

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate bond issuance at \$2.7 trillion in first nine months of 2014

Standard & Poor's indicated that global corporate bond issuance totaled \$2.7 trillion in the first nine months of 2014, of which \$1.5 trillion or 56% were issued by financial institutions and \$1.2 trillion or 44% by non-financial firms. The amount included \$1.4 trillion in investment grade bonds that accounted for 52% of total issuance, \$386bn (15%) in speculative grade bonds and \$893bn (33%) in unrated bonds. Bond issuance in Europe totaled \$1.1 trillion in the first nine months of the year and represented 41% of global bond issues, followed by the U.S. with \$857bn (32%) and emerging markets with \$440bn (16%). Further, financial companies in Europe issued \$728bn and represented 48% of global financial institutions' issuance, followed by those in the U.S. with \$349bn (23%) and those in emerging markets with \$231bn (15%). Issuance by non-financial firms in the U.S. totaled \$508bn and accounted for 42% of global corporate bond issuance, followed by those in Europe with \$363bn (30%) and in emerging markets with \$209bn (17%). 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.

Source: Standard & Poor's

MENA

Output losses from political turmoil and sanctions at \$717bn between 2011 and 2014

The Institute of International Finance estimated total output losses from political turmoil and sanctions in the Middle East & North Africa region at \$716.8bn during the 2011-14 period. It indicated that output losses in Iran amounted to \$272.1bn and accounted for 38% of total losses in the MENA region, followed by Libya with \$130.2bn (18.2%), Syria with \$109.3bn (15.2%), Egypt with \$102.9bn (14.4%), Iraq with \$58.4bn (8.1%), Lebanon with \$17.1bn (2.4%), Tunisia with \$15.7bn (2.2%) and Jordan with \$11.1bn (1.5%). It said that output losses in Libya and Egypt reflect the Arab Spring and domestic instability, those in Syria are due to the ongoing domestic conflict, losses in Jordan and Lebanon reflect spillovers from the Syrian crisis, and those in Tunisia are related to the Arab Spring. It added that output losses in Iran result from the impact of Western sanctions during the 2012-14 period, while those in Iraq are due to domestic fighting and the rise of the Islamic State during the 2013-14 period. It pointed out that output losses in Syria were equivalent to 42% of the country's cumulative GDP during the covered period, followed by Libya with 37.1% of its cumulative GDP, Iran with 14.3% of its GDP, Iraq with 11.9% of GDP, Egypt and Lebanon with 8.9% of their respective GDP, Jordan with 7.9% of its GDP and Tunisia with 7.7% of its GDP.

Source: Institute of International Finance

Net private capital inflows to rise by 11% to \$95bn in 2014

The Institute of International Finance projected total net private capital inflows to the Middle East & Africa region to rise from \$86bn in 2013 to \$95bn in 2014 and \$107bn in 2015. It attributed the increase in inflows to the ME&A region to a rise in FDI and capital flows to the UAE, and to the recovery in FDI in Egypt and South Africa. It expected inflows to Egypt to reach \$9.2bn in 2015 compared to \$4.9bn in 2013, reflecting an improvement in investor sentiment and a recovery in economic activity. It forecast private capital inflows to the UAE to rise significantly, driven by the country's safe haven status, by megaprojects related to the energy sector, by winning the rights to host the World Expo 2020, and by improved economic prospects. However, it noted that the aggregate flows to the region would continue to be about 25% below their historic peak in 2007, as commercial banking flows and FDI remain modest. The IIF anticipated that net private capital flows to the region would account for 8.2% of total net private inflows to emerging markets in 2014 and for 9.2% of such flows in 2015, compared to a share of 6.9% last year. It forecast net direct investment to increase from \$40bn in 2013 to \$46bn in 2014 and to \$51bn in 2015. Also, it projected inflows at \$14bn in 2014 and \$16bn in 2015. Further, it forecast net commercial bank lending to reach \$18bn this year and \$21bn in 2015. It estimated net non-bank private lending to remain unchanged in 2014 from \$18bn in 2013 and to rise to \$19bn in 2015. It also projected net lending by official creditors at \$8bn this year and next year compared to \$11bn last year.

Source: Institute of International Finance, Byblos Research

Capital markets equivalent to 105% of GDP in 2013

Figures released by the International Monetary Fund indicate that the total size of capital markets in the Middle East & North Africa (MENA) economies stood at \$3,278bn at the end of 2013, with bank assets accounting for 58.8%, equities for 34%, and debt securities for 7.2% of the total. The total size of capital markets in the MENA region was equivalent to 104.8% of the region's GDP in 2013. The MENA region accounted for 6% of total bonds, equities and bank assets in EM economies last year, constituting the second lowest share after Sub-Saharan Africa (SSA) at 2.6%. Further, bank assets in the MENA region totaled \$1,928bn and accounted for 6% of EM bank assets, representing the second lowest share among emerging economies, higher than only SSA at \$580bn (1.8%). Also, the stock market capitalization in MENA economies stood at \$1,114bn and accounted for 9.9% of EM market capitalization, higher than only SSA at \$609bn (5.4%). Further, debt securities in the MENA region totaled \$237bn and accounted for 2.1% of total debt securities in EM economies, constituting the lowest share across emerging markets. The MENA region accounted for 1.6% of global bank assets, 1.8% of global stock market capitalization, and 0.2% of fixed income markets in the world.

Source: International Monetary Fund, Byblos Research

OUTLOOK

EMEGING MARKETS

Economic growth at 4.4% in 2014, downside risks on the rise

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 4.4% in 2014 from a July forecast of 4.5%. It attributed the revision to weaker-than-expected economic activity in some emerging markets in the first half of 2014 and to the fact that challenges facing emerging economies are related to structural factors that are unlikely to be resolved over the near-term. It forecast real GDP growth in emerging markets and developing economies at 5% in 2015 relative to a July forecast of 5.2%. It attributed the higher forecast from 2014 to stronger domestic demand and to a recovery in external demand associated with faster growth in advanced economies.

The Fund revised upward its growth projections for Emerging & Developing Asia to 6.5% from 6.4% for 2014, while it maintained its projection at 2.7% for Emerging & Developing Europe. Also, it reduced its forecast to 5.1% from 5.5% for Sub-Saharan Africa, revised downwards its forecast to 2.6% from 3.1% for the MENA region; lowered its projection to 1.3% from 2% for Latin America & the Caribbean; and reduced its growth expectations to 0.8% from 0.9% for the Commonwealth of Independent States.

In parallel, the IMF indicated that downside risks to the outlook have increased. It said that the turmoil in the Middle East and international sanctions on Russia have increased geopolitical risks, which could result in higher global oil prices and declines in asset prices. It noted that medium-term risks include a decline in potential growth in emerging markets.

Source: International Monetary Fund

MENA

Divergence in economic performance to persist in coming years

The Institute of International Finance projected real GDP growth in the Middle East & North Africa at 2.8% in 2014 and at 3.4% in 2015 relative to a growth rate of 2.7% in 2013. It attributed the acceleration in economic activity to continued solid non-hydrocarbon growth in GCC economies, the recovery in oil production in Libya and improved prospects in oil-importing economies. However, it pointed out that economic activity varies significantly across MENA countries and expected the divergence to persist in coming years. It noted that GCC economies would continue to outperform due to political stability, prudent economic policies and substantial financial resources. It forecast real GDP growth in GCC countries at 4.4% in each of 2014 and 2015, while it expected output in oil-importing economies to grow by 2.1% in 2014 and by 3.4% in 2015. It anticipated that real GDP in non-GCC oil exporters would contract by 0.1% in 2014 following a 0.4% contraction in 2013, while it would expand by 1.4% in 2015. It considered that achieving growth rates of 4% to 5% in the MENA region over the medium-term is contingent on reducing geopolitical risks, achieving political stability and the implementation of structural reforms.

The IIF anticipated that the consolidated fiscal surplus in GCC economies would narrow from 9.8% of GDP in 2013 to 6.3% of GDP in 2014 and 2.8% of GDP in 2015, reflecting slightly lower oil receipts and higher expenditures. It forecast the aggregate fiscal deficit in non-GCC oil exporters to widen from 2.4% of GDP in 2013 to 5.4% of GDP in 2014 and 4.9% of GDP in 2015. It expected the fiscal deficit in oil-importing economies to narrow from 10.7% of GDP in 2013 to 10.1% of GDP in 2014 and 8.7% of GDP in 2015. Also, it projected the consolidated current account surplus in GCC economies at 17% of GDP in 2014 and 13% of GDP in 2015, while it expected it to reach 2.2% of GDP in 2014 and 1.2% of GDP in 2015 in non-GCC oil exporters. It forecast the current account deficit in oil-importing economies at 4.6% of GDP in 2014 and 5.5% of GDP in 2015.

In parallel, the IIF indicated that risks to the MENA region's outlook are mostly to the downside. It said that the prevailing security and geopolitical risks would negatively affect overall activity. It pointed out that countries that are directly affected by regional turmoil, especially Iraq and Syria and to a lesser extent Jordan and Lebanon, would face substantial challenges in their efforts to achieve moderate growth.

Source: Institute of International Finance

EGYPT

Investment program to lift growth to 5% yearly

Barclays Capital projected Egypt's real GDP growth at 3.7% in fiscal year 2014/15 that ends in June 2015 compared to a growth rate of 2.2% in FY2013/14, supported by the government's investment recovery program. It said that authorities launched several initiatives that include the \$4bn Suez Canal Corridor Development Project that aims to increase the Canal's annual revenue from \$5.1bn currently to \$13.5bn. It pointed out that other national investment projects are underway, including the Golden Triangle development project in Upper Egypt and the North West Coast Development plan, which aim to exploit the country's natural resources and mineral wealth. It added that the government would launch a public-private partnership program to address the country's infrastructure needs, with expectations to tender one project per month over the remainder of 2014 and about six to seven projects in 2015. It anticipated that these investments would accelerate the annual real GDP growth to about 4% to 5% over the next three years. Further, it projected the fiscal deficit to narrow from 11.7% of GDP in FY2013/14 to 11% of GDP in FY2014/15, reflecting the implementation of fiscal reforms in July 2014. It noted that the Central Bank of Egypt could increase policy rates in the fourth quarter of 2014 following the unexpected 100 basis points rise in June 2014.

In parallel, Barclays indicated that Egypt's external and fiscal positions remain fragile, and anticipated that they will both remain reliant on funding from Gulf countries in the short-term. It forecast the current account deficit at 1.7% of GDP in FY2014/15 compared to a deficit of 0.8% of GDP a year earlier. It added that GCC aid would help maintain the country's foreign currency reserves at almost their current levels and would further reduce the stock of short-term external debt by the end of 2014. It noted that authorities estimated the country's external financing needs at about \$12bn in 2015.

Source: Barclays Capital



ECONOMY & TRADE

JORDAN

Economy resilient despite regional turmoil

The International Monetary Fund projected Jordan's real GDP growth to accelerate to 3.3% in 2014 from 2.8% in 2013, supported by the recovery in several sectors that include agriculture and mining. It said that Jordan's economy has been resilient despite regional instability, especially the ongoing conflict in Syria and the resulting flow of refugees, the disruptions to gas imports from Egypt, and the recent developments in Iraq and Gaza. It forecast the inflation rate at around 3% at the end of 2014 compared to 3.3% at end-2013. It noted that the current account deficit continues to narrow and expected it to be less than 7.5% of GDP this year. It said that fiscal consolidation is proceeding and the accumulation of foreign currency reserves is better-than-expected. But it noted that the losses of the state-owned National Electric Power Company (NEPCO) increased due to the drop in gas supply from Egypt. It added that foreign grants would finance the rise in NEPCO's losses. In parallel, the Fund indicated that it is discussing with authorities a comprehensive set of policies for 2015 that would focus on narrowing the fiscal deficit, reducing the public debt level, strengthening economic activity and creating jobs. It added that these policies would help improve living standards and social conditions for Jordanians in coming years. It said that Parliament is currently debating the draft income tax law that would increase public revenues.

Source: International Monetary Fund

UAE

Abu Dhabi's ratings affirmed, debt of government-related entities at 18% of GDP

Standard & Poor's affirmed Abu Dhabi's long- and short-term sovereign credit ratings at 'AA/A-1+', with a 'stable' outlook on the long-term rating. It said that Abu Dhabi's ratings are supported by its strong fiscal and external positions, which offer fiscal policy flexibility. It added that the Emirate's net asset position provides a buffer to counter the negative impact of oil price volatility on economic growth, on government revenues and on external accounts. It forecast Abu Dhabi's net asset position to average 200% of GDP annually between 2014 and 2017, supported by an annual average fiscal surplus of around 7% of GDP during the same period. Further, S&P indicated that the ratings are constrained by weak political institutions, by a highly centralized decision-making process, and by the limited availability of timely macroeconomic data, particularly on the government's external assets. It added that the flexibility of monetary policy is limited given the dirham's peg to the US dollar, and that the domestic bond market is underdeveloped. It anticipated structural and institutional weaknesses to persist, but it noted that the government has strengthened its economic institutions and its oversight over public-sector debt in order to prevent financial stress at its government-related entities (GREs). It estimated the debt of Abu Dhabi's GREs at around 18% of GDP in 2014. The agency projected the Emirate's gross external financing needs at 102% and 102.4% of usable reserves and current account receipts at end-2014 and end-2015, respectively.

Source: Standard & Poor's

CÔTE d'IVOIRE

Positive economic performance for 2014 and 2015

The International Monetary Fund indicated that Côte d'Ivoire's macroeconomic prospects for the remainder of 2014 and for 2015 are positive. It projected real GDP growth at 8% in each of 2014 and 2015 and forecast the inflation rate to remain subdued. It pointed out that economic activity has been strong in the first half of 2014, mainly in the construction, public works and services sectors. It said that the execution of the 2014 budget is satisfactory, with higher-than-expected public revenues and with spending contained within the budget limits. As such, it indicated that the primary balance posted a surplus in the first half of the year compared to a projected deficit. It added that authorities raised \$750m through a Eurobond issuance in July 2014, which helped finance the budget, extended the average debt maturities and repaid domestic debt. It considered that the 2015 draft budget aims to support short-term growth by expanding public investments. In parallel, the IMF welcomed the authorities' plans to set up a single Treasury account and to restructure additional public banks. It encouraged the government's plan to strengthen the financial position of the electricity sector and to clear the stock of domestic arrears, which would maintain public finances on a sustainable path over the long-term. It noted that Côte d'Ivoire has made progress in accelerating public procurement processes.

Source: International Monetary Fund

INDIA

Ratings' outlook revised from 'negative' to 'stable' on better political climate

Standard & Poor's revised from 'negative' to 'stable' the outlook on India's 'BBB-' long-term sovereign credit rating. It attributed the outlook revision to the improved domestic political situation following the election of the new government, which is expected to strengthen growth prospects and enhance fiscal performance. It added that the current government's strong mandate would enable it to implement many of its administrative, fiscal and economic reforms. The agency said that the ratings are supported by the country's strong external position, as well as by its democratic institutions and free press that strengthen policy stability and predictability. It pointed out that India's external debt level is low, while its external liquidity position significantly improved. However, it indicated that the ratings are constrained by low per capita income levels and weak public finances. Further, it forecast the fiscal deficit to gradually narrow from 7.2% of GDP in 2014 to 6.4% of GDP in 2015 and 5.6% of GDP in 2017, reflecting the planned introduction of a national goods and services tax and administrative efforts to expand the tax base. It anticipated that the new administration would adhere to its stated fiscal consolidation program, but it noted that the planned revenues may not fully materialize and subsidy cuts may be delayed. It forecast the public debt level to fall from 68.7% of GDP in 2014 to 60.2% of GDP in 2017 and for debt servicing cost to absorb less than 20% of revenues. But it noted that fiscal and debt metrics would remain key rating constraints in coming years.

Source: Standard & Poor's



BANKING

QATAR

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

Figures issued by the Central Bank of Qatar show that total assets of the banking sector reached QAR954.8bn, equivalent to \$262.3bn at the end of August 2014, constituting an increase of 4.2% from the end of 2013 and a rise of 9.6% from end-August 2013. Loans totaled QAR612.1bn, equivalent to \$168.2bn at end-August 2014, up by 5.9% from end-2013 and reflecting an 11.1% growth in lending to the private sector and a 2.8% decrease in public sector lending in the covered period. Also, total loans grew by 10.1% year-on-year in August 2014, driven by a 14.5% annual increase in credit to the private sector and a 2.3% rise in public sector lending. In parallel, aggregate deposits totaled QAR583.1bn or \$160.2bn at end-August 2014, constituting an increase of 6.3% from the end of 2013, supported by a 7.7% rise in private sector deposits and a 2.4% increase in public sector deposits. The sector's total deposits grew by 14.4% year-on-year in August 2014. The loan-to-deposit ratio stood at 105% at the end of August 2014, nearly unchanged from end-2013 and relative to 109.1% at the end of August 2013.

Source: Central Bank of Qatar, Byblos Research

IRAN

Pressure on currency to persist

Business Monitor International anticipated that downside pressure on the value of the Iranian rial would remain substantial over the coming years, given elevated inflation rates, a worsening external position and slow economic growth. It forecast the inflation rate to average 23% in the fiscal year ending in March 2015 and 21% in FY2015/16, significantly higher than the global inflationary environment. It anticipated that economic activity would remain slow and that the country's net export position would worsen as energy export growth decelerates in coming quarters. It considered that talks between Iran and the five permanent members of the UN Security Council plus Germany would not lead to a breakthrough over the next few months, which would keep key oil and banking sanctions in place and would result in continued capital flight over the next two years. It expected the Central Bank of Iran to gradually devalue the currency in order to prevent a sharp increase in imported inflation. It forecast the rial to trade at 25,500 against the US dollar on the official market this year and to average IRR27,000 per dollar in 2015 and IRR28,000 against the dollar in 2016. Further, it expected the currency to slightly depreciate on the black market and to trade at IRR31,800 per dollar in 2014 relative to about IRR31,000 in the first half of 2014. It projected the rial on the black market to average IRR32,000 per dollar in 2015 and IRR33,000 against the dollar in 2016. BMI assigned a 25% probability that the nuclear talks would be derailed over the next 24 months, which could lead to a sharp drop in the value of the currency. In contrast, it assigned a 20% probability that negotiations would result in a major breakthrough over the same period, which could pave the way for a modest appreciation of the rial on the back of renewed confidence in the economy and rising energy exports.

Source: Business Monitor International

ARMENIA

Lending up 6% in first eight months of 2014, foreign currency loans at 63% of total lending

Figures released by the Central Bank of Armenia show that the banking sector's total loans stood at AMD1,906bn, equivalent to \$4.6bn, at the end of August 2014, constituting an increase of 6% from end-2013 and of 12.2% from a year earlier. Loans in foreign currency accounted for 62.8% of total loans at end-August 2014, up from 62.2% at end-2013 and relative to 63.5% a year earlier; while loans to non-residents amounted to 3% of total loans at end-August 2014. The distribution of lending by sector shows that consumer loans accounted for 23% of overall lending to residents, followed by industry (21.4%), trade (19.5%), mortgages (8.7%), construction and agriculture (6.5% each), services (6.1%) and communications (2.2%), while loans to other sectors represented the remaining 6.3%. Further, deposits excluding accrued interest, totaled AMD1,630bn, or \$4bn at end-August 2014. They increased by 1.1% from end-2013 and by 16.3% from a year earlier. Deposits in foreign currency accounted for 68.5% of total deposits at end-August 2014, while non-resident deposits represented 24.6% of the sector's total deposits. The loan-to-deposit ratio in foreign currency stood at 107.3%, down from 108.2% at end-August 2013, while the same ratio in local currency was 138% relative to 152.8% a year earlier. The total loan-to-deposit ratio stood at 117% at the end of August 2014 compared to 121.2% a year earlier.

Source: Central Bank of Armenia, Byblos Research

ETHIOPIA

Banks' capital adequacy at 17%, NPLs at 3%

The risk-weighted capital adequacy ratio of banks operating in Ethiopia reached 17.2% at the end of March 2014 relative to 17.9% at the end of June 2013 and 13.4% at end-June 2012. Also, the sector's Tier-One capital ratio stood at 17.2% at end-March 2014 compared to 17.9% at end-June 2013 and 13.4% at end-June 2012. The sector's liquid assets reached 15.4% of total assets at end-March 2014 relative to 23.2% at end-June 2013, while they were equivalent to 20% of total short-term liabilities at end-March compared to 30.1% at end-June 2013. Further, the sector's non-performing loans (NPLs) reached 2.9% of total loans at end-March 2014, up from 2.5% at end-June 2013 and 1.4% at end-June 2012. Also, banks' NPLs net of provisions were equivalent to 4.3% of capital at end-March 2014, relative to -0.5% at end-June 2013 and -5.6% at end-June 2012. In parallel, the banks' annualized return on assets reached 3.1% in March 2014, compared to 3.2% in June 2013 and 4.1% in June 2012, while their return on equity reached 44.6% on an annualized basis in March, down from 48% in June 2013 and 55.8% in June 2012. The sector's gross interest income accounted for 64.5% of total income at end-March 2014 relative to 64.9% at end-June 2013 and 54.7% at end-June 2012. Also, the banks' non-interest expenses represented 35.3% of gross income at end-March, up from 33.6% at the end of June 2013. Personnel expenses reached 53.3% of total non-interest expenses at end-March 2014, relative to 43.3% at end-June 2013 and 42.3% at end-June 2012.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil prices to further decline in fourth quarter

Brent crude oil prices have dropped to about \$91 per barrel in early October, reflecting their lowest level in more than two years and a drop of 21% from their year-to-date peak of \$115 a barrel on June 19th. The downward pressure on oil prices is due to the resumption of significant Libyan oil production, along with the weakening outlook for global oil demand. Brent oil prices are forecast to average \$100 a barrel in the fourth quarter of 2014, reflecting a decrease of 2% from the preceding quarter, while WTI oil prices would drop by 5.2% from the previous quarter to an average of \$91 a barrel. Brent oil prices are expected to average \$105 a barrel in 2014 and to decrease to \$97.5 a barrel in 2015, while WTI crude oil prices are projected to average \$97.3 a barrel this year and to decline to \$89.5 a barrel in 2015. In parallel, global crude oil consumption is anticipated to rise by 0.9% in 2014 and by 1.5% in 2015, while global oil production is expected to increase by 1.9% in each of 2014 and 2015. Oil supply from non-members of the Organization of the Petroleum Exporting Countries is forecast to continue to grow substantially in 2015, driven by a 9.4% rise in U.S. oil production. In parallel, the Bloomberg WTI Crude Oil Total Return Sub-Index decreased by 4.1% in September and by 1.8% in the first nine months of 2014, while the Brent Crude Oil Sub-Index dropped by 8.8% last month and by 12.4% from end-2013.

Source: Citigroup, U.S. Energy Information Administration

Syria's oil output to decrease by 50% in 2014

Syria's crude oil production is expected to average 30,000 barrels per day (b/d) in 2014, reflecting a decline of about 50% from the previous year. Syria's oil production has declined significantly since 2011 due to the ongoing unrest in the country. In parallel, the supply of crude oil from non-OPEC members in the Middle East region that includes Bahrain, Oman, Syria and Yemen, is expected to decrease by 1.5% to an average of 1.33 million b/d in 2014. The supply outlook in the region remains vulnerable to a high level of risk, mainly due to the lack of oil data and to the unstable political situation.

Source: OPEC, Byblos Research

New oil and gas discovery in Algeria

Algeria's national oil and gas company, Sonatrach, and Russia's Gazprom EP International B.V. announced the discovery of new oil and gas fields in the Berkin basin. The finding followed the completion of the drilling operation of Rhourde Sayah North-1 exploration wells. In parallel, Algeria awarded four out of 31 oil and gas field exploration blocks to foreign consortiums, reflecting the country's first attempt since the 2011 bid to draw investors to help offset its stagnant oil production.

Source: Thomson Reuters, U.S. EIA

African gas reserves account for 44% of the region's total oil and gas reserves at end-2013

Africa's proven gas reserves were estimated at 605.91 trillion cubic feet (cf) at the end of 2013, equivalent to about 44% of the region's total oil and natural gas proven reserves. Nigeria held the largest gas proven reserves in Africa with 180.7 trillion cf or 29.8% of the region's aggregate reserves at end-2013. It was followed by Algeria with 159.1 trillion cf (26.3%) and Mozambique with 100 trillion cf (16.5%).

Source: Oil & Gas Journal, EY, Byblos Research

Base Metals: Copper prices to decrease in coming six months

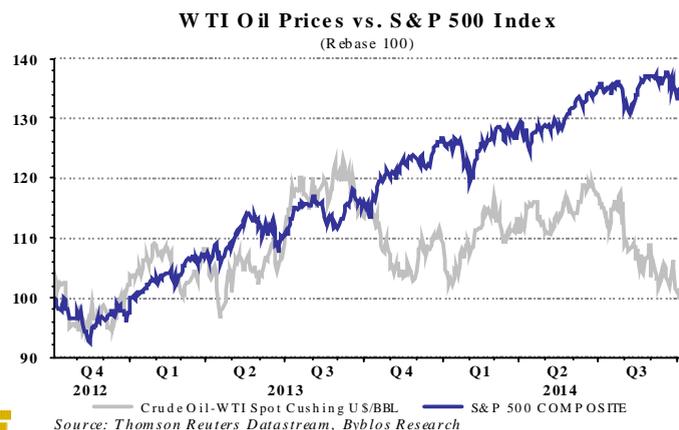
Global refined copper production is forecast to increase by 6.4% year-on-year in the fourth quarter of 2014 and by 5.3% in the first quarter of 2015, while the metal's global consumption would rise by 4% annually in each of the fourth quarter of 2014 and the first quarter of next year. The surplus in the global copper market is projected at 178,000 tons in the fourth quarter of 2014 and is expected to widen to 265,000 tons in the first quarter of 2015. Copper prices are projected to fluctuate between \$6,050 a ton and \$7,000 a ton during the coming six months. Prices of the metal are forecast to average \$6,650 a ton in the fourth quarter of the year, reflecting a decrease of 1.5% from the preceding quarter, and to decline by an additional 1.1% to an average of \$6,580 a ton in the first quarter of 2015. The Bloomberg Copper Total Return Sub-Index regressed by 4.8% in September and by 11.3% in the first nine months of 2014, the Nickel Sub-Index declined by 13.4% last month and rose by 16.1% in the first nine months, while the Zinc Sub-Index decreased by 3.2% in September and improved by 9.3% from end-2013.

Source: Thomson Reuters GFMS, Bloomberg Indexes, Byblos Research

Precious Metals: Gold prices to drop in fourth quarter of 2014 and into 2015

Gold prices have been on a downward trend since the second week of August 2014 due to investors' growing expectations of an increase in U.S. interest rates in 2015, which led them to reduce their appetite to hold the metal. Further, geopolitical risks eased as Ukraine and Russia agreed on September 3 on the broad outlines of a seven-point peace settlement, and as the US-led air campaign against the Islamic State in Iraq and Syria has temporarily contained the threat in the region. Gold prices are expected to decline by 5.4% in the fourth quarter of 2014 to an average of \$1,220 a troy ounce, as the US dollar strengthens ahead of the expected increase in interest rates. Gold prices are forecast to average \$1,274 a troy ounce in 2014, reflecting a decrease of 10% from 2013, and to drop by 3.9% year-on-year to \$1,225 an ounce in 2015. In parallel, the Bloomberg Precious Metals Total Return Sub-Index regressed by 7.6% in September and by 2.9% in the first nine months of 2014, while the Gold Sub-Index declined by 5.9% last month and rose by 0.6% from end-2013.

Source: Citigroup, Bloomberg Indexes, 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	-
Angola	BB- Stable	Ba2 Stable	BB- Stable	-	BB Stable	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
Egypt	B- Stable	Caa1 Negative	B- Stable	B- Stable	CCC Stable	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.3
Ethiopia	B Stable	B1 Stable	B Stable	-	CCC Stable	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
Ghana	B Negative	B2 Negative	B Negative	-	B Stable	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
Ivory Coast	-	B1 Positive	B Positive	-	B Stable	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
Libya	-	-	B Stable	-	B Stable	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
Dem Rep Congo	B- Stable	B3 Stable	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	-	B Stable	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
Nigeria	BB- Negative	Ba3 Stable	BB- Stable	-	B Stable	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.7
Sudan	-	-	-	-	C Stable	-1.3	89.3	74.0	-	-	-	-8.2	-
Tunisia	-	Ba3 Negative	BB- Negative	-	CCC Stable	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
Burkina Faso	B Stable	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
Rwanda	B Positive	-	B Positive	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
Middle East													
Bahrain	BBB Stable	Baa2 Negative	BBB Stable	BBB Stable	BB Stable	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
Iran	-	-	-	B Stable	CCC Stable	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
Iraq	-	-	-	-	CCC Stable	-2.0	16.3	10.7	69.5	-	-	1.0	-
Jordan	BB- Negative	B1 Stable	-	BB- Stable	CCC Stable	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	A Stable	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
Lebanon	B- Stable	B1 Negative	B Negative	B Stable	CCC Stable	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	6.0
Oman	A Stable	A1 Stable	-	A Stable	A Stable	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
Qatar	AA Stable	Aa2 Stable	-	AA- Stable	AA Stable	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
Saudi Arabia	AA- Positive	Aa3 Stable	AA Stable	AA- Stable	A Stable	7.1	2.6	11.8	24.3	1.9	11.4	15.8	0.6
Syria	-	-	-	-	C Negative	-12.0	65.0	27.4	-	-	-	-3.7	-
UAE	-	Aa2 Stable	-	AA- Stable	BB Stable	7.9	12.3	38.0	38.0	4.0	330.2	13.3	2.1
Yemen	-	-	-	-	CC Stable	-6.7	51.4	15.0	51.8	-	-	-1.5	-



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
	Stable	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	02-Oct-14	No change	06-Nov-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	11-Dec-14
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	29-Oct-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	25-Dec-14
South Korea	Base Rate	2.25	12-Sept-14	No change	15-Oct-14
Malaysia	O/N Policy Rate	3.25	18-Sept-14	No change	06-Nov-14
Thailand	1D Repo	2.00	17-Sept-14	No change	05-Nov-14
India	Reverse repo rate	8.00	30-Sep-14	No change	02-Dec-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	25-Sept-14	No change	23-Oct-14
South Africa	Repo rate	5.75	17-Sept-14	No change	19-Nov-14
Kenya	Central Bank Rate	8.50	03-Sept-14	No change	05-Nov-14
Nigeria	Monetary Policy Rate	12.00	19-Sept-14	No change	25-Nov-14
Ghana	Prime Rate	19.00	17-Sept-14	No change	03-Nov-14
Angola	Base rate	8.75	28-July-14	Cut 50bps	N/A
Mexico	Target Rate	3.00	05-Sept-14	No change	31-Oct-14
Brazil	Selic Rate	11.00	03-Sept-14	No change	29-Oct-14
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	3.00	01-Oct-14	Cut 25bps	N/A
Bulgaria	Base Interest	0.03	01-Oct-14	Cut 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

