

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2.4% at end-March 2013

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.4% at the end of March 2013, down from 2.7% in the preceding month, 2.8% at end-2012, and 2.6% at the end of March 2012. It said that 20 corporate issuers defaulted in the first quarter of the year, including nine that defaulted in March. In comparison, 24 companies defaulted in the first quarter of 2012, of which 14 were in March. It forecast the global speculative-grade default rate to rise to 2.8% at the end of 2013. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.2% at the end of the first quarter, down from 1.8% in the preceding quarter and 1.7% a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 8.8% at the end of the first quarter, down from 14.1% at the end of the preceding quarter and 17.2% in the same period last year.

Source: *Moody's Investors Service*

Global trade grows by 2% in 2012

The World Trade Organization indicated that world trade growth decelerated to 2% in real terms last year from 5.2% in 2011 due to slow economic growth in developed economies and recurring uncertainties over the future of the Eurozone. The WTO estimated that exports from developed economies grew by 1% and those from developing countries and Commonwealth of Independent States (CIS) increased by 3.3% in 2012. Also, it estimated that imports to developed economies contracted by 0.1% in 2012, while those to developing countries and the CIS increased by 4.6% year-on-year. In nominal terms, the WTO indicated that world exports totaled \$17,850bn and world imports reached \$18,155bn last year and remained almost unchanged compared to 2011. It noted that exports from Europe totaled \$6,373bn, down 4% year-on-year; exports from Asia reached \$5,640bn, up 2% from 2011; those from North America grew by 4% to \$2,373bn; those from the Middle East increased by 3% to \$1,287bn; exports from the CIS rose by 2% to \$804bn; exports from South & Central America reached \$749bn, unchanged year-on-year; and those from Africa increased by 5% to \$626bn. Further, imports to Europe totaled \$6,519bn last year down 6% from 2011; Asian imports rose by 4% to \$5,795bn, those to North America increased by 3% to \$3,192bn, imports to South & Central America improved by 3% to \$753bn, those to the Middle East grew by 6% to \$721bn; imports to Africa rose by 8% to \$604bn and those to the CIS increased by 5% to \$568bn.

Source: *World Trade Organization, Byblos Research*

MENA

Country risk level in Arab world unchanged in first quarter of 2013

Euromoney magazine's quarterly survey on global country risk shows that the risk level in the Arab world was nearly unchanged, as the average score of 19 Arab economies reached 42.45 points in the first quarter of 2013 compared to 42.57 points in the fourth quarter of 2012. The region's risks remain higher than the global risks level that averaged 42.97 points in the first quarter of the year. The GCC countries' average score increased to 66.98 points from 66.9 points in the preceding quarter, while the average score of non-GCC Arab countries decreased to 31.13 points from 31.34 points in the fourth quarter of 2012. The Arab world's Political Risks level remained at 12.12 points, worse than the global average of 13.85 points in the first quarter of 2013; while the Economic Performance score was 13.77 points, better than the global average of 13.41 points. Further, the region's Credit Ratings averaged 3.14 points relative to the global average of 3.16 points; while the Access to Bank Finance & Capital Markets score reached 3.95 points, well below the global average of 4.36 points. Qatar is the country with the best country risk ratings in the Arab world and ranked in 18th place globally, followed by Kuwait (21st), Oman (26th) and the UAE (28th); while the lowest-ranked countries in the region are Sudan that came in 155th place, Mauritania (156th), Syria (160th) and Djibouti (181st).

Sources: *Euromoney, Byblos Research*

M&A maturity level in Middle East below global standards

The City University of London Cass Business School's Mergers & Acquisitions Maturity Index for 2012 ranked the Middle East region in sixth place among eight regions in the world. The index evaluates the capacity of 148 countries to attract and sustain M&A activity using 23 factors aggregated into five sub-factors. The index rates the M&A maturity level of countries on a scale of zero to 100%, with 100% being the highest maturity level. The Middle East received a score of 59%, and ranked ahead of only Latin America (58%) and Africa (47%) in terms of M&A maturity. Also, the region's average M&A maturity score came well below the global average of 73% in 2012. The survey noted that the region ranked fourth on the Regulatory & Political Factors category behind Oceania, North America and Western Europe; while it tied with Latin America in fifth place and came ahead of Africa and CEE/CIS on the Economic & Financial Factors category. It added that the region ranked ahead of only Africa on each of the Technological Factors and Socio-economic Factors categories. Further, the survey ranked the region in sixth place on the Infrastructure & Assets Factors category, ahead of Latin America and Africa. The UAE was the top ranked country in terms of M&A maturity in the Middle East, while Mauritania was the lowest ranked regional economy on the index.

Source: *Cass Business School, Byblos Research*

OUTLOOK

MENA

Oil-importing economies to grow by 3.7% in 2013

The International Monetary Fund projected economic growth in the Middle East & North Africa at 3.1% in 2013, down from a January forecast of 3.4% and compared to real GDP growth of 5.3% for emerging and developing economies and of 3.3% for the global economy this year. It expected the growth rate of the region's oil-exporting economies to slow down to 3.2% in 2013 from a rate of 5.7% in 2012 due to limited oil production growth. Also, it forecast real GDP growth in oil-importing countries, excluding Syria, to improve to 2.7% this year from 1.9% in 2012, but to continue to reflect the weak domestic and external environment, slower progress in political transitions and the prolonged recovery in European trading partners. The Fund expected the growth divergence between the region's oil-exporting and oil-importing economies to narrow because of a decline in hydrocarbon production among oil exporters and a mild economic recovery among oil importers.

The IMF considered that the key risk for the near-term outlook of oil exporters is a prolonged fall in global oil prices that would shift the fiscal balance to a deficit for most of these countries. In parallel, the Fund indicated that downside risks remain elevated for oil-importing economies from domestic and regional political instability and social unrest. It noted that continued political instability would further delay policy actions that aim to maintain macroeconomic stability and support the recovery. It also said that an increase in global food and fuel prices would reduce oil importers' output and worsen their already large fiscal and external deficits. It added that a prolonged period of slow growth in the Eurozone would affect oil importers' growth through economic linkages such as trade, tourism, remittances and FDI. It said that oil importing economies require further fiscal consolidation and need to reduce inefficient spending on generalized subsidies.

Source: *International Monetary Fund*

EGYPT

Fiscal deficit to widen to 11.2% of GDP without an IMF deal

The Institute of International Finance projected Egypt's real GDP growth to slow down from 2.2% in fiscal year 2011/12 to 1.7% in FY2012/13 that ends in June. It said that delays in concluding an agreement with the International Monetary Fund resulted in a further drop in market confidence, as well as in the postponement of private investment, a rise in the government's borrowing cost, a sharp depreciation of the Egyptian pound and a further decline in official reserves.

In parallel, the IIF projected real GDP growth to range between 2.2% and 3.2% in fiscal year 2013/14 depending on the unfolding scenarios. It assigned a 60% probability that economic growth will reach 3.2% in case the authorities reach an agreement with the IMF. It said that an agreement with the IMF would strengthen the country's foreign reserves, lower borrowing costs to finance the large fiscal deficit, and avoid a disorderly depreciation of the Egyptian pound. But it noted that the successful implementation of an IMF program is not assured, given

the absence of broad political support and the ineffectiveness of the current government. It added that the flow of considerable external assistance in recent weeks from Qatar and Libya, as well as growing social tensions and political pressures, would diminish the authorities' incentive to take unpopular reform measures, at least until the parliamentary elections in October. It also said that the government is hoping that the IMF will eventually agree to delay the implementation of a number of difficult, but critical, economic measures. Under this scenario, the IIF projected the fiscal deficit to narrow to 9.9% of GDP in FY2013/14, and for FDI to increase to 1.7% of GDP, tourism receipts to rise to 3.6% of GDP and the public debt level to reach 85.4% GDP. It forecast official reserves at \$20.6bn at the end of June 2014, equivalent to 3 months of imports and for the pound to average 7.24 against the US dollar on the official market. Also, the IIF assigned a 40% probability that real GDP growth will reach 2.2% in FY2013/14 in case the authorities fail to reach a deal with the IMF. Under this scenario, it expected the economic situation to further deteriorate, the fiscal deficit to reach 11.2% of GDP, borrowing costs to increase, official reserves to decline to two months of imports cover, and for the currency to disorderly depreciate.

Source: *Institute of International Finance*

GHANA

Economy to grow by 8% in 2013, short term risks on the rise

The International Monetary Fund projected Ghana's real GDP growth at nearly 8% in 2013, similar to the growth level posted last year. It noted that the rise in oil production is supporting economic activity, but energy disruptions and high interest rates are weighing on activity in the non-hydrocarbon sector. The IMF cautioned from rising fiscal and external imbalances. It estimated the fiscal deficit to have widened to 12% of GDP in 2012 due to the growing public-sector wage bill, costly energy subsidies and higher interest cost. It forecast the fiscal deficit to narrow to 10% of GDP this year, but to remain higher than the government's target deficit of around 9% of GDP due to a delayed adjustment in utility tariffs. It expected the current account deficit to remain unchanged at around 12% of GDP in 2013 due to a weaker outlook for cocoa and gold exports.

Further, the IMF considered that short-term risks rose despite Ghana's strong economic potential. It said that low external buffers and a rising domestic debt ratio expose the economy to weaker terms of trade, reduced capital inflows, or unanticipated spending needs. It identified energy sector problems as well as excessive government borrowing that is raising the cost of credit to the private sector as key growth constraints. It said that rebuilding buffers to safeguard stability requires lower budget deficits to contain external pressures and keep debt sustainable, which, in turn, would allow for a reduction in interest rates. It said that the government's fiscal deficit target of 6% of GDP by 2015 will keep the public debt level elevated and buffers low. It recommended an additional fiscal adjustment of 3% of GDP by 2015 through a combination of revenue and expenditure measures.

Source: *International Monetary Fund*



ECONOMY & TRADE

SYRIA

Residential units damaged or destroyed total 1.2 million

Figures released by the United Nations Economic and Social Commission for Western Asia (ESCWA) indicate that an estimated 1.2 million houses have been damaged or destroyed in Syria since the onset of the conflict in March 2011. ESCWA noted that the total number of damaged or destroyed homes represents around one third of Syria's total housing stock of 2004. It said that 500,000 housing units, or 41.7% of total damaged or destroyed homes, suffer from damaged infrastructure; while 400,000 units, or 33.3% of the total, have been completely destroyed, and 300,000 homes, or 35% of the total, have been partially destroyed. It noted that housing damages are concentrated in informal settlements, mostly the poorer areas of conflict regions, such as in Homs, Damascus, Aleppo, Dar'aa and Deir-Ez-Zor. In parallel, the UN estimated that 2,445 schools have been damaged or destroyed, constituting around 11% of the more than 22,000 schools that were operating in Syria prior to the start of the conflict, with schools in the Idlib, Aleppo and Der'aa provinces particularly affected.

Source: United Nations Economic and Social Commission for Western Asia

JORDAN

Fiscal and monetary measures ease pressure

The International Monetary Fund indicated that policy actions implemented by the Jordanian authorities under the IMF-supported economic program helped the country to mitigate the adverse impact of regional political instability, higher energy import prices, and a large influx of refugees from Syria. First, it said that authorities reduced the primary deficit last year due to higher domestic revenues and tight spending. It noted that the authorities eliminated the general fuel subsidy and provided cash transfers to compensate low- and middle-income Jordanians, adding that the measures would support a stronger fiscal position and improved social equity. Second, it pointed out that the National Electric Power Company (NEPCO) limited its losses in 2012 through increases in electricity tariffs in May and June last year and a marked increase in gas inflows from Egypt that started in November 2012. Third, it said that the Central Bank of Jordan has managed well the temporary pressures on its reserves late last year. It noted that reserves have already been rebuilt through higher interest rates, sizable grants from the Gulf Cooperation Council countries, and a successful dollar-denominated domestic bond issuance. Further, the Fund indicated that Jordan continues to face multiple challenges and needs to continue the gradual fiscal consolidation, to maintain the CBJ's reserves and to accelerate the pace of reforms. In parallel, the IMF approved the disbursement of \$384.5m to Jordan under the 36-month Stand-By Arrangement of \$2.1bn, bringing total disbursements under the arrangement to about \$769m.

Source: International Monetary Fund

SUDAN

New law to promote investment

The government of Sudan issued a new investment promotion law that replaced the 1999 investment law. The new law aims to encourage investments in the country and to promote investment in projects that meet the objectives of the national strategy and development plans, of investment initiatives by the private sector, and the rehabilitation and expansion of existing investment projects. The law stipulates setting up a Higher Investment Council and a National Investment Agency (NIA). It exempts approved investment projects from value-added tax and from customs fees on capital and transportation equipments. Also, the authorities will allocate land at reduced prices for qualified projects. Further, the law requires investors to implement the approved projects in a period of one year from the approval date, but the NIA can extend the timeframe. Also, investors are required to submit regular reports to the NIA on the project's finances and progress. In return, the government pledged that it will not nationalize, seize or confiscate the assets and properties of the project, unless these actions serve the public interest. It added that investors will be fairly and immediately compensated. It noted that it will not seize, confiscate or freeze the project's funds except under a court order. In addition, the law stipulates the establishment of specialized courts that will consider investment lawsuits and the formation of specialized prosecution units for investment irregularities.

Source: Government of Sudan

ARMENIA

Networked readiness improves

The World Economic Forum/INSEAD Business School's Networked Readiness Index for 2013 ranked Armenia in 82nd place among 144 countries globally and in seventh place among nine Commonwealth of Independent States (CIS) economies. In comparison, Armenia came in 94th place worldwide and in seventh place regionally in the 2012 survey. The index measures the factors driving networked readiness, which is the capacity of countries to fully benefit from new information and communication technologies (ICT) in their competitiveness strategies and their citizens' daily lives. The index is a composite of four sub-indices that cover the environment for ICT, the readiness of a society to use ICT, the actual usage by the main stakeholders, and the impact that ICT generates on the economy and society. Globally, Armenia ranked ahead of Albania, Vietnam and Jamaica, while it came behind Cape Verde, Egypt and Seychelles. It also ranked ahead of only Tajikistan and Kyrgyzstan among CIS countries. Armenia received a score of 3.76 points, up from 3.49 points in the 2012 survey, but lower than the global average score of 3.97 points and the CIS average of 3.83 points. Armenia ranked in 90th place globally and in fifth place among CIS economies on the Environment Sub-Index. It also ranked in 73rd place globally and in seventh place in the region on the Readiness Sub-Index, as well as in 79th place globally and in fifth place regionally on the Usage Sub-Index. Finally, it ranked in 83rd place globally and in seventh place in the CIS region on the Impact Sub-Index, which measures the broad economic and social impacts of ICT.

Source: World Economic Forum, Byblos Research



BANKING

GCC

Debt relief plans present unforeseen risks

Fitch Ratings cautioned that the implementation of debt relief plans for households in Gulf Cooperation Council (GCC) countries would increase moral hazard. It said that excessive amounts of debt accumulated by borrowers, in the expectation that they would be cleared by the authorities, will lead to a consumer debt boom and will result in an adverse impact on banks' asset quality. It added that debt relief plans would raise costs for banks, but it expected the plans' impact on profitability to be limited and manageable as long as they remain narrow in scope. Also, it warned from wider implications on sovereign creditworthiness as the moral hazard would stimulate excessive borrowing and would lead to higher cost being supported by the sovereign. But it noted that the schemes that have been implemented so far are small compared to sovereign resources. As such, Fitch considered that debt relief plans need to be coupled with regulations to discourage reckless borrowing and lending, in order to prevent negative implications for banks and sovereigns. It said that the scale and duration of the plans should be limited in order to reduce moral hazard risks and the cost to the sovereign. It noted that Kuwait recently approved debt relief measures for its nationals for personal loans they took from commercial banks before end-March 2008 and that total \$2.6bn, while the UAE set up a \$2.7bn debt settlement fund to clear loans that its citizens defaulted on in 2011.

Source: Fitch Ratings

SAUDI ARABIA

Profits of listed banks up 4% in first quarter of 2013

The aggregate recurring net income of 10 listed Saudi banks reached SAR7,641m or \$2bn in the first quarter of 2013, constituting an increase of 4.3% from the same quarter last year and a rise of 14.5% from the fourth quarter of 2012. Total revenues stood at SAR13,563m in the first quarter of 2013, up by 5.8% year-on-year and by 8.1% quarter-on-quarter. Also, net interest income totaled SAR8,663m and rose by 6.1% annually and by 1.4% quarterly; while non-interest income reached SAR4,900m and grew by 5.3% year-on-year and by 22.3% from the preceding quarter. The stronger-than-expected rise in non-interest income was due to a mix of fee, trade and treasury receipts. Non-interest income accounted for 36.1% of total income in the first quarter of 2013 relative to 36.3% in the same quarter last year; while the cost-to-income ratio was 33.2% in the covered quarter compared to 33.8% in the first quarter of 2012. Further, total assets of the 10 listed banks reached SAR1,395bn, or \$372.1bn, at the end of March 2013, constituting an increase of 1.8% from end-December 2012 and a rise of 10.9% from end-March 2012. Customer loans totaled SAR877,324bn at end-March, up by 3.9% quarterly and by 15.7% annually. Also, customer deposits totaled SAR1,080bn at the end of March 2013 and rose by 2.8% from end-2012 and by 14.4% from end-March 2012. In parallel, the loans-to-deposits ratio was 81.2% at the end of March 2013 relative to 80.3% a year earlier, while the loans-to-assets ratio stood at 62.9% at end-March 2013 compared to 60.3% a year earlier.

Source: EFG Hermes

EGYPT

Banking sector assessment downgraded on rising uncertainties

Standard & Poor's downgraded Egypt's Banking Industry Country Assessment (BICRA) to Group '10' from Group '8', its industry risk score to '8' from '7', and its economic risk score to '10' from '9'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. The agency noted that other countries in BICRA's 'Group 10' include Greece, Jamaica and Belarus. It attributed its assessment to the Egyptian banks' direct and indirect exposure to the deteriorating domestic sovereign creditworthiness. The agency indicated that Egypt's economic risk score reflects the downgrade of its assessment of economic resilience to "extremely high risk" from "very high risk", as well as its assessment of credit risk in the economy at "extremely high risk" and economic imbalances at "high risk". Further, it pointed out that its industry score reflects the downgrade of system-wide funding risks to "very high risks" from "intermediate risks" and its assessment of "very high risks" in the country's institutional framework and "high risks" in its competitive dynamics. S&P said that most banks carry large exposure to sovereign debt compared with their equity base and are not likely to withstand a scenario of a sovereign default. It noted that the deterioration of Egypt's economy is weighing on banks by increasing credit costs and lowering their revenue-generating capacity from core banking activity. Further, the agency considered that banks operating in Egypt have structural credit exposures to cyclical or vulnerable sectors.

Source: Standard & Poor's

GHANA

Country no longer subject to FATF monitoring process

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that it will no longer monitor Ghana under its ongoing global AML/CFT compliance process. It said that Ghana took important steps to improve its AML/CFT regime as it has created the legal and regulatory framework to address the strategic AML/CFT deficiencies identified by the FATF in October 2010, and fulfilled as such its Action Plan's commitments. It added that Ghana will continue working with the GIABA, the FATF-style regional body, to address all the AML/CFT deficiencies that were identified in its mutual evaluation report.

Source: Financial Action Task Force



ENERGY / COMMODITIES

Global oil prices to decrease in 2013 and 2014

Global oil consumption is projected to reach 89.4 million barrels per day (b/d) in the second quarter 2013, constituting a marginal rise of 0.2% from 89.2 million b/d in the same quarter of 2012. The Organization for Economic Cooperation and Development (OECD) countries' consumption is expected to reach 44.6 million b/d in the second quarter of 2013, equivalent to 49.9% of global demand; while the total European Union countries' consumption is anticipated at 44.8 million b/d, equivalent to 50.1% of worldwide demand over the quarter. North America's crude oil consumption is forecast to reach 23.6 million b/d in the second quarter of 2013, equivalent to 26.4% of total global demand. It would be followed by OECD-Europe with 13.1 million b/d (14.7%) and China with 9.8 million b/d (11%). Brent crude prices are forecast to average \$100 a barrel in the second quarter of 2013, while those of WTI crude oil are expected to reach \$85 a barrel during the same quarter. Overall, Brent crude prices are projected to decrease by 7% year-on-year to \$104 a barrel in 2013; while those of WTI crude oil are forecast to decline by 4.4% year-on-year to \$90 a barrel this year.

Source: Citigroup, Byblos Research

KRG's oil exports to reach 250,000 b/d in 2013

The Kurdistan Regional Government's (KRG) oil exports are forecast to reach 250,000 b/d in 2013, to quadruple to one million b/d by 2015, and to rise by 8 times to 2 million b/d by 2019, mainly due to ongoing oilfield discoveries. The KRG indicated that it would start exporting its crude oil directly to global markets via Turkey through a new pipeline in the third quarter of this year. The new pipeline is designed to carry up to 300,000 b/d of oil. In parallel, Turkey and the KRG made progress on an energy partnership framework that would mainly cover the pricing of the KRG's gas exports and direct upstream investments by Turkish companies in the KRG. The KRG currently holds an estimated 45 billion barrels of oil reserves.

Source: Thomson Reuters, Bloomberg, Citigroup

UAE to secure 25% of its domestic electricity needs from nuclear energy by 2020

The UAE aims to generate 25% of its electricity needs from nuclear energy by 2020 in an attempt to reduce its domestic consumption of fossil fuels and maintain its crude oil export levels. It said that the construction of a 5.6 gigawatt nuclear power plant is currently underway. In August 2012, the Emirates Nuclear Energy Corporation signed contracts with six international companies for the supply of nuclear fuel, as well as for the conversion and enrichment services of its four 1,400 megawatts pressurized water reactors. The UAE's current crude oil production stands at 2.6 million b/d, and is one of the world's top five power consumers per capita.

Source: Dow Jones Newswires

Libya on track towards renewable energy

Libya aims to generate about 20% of its electricity needs from renewable sources by 2020. It plans to issue tenders for two new solar plants in the near future. Libya seeks to develop its solar power capabilities to reduce the amount of oil use in electricity generation and to maximize its oil exports. In parallel, Libya announced that it restored its 2011 pre-civil war oil production levels of 1.7 million b/d.

Source: Thomson Reuters, Dow Jones Newswires
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Base Metals: Copper prices to systematically decline in coming years

Copper prices are projected to decrease in coming years mainly due to the strengthening of the US dollar, weaker-than-expected Chinese manufacturing levels, and stronger levels of Chinese primary copper exports. Further, copper prices are forecast to average \$7,600 a metric ton in the second quarter of 2013, constituting a decrease of 3% from an average of \$7,833 a metric ton in the same quarter of 2012. Also, copper prices are projected to decline to \$7,515 a metric ton on average in 2013 and to decrease to \$6,775 a metric ton on average in 2014. In parallel, global refined copper consumption is expected to grow by 3.1% to 20.6 million tons in 2013, while global refined copper supply is forecast to rise by 3.5% to 20.9 million tons over the same year. As such, the copper market would post a surplus of around 341,000 tons in 2013. In addition, the copper market is projected to post large surpluses during the 2014-15 period, which would further put downward pressure on the metal's price to an average of \$6,500 a metric ton in late 2014 and early 2015.

Source: Citigroup, Byblos Research

Precious Metals: Silver prices to drop by 5% in second quarter and by 11% in 2013

Global silver production is projected to reach 1,118.7 million ounces in 2013, constituting an increase of 2% from 1,096.2 million ounces in 2012. In parallel, global silver jewelry consumption is expected to grow by a moderate 1% in 2013 due to sustained economic challenges in industrialized countries, and compared to a growth of 2.1% in 2012. But silver jewelry demand is forecast to increase by 9.5% in 2014 and by 11% in 2015 as the metal's price declines. Further, global industrial demand's growth is anticipated to decline in 2013, mainly due to an estimated 13.3% drop in global silver photographic applications' demand as the use of digital technology rises. As such, the net implied investment in silver would need to rise to 305.7 million ounces in 2013, from 292.5 million ounces in 2012, in order for the market to balance. Silver prices are forecast to average \$28 a troy ounce in the second quarter of 2013, constituting a decrease of 5.4% from \$29.6 a troy ounce on average in the same quarter of 2012. Overall, silver prices are projected to average \$28.1 a troy ounce in 2013, constituting a decrease of 11% from \$31.2 a troy ounce on average in 2012.

Source: Citigroup, Byblos Research

Silver Prices vs. Copper Prices
(Rebase 100)



Source: Thomson Reuters Datastream, 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	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Stable	-	Stable								
Egypt	B-	Caa1	B	B	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Stable	-	Negative	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-2.4	85.1	84.6	91.9	2.8	560.0	-23.6	0.01
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	Stable	Stable	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
	Stable	Stable	Stable	-	Positive								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	BB-	Ba1	BB+	BBB	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	Negative	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Negative	Stable								
Iran	-	-	B+	BB-	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	Stable	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Negative	-	Negative	Positive								
Kuwait	AA	Aa2	AA	AA-	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Stable	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	Negative	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-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	-	Stable	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Negative	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BBB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Positive								
Romania	BB+	Baa3	BBB-	BBB-	BB	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Ba1	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Positive	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CCC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Stable	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	20-Mar-13	No change	01-May-13
Eurozone	Refi Rate	0.75	04-Apr-13	No change	02-May-13
UK	Bank Rate	0.50	04-Apr-13	No change	09-May-13
Japan	O/N Call Rate	0-0.10	04-Apr-13	No change	26-Apr-13
Australia	Cash Rate	3.00	02-Apr-13	No change	07-May-13
New Zealand	Cash Rate	2.50	14-Mar-13	No change	24-Apr-13
Switzerland	3 month Libor target	0.00	14-Mar-13	No change	20-Jun-13
Canada	Overnight rate	1.00	06-Mar-13	No change	17-Apr-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	20-Mar-13	No change	01-May-13
Taiwan	Discount Rate	1.88	28-Mar-13	No change	20-Jun-13
South Korea	Base Rate	2.75	11-Apr-13	No change	09-May-13
Malaysia	O/N Policy Rate	3.00	07-Mar-13	No change	09-May-13
Thailand	1D Repo	2.75	03-Apr-13	No change	29-May-13
India	Reverse repo rate	7.50	19-Mar-13	Cut 25bps	03-May-13
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	24-Nov-11	Raise 100bps	N/A
Turkey	Base Rate	5.50	26-Mar-13	No change	16-Apr-13
South Africa	Repo rate	5.00	20-Mar-13	No change	23-May-13
Kenya	Central Bank Rate	9.50	Apr-13	Cut 150bps	03-May-13
Nigeria	Monetary Policy Rate	12.00	19-Mar-13	No change	21-May-13
Ghana	Prime Rate	15.00	Feb-13	No change	15-Apr-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	08-Mar-13	Cut 50bps	26-Apr-13
Brazil	Selic Rate	7.25	06-Mar-13	No change	17-Apr-13
Armenia	Refi Rate	8.00	26-Mar-13	No change	N/A
Romania	Policy Rate	5.25	28-Mar-13	No change	02-May-13
Bulgaria	Base Interest	0.01	01-Apr-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	20-Aug-12	No change	N/A
Russia	Refi Rate	8.25	03-Apr-13	No change	May-13



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