

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Demand for Sukuk at \$900bn by 2017**

Ernst & Young projected the global demand for Sukuk at \$900bn by 2017 relative to a current demand level of \$300bn. It attributed the significant increase in demand to a double-digit growth of the Islamic banking industry, and the increasing appetite for credible, Shari'a compliant, liquid securities. It noted that Islamic financial institutions, fund managers and high net worth individuals constitute the drivers of the demand. It added that conventional institutions are showing renewed interest in investing in Sukuk after the Eurozone debt crisis, as these Islamic products are backed by real assets. Further, E&Y indicated that constraints on the supply side constitute one of the Sukuk market's main challenges, as demand continues to outpace new market issuance. It said that an absence of a global standardized Sukuk trading platform open for all Islamic and conventional financial institutions is also a major factor limiting the growth in the supply of such instruments. It noted that the industry is not yet ready to fully capitalize on this demand potential, and the supply of Sukuk may fall well short of the \$900bn demand over the next five years. In parallel, it pointed out that Sukuk denominated in the Malaysian ringgit are the fastest-growing segment of the market, as they account for more than 67% of total global issuance.

Source: Ernst & Young

#### EMERGING MARKETS

##### **Trading in Credit Default Swaps down 22% to \$274bn in third quarter of 2012**

Trading in emerging markets Credit Default Swaps (CDS) reached \$213bn in the third quarter of 2012, constituting a 22% decrease from \$274bn in the same quarter last year and a 2% drop from \$218bn in the second quarter of 2012. The continuous drop in CDS trading was mainly due to new regulations, such as the ban of uncovered short selling using sovereign CDS contracts, and the fact that the high level of liquidity in the market has been directed to bond investments at the expense of credit default swaps. The most frequently traded sovereign CDS contracts were those on Brazil at \$31bn, followed by Turkey at \$25bn and Mexico at \$23bn; while the most frequently traded corporate CDS contracts were those on Gazprom at \$2bn, and PDVSA and Petrobras at over \$1bn each. The survey covered data on CDS contracts for 19 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

#### MENA

##### **Ease of paying taxes differs sharply across Arab world**

The PricewaterhouseCoopers/World Bank Ease of Paying Taxes Index for 2013 included 19 Arab countries, with six countries ranking among the top 15 worldwide. The UAE ranked in first place globally, followed by Qatar in second

place, Saudi Arabia (3rd), Bahrain (7th), Oman (10th) and Kuwait (11th) as the top ranked Arab countries; while Egypt (145th), Algeria (170th) and Mauritania (177th) ranked last. The rankings of five countries improved, 11 declined and three remained unchanged from the 2012 survey. The index measures a firm's mandatory taxes and contribution that have a direct impact on its income. It covers the number of tax payments by business, the total compliance time, and the total tax rate as a percentage of commercial profits. The index shows that the average number of tax payments per year in GCC economies is 0.5 times for corporate taxes, 6.5 times for labor taxes and 1.3 times for other mandatory taxes, compared to averages of 2.4, 12.4 and 12.6, respectively, in non-GCC countries and to global averages of 68.5 hours, 96.5 hours and 102.5 hours, respectively. Also, it takes a standard firm in GCC countries 15.7 hours to prepare, file and pay its corporate taxes; 39 hours for its labor taxes and zero hours for its consumption taxes, compared to averages of 78.1, 95.2 and 101, respectively, in non-GCC and to global averages of 68.5 hours, 96.5 hours and 102.5 hours, respectively. In parallel, the tax rate as a percentage of commercial profits in a standard firm in GCC countries is 2% for corporate tax, 12.3% for labor tax and 0.2% for non-corporate tax, compared to averages of 14%, 18.4% and 9.6%, in firms in non-GCC countries and to global averages of 16.4%, 16.2% and 12.1%, respectively.

Source: PricewaterhouseCoopers, World Bank, Byblos Research

##### **Economic freedom in Arab world improves marginally in 2012**

The Fraser Institute's annual Index of Economic Freedom in the Arab World shows that overall economic freedom in the region improved marginally year-on-year, as the average numerical score for overall economic freedom of 17 Arab countries reached 7.08 points in 2012 relative to 6.94 points in 2011. The index evaluates individual economies on the basis of 18 variables that are divided into five broad factors of economic freedom that measure the Size of Government; Legal Structure and Security of Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor and Business. The rankings of four Arab countries improved, seven were unchanged and six regressed; while the scores of six countries improved, six were unchanged and five regressed. Bahrain and the UAE have the highest level of economic freedom in the Arab world, followed by Jordan and Kuwait; while Syria, Mauritania, and Algeria are the least free economies in the region. Lebanon had the best score on the Size of Government category, while Saudi Arabia ranked first in the Legal Structure and Security of Property Rights Category. Also, Kuwait ranked first on the Access to Sound Money category, while Bahrain came first on the Regulation of Credit, Labor and Business category, and tied with Yemen in first place on the Freedom to Trade category.

Source: Fraser Institute, Byblos Research

# OUTLOOK

## SYRIA

### Public spending to drop by 14%, capital expenditures to contract by 44% in real terms in 2013

Business Monitor International anticipated private consumption in Syria to contract by 6% in 2012 and 2% in 2013, and to remain constrained for all income levels over the coming quarters. It noted that Syrians' purchasing power is rapidly eroding due to high inflation rates, while the increasing number of displaced and refugees is depressing private consumption. It added that tourism activity, which accounted for 5.3% of GDP in 2010, dropped significantly, with tourism arrivals and revenues posting annual contractions of 76.4% and 75%, respectively, in the first quarter of 2012. Further, BMI expected gross fixed capital formation to drop by 6% in both 2012 and 2013 as ongoing violence and international sanctions would limit FDI to a minimum, with only Russian, Chinese and Indian firms maintaining operations in the country. It added that the 2013 draft budget projected capital expenditures to fall by 26% to SYP275bn, equivalent to a fall of around 44% in real terms. It said that the budgeted increase in public expenditures of 4.3% in 2013 is equivalent to a decline of around 13.7% in real terms, which would keep government consumption subdued. Further, it forecast government consumption to increase by 2% in both 2012 and 2013.

In parallel, BMI expected Syria's net export position to weigh heavily on headline growth in 2012 and 2013, with total exports falling by 14% in 2012 and 7% in 2013. It also forecast imports to decrease by 7% and 5% in 2012 and 2013, respectively. It attributed the fall in exports to international sanctions on the hydrocarbon sector, and the drop in imports to a sharp decrease in consumption and investment, the ongoing depreciation of the Syrian pound, and the impact of sanctions. It estimated the country's stock of foreign currency reserves at \$9.2bn, equivalent to 5.4 months of imports, at end-2012 and anticipated that the stock will continue to be depleted as exports fall.

Source: *Business Monitor International*

## IRAQ

### Non-oil growth to average 5.5% in 2012-13

The International Monetary Fund projected economic growth in Iraq at 10.2% in 2012 and 14.7% in 2013 compared to growth in Middle Eastern oil exporting countries of 6.6% in 2012 and 3.8% in 2013. It forecast the country's real non-oil GDP to grow by 5.5% in each of 2012 and 2013, up from 5% in 2011. It expected Iraq's annual average inflation rate at 6% in 2012 and 5.5% in 2013, compared to inflation of 11.5% and 9.7% in oil-exporting countries for 2012 and 2013, respectively. Also, it expected broad money to grow by 19.5% this year and 16.1% next year, down from 38% in 2011. The Fund projected the government's fiscal balance to post a deficit of 1.9% of GDP in 2012 but to shift to a surplus of 3.1% of GDP in 2013, compared to a surplus of 7.6% of GDP in 2011. It also forecast the government's non-oil fiscal deficit at 226.8% of non-oil GDP this year and 206.2% of non-oil GDP next year, up from 200.3% of non-oil GDP last year. It estimated overall government revenues at 73.5% of GDP in 2012 and non-oil revenues at 11.8% of non-oil GDP in 2012 compared to 76.5% of GDP and 12.5%

of non-oil GDP, respectively, in 2011; and total expenditures at 76% of GDP this year relative to 70.5% of GDP last year.

The IMF projected Iraq's public debt to reach 77.7% of GDP at end-2012 and 25.5% of GDP at end-2013, down from 88.7% of GDP at end-2011. It also forecast total gross external debt at 68.3% of GDP this year and 19.3% of GDP next year, relative to 78.5% of GDP last year. Further, the Fund estimated Iraq's exports of goods & services at \$93.6bn in 2012 and \$113.9bn in 2013, and imports of goods & services at \$85.6bn in 2012 and \$99.8bn in 2013. It forecast the country's current account to post surpluses of \$300m, or 0.3% of GDP, in 2012 and \$9.3bn, or 6.1% of GDP, in 2013. It expected the country's gross official reserves to grow from \$61.1bn at end-2011 to \$67.7bn at end-2012 and \$73.6bn by end-2013. The Fund anticipated Iraq's oil production to increase from 2.7 million barrels per day in 2011 to 3 million b/d this year, and for oil exports to rise from 2 million b/d last year to 2.3 million b/d in 2012.

Source: *International Monetary Fund*

## LIBYA

### Non-oil activity to grow by 30% in 2012 and 25% in 2013

The International Monetary Fund projected real GDP in Libya to grow by 121.9% in 2012 and 16.7% in 2013 compared to a contraction of 59.7% in 2011, and relative to growth in oil exporting countries in the Middle East and North Africa (MENA) of 6.6% in 2012 and 3.8% in 2013. It expected Libya's nominal GDP to reach \$85.1bn in 2012 and \$97.6bn in 2013, relative to \$35.7bn in 2011. It forecast the country's non-oil real GDP to increase by 30% in 2012 and 25% in 2013, relative to a contraction of 63.1% in 2011, and compared to non-oil growth of 4.8% and 4.7%, respectively, for oil exporters in the MENA region. It expected Libya's oil production to recover from 490,000 barrels per day in 2011 to 1.5 million b/d in 2012 and 1.7 million b/d in 2013; and for crude oil exports to increase from 260,000 b/d last year to 1.2 million b/d this year and 1.3 million b/d next year. It estimated Libya's annual average inflation rate at 10% in 2012, down from 15.9% in 2011, and compared to the average inflation in the region's oil exporting countries of 11.5%. It also forecast the country's average inflation to decrease to 0.9% in 2013. Also, it expected broad money to contract by 15% this year but to grow by 4.5% next year, down from 25% in 2011.

In parallel, The IMF forecast Libya's total gross external debt at 6.5% of GDP in 2012 and 5.7% of GDP in 2013, down from 15.6% of GDP in 2011. The Fund estimated Libya's exports of goods & services to increase from \$13bn in 2011 to \$58.6bn in 2012 and \$60.4bn in 2013; and for imports of goods & services to grow from \$15.5bn in 2011 to \$38bn in 2012 and \$47.8bn in 2013. It forecast the country's current account balance to post surpluses of \$18.6bn in 2012 and \$10bn in 2013, equivalent to 21.8% of GDP in 2012 and 10.3% of GDP in 2013, respectively, and relative to a surplus of \$500m or 1.3% of GDP in 2011. The Fund expected gross official reserves to reach \$121.4bn at end-2012 and \$125.4bn at end-2013, up from \$107.6bn at end-2011.

Source: *International Monetary Fund*



# ECONOMY & TRADE

## EGYPT

### Fiscal deficit reduction requires drastic measures

The Institute of International Finance indicated that large fiscal deficits constitute Egypt's main macroeconomic risk. It noted that the failure to implement near- and medium-term fiscal consolidation would exacerbate existing debt sustainability concerns. It projected Egypt's fiscal deficit at 9.8% of GDP in fiscal year 2012/13 relative to 10.8% of GDP in FY2011/12 and 9.5% of GDP in FY2010/11. It attributed the widening of the deficit in FY2011/12 to weak economic activity, the large increase in the wage bill, expansion of subsidies, and the rising cost of borrowing. It expected the government to miss its target deficit of 8.3% of GDP for FY2012/13 due to slower-than-projected growth in household spending and private investment, which would lead to weaker-than-budgeted tax receipts. It added that the government will not meet its goal of reducing fuel subsidies by 2.3% of GDP in FY2012/13 because of delays in the implementation of the energy rationing system. It forecast subsidies to be equivalent to 7.1% of GDP in FY2012/13 relative to 8.9% of GDP in FY2011/12 and to a government target of 6.1% of GDP in FY2012/13 budget. In parallel, the IIF noted that reforming the subsidy system, improving targeted transfers and limiting the increase in spending on civil service, as well as replacing the current general sales tax into a value-added tax, would help reduce the deficit. It said that reaching a deficit of 5% of GDP by FY2015/16 is critical to stimulate private sector-led growth and reduce vulnerabilities. It added that achieving this target would lower the government debt-to-GDP ratio by 10 percentage points by June 2015.

*Source: Institute of International Finance*

## TURKEY

### Upgrade to investment grade depends on shock-absorption capacity of balance of payments

Moody's Investors Service indicated that Turkey's 'Ba1' rating and 'positive' outlook reflect the significant improvement in its public finances and the increased shock-absorption capacity of the government's balance sheet. It said that Turkey's resilience to economic, financial and political vulnerabilities has been strengthened significantly in recent years, as evidenced by the financial markets' ability to endure volatile capital flows. It expected the budget's primary balance to post surpluses and for the debt levels to continue to decline over the next three to four years, despite a more challenging international economic environment and slowing domestic growth. In parallel, it pointed out that the ratings are constrained by a high susceptibility to event risk due to the size of the country's external imbalances. It noted that addressing these imbalances in full will take time given their structural nature. It added that geopolitical tensions remain a concern, as they would increase international investors' risk aversion and make it more difficult to finance the current account deficit. Moody's said that its assessment of whether Turkey would reach investment-grade level will be driven by the balance between the risks facing the country, mainly the vulnerability of the balance of payments to shocks, against the buffers that would help maintain the country's creditworthiness if balance-of-payment risks materialize.

*Source: Moody's Investors Service*

## ARMENIA

### Remittance inflows up 12% to \$1.4bn in 2012

The World Bank estimated remittance inflows to Armenia at \$1.4bn in 2012, constituting an increase of 11.9% from \$1.3bn in 2011 and compared to nearly \$996m in 2010. Armenia posted the fourth fastest growth in remittance inflows among the economies of the Commonwealth of Independent States (CIS) in 2012 and the 14th highest growth rate among developing countries. Remittances to Armenia account for 5.7% of total remittances to the CIS in 2012, up from 5.4% in 2011 and 5% in 2010. They also account for 0.4% of remittance inflows to developing countries in 2012, up from 0.3% in each of 2011 and 2010. Further, the World Bank estimated expatriates' remittances to Armenia to be equivalent to 13.7% of GDP in 2012, up from 12.6% of GDP in 2011, 8.8% of GDP in 2010, and 9% of GDP in 2009 and compared to 1% of GDP for the CIS economies. Also, the country's remittances per capita are estimated at \$430.6 in 2012 relative to \$388.7 in 2011. Armenia is the 42nd largest recipient of remittances in emerging markets in 2012, ranking ahead of Sudan and behind Yemen. Also, it is the eighth largest recipient among 10 CIS countries, ranking ahead of Belarus and behind Georgia.

*Source: World Bank, Byblos Research*

## GHANA

### Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Ghana's long- and short-term foreign and local currency sovereign credit ratings at 'B', with a 'stable' outlook on the long-term ratings. It also affirmed the transfer & convertibility assessment at 'B+'. It pointed out that the ratings are constrained by the country's high current account deficits, relatively low external reserves position, high government debt stock, and ongoing fiscal challenges. But it said that the ratings are supported by Ghana's track record of political stability, strong GDP growth, and strengthening oil production volumes. It projected Ghana's current account deficit at an average of 9% of GDP over the 2012-15 period due to oil-related imports and general imports. It added the Ghanaian cedi fell by 19% against the U.S. dollar in the first half of the year due to strong import demand, relatively loose monetary policy, high inflation, and fiscal expansion. It noted that the currency's instability forced the Central Bank of Ghana to spend around 20% of its reserves to stop depreciation. It estimated Ghana's gross external financing needs at 110% of current account receipts and usable reserves in 2012, while it forecast usable reserves to cover three months of current account payments. Further, it projected Ghana's fiscal deficit at 7% of GDP in 2012 relative to 4.4% of GDP in 2011 due to a roll-back in electricity prices, wage increases, and arrears repayment. In parallel, S&P anticipated that receipts from the oil sector would improve fiscal flexibility in the medium-term, provided that spending would be contained. It added that Ghana's stabilization and savings funds would help cushion the fiscal impact of a possible oil price shock over the medium-term.

*Source: Standard & Poor's*



# BANKING

## JORDAN

### Trade and construction account for 43% of overall lending at end-September 2012

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD17.4bn at the end of September 2012, constituting an increase of 9.8% from JD15.9bn at end-2011 and a rise of 11.8% from JD15.6bn at the end of September 2011. The resident private sector accounted for 87% of the total, slightly down from 90.4% at end-September 2011, followed by the central government with 5.5%, the non-resident private sector with 5.4%, public entities with 2%, and financial institutions with 0.1%. Foreign currency lending accounted for 11.2% of total lending, almost unchanged from end-September 2011. The distribution of lending by sector shows that general trade represented JD3.72bn, or 21.4% of the total relative to 23.8% a year earlier. It was followed by construction with JD3.66bn, or 21.1% of the total, down from 21.3% at end-June 2011; industry with JD2.5bn, or 14.4% of overall lending; public services & utilities with JD1.9bn or 10.7% of the total; tourism, hotels & restaurants with JD541m, or 3.11% of the total; transportation services with JD537.8m or 3.1% of credit; financial services with JD459.1m or 2.6% of credit; and agriculture with JD268.6m, or 1.5% of overall lending. Further, other lending accounted for JD3.7bn, or 21.5% of total credit, of which JD378.5m were extended to buy shares. In parallel, loans & advances totaled JD14.9bn of overall credit, followed by overdrafts with JD2.2bn, and discounted bills with JD289.2m.

Source: Central Bank of Jordan, Byblos Research

## QATAR

### Public sector lending drives assets growth

Figures issued by the Central Bank of Qatar show that total assets reached QAR799.9bn at the end of October 2012, constituting an increase of 1.3% from the previous month, a growth of 14.6% from end-2011 and a rise of 22.4% from end-October 2011. Loans totaled QAR484.7bn and increased by 19.7% from end-2011. Loan growth decelerated to 0.4% month-on-month in October, down from 0.6% in the preceding month, driven by a 2.2% month-on-month contraction in public sector lending that was offset by a 2.1% month-on-month growth in private sector lending. Total loans grew by 25.7% year-on-year and were driven by a 44% year-on-year growth in public sector loans and a 21% rise in private sector lending during the covered period. In parallel, aggregate deposits totaled QAR438.7bn at end-October 2012, increasing by 20.8% year-on-year and by 20.6% from end-2011. Total deposits rose by 1.8% from the preceding month, driven by public sector deposits that eased the tightening in banks' liquidity. The loans-to-deposits ratio reached 110.5% at end-October 2012 and posted its lowest level since the 106.2% level reached at end-October 2011.

Source: Central Bank of Qatar

## NIGERIA

### Lending growth to remain subdued

Fitch Ratings expected lending growth in Nigeria's banking system to remain subdued until the second half of 2013, as the market adjusts to the higher interest rates following the expiration last year of the Central Bank of Nigeria's guarantee of interbank transactions. It indicated that the marked slowdown in loan growth helps banks avoid asset-quality problems and places less strain on capital. It noted that a slower pace of lending growth reduces the risk of a relapse into non-performing loans. It pointed out that high interest rates stabilized the currency, but dampened both loan supply and demand. It noted that credit extended by rated banks, excluding loans sold to the Asset Management Corporate of Nigeria and writeoffs, grew by 16% on an annualized basis in the first nine months of 2012, compared to 44% in 2011. It said that most rated banks in Nigeria are refraining from unnecessary risk-taking. It pointed out that high-quality corporate clients have been traditionally profitable, as they provide banks with access to the clients' suppliers, distributors and employees. But it noted that many banks have been lending to the government and have become less active in the lucrative high-quality corporate segment because returns on government securities have been higher than those on corporate loans.

Source: Fitch Ratings

## INDIA

### Negative outlook on largest state-owned banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of State Bank of India, Punjab National Bank, Bank of Baroda, and Canara Bank at 'BBB-' with a 'negative' outlook. It also downgraded Canara's Viability Rating (VR) by one notch to 'bb+' and affirmed that of the other three banks at 'bbb-'. It attributed the ratings on India's four largest public-sector banks to a high probability of extraordinary government support in case of need due to their elevated systemic importance. It noted that the banks account for close to 32% of the system's assets and deposits. It said that the VR downgrade of Canara reflects structural challenges in its funding and asset quality, which are unlikely to be addressed without near-term implications on growth and, potentially, on market share. It added that Canara has higher risk concentration to the troubled infrastructure sector, including state electricity boards, and a weaker funding profile than peers. It noted that the potential for further loan restructuring is highest for Canara, and is a negative for its asset quality given its weak specific provision cover of only 15% at end-March 2012. Further, it pointed out that the VRs of the other three banks take into account their stable funding, asset diversity and reasonably high pre-provision profitability. It said that such strengths would help the banks withstand the increase in credit costs, even under stress, without significantly impairing their capitalization. It noted that Canara has lower overall profitability relative to peers due to weaker margins, which is a function of its higher-cost funding profile.

Source: Fitch Ratings



# ENERGY / COMMODITIES

## Brent oil prices to stay above \$100 a barrel in 2013

Brent crude prices are forecast to reach \$103.8 a barrel on average in 2013 and to rise by 0.7% to \$104.5 a barrel on average in 2014. Global oil demand is projected to reach 90.8 million barrels per day (b/d) in 2013, constituting an increase of 1.3% from 89.7 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' demand is anticipated to account for 50.5% of global consumption in 2013. North America's consumption is forecast to reach 23.7 million b/d in 2013, equivalent to 51.6% of total OECD demand. It would be followed by Europe with 13.8 million b/d (30.1%) and the Pacific region with 8.4 million b/d (18.3%). In parallel, non-OECD countries would represent 49.5% of total oil demand in 2013. Other Asian countries' demand is projected to reach 11.7 million b/d, equivalent to 26% of total non-OECD consumption. It would be followed by China with 9.8 million b/d (21.8%), the Middle-East region with 7.8 million b/d (17.3%), Latin America with 6.7 million b/d (14.8%), the Commonwealth of Independent States countries with 4.7 million b/d (10.5%) and Africa with 4.2 million b/d (9.4%). In parallel, U.S. crude imports rose by 350,000 barrels per day (b/d) on November 28 from the preceding week to about 8.1 million b/d; while U.S. crude output increased by 108,000 b/d on a weekly basis to 6.8 million b/d, the highest level of U.S. production since December 1996. Also, distillate stocks in the U.S. dropped by 800,000 barrels, against expectations of a 500,000 barrels rise on November 28th.

Source: *Economic Intelligence Unit, Citigroup, Byblos Research*

## Turkey swaps gold for Iranian gas

Turkey indicated that a rise in its gold exports this year was due to payments for Iranian natural gas imports. Turkey said it has used gold instead of foreign currencies to pay for the natural gas purchases. Iran provides 18% of Turkey's natural gas and 51% of its oil every year. Turkey sold \$6.4bn of gold to Iran in the first nine months of 2012, up from just \$54m in 2011. Iran is forecast to account for 60% of Turkey's gold exports this year, followed by the UAE with 30% of the total.

Source: *Wall Street Journal*

## Sudan and Saudi Arabia to start Red Sea mining

Sudan and Saudi Arabia announced plans to start deep-water mining for gold and copper in the Red Sea in 2014. Sudan and Saudi Arabia signed an agreement in 1974 to exploit the Red Sea's resources. Red Sea reserves are projected to be at around 150 tons of gold and more than one million tons of copper. Sudan is trying to increase its exports of gold and other non-petroleum products after South Sudan's independence last year.

Source: *Agence France Press*

## Iraqi oil exports rise in October 2012

Iraqi oil exports rose to 2.62 million barrels per day (b/d) in October 2012 from 2.6 million b/d in September despite repeated shutdowns from the southern ports due to bad weather and sabotage actions. Iraqi oil exports are expected to post record high levels in the coming months and are forecast to reach 6 million b/d by 2017. Iraq has the world's fourth-largest oil reserves.

Source: *Thomson Reuters*

## Base Metals: Nickel demand to grow in 2013

Global refined nickel demand is projected to reach 1.78 million tons in 2013 and to increase to 1.84 million tons in 2014. China's nickel consumption is forecast to reach 760,000 tons in 2013, equivalent to 42.7% of global demand. It would be followed by the EU with 330,000 tons (18.5%), Japan with 162,000 tons (9.1%), the U.S. with 132,000 tons (7.4%), South Korea with 118,000 tons (6.6%) and Taiwan with 70,000 tons (3.9%). In parallel, global nickel production is projected to reach 1.82 million tons in 2013 and to drop to 1.81 million tons in 2014. China's nickel production is expected to reach 500,000 tons in 2013, equivalent to 27.5% of global supply. It would be followed by Russia with 270,000 tons of output (14.9%), Canada with 170,000 tons (9.4%), Japan with 165,000 tons (9.1%), the EU with 138,000 tons (7.6%), Australia with 115,000 tons (6.3%) and Norway with 93,000 tons (5.1%). Further, global nickel consumption growth is anticipated to decelerate to 1.7% in 2012 from 4.8% in 2012, and to rebound to 3.4% in 2014. Also, overall global nickel production growth is forecast to slow down to 1.4% in 2013 from 7.4% in 2012. Global nickel prices are forecast to average \$21,770 a metric ton in 2013, constituting a rise of 22.1% from \$17,833 a metric ton in 2012.

Source: *Economic Intelligence Unit, Byblos Research*

## Precious Metals: Gold price to rise by 7% in 2013

Global gold production is projected to reach 4,210 tons in 2013, constituting an increase of 8% from 3,899 tons in 2012, and to increase to 4,433 tons in 2014. Global gold mine supply is projected to reach 2,681 tons in 2013 and to rise to 2,746 tons in 2014; while old gold scrap supply is forecast to reach 1,853 tons in 2013. In parallel, global gold consumption is expected to reach 4,103 tons in 2013 and to increase to 4,277 tons in 2014. Total gold jewelry consumption is projected to reach 2,010 tons in 2013, equivalent to 49% of global gold demand. It would be followed by physical bars and coins investment with 1,485 tons (36.2%), industrial & dental purchases with 432 tons (10.5%) and ETFs investment with 175 tons (4.3%). Investments in gold is projected to remain growing in coming periods despite of China's weak economic growth. Gold prices are expected to outperform other precious metals going into 2013 due to the excess liquidity resulting from global monetary easing measures and as investors look to hedge inflation. Gold prices are projected to average \$1,803 a troy ounce in 2013, constituting a rise of 7.3% from \$1,679 a troy ounce in 2012.

Source: *Economic Intelligence Unit, 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	20-Nov-12	No change	20-Dec-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	20-Nov-12	No change	20-Dec-12
South Africa	Repo rate	5.00	22-Nov-12	No change	22-Jan-13
Kenya	Central Bank Rate	11.00	07-Nov-12	Cut 200bps	Jan-13
Nigeria	Monetary Policy Rate	12.00	20-Nov-12	No change	Jan-13
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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