It expected the budget to remain almost balanced in coming years. It forecast the average current account surplus to exceed 5% of GDP annually over the next few years. But it noted that Angola's external balance sheet would remain subject to volatility related to the oil sector and to FDI flows. Further, it considered that the Central Bank has limited monetary policy tools to reduce the inflation rate to well below 10% before 2017.

Source: Standard & Poor's



BANKING

WORLD

Implementation of Basel III requirements varies across jurisdictions

Moody's Investors Service indicated that the implementation of Basel III is progressing globally, but with significant differences across jurisdictions. It noted that the pace of implementation, the strictness of standards relative to the Basel Committee for Banking Supervision (BCBS) guidance, and the resulting challenges facing banks vary across countries. It indicated that authorities in Asia Pacific, the Middle East and Latin America are imposing higher "super-equivalent" requirements, given that banks already hold high levels of capital and liquidity. It cited the replacement of non-qualifying instruments through organic capital generation or through the issuance of new Tier One and Tier Two instruments as a key challenge for these banks. Further, it pointed out that some jurisdictions that include Asian countries, the United Kingdom and Canada are implementing stricter requirements than those imposed by the BCBS guidance, because their capital or liquidity requirements were already stricter than those of previous regimes such as Basel II. It added that many jurisdictions are implementing stricter requirements for their larger banks, including higher minimum capital levels or accelerated phase-in of capital and liquidity requirements. It pointed out that many banks face challenges in meeting full Basel III requirements while simultaneously sustaining profitable business models. Moody's considered that key requirements implemented under Basel III are credit positive for banks, given that they address many of the deficiencies in banks' pre-crisis management of risk, capital, liquidity, funding and leverage. However, it noted that some of the weaknesses associated with Basel II have not been sufficiently addressed, including the comparability of risk-weighted assets. It added that it is too soon to assess if the industry has so far achieved fundamentally stronger creditworthiness as a result of Basel III.

Source: Moody's Investors Service

JORDAN

Resident private sector lending up 3% in first half of 2014

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD44.1bn or \$62.2bn at the end of June 2014, constituting a rise of 3% from the end of 2013 and an increase of 7.3% from end-June 2013. Resident private sector loans rose by 2.7% from end-2013 to JD17.7bn, while credit facilities to the non-resident private sector fell by 45.6% to JD445m, leading to a marginal increase of 0.5% in overall private sector lending in the first half of 2014. Resident private-sector lending accounted for 40.1% of total assets at end-June 2014, relative to 40.5% a year earlier. In parallel, resident private sector deposits reached JD23.4bn, constituting an increase of 5.3% from the end of 2013 and a rise of 9.3% from a year earlier. Also, deposits of non-bank financial institutions rose by 35.3% from end-2013 to JD376m. The government's deposits totaled JD1bn, up 40.6% from end-2013, while those of public non-financial institutions increased by 4.9% to JD368.1m. Further, claims on the public sector regressed by 1% to JD10.4bn in the first half of the year, with claims on the central government accounting for 95.4% of lending to the public sec-

tor. Claims on the public sector accounted for 23.5% of total assets at end-June 2014 compared to 23.8% a year earlier. Further, bank reserves at the Central Bank of Jordan totaled JD6.6bn, up 15.7% from JD5.7bn at end-2013; while capital accounts and allowances remained unchanged at JD6.1bn. Deposits with foreign banks reached JD3.9bn at end-June 2014, up 15% from end-2013, while the sector's foreign liabilities rose by 4.3% to JD7bn.

Source: Central Bank of Jordan, Byblos Research

GHANA

Currency recovery tied to IMF program

Business Monitor International anticipated that the Ghanaian cedi would recover in the short-term from the losses of recent months, following the authorities' decision to request assistance from the International Monetary Fund. It considered that the involvement of the IMF in Ghana's economic affairs would signal to investors that the country's economic challenges would be addressed competently and that policy anchors would be put in place. It forecast the cedi to trade at GHS2.8 against the US dollar in the coming two months. However, BMI expected the cedi to continue to depreciate over the long-term due to the high inflation level and the wide current account deficit. It considered that the losses in the value of the cedi over the coming six to 24 months would be more gradual than those posted in 2013 and in the first half of 2014. It noted that an IMF program would give investors confidence that authorities would stick by fiscal targets and would ensure debt sustainability. It forecast the cedi to trade at GHS3.3 per dollar at the end of 2014 and to depreciate by about 10% in 2015. However, BMI cautioned that the near-term appreciation of the cedi might not take place in case foreign investors adopt a "wait-and-see" attitude towards the IMF program, and if domestic participants are not convinced by the government's request of assistance. Under this scenario, it expected the cedi to continue to depreciate, but at a slower pace than the 35% loss posted since the start of the year.

Source: Business Monitor International

TURKEY

Ratings maintained on leading banks

Capital Intelligence affirmed the long-term foreign currency rating at 'BB+' of Türkiye Halk Bankası (Halk), Türk Ekonomi Bankası (TEB), Finansbank (FB) and Türkiye Cumhuriyet Ziraat Bankası (TCZB). It also maintained the long-term foreign currency rating of Anadolu Bankası (ADB) at 'BB' and upgraded that of Turkland Bank (T-Bank) to 'BB' from 'BB-'. It affirmed all banks' short-term foreign currency rating at 'B'. Further, it maintained the Financial Strength Rating (FSR) of Halk and FB at 'BBB+', that of TEB and TCZB at 'BBB', and that of ADB at 'BB'; while it raised the FSR of T-Bank to 'BB' from 'BBB-'. It pointed out that all banks' ratings have a 'stable' outlook except for ADB and TEB that have a 'positive' and 'negative' outlook, respectively, on their FSR. The agency said that TCZB's ratings are supported by its strong liquidity level, sound cost ratios and good profitability. But it noted that the ratings are constrained by the recent substantial deterioration in its capital ratio, by persisting high non-performing loan and by a significant increase in restructured and rescheduled loans.

Source: Capital Intelligence

ENERGY / COMMODITIES

Natural gas prices to decrease in third quarter, Europe's reliance on Russian gas to persist

U.S. Henry Hub natural gas prices are forecast to average \$4.55 per million British thermal units (Btu) in the third quarter of 2014, down by 0.7% from the previous quarter and constituting a rise of 18.2% from the same quarter last year. 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 15% from 13%, while the probability of prices rising above \$7 per million Btu increased to 0.5% from 0.3%, reflecting geopolitical uncertainty in Russia and Ukraine. European gas prices did not increase in recent months despite the ongoing tensions in Ukraine, as gas inventories remain high. In parallel, Fitch Ratings indicated that Europe lacks the ability to lessen its reliance on Russian natural gas for at least the next 10 years. In order to reduce its dependence on Russian gas, Europe would need to either significantly decrease its overall gas consumption or to increase its alternative sources of supply, but neither of these solutions appears to be currently feasible. Further, European gas demand is projected to grow slightly until the mid-2020s, and would accelerate afterwards as gas-fired electricity generation replaces old coal and nuclear capacity.

Source: Citigroup, IMF, Fitch Ratings, Byblos Research

Libya's oil output rebounds to 46% of normal capacity in August 2014

Libya's crude oil production is currently estimated at 650,000 barrels per day, or about 46.4% of the country's normal supply level, which reflects an increase of 1.5 times from the average output level reached in July 2014. The recent rise in oil production was due to the implementation of a deal between the government and a group of federalist rebels to reopen major eastern ports, such as Es Sider. The Ministry of Oil & Gas indicated that the country's crude oil output could rise to one million b/d later this year, or to 71% of the 1.4 million b/d produced prior to the start of a wave of protests targeting the oil sector in July 2013.

Source: Thomson Reuters, Gulf Times, Byblos Research

Angola's oil supply challenges to continue

Angola's crude oil exports averaged 1.67 million barrels per day (b/d) in July 2014, nearly unchanged from the average level reached in 2013. Angola's crude oil production is expected to remain weak in the next five years due to a decrease in output at maturing oilfields and to delays in the implementation of new projects. The delays in a number of offshore projects were caused by technical and maintenance issues. The government expects the country's oil supply to average 2 million b/d in 2015.

Source: Business Monitor International, Byblos Research

Middle East's crude oil demand up 2% in 2013

The Middle East region's crude oil consumption reached 8 million b/d in 2013, equivalent to 9% of the world's oil demand, and constituting a rise of 2.3% from 2012. Saudi Arabia's crude oil consumption averaged 3 million b/d or 37.2% of the region's total demand. It was followed by Iran with 1.78 million b/d (22.1%), Iraq with 835,200 b/d (10.4%), the UAE with 655,200 b/d (8%), Kuwait with 383,200 b/d (4.8%), Syria with 278,100 b/d (3.5%) and Qatar with 147,000 b/d (1.8%), while demand from other Middle Eastern countries averaged 982,000 b/d (12.2%).

Source: OPEC, Byblos Research

Base Metals: Aluminium prices to drop in 2014

Global aluminium consumption is expected to reach 51.6 million tons in 2014, constituting an increase of 5.9% from the previous year. Demand for aluminium in mature economies is projected to rise by 4% in 2014; while that in BRICs economies, which consist of Brazil, Russia, India and China, would grow by 8.1% this year. In parallel, global aluminium production is forecast to reach 52 million tons in 2014, reflecting a rise of 4.1% from 2013. Chinese aluminium is expected to account for 50.4% of the world's aluminium output in 2014, while China is projected to consume about 50.3% of the metal's global demand. The metal's LME 3-month prices are projected to trade between \$1,750 a ton and \$2,100 a ton in the coming three months. Aluminium prices are forecast to average \$1,850 a ton in 2014, reflecting a decline of 2% from the preceding year. In parallel, the Bloomberg Aluminium Total Return Sub-Index rose by 5% in July and by 6.5% in the first seven months of the year.

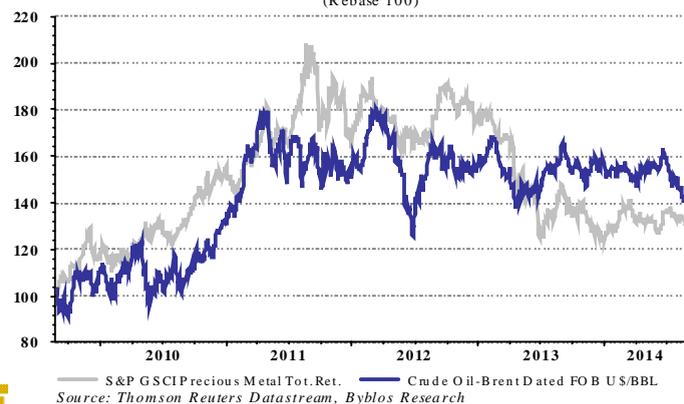
Source: Thomson Reuters GFMS, Bloomberg Indexes

Precious Metals: Gold prices to decrease in 2014

Gold prices have averaged above \$1,300 a troy ounce since February 2014 due to investors' rising concerns, which led to an increase in demand for safe-haven assets such as gold. Investors' concerns in the covered period consisted of financial turmoil and slowing economic activity in emerging markets, growing deflationary threats in the Eurozone, and a fragile economic recovery in the U.S. In addition, geopolitical risks were among other important factors that provided strong support to gold prices. However, the metal's price is forecast to ease in coming quarters as geopolitical tensions start to subside. Also, the expected end of the U.S. Federal Reserve's quantitative easing program in coming months would place further downward pressures on gold prices. Investors are expected to shift away from safe-haven assets into high-yield assets in coming quarters if global economic conditions improve. In parallel, Central Banks' gold purchases are expected to remain elevated in 2014, as monetary policies in major advanced economies are set to remain accommodative for some time, with a possibility of further policy loosening in Europe and Japan. Gold would remain a useful mean of reserve diversification and a hedge against currency depreciation. Gold prices are forecast to average \$1,270 an ounce in 2014, reflecting a decline of 10% from the preceding year and compared to an annual decrease of 15.5% in 2013.

Source: Thomson Reuters GFMS, Byblos Research

Precious Metals vs. Brent Oil Prices
(Rebase 100)



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-	Ba2	BB-	-	BB	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
	Stable	Stable	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	-	CCC	-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	30-July-14	No change	17-Sept-14
Eurozone	Refi Rate	0.15	07-Aug-14	No change	04-Sept-14
UK	Bank Rate	0.50	07-Aug-14	No change	04-Sept-14
Japan	O/N Call Rate	0-0.10	08-Aug-14	No change	04-Sept-14
Australia	Cash Rate	2.50	05-Aug-14	No change	02-Sept-14
New Zealand	Cash Rate	3.50	24-July-14	Raise 25bps	11-Sept-14
Switzerland	3 month Libor target	0.00-0.25	19-June-14	No change	18-Sept-14
Canada	Overnight rate	1.00	16-July-14	No change	03-Sept-14
Emerging Markets					
China	One-year lending rate	6.00	06-July-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	30-July-14	No change	17-Sept-14
Taiwan	Discount Rate	1.875	26-June-14	No change	25-Sept-14
South Korea	Base Rate	2.25	14-Aug-14	Cut 25bps	12-Sept-14
Malaysia	O/N Policy Rate	3.25	10-July-14	Raise 25bps	18-Sept-14
Thailand	1D Repo	2.00	06-Aug-14	No change	17-Sept-14
India	Reverse repo rate	8.00	05-Aug-14	No change	30-Sept-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	9.25	20-July-14	Raise 100bps	N/A
Turkey	Base Rate	8.25	27-Aug-14	No change	N/A
South Africa	Repo rate	5.75	16-July-14	Raise 25bps	17-Sept-14
Kenya	Central Bank Rate	8.50	08-July-14	No change	03-Sept-14
Nigeria	Monetary Policy Rate	12.00	22-July-14	No change	22-Sept-14
Ghana	Prime Rate	19.00	07-July-14	Raise 100bps	08-Sept-14
Angola	Base rate	8.75	28-July-14	Cut 50bps	N/A
Mexico	Target Rate	3.00	11-July-14	No change	05-Sept-14
Brazil	Selic Rate	11.00	16-July-14	No change	03-Sept-14
Armenia	Refi Rate	6.75	12-Aug-14	Cut 25bps	N/A
Romania	Policy Rate	3.25	05-Aug-14	Cut 25bps	N/A
Bulgaria	Base Interest	0.04	01-Aug-14	Raise 1bps	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



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