

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Developing countries most satisfied with current economic situation

A survey conducted by the U.S.-based opinion polling think tank Pew Research Center indicated that 64% of respondents in advanced countries consider that the current economic situation in their country is 'bad', compared to 59% of participants in emerging economies and 47% of respondents in developing countries who had the same opinion about their local economy. Further, the survey pointed out that 41% of participants in advanced economies expect the economic situation in their country to 'improve' in the coming 12 months, relative to 48% of respondents in emerging countries and 57% of participants in developing economies who had similar expectations about their local economy. Also, 29% of respondents in advanced countries anticipated that the economic situation in their country would 'worsen' in the coming 12 months, compared to 18% of participants in emerging economies and 17% of respondents in developing countries. In parallel, 64% of survey participants in advanced economies considered the public debt level to be a very serious problem in their country, relative to 60% in developing economies and 56% in emerging countries. Also, 58% of respondents in advanced economies said that the lack of employment opportunities is a major economic problem, relative to 72% in emerging countries and 86% in developing economies. Further, 56% of participants in advanced countries cited the rise in prices as a major concern, compared to 77% in emerging economies and 84% in developing countries. The survey was conducted between March and June 2014.

Source: *Pew Research Center, Byblos Research*

Several changes to shape future of liability insurance

Global re-insurer Swiss Re anticipated that a number of technological, social and regulatory changes will shape the near-term outlook of liability insurance. It considered that cyber risks and liabilities from emerging technologies may become more important in liability claims. It noted that legal reforms, which reduced claims' severity in some markets at the time of the law's implementation, is not expected to suppress claims growth as much in the future. In parallel, it expected the growth in liability claims to push up demand for insurance. It considered that a pick up in claims growth would negatively affect claims' reserves, which would accelerate their depletion. It said that adverse developments and higher demand for cover would support increases in liability insurance prices. However, it noted that the profitability of existing books of business would be eroded if adverse developments prove severe. It added that profits could be contained if competitive forces prevent prices from catching up with the claims trend. Swiss Re indicated that liability risks are challenging to underwrite and to price due to the long-tail nature of risks that often result in claims being settled many years after business is written. It noted that the long-tail nature of casualty lines means that insurers must maintain their capital strength to stay competitive.

Source: *Swiss Re*

Corporate bond issuance at \$2.3 trillion in first eight months of 2014

Standard & Poor's indicated that global corporate bond issuance totaled \$2.3 trillion in the first eight months of 2014, of which \$1.3 trillion or 55% were issued by financial institutions and \$1 trillion or 45% were issued by non-financial firms. The issuance included \$1.2 trillion in investment grade bonds that accounted for 51% of total issuance, \$318bn (14%) in speculative grade bonds and \$793bn (35%) in unrated bonds. Bond issuance in Europe totaled \$933bn in the first eight months of the year and represented 41% of global bond issues, followed by the U.S. with \$722bn (32%) and emerging markets with \$382bn (17%). Further, financial companies in Europe issued \$624bn and represented 48% of global financial institutions' issuance, followed by those in emerging markets with \$385bn (30%) and in the U.S. with \$285bn (22%). Issuance by non-financial firms in the U.S. totaled \$437bn and accounted for 44% of global corporate bond issuance, followed by that in Europe with \$309bn (31%) and in emerging markets with \$187bn (19%). In parallel, S&P estimated that about \$9.5 trillion of rated corporate debt is scheduled to mature between the second half of 2014 and the end of 2019. A total of \$704bn will mature in the second half of 2014, \$1.8 trillion will be due in 2015, \$1.9 trillion will mature in both 2016 and 2017, \$1.8 trillion is due in 2018, and \$1.5 trillion will mature in 2019. It noted that financial institutions account for about 45% of maturing debt through 2019, while investment grade debt represents 77% of the total.

Source: *Standard & Poor's*

AFRICA

Competitiveness varies across countries

The World Economic Forum's Global Competitiveness Index for 2014-15 indicated that Mauritius has the most competitive economy among 33 countries in Sub-Saharan Africa (SSA) and has the 39th highest competitiveness level among 144 countries worldwide. It was followed by South Africa in 56th place and Rwanda in 62nd place, as the three most competitive SSA economies and the only ones to rank among the top half globally. In contrast, Mauritania (141st), Chad (143rd) and Guinea (144th) were the least competitive economies in the region. The survey indicated that SSA continues to underperform in many areas of the basic requirements of competitiveness, with profound infrastructure deficits and low health and education levels. Further, the rankings of 25 SSA countries improved, six regressed and two remained unchanged year-on-year. Lesotho posted the highest improvement in the global rankings among SSA countries with a rise of 16 spots, while Seychelles rank dropped by 12 spots year-on-year, constituting the steepest decline in the region. In parallel, the region's average score rose marginally to 3.58 from 3.56 points in last year's index, and came below the global average score of 4.21 points. The scores of 18 SSA countries increased, 11 declined and four remained unchanged, with Lesotho posting the highest increase in competitiveness, while Mauritania and Seychelles showing the steepest declines.

Source: *World Economic Forum, Byblos Research*

OUTLOOK

GCC

Outlook on banking sector to improve in the near term

Standard & Poor's anticipated that the outlook on banking sectors in the Gulf Cooperation Council (GCC) countries would continue to improve in the coming 12 to 18 months, supported by robust corporate activity and household consumption. It expected GCC banks to largely maintain their profitability level over the next 18 to 24 months and to refrain from adopting an aggressive dividend payout policy. It noted that the aggregate assets of GCC banks would reach \$2 trillion by the end of 2015 relative to \$1.7 trillion at end-2013.

Further, S&P projected overall domestic credit in GCC economies to expand by about 10% annually during the 2014-15 period. It forecast annual credit growth in Qatar at around 15% during the covered period and expected lending to the private sector in Saudi Arabia to rise by 12% yearly between 2014 and 2015. It noted that lending would rise by about 8% to 10% in Bahrain over the next two years and by about 8% in Oman during the covered period. It projected credit growth in the UAE at around 8% to 9% annually during the covered period, as tighter regulations on lending to government-related entities and to local governments would restrict banks from growing their loan books aggressively over the next two years. It anticipated that the recovery in credit growth in Kuwait would continue, with lending to residents rising by high-single digits during the 2014-15 period. The agency anticipated key asset quality metrics at most GCC banks to improve due to healthy economic growth, recovering corporate sector activity and the gradual appreciation in asset prices. In parallel, S&P considered that banks in the region are well-positioned to comply with the incoming Basel III rules. It noted that most banks already have significant levels of high-quality capital and that they will generate enough internal capital to maintain their current capitalization levels.

Source: Standard & Poor's

SYRIA

Real GDP to contract by 14.3% in 2014 and 4.7% in 2015

The United Nations Economic and Social Commission for Western Asia (ESCWA) projected Syria's real GDP to contract by 14.3% in 2014 and by an additional 4.7% in 2015, following contractions of 16.7% in 2013, 28.2% in 2012 and 6.8% in 2011. As such, it forecast GDP to reach \$27.3bn at constant 2010 prices in 2015, relative to \$33.45bn in 2013 and \$60.2bn in 2010. Further, it noted that the total economic losses in Syria from the start of the conflict up until the end of 2013 reached \$139.8bn in current prices. It noted that the private sector lost \$96bn, accounting for 68.7% of total economic losses, while the public sector lost \$43.8bn or 31.3% of the total. It pointed out that output losses totaled \$70.7bn during the covered period and accounted for 50.6% of total economic losses, while capital stock losses reached \$69.1bn (49.4%). It added that losses in the construction sector accounted for 42% of total capital stock losses, followed by the manufacturing sector (13.8%), domestic trade (13.7%), public and social services (9.5%), mining

(6.3%), services (5.3%), transport & communications (4.1%), finance & insurance (2.8%) and agriculture (2.5%). It expected total economic losses to reach \$237bn in current prices by the end of 2015, of which \$170bn in output loss.

The ESCWA forecast the domestic public debt level to reach 103.5% of GDP in 2014 and 98% of GDP in 2015 relative to 54.4% of GDP in 2012 and 87.7% of GDP in 2013, reflecting a substantial drop in imports and the expected complete shutdown of domestic oil production. It noted that the external public debt level would rise from 16.6% of GDP in 2013 to 46.7% of GDP in 2014 and to 95.8% of GDP by 2015, if authorities finance their spending through external borrowing. But it would fall to 15.9% of GDP in 2014 and to 14.9% of GDP in 2015 if foreign grants provide financing to public expenditures. It forecast the unemployment rate to rise from 54.2% in 2013 to 62.5% in 2014 and 66.1% in 2015.

Source: ESCWA

DEM REP CONGO

Economy vulnerable to drop in global commodity prices

Standard & Poor's projected the Democratic Republic of Congo's real GDP growth at 8.5% in 2014 and 7.5% in 2015, and expected it to average 7.2% annually during the 2016-17 period. It indicated that the economy is vulnerable to a downturn in global commodity prices, mainly copper, given that mining and mining-related investments are key growth drivers. It said that risks to the outlook include a worsening of domestic political conditions, as well as a marked decline in copper prices from a drop in demand from China or from a rise in output from large copper producers such as Chile and Peru. It pointed out that reaching the official copper production target of more than one million tons in 2014 is contingent on increased electricity supply. It noted that political instability and the lack of infrastructure, energy supply and regulatory transparency have deterred investment and kept production levels far below their potential. It forecast the inflation rate to average 4% in 2014 and 7% in 2015 relative to an average rate of 1% in 2013.

S&P projected the fiscal deficit at 0.7% of GDP in 2014 and 1% of GDP in 2015 relative to a deficit 0.1% of GDP in 2013. It noted that the narrow fiscal deficits reflect the lack of available financing and poor budget execution, rather than a voluntary commitment to fiscal prudence. It forecast the public debt level to fall from 19% of GDP in 2013 to 15.5% of GDP in 2014 and 13.7% of GDP in 2015, reflecting rapid nominal GDP growth. Further, it expected the current account deficit to average about 8% of GDP annually during the 2014-17 period and to be mainly financed by FDI inflows. But it anticipated that the trade balance would remain in surplus of about 3% of GDP annually during the covered period. It forecast the DRC's net external debt to average 90% of current account receipts (CARs) annually between 2014 and 2017; and for its gross external financing needs to average 122% of CARs plus usable reserves annually during the 2014-17 period. Further, it noted that maintaining a stable exchange rate has depleted the Banque Centrale du Congo's foreign currency reserves that it projected to cover one month of current account payments in each of 2014 and 2015.

Source: Standard & Poor's

ECONOMY & TRADE

JORDAN

Insurance market faces domestic and external challenges

Insurance-rating agency A.M. Best indicated that Jordan's insurance market faces challenges from the unprofitable mandatory motor business that represented 41% of gross written premiums in 2013, as well as from the decrease in capital adequacy, the regulatory uncertainty, the exposure to regional instability and the negative impact of ongoing austerity measures on domestic activity. It attributed the deterioration in capital adequacy to lower capital and surpluses, and to companies' aggressive dividend payout policy. It noted that insurers have not kept dividends payments commensurate with overall operating earnings, which means that the market has not retained sufficient earnings to allow companies to grow their capital and surplus in line with underwriting risks. Further, it indicated that asset risk is responsible for about two-thirds of capital requirements for Jordanian insurers, with underwriting risk being less significant because of the relative low premium retention of participants. It added that credit risk is elevated due to the low retention and high level of reinsurance dependence on commercial risks. It cautioned from a substantial risk from counterparties in the event of a large claim or major catastrophe, given the large exposure on the property and infrastructure business segments. In parallel, it indicated that the current system forces insurers holding motor license to write motor third-party liability at an unprofitable rate. It noted that authorities have repeatedly delayed the liberalization of this segment since January 2013.

Source: A.M. Best

SUDAN

Medium-term program faces multiple obstacles

The International Monetary Fund estimated real GDP growth in Sudan at 3.1% so far this year, supported by gold extraction and a strong harvest. It said that fiscal consolidation measures are containing the wide fiscal deficit and are reducing the reliance on the Central Bank of Sudan (CBoS) to finance the fiscal deficit. It noted that external imbalances are gradually declining, reflecting the impact of the adjustment in the exchange rates that was implemented in September 2013 and the improvement in the fiscal position. It called on authorities to further tighten monetary policy, given that the inflation rate reached 46% at the end of August 2014. But it noted that the elevated rate reflects the one-off effect of the September 2013 fuel price adjustment as well as the injection of excess liquidity by the CBoS through gold purchases in the parallel market. It added that excess liquidity is negatively affecting the wide gap between the parallel and official exchange rates that currently stands at 52%. Further, the IMF said that the implementation of the government's medium-term program faces challenges, such as a lack of access to external financing, an unsustainable external debt burden, as well as economic and financial sanctions. It pointed out that the recent actions against a major international bank for violating U.S. financial sanctions on Sudan is negatively affecting foreign correspondent banks' relations with Sudan, which could have adverse implications on medium-term growth.

Source: International Monetary Fund

QATAR

Optimism of non-hydrocarbon sector deteriorates

The D&B Business Optimism Index for Qatar shows that the level of optimism in the non-hydrocarbon sector reached 39 in the third quarter of 2014, down from 47 in the previous quarter and unchanged from the same quarter last year. The quarter-on-quarter decline is due to a contraction in business sentiment for volumes, new orders, profitability and hiring in the summer season. The index for expected new orders decreased to 53 in the third quarter of the year from 64 in the second quarter, the index for expected sales regressed to 49 from 58 in the preceding quarter of 2014 and the number of employees index contracted to 41 from 48 in the previous quarter. Also, the index for expected profits declined to 35 in the third quarter from 50 in the previous quarter; while the index for inventory levels rose to 43 from 33 in the second quarter of 2014, and that for the level of selling prices grew to 19 from 16 in the preceding quarter. On a sectoral basis, the manufacturing index rose to 46 from 44 in the second quarter of 2014 and was the most optimistic non-hydrocarbon sector, due to higher demand from new projects and an overall strong economy. In contrast, the construction index decreased to 42 in the third quarter from 54 in the second quarter of 2014; the finance, real estate & business services index dropped to 40 from 51 in the previous quarter. Also, the transport & communications index declined to 39 in the third quarter from 44 in the preceding quarter, while the trade & hospitality index fell to 29 from 39 in the second quarter.

Source: Dun & Bradstreet

ANGOLA

Oil price vulnerability and limited institutional capacity constrain creditworthiness

Moody's Investors Service indicated that Angola's 'Ba2' sovereign rating is supported by robust economic growth prospects and a strong government balance sheet, but they are constrained by the country's limited institutional capacity and high vulnerability to global oil price volatility. It pointed out that the rapid rise in the fiscal breakeven oil price from \$66 to \$98 over the last four years makes the country more vulnerable to an oil price or production shocks, adding that the government is still building up its fiscal buffers. It said that Angola suffers from uncertainty about political succession and from the lack of continuity in economic policy. It added that risks in the banking system are considerable due to the elevated level of non-performing loans and relatively high dollarization rate. Further, Moody's anticipated that the expansion of oil production to about 2.2 million barrels per day by 2016 would improve the country's outlook. It noted that rising oil revenues have resulted in fiscal surpluses and have allowed the authorities to increase capital spending to diversify the local economy. It pointed out that the relative strength of the government's balance sheet and the gradual increase in the country's foreign exchange reserves constitute a credible buffer against economic shocks. The agency noted that the creation of the sovereign wealth fund, which would act as a cushion to soften the impact of any economic or financial shock on the country, is credit positive.

Source: Moody's Investors Service



BANKING

MENA

Nine Arab banking sectors have low vulnerability level

In its semiannual risk assessment of 110 banking systems in advanced and emerging economies, Fitch Ratings placed nine Arab banking sectors among 73 sectors in the world with a "low level of potential vulnerability", coming in the highest category on Fitch's Macro-prudential Indicator (MPI). The nine Arab sectors are those of Bahrain, Egypt, Kuwait, Lebanon, Morocco, Oman, Saudi Arabia, Tunisia and the UAE. The banking sector in Qatar was the only Arab sector to come in the "moderate level of potential vulnerability" along with 21 banking systems worldwide. The MPI identifies instances of rapid real credit growth over successive two-year periods, along with growth in real property prices, an appreciation in the real exchange rate or a rise in real equity prices. In parallel, the agency indicated that Saudi Arabia's banking sector had a Banking System Indicator (BSI) of 'a'; while banking systems in Bahrain, Kuwait, Qatar and the UAE had a BSI of 'bbb'. Also, banking systems in Morocco and Oman had a BSI of 'bb', while those in Egypt, Lebanon and Tunisia had a BSI of 'b'. The BSI is a measure of intrinsic banking system quality or strength, derived from Fitch's Viability Ratings for banks. Saudi Arabia had the strongest banking sector in the region with an MPI score of '1' and a BSI Strength of 'a'.

Source: Fitch Ratings

TUNISIA

Asset quality continues to be weak with high NPLs

The risk-weighted capital adequacy ratio (CAR) of banks operating in Tunisia reached 9.4% at the end of March 2014 relative to 8.9% at end-2013 and 11.8% at end-2012. Four state-owned and two privately-owned banks, which represent 42% of the banking system's total assets, have each a CAR below the 9% regulatory requirement. Also, the sector's Tier One capital ratio was 7.7% at the end of March 2014 relative to 7.3% at end-2013 and 9.4% at end-2012. The sector's liquid assets ratio fell to 27.7% at end-March 2014 from 28.4% at end-2013 and 28.2% a year earlier, while liquid assets to short term liabilities declined to 90.6% at end-March 2014 from 92.6% at end-2013. Further, the sector's capital-to-assets ratio reached 6.2% at the end of March 2014, up from 6% at end-2013 and relative to 7.8% at end-2012. Credit to the private sector accounted for 72.4% of total loans at the end of March 2014 compared to 73.2% at end-2013; while lending in foreign currency represented 4.8% of total loans, unchanged since end-2012. The sector's deposits-to-loans ratio reached 89.7% at the end of March 2014, marginally up from 89.6% at end-2013. Also, the sector's non-performing loans (NPL) ratio was 15.1% at the end of March 2014 relative to 14.9% at end-2012, with most NPLs mainly concentrated in the tourism and industrial sectors. The public banks' NPL ratio was 21% at the end of March 2014. Also, the provisions-to-NPL ratio increased to 60.4% at end-March 2014 from 59.9% at end-2013.

Source: International Monetary Fund

ARMENIA

Deposits up 19% year-on-year in July 2014

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,939bn, equivalent to \$7.2bn at the end of July 2014, unchanged from the end of 2013 and rising by 12.5% from end-July 2013. Total loans stood at AMD1,881bn, or \$4.6bn at end-July 2014, up by 4.6% from the end of 2013 and by 10.4% from a year earlier. Loans in foreign currency accounted for 62.3% of total loans at end-July 2014 relative to 62.2% at end-2013 and 63.6% a year earlier; while loans to non-residents amounted to 2.9% of aggregate loans at end-July 2014. Deposits totaled AMD1,665bn, equivalent to \$4.1bn at end-July 2014, constituting an increase of 3.3% from end-2013 and of 18.7% from a year earlier. Deposits in foreign currency accounted for 68.4% of total deposits, down from 70.2% at end-2013 and from 71.4% a year earlier. Non-resident deposits represented 25.8% of total deposits at end-July relative to 28.8% at end-2013 and 26.2% at end-July 2013. In parallel, the risk-weighted capital adequacy ratio reached 16.2% at the end of July 2014, marginally down from 16.3% a year earlier. The sector's liquid assets were equivalent to 27.3% of total assets at end-July relative to 27.5% a year earlier; while they represented 131.6% of short-term liabilities compared to 122.3% in July 2013. The loan-to-deposit ratio in foreign currency stood at 103%, down from 108% at end-July 2013, while the same ratio in local currency was 134.8% relative to 155% at the end of July 2013.

Source: Central Bank of Armenia, Byblos Research

INDIA

Banks need to raise \$200bn to met Basel III requirements

Fitch Ratings anticipated that banks in India would need more than \$200bn in new capital over the next five years in order to fully meet Basel III capital requirements by the fiscal year ending in March 2019. It said that the Indian banking system's core capital is weaker than that of many Asian banking systems that are also moving towards meeting the Basel III capital standards. It pointed out that privately-owned banks are better positioned than state-owned banks in terms of their capital levels and access to markets. It indicated that state-owned banks account for 85% of total capital requirements, given that they have larger stressed assets and lower profitability. It noted that stressed assets at state-owned banks represented around 12% of the sector's assets in FY2013/14 compared to an average of 10% across banks. It expected Indian banks' stressed assets to peak at the end of FY2014/15, but it cautioned from the slowdown in economic activity and the existing structural and policy-related constraints. Also, it said that state-owned banks' weaker profitability has negatively affected their internal capital generation, while low valuations have limited their access to equity markets and increased their dependence on state support for capital. It considered that state-owned banks would rely on the issuance of Additional Tier One debt capital instruments to meet the capital deficit until equity market valuations significantly recover. It said that only few banks have raised capital so far, but it expected capital raising to increase in coming years.

Source: Fitch Ratings



ENERGY / COMMODITIES

Brent prices dip below \$100 a barrel, projected to average \$105 a barrel in 2014-15

Brent crude oil prices dropped below the \$100 a barrel level in early September 2014, as global oil supply outweighed demand despite the ongoing geopolitical concerns in Iraq, Syria and Ukraine. Crude oil prices are projected to remain subdued for the rest of 2014 due to continued rise in North American oil supply, to a narrowing of the geopolitical risk premium and to recent data indicating weaker demand from European and Asian economies. U.S. crude oil production is forecast to rise by about 14% to an average of 10 million barrels per day (b/d) in 2015 and to further increase to more than 11 million b/d in 2017. Oil prices would be supported by favorable macroeconomic data in the U.S., by increased oil demand in less developed countries, as well as by supply risks related to geopolitical tensions in key oil-producing regions. Brent oil prices are forecast to average \$105 a barrel during the 2014-15 period, while WTI crude oil prices would average \$95 a barrel in the covered period.

Source: Standard & Poor's, International Monetary Fund

Kurdish oil shipments reach 11.2 million barrels

The Kurdistan Regional Government (KRG) has shipped 11.2 million barrels of crude oil from the Turkish port of Ceyhan to international markets since May 2014. The KRG sold its first independent crude oil shipment via its independent pipeline to the Turkish export hub of Ceyhan in May, despite strong opposition from the central government in Baghdad. The Iraqi central government launched a series of legal complaints against Kurdish oil exports, as it claims that all oil sales from Iraqi territory must go through its State Organization for Marketing of Oil (SOMO).

Source: Thomson Reuters

Total African reserves up 7% at end-2013

Africa's oil and gas proven reserves were estimated at 227.7 billion barrels of oil equivalent (boe) at the end of 2013, reflecting a rise of about 6.9% from the end of 2012. Oil reserves accounted for about 56% of the region's total reserves. Algeria, Libya, and Nigeria together accounted for 72% of the region's total oil and gas reserves. Nigeria's oil and gas proven reserves totaled 67.3 billion boe, or 29.6% of the region's aggregate reserves. It was followed by Libya with 57.6 billion boe (25.3%), Algeria with 38.7 billion boe (17%), Egypt with 17.3 billion boe (8%), Mozambique with 16.7 billion boe (7.3%) and Angola with 10.7 billion boe (4.7%).

Source: Oil & Gas Journal, EY, Byblos Research

Middle East's crude oil output down 1% in 2013

The Middle East region's crude oil production averaged 23.8 million barrels per day (b/d) in 2013, equivalent to 32.7% of the world's oil output, and constituting a decrease of 1.1% from 24.1 million b/d in 2012. Saudi Arabia's crude oil production averaged 9.64 million b/d or 40.4% of the region's total output. It was followed by Iran with 3.58 million b/d (15%), Iraq with 2.98 million b/d (12.5%), Kuwait with 2.92 million b/d (12.3%), the UAE with 2.8 million b/d (11.7%), Oman with 844,300 b/d (3.5%), Qatar with 723,900 b/d (3%), Bahrain with 190,500 b/d (0.8%), Yemen with 120,700 b/d (0.5%) and Syria with 41,900 b/d (0.2%).

Source: OPEC, Byblos Research

Base Metals: Aluminium prices to average \$1,815 a ton in fourth quarter of 2014

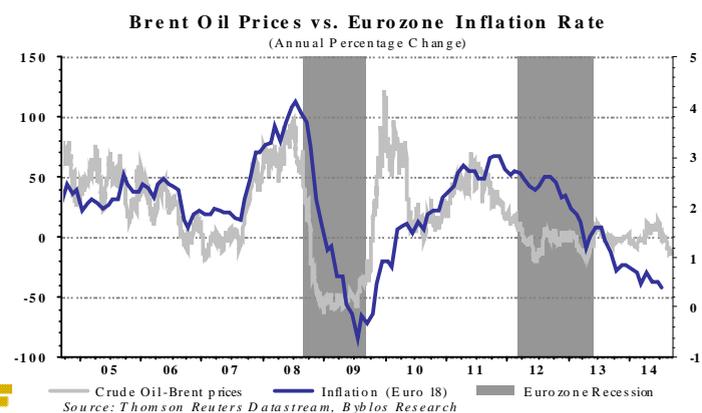
The price of aluminium reached \$2,115 a ton in early September 2014, reflecting the metal's highest price since February 2013, as investors' sentiment improved on signs of a potential undersupply in the market next year. The global aluminium market is projected to post a moderate surplus in 2014 and to shift to a balanced position or a slight deficit in 2015. Aluminium LME 3-month prices are expected to trade at between \$1,740 a ton and \$1,900 a ton in the fourth quarter of 2014, and to average \$1,815 a ton for the quarter. The metal's prices are forecast to average \$1,878 a ton in 2014, which would reflect a decline of 0.5% from the preceding year and relative to a drop of 8% in 2013. In parallel, the Bloomberg Aluminium Total Return Sub-Index grew by 4.7% in August and by 11.5% in the first eight months of 2014, while the Copper Total Return Sub-Index regressed by 2.7% last month and by 6.8% during the covered period.

Source: Thomson Reuters GFMS, Bloomberg Indexes

Precious Stones: Global diamond consumption to rise at a CAGR of 11% between 2013 and 2017

Global diamond jewelry consumption was estimated at \$79bn in 2013, reflecting a rise of 3% from 2012. Demand for polished diamond rose by over 3% to about \$25bn in 2013. Polished diamond sales rose by 7% in the U.S in 2013 and by 14% in China, the world's top two consumers of the precious stone. Global diamond consumption is expected to grow at a compound annual growth rate of 11% between 2013 and 2017, driven by the ongoing economic recovery in the U.S. and by a growing middle class in developing markets. In parallel, global rough diamond sales rose by 3% to about \$18bn in 2013. In carat terms, global rough diamond production increased by 7% to about 146 million carats in 2013, but remained well below the 2005 peak of 176 million carats. Russia was the world's largest diamond producer in 2013, as it accounted for 25% of total carat production and for 26% of overall rough diamond value. It was followed by Botswana with 16% of total carats and 21% of overall value. Luxembourg-based De Beers, which is a group of companies that dominates the mining, trading and industrial manufacturing of diamonds, remained the world's largest supplier of rough diamonds with about 33% of overall sales in 2013. It was followed by Russia-based ALROSA Group with 25% of the total. In parallel, the diamond mining industry spent about \$7bn on exploration activities since 2000, mainly in underexplored African countries such as Angola, the DRC and Zimbabwe.

Source: De Beers Group



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 | Stable | 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 |
| | Positive | - | 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 | 17-Sept-14 | No change | 29-Oct-14 |
| Eurozone | Refi Rate | 0.05 | 04-Sept-14 | Cut 10bps | 02-Oct-14 |
| UK | Bank Rate | 0.50 | 04-Sept-14 | No change | 09-Oct-14 |
| Japan | O/N Call Rate | 0-0.10 | 04-Sept-14 | No change | 07-Oct-14 |
| Australia | Cash Rate | 2.50 | 02-Sept-14 | No change | 07-Oct-14 |
| New Zealand | Cash Rate | 3.50 | 11-Sept-14 | No change | 30-Oct-14 |
| Switzerland | 3 month Libor target | 0.00-0.25 | 18-Sept-14 | No change | N/A |
| Canada | Overnight rate | 1.00 | 03-Sept-14 | No change | 22-Oct-14 |
| Emerging Markets | | | | | |
| China | One-year lending rate | 6.00 | 06-July-12 | Cut 31bps | N/A |
| Hong Kong | Base Rate | 0.50 | 17-Sept-14 | No change | N/A |
| Taiwan | Discount Rate | 1.875 | 26-June-14 | No change | 25-Sept-14 |
| South Korea | Base Rate | 2.25 | 12-Sept-14 | No change | N/A |
| Malaysia | O/N Policy Rate | 3.25 | 18-Sept-14 | No change | N/A |
| Thailand | 1D Repo | 2.00 | 17-Sept-14 | No change | N/A |
| 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 | 18-Sept-14 |
| South Africa | Repo rate | 5.75 | 17-Sept-14 | No change | N/A |
| Kenya | Central Bank Rate | 8.50 | 03-Sept-14 | No change | 05-Nov-14 |
| Nigeria | Monetary Policy Rate | 12.00 | 22-July-14 | No change | 22-Sept-14 |
| Ghana | Prime Rate | 19.00 | 17-Sept-14 | No change | N/A |
| Angola | Base rate | 8.75 | 28-July-14 | Cut 50bps | N/A |
| Mexico | Target Rate | 3.00 | 05-Sept-14 | No change | N/A |
| Brazil | Selic Rate | 11.00 | 03-Sept-14 | No change | 31-Oct-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-Sept-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 |



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

