

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Corporate default rate at 3% at end-October 2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.9% at the end of October 2012, down from 3.1% in the preceding month, and compared to 1.7% at the end of 2011 and 2.2% at the end of October 2011. It said that a total of 48 rated corporate debt issuers have defaulted so far this year. Moody's said that the default rate has remained low, stable, and in line with expectations. It forecast the global speculative-grade default rate at 2.8% at the end of 2012, well below the historical average of 4.8% since 1983. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.9% at the end of October 2012, up from 1.7% at the same period last year. 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 14.7% at the end of October 2012, down from 17% at end-September and from 29.5% a year earlier.

Source: Moody's Investors Service

#### EMERGING MARKETS

##### Remittance inflows to increase by 7% to \$406bn in 2012

The World Bank revised upwards its projections for remittance inflows to developing economies to \$406bn in 2012 from an April forecast of \$399bn, constituting an increase of 6.6% from \$381bn in 2011. It expected remittance inflows to developing economies to increase by 7.9% to \$438bn in 2013 due to higher projected GDP growth in major remittance source economies in Europe, the GCC countries, Russia and the United States. It said the inflows will account for 76% and 76.8% of global remittance flows in 2012 and 2013, respectively. It expected inflows to East Asia & Pacific to reach \$114bn in 2012 and to account for 28.1% of remittances to developing economies, followed by South Asia with \$109bn (26.8%), Latin America & the Caribbean with \$64bn (15.8%), the Middle East & North Africa with \$47bn (11.6%), Europe & Central Asia with \$41bn (10.1%), and Sub-Saharan Africa with \$31bn (7.6%). Also, it forecast the growth rate of remittance inflows to South Asia at 12.5% in 2012, the Middle-East & North Africa at 8.4%, East Asia & Pacific at 7.2% and Latin America & Caribbean at 2.9% in 2012. It forecast remittance inflows to Europe & Central Asia to decline by 0.9% in 2012, and those to Sub-Saharan Africa to remain unchanged. In parallel, the World Bank projected remittance inflows to middle-income countries at \$374bn and to low-income countries at \$32bn in 2012, compared to \$353bn and \$28bn in 2011, respectively. Inflows to middle-income countries would account for 92.1% of remittances to developing economies in 2012.

Source: World Bank, Byblos Research

##### Rated entities total 1,356 at end-September, speculative-grade issuers account for 56% of total

Standard & Poor's indicated that the number of rated entities in emerging markets reached 1,356 at end-September 2012, constituting an increase from about 600 at the end of 2003. It noted that the number of rated entities grew by an average of 10.7% annually over the last 10 years. It said that the number of speculative-grade issuers in emerging markets was 759 and accounted for 56% of the total at end-September 2012, while that of investment-grade entities was 597 or 44% of the total. It noted that the number of entities rated 'BBB' in emerging markets stood at 397 and accounted for 29.3% of the total, followed by 'BB'-rated issuers with 386 (28.5%), 'B'-rated issuers with 340 (25.1%), 'A'-rated issuers with 169 (12.5%), issuers rated 'CCC' and lower with 33 (2.4%), 'AA'-rated issuers with 24 (1.8%) and 'AAA'-rated issuers with 7 (0.5%). It added that non-financial entities accounted for 63.4% of speculative grade entities in emerging markets at end-September 2012, while financial issuers represented 53.3% of investment-grade issuers in emerging markets. The agency pointed out that the median rating on entities in emerging markets has been 'BB+' since end-2006. It noted that Brazil had the most rated entities in emerging markets at 13% the total, followed by Mexico at 12%, Israel at 9%, and Russia at 8%.

Source: Standard & Poor's

#### MENA

##### Gender gap continues to be wide in Arab world

The World Economic Forum's Global Gender Gap Index for 2012 shows that the Arab countries continue to have the widest gender gap in the world, as their average score of about 0.6 points came below the averages of all other regions in advanced and developing economies. The index included 14 Arab countries, with the UAE ranking in 107th place, highest in the region. It was followed by Kuwait in 109th place, Bahrain (111th), Qatar (115th), Mauritania (119th), Algeria (120th), Jordan (121st), Lebanon (122nd), Oman (125th), Egypt (126th), Morocco (129th), Saudi Arabia (131st), Syria (132nd) and Yemen (135th). The scores of six Arab countries improved and those of seven countries regressed, while the score of one country remained unchanged. Also, the rankings of two countries improved and those of nine countries regressed, while the rankings of three countries remained unchanged. Tunisia was removed from the 2012 report due to the lack of updated data. The survey said that the highest-ranking economies of the region have invested large amounts of resources in increasing women's education levels in the last decades. But it noted that these countries had varying degrees of success at integrating women into the economy in order to reap the benefits of this investment.

Source: World Economic Forum, Byblos Research

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# OUTLOOK

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## SUDAN

### Real GDP to contract by 11.2% in 2012

The International Monetary Fund projected real GDP in Sudan to contract by 11.2% in 2012 and to remain stagnant in 2013, relative to a contraction of 4.5% in 2011, and compared to growth of 1.2% and 3.3% in 2012 and 2013, respectively, for oil importers in the MENA region. It estimated the country's nominal GDP at \$51.6bn in 2012 and at \$47.3bn in 2013, down from \$64bn in 2011. It forecast Sudan's annual average inflation rate at 28.6% in 2012 and 17% in 2013, relative to 18.3% in 2011. Also, it forecast broad money to grow by 38.4% this year and 17.5% next year, relative to 17.7% in 2011.

In parallel, the Fund projected the fiscal deficit at 4% of GDP in 2012 and 3.9% of GDP in 2013, relative to a deficit of 1.3% of GDP in 2011. It estimated public revenues to decline from 18% of GDP in 2011 to 11.5% of GDP in 2012 and 12.7% of GDP in 2013, and for total expenditures to regress from 20% of GDP in 2011 to 17% of GDP this year and 18% of GDP next year. The IMF expected Sudan's public debt to reach 112.1% of GDP at end-2012 and 116.3% of GDP at end-2013, up from 74.1% at end-2011. It also forecast total gross external debt at \$43.7bn or 84.8% of GDP in 2012 and at \$45.6bn or 96.2% of GDP in 2013, up from \$41.4bn or 64.8% of GDP in 2011. Further, the Fund estimated Sudan's exports of goods & services to decline from \$11.8bn in 2011 to \$5.7bn in 2012 and \$6.5bn in 2013; and for imports of goods & services to contract from \$10.5bn in 2011 to \$8.9bn in 2012 and \$8.7bn in 2013. It forecast the country's current account balance to shift to a deficit of \$4bn, equivalent to 7.8% of GDP in 2012, and a deficit of \$3.1bn or 6.6% of GDP in 2013, relative to a deficit of \$0.3bn or 0.5% of GDP in 2011. The Fund expected the gross official reserves to reach \$1.9bn in each of 2012 and 2013, up from \$1.3bn at end-2011. It also projected Sudan's net international reserves at -\$619m at end-2012 and -\$293m at end-2013 relative to -\$1.1bn at end-2011.

Source: *International Monetary Fund*

## ARMENIA

### Real GDP growth at 3.9%, fiscal deficit at 3.1% of GDP in 2012

The International Monetary Fund projected economic growth in Armenia at 3.9% for 2012 and 4% for 2013 compared to growth in oil-importing countries in Caucasia & Central Asia (CCA) of 5% in 2012 and 5.8% in 2013, and to growth in all CCA countries of 5.7% in 2012 and 5.5% in 2013. It forecast Armenia's annual average inflation rate at 2.8% in 2012 and 4.2% in 2013 relative to 7.7% in 2011, and compared to 2.6% and 6.5% for the region's oil-importing countries in 2012 and 2013, respectively. Also, it expected broad money to grow by 15.5% this year and 14.5% next year compared to 23.6% in 2011. The Fund projected the government's fiscal balance to post deficits of 3.1% of GDP in 2012 and 2.6% of GDP in 2013, relative to 2.8% of GDP in 2011. It estimated public revenues at 21% of GDP in 2012 and 21.4% of GDP in 2013 relative to 20.3% of GDP in 2011, and total expenditures at 25.3% of GDP this year and 25.4% of GDP next year, compared to 25.5% of GDP last year.

The IMF expected Armenia's public debt to reach 34.2% of GDP at end-2012 and 31.3% of GDP at end-2013 compared to 35.1% at end-2011. It also forecast total gross external debt at 67.7% of GDP at end-2012 and 63.3% of GDP at end-2013 relative to 70.7% of GDP in 2011, and compared to external debt in CCA countries of 44.1% of GDP in 2012 and 42% of GDP in 2013. Further, the Fund estimated Armenia's exports of goods & services to rise to \$2.6bn in 2012 and \$2.7bn in 2013 from \$2.4bn in 2011, and for imports of goods & services to grow to \$5bn in 2012 and \$5.2bn in 2013 from \$4.8bn in 2011. It projected the country's current account deficit at \$1bn or 9.8% of GDP in 2012 and at \$1bn or 9.3% of GDP in 2013, relative to \$1.1bn or 10.9% of GDP in 2011. The Fund expected the country's gross official reserves to reach \$1.7bn at end-2012 and \$1.6bn at end-2013, down from \$1.9bn at end-2011.

Source: *International Monetary Fund*

## TURKEY

### Economic growth to slow to 3% in 2012, external financing requirements to reach 26% of GDP in 2013

The International Monetary Fund projected Turkey's real GDP growth at 3% in 2012 and 3.5% in 2013 compared to 8.5% in 2011 and 9.2% in 2010. It said that growth rates have become more balanced, following above trend in the past two years, due to a deceleration in domestic demand and of imports from tighter monetary and macro-prudential policies implemented in 2011. It forecast private domestic demand to contract by 1% this year and to grow by 3% in 2013 relative to growth of 9.7% in 2011. It expected the government to miss its budget target for 2012 due to spending overruns. It projected the fiscal deficit at 2.8% of GDP in 2012 and 2.5% of GDP in 2013 relative to 0.6% of GDP in 2011. It forecast inflation level at 7.5% at end-2012 and 6.2% at end-2013 compared to 10.4% at end-2011. It noted that inflation levels remain above the target band, and encouraged the Central Bank of Turkey to adopt a more forward-looking monetary policy.

In parallel, the IMF indicated that Turkey remains vulnerable to shifts in market sentiment, given the country's large external financing needs. It projected Turkey's gross external financing requirements at 23% of GDP in 2012 and 25.9% of GDP in 2013 relative to 25.1% of GDP in 2011. Also, it forecast the current account deficit at 7.5% of GDP in 2012 and 7.2% of GDP in 2013 relative to a deficit of 10% of GDP last year. It expected gross external debt to rise to 45% of GDP in 2012 and 45.7% of GDP in 2013 from 39.6% of GDP in 2011, and for the short-term external debt to stabilize around 20.4% of GDP in 2012 and 2013 relative to 17.9% of GDP in 2011. It considered that policy priorities need to remain geared toward a continued reduction of imbalances, such as through raising domestic savings and enhancing the economy's potential over the medium term. The IMF added that authorities could use sterilized intervention in order to manage risks from excessive short-term capital inflows, given the relatively low level of foreign currency reserves.

Source: *International Monetary Fund*



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# ECONOMY & TRADE

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## IRAQ

### FDI in Kurdistan mostly in real estate

Business Monitor International indicated that macroeconomic growth in the Kurdistan region has exceeded that of Southern and Western Iraq due to increasing oil revenues, reconstruction funds and repatriated capital, which are driven by liberalizing regulatory reforms and a stable security environment. It noted that FDI in the real estate and housing sectors attracted the majority of capital inflows to Kurdistan last year. It pointed out that the region's legal framework is perceived as investment-friendly given that foreigners are allowed to own land for housing projects, which is not permitted in the rest of Iraq. It noted that the security situation in the region is significantly more stable compared to the rest of the country. Further, it indicated that demand for housing and real estate in the region is driven by foreign firms, a return of large numbers of Kurdish expatriates, improvements in the region's aviation infrastructure, and significant economic growth potential. However, BMI anticipated that the significant growth in the mid- to high-end segments of the housing market would not be sustainable in the mid- to long-term. It warned from high levels of speculation and the flipping of properties, and forecast the huge pipeline of projects to lead to oversupply of housing units. It noted that housing prices increased by 70 to 80 times in some areas relative to prices 10 years ago, adding that prices in the real estate market have become increasingly unaffordable for the middle class. It said that market growth will be constrained by an underdeveloped banking system, oil disagreements between the Kurdistan Regional Government and the federal government, and an underdeveloped transport and communications infrastructure.

Source: *Business Monitor International*

## NIGERIA

### Sovereign ratings assigned

Moody's Investors Service assigned to Nigeria local and foreign currency issuer ratings of 'Ba3', with a 'stable' outlook. The sovereign ratings are three notches below investment grade. It also assigned a 'Baa3' local-currency country risk ceiling, a 'Ba1' foreign currency bond country ceiling and a 'B1' country ceiling for foreign-currency bank deposits. It noted that the foreign currency ceilings are lower than the local currency ceiling, as they also capture foreign currency transfer and convertibility risks. The agency said the ratings reflect Nigeria's strong economic resilience and strength, its vast hydrocarbon wealth and a developed non-energy sector. But it noted that the substantial deficit in the country's infrastructure constrains its economic strength and requires significant investments. It also attributed the ratings to the establishment of a sovereign wealth fund that would support the country's financial strength and help rebuild financial buffers against weaker oil prices in the future. It added that the Nigerian Sovereign Investment Authority's structure would prevent governance issues experienced by the fiscal stabilization fund, the Excess Crude Account. Further, it pointed out that the ratings take into account Nigeria's governance level, which constitute a key challenge for the country's weak institutional strength.

Source: *Moody's Investors Service*

## SAUDI ARABIA

### Optimism grows in non-hydrocarbon sector

The D&B Business Optimism Index for Saudi Arabia indicated that the composite optimism index for the non-hydrocarbon sector increased to 47 in the fourth quarter of 2012, up from 37 in the previous quarter, due to strong sales, new orders and profitability expectations. The index for expected sales rose to 56 from 39 in the previous quarter, while the index for expected new orders increased to 57 from 52. Also, the index for expected profits index grew to 53 from 37 in the preceding quarter; the index for the number of employees rose to 48 from 44, and the index for the level of selling prices index increased to 19 from 15 in the third quarter of 2012. In parallel, the index for inventory levels decreased to 16 from 29 in the previous quarter. The construction index rose to 62 in the fourth quarter from 44 in the previous quarter, reflecting the most optimistic outlook among the various sectors surveyed for the fifth consecutive quarter. It was followed by the transport & communication index that grew to 51 from 39 in the third quarter; the finance, real estate & business services index which rose to 48 from 36 in the previous quarter; and the trade & hospitality index that increased to 45 from 31. In parallel, the manufacturing index contracted marginally to 38 from 39 in the third quarter, reflecting the least optimistic outlook among all non-hydrocarbon sectors in the fourth quarter of 2012.

Source: *Dun & Bradstreet*

## EGYPT

### IMF reaches staff-level deal of \$4.8bn with Cairo

The International Monetary Fund indicated that it has reached a staff-level agreement with Egypt on a 22-month \$4.8bn Stand-By Arrangement that will support the government's economic program through fiscal year 2013/14. It said that economic program seeks to promote economic recovery and address the country's fiscal and balance-of-payments deficits. Citigroup noted that there will be conditions attached to the drawdown of the \$4.8bn, but that these conditions are not clear yet. The IMF added that the program will be supported by a financing package of \$14.5bn in loans and deposits on favorable terms from bilateral and multilateral partners. But Citigroup noted that the details of the proposed funding are not available to date. It estimated the country's external funding requirement in 2013 at \$10bn to \$12bn, and added that the package provides potential funding over what may be required. It noted that the real question is how quickly this proposed level of funding will materialize upon signing of the SBA. In parallel, Citigroup noted that fiscal reforms are set to be the centerpiece of the program, and that the main proposal is to reduce the fiscal deficit from almost 11% of GDP in FY2011/12 to 8.5% of GDP in FY2013/14. Further, the IMF said that the authorities will use monetary and exchange rate policies to reduce inflation levels over the medium-term, enhance Egypt's international competitiveness, and increase international reserves. Citigroup considered that this indicates that monetary policy would have to remain tight in the short term, that interest rates will have to stay elevated, and that there will be no sharp devaluation of the Egyptian pound.

Source: *International Monetary Fund, Citigroup*



# BANKING

## JORDAN

### Private sector lending up 5% in first nine months of 2012

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD39.2bn at the end of September 2012, constituting a rise of 4.1% from end-2011 and an increase of 5.7% from end-September 2011. Resident private sector loans rose by 5.7% from end-2011 to JD15.8bn, while credit facilities to the non-resident private sector decreased by 3.1% to JD944m, leading to an increase of 5.2% in overall private sector lending in the first 9 months of 2012. Resident private-sector lending accounted for 40.2% of total assets at end-September 2012, down from a 39.6% share a year earlier. In parallel, resident private sector deposits reached JD20.6bn, an increase of 3.7% from the end of 2011 and of 5.7% from a year earlier. Also, deposits of non-bank financial institutions rose by 21.3% from end-2011 to JD335.9m. The central government's deposits totaled JD634.3m, down 0.5% from end-2011, while those of public non-financial institutions increased by 11.8% to JD367.5m. Further, claims on the public sector increased by 15.1% to JD8.5bn in the first nine months of the year, with claims on the central government accounting for 94.5% of lending to the public sector. Claims on the public sector accounted for 21.7% of total assets at end-September 2012 compared to 17% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD4.2bn, down 25.7% from JD5.6bn at end-2011; while capital accounts and allowances rose by 5.6% to JD5.7bn. Deposits with foreign banks reached JD5.1bn at end-September 2012, up 19% from end-2011, and the sector's foreign liabilities increased by 4% to JD6.4bn.

Source: Central Bank of Jordan, Byblos Research

## EGYPT

### Banks' standalone credit assessment lowered on sovereign exposure

Moody's Investors Service lowered the standalone credit assessment of state-owned National Bank of Egypt, Banque Misr and Banque Du Caire to 'b3' from 'b2', and that of privately-owned Commercial International Bank (CIB) to 'b2' from 'b1', while it affirmed the rating of Bank of Alexandria (BoA) at 'b2'. It also downgraded the long-term local-currency deposit rating of CIB to 'B2' from 'B1', and affirmed the ratings of the three state-owned banks at 'B2' and that of BOA at 'Ba3'. It noted that all ratings have a 'negative' outlook. It attributed its actions to the five banks' high exposure to Egyptian government securities and to the weak capital buffers of state-owned banks given the challenging domestic operating environment. It said the three state-owned banks' exposure to sovereign debt ranges between 500% and 700% of Tier One capital. It added that the very high concentration of government securities increases the banks' vulnerability to sovereign risks. Further, it pointed out that CIB's exposure to Egyptian government securities rose to 191% of Tier One Capital at end-June 2012 which increased its susceptibility to sovereign risk and offset its stronger asset quality, capital buffers and risk-management compared to peers. Also, it indicated that BoA's exposure to government securities stood at 256% of Tier One Capital at end-June 2012.

Source: Moody's Investors Service

## UAE

### Outlook for banking sector remains negative

Moody's Investors Service indicate that the outlook on the UAE's banking system remains negative due to asset quality challenges, especially for the Dubai-based banks, and because of low provisioning coverage levels. It expected problem loans to remain high due to exposures to large and stressed government-related entities and to legacy corporate impairments, primarily real-estate-related, which are still rising after failed attempts of restructuring. It projected the banking sector's NPL ratio at between 10% and 12% of gross loans at end-2012. The agency said that limited transparency, sizeable related-party exposures and high loan and deposit concentrations will keep UAE banks vulnerable to name-specific credit risks in the near-term, despite recent guidelines published by the Central Bank. Further, it expected the key constraining factors for profitability in 2012 and 2013 to be slow growth in lending and the ongoing provisioning required to cover elevated problem loan. It forecast the sector's ratio of net income-to-average risk-weighted assets at around 2%. Moody's expected Abu Dhabi banks to post higher credit growth and profitability compared with Dubai-based banks due to stronger local economic activity and higher confidence levels.

Source: Moody's Investors Service

## TURKEY

### Bank ratings raised following sovereign upgrade

Fitch Ratings upgraded the long-term foreign and local currency Issuer Default Ratings (IDR) from 'BB+' to 'BBB-' and 'BBB', respectively, of state-owned T. C. Ziraat Bankasi, Turkiye Halk Bankasi, Turkiye Vakiflar Bankasi and Turkiye Kalkinma Bankasi with a 'stable' outlook on the ratings. It also upgraded long-term foreign and local currency Issuer IDRs to 'BBB' and 'BBB+', respectively, of Turk Ekonomi Bankasi, ING Bank, Kuvveyt Turk Katilim Bankasi and Turkiye Finans Katilim Bankasi, with a 'stable' outlook on the ratings. Further, the agency upgraded the long-term foreign currency IDR to 'BBB' from 'BBB-' of Yapi ve Kredi Bankasi (YKB), and affirmed its local currency IDR at 'BBB', with a 'negative' outlook on the bank's ratings. It attributed its ratings actions on the nine banks to the recent upgrade of Turkey's sovereign ratings to investment grade. It said that the upgrades of the four state-owned banks' ratings reflect the improved ability of the Turkish sovereign to provide support to these banks in case of need. It added that the IDRs of the four state-owned banks are sensitive to changes in those of the Turkish sovereign. It pointed out that the upgrades of the foreign-owned banks' ratings reflect the reduction in Turkish transfer and convertibility risks, and the higher probability that these banks will be able to utilize parent support to service their debt. It said that the ratings on the banks continue to be constrained by Turkey's country risks, except for those of YKB, which are constrained by the ratings of its foreign parent. In parallel, the agency plans to review the ratings of Turkiye Is Bankasi, Turkiye Garanti Bankasi and Akbank, Turkey's largest private-owned banks.

Source: Fitch Ratings



# ENERGY / COMMODITIES

## Non-OPEC oil supply to rise by 2% in 2013

Total non-OPEC oil supply is projected to reach 53.8 million barrels per day (b/d) in 2013, constituting an increase of 1.7% from 52.9 million b/d in 2012. Oil supply from the Organization for Economic Cooperation and Development (OECD) countries is forecast to reach 21.2 million b/d in 2013, equivalent to 39.4% of total non-OPEC output. The Former Soviet Union countries would follow with 13.4 million b/d (24.9%), Developing Countries with 12.6 million b/d (23.4%), and China with 4.2 million b/d (7.8%). North America's oil supply is expected to grow by 2.7% in 2013, the fastest among non-OPEC producers; while Western Europe is forecast to contract by 3.1% constituting the steepest decline among non-OPEC suppliers. In parallel, world oil demand is projected to grow to 89.6 million b/d in 2013, constituting an increase of 1.9% from 88 million b/d in 2012. Oil demand in OECD countries is expected to reach 45.3 million b/d in 2013, equivalent to 50.6% of global consumption. Developing Countries would follow with 29 million b/d (32.4%), China with 10.1 million b/d (11.3%) and the Former Soviet Union countries with 4.5 million b/d (5%). Several factors could impact the forecast of oil demand growth, such as global GDP growth, retail petroleum prices, and abnormal weather conditions. Further, Brent crude oil prices are projected to average \$99 per barrel (p/b) in 2013 and to decrease to \$93 p/b in 2014.

Source: OPEC, Byblos Research

## U.S. to become world's top oil producer by 2020

The United States is projected to overtake Saudi Arabia as the world's top oil producer by the middle of 2020. Oil production in the U.S. is forecast to reach 11.1 million barrels a day by 2020, constituting an increase of 37% from 8.1 million barrels a day in 2011. The U.S. is projected to become a net oil exporter by 2030 due to sustainable drops in oil imports. Also, the U.S. currently imports about 20% of its total energy needs and is forecast to become self-sufficient in energy by 2035 due to faster-than-expected development of hydrocarbon resources.

Source: International Energy Agency, Byblos Research

## Oil prices to remain high in 2013

Oil prices are expected to remain high in 2013, while natural gas prices are estimated to remain low but to continue their slow recovery. However, slower-than-expected Chinese economic growth would drive oil prices to drop, as China accounts for a large share of the oil demand growth. Also, the oilfield services sector's capacity is forecast to satisfy the global demand from exploration and production customers.

Source: Moody's Investors Service

## Non-OECD demand to increase in 2013

Non-OECD oil demand is expected to grow to 44.9 million b/d in 2013, constituting an increase of 3.4% from 43.5 million b/d in 2012. Non-OECD consumption will continue to grow throughout the coming years, but at a slower pace due to weak global economic growth. The non-OECD share of the global energy demand grew from 36% in 1973 to 55% in 2010 and is expected to rise to 64% of global energy consumption by 2035.

Source: Economic Intelligence Unit, International Energy Agency

## Base Metals: Global copper supply to rise in 2013

Global refined copper supply is projected to reach 20.9 million tons in 2013, constituting a rise of 3.7% from 20.2 million tons in 2012. In parallel, global copper demand is expected to reach 20.8 million tons in 2013, constituting an increase of 3.3% from 20.1 million tons in 2012. The copper market surplus is forecast to increase to 134 million tons relative to a surplus of 53 million tons in the preceding year, mainly due to a combination of a significant slower global copper demand and a period of improving mine supply. China is projected to remain the main driver behind global copper demand growth in coming years. Further, global copper consumption is expected to rise by 3.3% in 2013 from a growth of 1.7% in 2012, and to grow by 3.5% in 2014. Also, global copper production is projected to expand by 3.7% in 2013 from a growth of 3.2% in 2012, and to rise by 4.4% in 2014. Global copper prices are forecast to average at \$7,965 a metric ton in 2013 and to drop to \$7,775 a metric ton in 2014.

Source: Citigroup, Byblos Research

## Precious Metals: Silver consumption to grow in 2013

Global silver production is projected to reach 1,129 million ounces in 2013 and to rise to 1,141 million ounces in 2014. Silver mine production is forecast to reach 807.3 million ounces, equivalent to 71.5% of global supply; while global scrap is forecast at 285 million ounces (28.5%). Total mine supply is expected to grow by 3.2% in 2013, up from 2.7% in 2012, and to slow to 1.1% in 2014. In parallel, global silver demand and supply are forecast to balance in 2013. Total silver fabrication is projected to reach 878.2 million ounces in 2013, equivalent to 77.8% of global silver demand with industrial goods accounting for 498 million ounces or 56.7% of total silver fabrication, and jewelry products for 158.5 million ounces (18%). It would be followed by coins & medals with 123.7 million ounces (14.1%), photographic purchases with 56.4 million ounces (6.4%) and silverware with 41.3 million ounces (4.7%). Global silver ETF holdings stood at \$14.7bn on November 2nd. Precious metals' prices rose significantly so far this year, with gold prices increasing by 9% year-to-date and silver prices by 17%. Silver prices are projected to average \$31 an ounce in 2013 and to drop to \$26.5 an ounce in 2014.

Source: Citigroup, Byblos Research

Global Commodity Outlook				
(3-months LME, \$/ton)	2012e	2013f	2014f	2015f
Aluminum	2,057	2,100	2,175	2,250
Copper	7,970	7,965	7,775	7,500
Lead	2,060	2,090	2,200	2,250
Nickel	17,833	21,770	24,400	24,000
Tin	20,972	22,750	22,875	25,000
Zinc	1,956	2,040	2,125	2,220
(Spot price, \$/ounce)				
Gold	1,679	1,749	1,655	1,540
Palladium	638	744	925	925
Platinum	1,556	1,675	1,775	1,825
Silver	31.3	31.0	26.5	23.3

Source: Citigroup



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	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								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-3.6	9.9	2.8	5.7	1.2	2.6	10.3	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	12.6	30.9	18.0	47.1	7.5	-	12.0	-
	Stable	Stable	Stable	-	Stable								
Egypt	B	B1	B+	BB+	CCC	-9.9	76.4	14.8	44.6	6.7	127.8	-2.0	-
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.6	37.3	26.5	276.7	-	-	-6.3	0.2
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-4.3	43.4	20.4	59.4	-	-	-6.5	3.2
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-5.7	67.9	47.3	100.0	-	-	1.0	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	-	-	15.1	28.2	2.0	-	4.4	-
	-	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-1.5	92.4	92.2	100.0	-	560.0	-6.5	0.01
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	B	-6.9	54.4	24.6	81.2	8.9	131.3	-7.4	2.3
	Negative	-	Stable	Stable	Stable								
Nigeria	BB-	Ba3	BB-	-	B	1.1	17.9	4.2	7.5	0.4	-	13.5	9.7
	Stable	Stable	Stable	-	Positive								
Sudan	-	-	-	-	C	-2.9	73.1	60.5	397.9	-	-	2.1	-
	-	-	-	-	Stable								
Tunisia	BB	Baa3	BBB-	BBB	CCC	-3.2	42.4	47.9	105.5	9.3	309.3	-7.4	1.1
	Stable	Negative	Negative	Stable	Stable								
<b>Middle East</b>													
Bahrain	BBB	Baa1	BBB	BBB+	BB	-2.3	36.5	138.6	65.1	6.2	354.8	4.2	-
	Negative	Negative	Stable	Negative	Stable								
Iran	-	-	B+	BB-	CCC	0.2	9.0	3.4	9.8	1.5	11.3	10.7	3.8
	-	-	Stable	Negative	Stable								
Iraq	-	-	-	-	CCC	7.4	86.9	76.8	61.4	-	83.1	7.9	1.5
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	CCC	-6.0	70.6	21.6	53.9	4.8	71.0	-9.5	1.4
	Negative	Negative	-	Stable	Positive								
Kuwait	AA	Aa2	AA	AA-	A	31.0	4.1	18.0	25.3	7.0	126.1	41.8	-
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-5.6	136.2	174.5	536.4	14.7	92.5	-14.4	2.3
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	8.2	5.1	11.5	19.1	-	65.7	13.2	0.2
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	8.0	32.5	72.6	123.1	9.1	642.6	28.4	-
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	15.2	7.5	16.3	29.8	2.1	19.7	24.4	13.0
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	CC	-	-	-	87.7	-	-	-	1.1
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	2.9	16.9	41.0	59.3	6.6	445.1	9.2	5.5
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-4.4	42.5	18.0	72.4	-	157.5	-3.5	-
	-	-	-	Negative	Stable								



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	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								
<b>Asia</b>													
Armenia	-	Ba2	BB-	-	-	-2.7	35.1	65.5	453.3	-	357.9	-12.3	0.4
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BBB	-1.1	25.8	9.1	31.5	1.7	-	2.8	58.9
	Stable	-	Stable	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-5.9	68.1	15.5	62.9	11.1	96.5	-2.8	16.8
	Negative	Stable	Negative	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BBB	5.7	10.9	76.1	136.2	29.7	432.4	7.6	8.4
	Stable	-	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.5	17.0	87.9	132.3	17.8	-	1.9	1.7
	Stable	Stable	Stable	-	Positive								
Romania	BB+	Baa3	BBB-	BBB-	BB	-4.1	33.0	67.4	175.7	23.7	246.9	-4.2	2.6
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.8	9.6	22.5	71.9	9.7	-	5.5	-
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba1	BBB-	BB	B	-1.3	39.4	39.7	167.4	29.5	454.2	-9.9	13.4
	Stable	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-4.0	36.5	76.4	142.1	34.9	-	-5.6	7.0
	Negative	Negative	Stable	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2011



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	12-Nov-12	No change	12-Dec-12
Eurozone	Refi Rate	0.75	08-Nov-12	No change	06-Dec-12
UK	Bank Rate	0.50	08-Nov-12	No change	06-Dec-12
Japan	O/N Call Rate	0-0.10	30-Oct-12	No change	20-Nov-12
Australia	Cash Rate	3.25	06-Nov-12	Cut 25bps	04-Dec-12
New Zealand	Cash Rate	2.50	25-Oct-12	No change	31-Jan-13
Switzerland	3 month Libor target	0.00	13-Sep-12	No change	13-Dec-12
Canada	Overnight rate	1.00	23-Oct-12	No change	04-Dec-12
<b>Emerging Markets</b>					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	12-Nov-12	No change	12-Dec-12
Taiwan	Discount Rate	1.88	20-Sep-12	No change	27-Dec-12
South Korea	Base Rate	2.75	09-Nov-12	Cut 25bps	13-Dec-12
Malaysia	O/N Policy Rate	3.00	08-Nov-12	No change	31-Jan-13
Thailand	1D Repo	2.75	17-Oct-12	Cut 25bps	28-Nov-12
India	Reverse repo rate	8.00	30-Oct-12	No change	18-Dec-12
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	5.75	18-Oct-12	No change	20-Nov-12
South Africa	Repo rate	5.00	20-Sep-12	No change	22-Nov-12
Kenya	Central Bank Rate	11.00	07-Nov-12	Cut 200bps	Jan-13
Nigeria	Monetary Policy Rate	12.00	19-Sep-12	No change	20-Nov-12
Ghana	Prime Rate	15.00	Nov-12	No change	Jan-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	26-Oct-12	No change	30-Nov-12
Brazil	Selic Rate	7.25	10-Oct-12	Cut 50bps	28-Nov-12
Armenia	Refi Rate	8.00	06-Nov-12	No change	N/A
Romania	Policy Rate	5.25	02-Nov-12	No change	07-Jan-12
Bulgaria	Base Interest	0.04	01-Nov-12	Raise 1bps	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	9-Nov-12	No change	N/A



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