

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Investors' concerns ease

Barclays Capital's Global Macro Survey for December 2012 indicated that investors' fears about the Eurozone crisis, threats to US growth and the Chinese economic slowdown eased over the past quarter. The survey said that Euro area risks have narrowed given that 72% of investors don't expect any country to leave the Eurozone in the next 12 months, up from 57% in the September survey and well above 42% in the June survey. It noted that only 9% of respondents expect a hard landing for the Chinese economy, down from 24% in the September survey. It added that the majority of respondents expect the Chinese growth to be weak for some time, while 37% of investors expect that the slowdown will reach an end soon. However, it pointed out that respondent identified the "fiscal cliff" facing the U.S. economy as a dominant short-term risk. It indicated that 53% of equity investors consider the "fiscal cliff" facing the U.S. to be the biggest risk to markets compared to 41% of foreign exchange investors who shared the same view. Further, it noted that 77% of all respondents expected the U.S. fiscal issues to cause anxiety, but to be resolved in order to avoid adverse economic impact. In parallel, the survey noted that 40% of respondents consider that equities will be the best performing asset class in the next three months relative to 39% in the September survey; 21% of respondents cited emerging markets assets as the most attractive asset in the next quarter, up from 12% in the previous survey; and 8% of respondents selected commodities as the asset class with the best prospects.

Source: *Barclays Capital*

##### Corporate default rate at 2.7% at end-November 2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.7% at the end of November 2012, down from 3.1% in the preceding month, and compared to 1.7% at the end of 2011 and 1.8% at the end of November 2011. It said that a total of 53 rated corporate debt issuers have defaulted so far this year, three of which in November 2012. Moody's said that the default rate remains low and in line with expectations. It expected the corporate default rates to remain below historical average in the event of economic and financial disruptions following a fiscal crisis in the U.S., if liquidity and funding remain available. It forecast the global speculative-grade default rate at 2.7% at the end of 2012, well below the average of 4.8% since 1983. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.3% at the end of November 2012, down from 1.9% in the preceding month and from 1.8% in 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 15.1% at the end of November 2012, up slightly from 14.7% at end-October and from 24.1% a year earlier.

Source: *Moody's Investors Service*

#### MENA

##### Most private equity partners expect investments in the region to increase in coming years

A survey of private equity investors indicated that 67% of General Partners (GPs) in the Middle East and North Africa (MENA) region revealed that their firms intend to make investments in new high growth markets over the next 2 to 4 years, compared to 65% of GPs from Brazil, Russia, India, China and South Africa (BRICS), 44% of GPs from Asia Pacific, 43% of GPs from North America and 13% of investors from Western Europe. It said that 30% of GPs cited economic growth as the main attraction of new markets, followed by demographics with 14% of GPs, market size (13%), low private equity (PE) penetration (10%), stability (9%), business culture similarities (6%) and unattractive home market (5%). In parallel, the survey indicated that strategic acquirers are expected to continue to provide the dominant exit route for PEs in the near-term. It noted that around 75% of respondents expected that at least 50% of trade sales would be international. Further, it added that 42% of GPs said that BRICS will be the source of foreign acquirers, followed by Western Europe (24%), North America (24%), Asia Pacific (11%) and the MENA region (2%). In parallel, the survey showed that 60% of GPs expected investment activity in the MENA region to increase, followed by North America (59%), Asia Pacific (50%), BRICS (46%) and Western Europe (27%). Further, 15% of respondents cited regulation and macro economy as the key challenges facing the PE industry, followed by competition (10%), fundraising (8%) and performance (7%).

Source: *Grant Thornton*

##### Corruption perception varies across Arab world

Global non-governmental organization Transparency International included 20 Arab countries in its 2012 Corruption Perception Index (CPI), which measures the perceived levels of public sector corruption in 176 countries worldwide. The rankings are based on scores that range between zero and 100, with zero reflecting economies perceived as highly corrupt and 100 representing countries with a clean reputation. Qatar and the UAE were perceived as the least corrupt countries in the region and ranked in 27th place globally each. They were followed by Bahrain (53rd), Jordan (58th), Oman (61st), Kuwait and Saudi Arabia (66th each); while Syria (144th), Yemen (156th), Libya (160th), Iraq (169th), Sudan (173rd) and Somalia (174th) were perceived as the most corrupt Arab countries. Arab countries received an average score of 36 points in 2012, higher than the average of Sub Saharan Africa (33.5 points) and that of Eastern Europe & Central Asia (28.4 points), but lower than the averages of the Americas (45.6 points), Asia Pacific (42.6 points), and the EU & Western Europe (65.7 points). In comparison, GCC countries received an average score of 53.7 points, higher than the global average of 43.3 points, while non-GCC Arab countries reached an average of 28.4 points, well below the global average.

Source: *Transparency International, Byblos Research*

# OUTLOOK

## MENA

### **Growth prospects in oil-importing economies affected by political uncertainties, social unrest**

The Institute of International Finance projected real GDP growth in the oil-importing Arab economies at 1% in 2012 relative to 1.5% in 2011 when including Syria, and at 2.2% in 2012 compared to 2.3% in 2011 when excluding Syria. It attributed the weak real GDP growth to social unrest, political uncertainties and weak external demand. It noted that the recession in the Eurozone slowed economic growth mainly in Morocco and Tunisia, while spillovers from Syria severely impacted activity in Jordan and Lebanon. It projected real GDP growth in oil-importing economies at 2.9% next year, supported by a modest recovery in investments and exports, and low base effects. It anticipated that the 2013 outlook would remain challenging due to a decrease in monetary and fiscal policy buffers, and given that private investors are still in a wait-and-see mode. It forecast the annual inflation rate at 9.7% in 2012 and 11.5% in 2013 relative to 7.1% last year.

In parallel, the IIF indicated that oil importers continue to face the challenges of weak growth, wide fiscal and current account deficits, and rising unemployment. It expected the aggregate fiscal deficit of these economies to widen to 9.3% of GDP this year and 8.8% of GDP in 2013 from 8.1% of GDP last year, due to the severe economic downturn and the rise of wages and subsidies. It noted that increased government spending on fuel and food subsidies, combined with pressures to raise public wages, are straining public finances and limiting fiscal adjustments. Further, it projected the aggregate current account deficit of oil-importers at 7% of GDP in 2012 and 6% of GDP in 2013 relative to 6.1% of GDP in 2011. It estimated the region's external financing needs at \$40bn in 2013 in order to finance the current and budget deficits, stabilize exchange rates, and help restore part of the losses in foreign exchange reserves. In parallel, the IIF pointed out that ideological tensions, potential social unrest, populist policies and fiscal slippages constitute the main downside risks to the region's prospects.

*Source: Institute of International Finance*

## SYRIA

### **Economic activity to contract by 20% in 2012, foreign currency reserves at risk of being depleted**

The Institute of International Finance projected Syria's real GDP to contract by 20% in 2012 and 5% in 2013 compared to a contraction of 6% in 2011. It attributed the contraction in activity to the ongoing violence and economic sanctions. It anticipated that the nominal size of the economy would drop to \$30bn in 2012 and \$28bn in 2013 from \$58bn in 2011 as a result of the fall in output and the sharp depreciation of the exchange rate. The IIF said that foreign direct investment and tourism, which drove economic growth during the 2003-10 period, have dried up. It projected tourism receipts at 2.1% of GDP in 2012 and 5.4% of GDP in 2013 relative to an estimated 8.9% of GDP in 2011 and 10.8% of GDP in 2010. It also forecast net FDI at 0.3% of GDP in 2012 and 1.3% of GDP in 2013 relative to an estimated 1.3% GDP in 2011 and 2.6% of GDP in 2010. Further, it pointed out that the disruption in economic activity,

the intensification of sanctions and the fall in agricultural output led to major shortages of basic consumer items. As a result, it forecast Syria's inflation rate to average 35% in 2012 and 45% in 2013 relative to 5.3% in 2011.

In parallel, the IIF expected Syria's fiscal deficit to widen to 16.3% of GDP in 2012 and 13% of GDP in 2013 from 10.6% of GDP in 2011 due to increases in government spending and weaker tax receipts. Further, it projected the current account deficit to widen to 14.1% of GDP in 2012 and 13.1% of GDP in 2013 from 9.2% of GDP last year. It noted that the government arranged deals with Russia, Venezuela, Iran and Iraq in order to meet its needs of petroleum products. The IIF estimated that official foreign currency reserves would decline to an estimated \$4.2bn at end-2012 from \$10.8bn at end-2011 and \$19.5bn in 2010. It warned that the expected widening of the current account and fiscal deficits, and continued capital flight, will deplete Syria's official reserves by end-2013 assuming no significant financial support from the regime's allies. Further, it pointed out that the official exchange rate depreciated by 51% from end-2010 and is trading at about 70 pounds against the US dollar, while the black market rate is around SYP90.

*Source: Institute of International Finance*

## NIGERIA

### **Fiscal deficit to narrow to 2.2% of GDP in 2013 on improved fiscal discipline and non-oil growth**

Barclays Capital projected Nigeria's real GDP growth at 6.6% in 2012 and 7.1% in 2013 relative to 7.4% in 2011, as overall macroeconomic performance continues to improve. It said that the economy remains well supported by non-oil sectors such as telecommunications, trade, construction, hotels, restaurants and real estate. It noted that the outlook of the agriculture sector, which contributes 42.6% of non-oil GDP, remains uncertain due to weather and security conditions. Further, it pointed out that the hydrocarbon sector posted positive growth in the third quarter of 2012 for the first time in a year. It attributed this to higher crude production due to a decline in oil theft and the resumption of production in previously abandoned fields. It said that endorsing the Petroleum Industry Bill is critical for further investment in the oil sector and for a significant rise in production. It noted that delays in ratifying the bill will keep the oil sector's contribution to GDP constrained over the medium-term.

In parallel, Barclays Capital projected Nigeria's fiscal deficit to narrow to 2.9% of GDP in 2012 and 2.2% of GDP in 2013 from 3% of GDP in 2011, given that fiscal management continues to improve and the government remains committed to fiscal discipline. It pointed out that the improved fiscal prudence benefited the inflation environment, as the inflation level fell to 11.3% in September 2012 from a peak of 12.9% in June 2012. It projected the inflation rate at 11.8% at end-2012 and 10% at end-2013 relative to 10.3% at end-2011. Further, it said that the Central Bank of Nigeria may ease monetary policy by at least 50 basis points to 11.5% in the first quarter of 2013, mainly due to a positive currency outlook, the need to provide support to economic growth, and declining core inflation. Also, Barclays forecast the current account surplus at 5.6% of GDP in 2012 and 4.2% of GDP in 2013 relative to 3.6% of GDP in 2011.

*Source: Barclays Capital*

# ECONOMY & TRADE

## TUNISIA

### **Sovereign ratings downgraded on deteriorating public finances**

Fitch Ratings downgraded Tunisia's long-term foreign currency Issuer Default Rating (IDR) to 'BB+' from 'BBB-' and long-term local currency IDR to 'BBB-' from 'BBB' with a 'negative' outlook. It also lowered Tunisia's country ceiling to 'BBB-' from 'BBB', and short-term foreign currency IDR to 'B' from 'F3'. It said that the one-notch downgrade reflects a longer and more difficult economic and political transition than anticipated, and the deterioration in public and external debt ratios due to wide budget and current account deficits. It noted that longer transition periods and election campaigns do not support macroeconomic reforms and lead to social unrest. It projected the budget and current account deficits to widen to 7.2% of GDP and 7.5% of GDP, respectively, in 2012, due to loose economic policies and high global oil prices. It forecast the budget deficit at 6.6% of GDP and for the current account deficit to reach 6.8% of GDP in 2013, which would weigh on the foreign currency reserves that currently cover three months of current external payments. Further, it said that rapid credit growth is weakening banks' liquidity, and is leading to inflationary pressures. It noted that banks' asset quality is weak, and that banks require urgent recapitalization and restructuring. It pointed out that the country's macroeconomic imbalances will result in higher public and external debt ratios in 2012 and 2013. But it noted that financing and refinancing risks are mitigated by a favorable repayment schedule and strong support of official bilateral and multilateral creditors.

*Source: Fitch Ratings*

## SUDAN

### **Budget for 2013 raises expenditures by 22%, deficit at 3.4% of GDP**

The Ministry of Finance approved the 2013 draft budget that shows expenditures at SDG35bn in 2013, constituting an increase of 22% from an estimated SDG28.7bn in 2012; and revenues at SDG25.2bn, up 32% from about SDG19.1bn in 2012, leading to a deficit of SDG9.8bn or 3.4% of GDP in 2013 relative to a deficit of around SDG9.6bn this year. It expected domestic sources to finance up to 87% of the projected deficit next year, including SDG2bn by the Central Bank of Sudan (CBoS). It said that it allocated SDG8.6bn for security, SDG6bn for agriculture, SDG1.5bn for the Presidency and sovereign ministry, the Council of Ministers, Foreign, Justice, Defense and Federal Affairs ministries, and SDG0.6bn for health and education. The budget assumptions are based on real GDP growth of 3.4% and an average inflation rate of 20% in 2013. The ministry said that it aims to unify the exchange rates against the US dollar, adding that the budget is based on an exchange rate of 4.42 pounds to the dollar. It pointed out that the 2013 budget does not take into account the oil deal reached with South Sudan, which guarantees additional revenues for the government. The government expects the services sector to contribute 46.7% of GDP in 2013, and for the industrial sector's contribution to reach 18.5% of GDP next year due to a projected rise in oil production. In parallel, the government expects the trade deficit to narrow to \$2.7bn in 2013 relative to a deficit of

\$3.2bn in 2012. It forecast overall exports to increase from \$3.8bn in 2012 to \$4.5bn in 2013 and total imports to increase marginally from \$7bn in 2012 to \$7.2bn in 2013. It also projected Sudan's oil production at 150,000 barrels per day compared to a current production level of 115,000 b/d.

*Source: Ministry of Finance, Byblos Research*

## UKRAINE

### **Ratings downgraded on rising financing risks**

Standard & Poor's lowered Ukraine's long-term foreign- and local-currency sovereign credit ratings to 'B' from 'B+' and maintained the 'negative' outlook on the ratings. It affirmed the country's short-term ratings at 'B' and downgraded the transfer and convertibility to 'B' from 'B+'. It attributed the downgrades to Ukraine's significant external financing needs in 2013 and beyond, and to uncertain prospects for securing sufficient foreign currency. It anticipated that the government would face higher borrowing costs and more difficulties in securing external financing next year than it has faced this year. It said that the National Bank of Ukraine (NBU) needs to repay \$3.5bn to the IMF in 2013, equivalent to around 15% of foreign exchange reserves. In parallel, Moody's Investors Service downgraded Ukraine's government bond rating by one notch to 'B3' from 'B2' and maintained its 'negative' outlook. It said that its actions reflect the deterioration of the country's institutional strength due to policy volatility and low data transparency, a shortage of external liquidity, and a weak economic outlook. It estimated Ukraine's overall external financing needs at \$8.9bn in 2013 compared to \$7.5bn in 2012. It noted that the NBU's foreign exchange reserves fell by 23% year-on-year to around \$24.8bn at the end of October 2012, equivalent to an import coverage ratio of three months.

*Source: Standard & Poor's, Moody's Investors Service*

## ARMENIA

### **Ease of paying taxes improves significantly**

The PricewaterhouseCoopers/World Bank Index of Paying Taxes for 2013 ranked Armenia in 108th place among 185 countries compared to 153rd place in the previous survey. The index measures a firm's mandatory taxes and contribution that have a direct impact on its income. Globally, Armenia ranked ahead of Moldova, Morocco and Syria, and came behind Mexico, Papua New Guinea and Mozambique. It ranked in 53rd place on the Number of Tax Payments sub-index, in 159th place on the Compliance Time sub-index, and in 94th place on the Total Tax Rate sub-index. The survey shows that a standard Armenian business pays its corporate taxes and performs its labor tax payments once per year, and pays all of its other mandatory taxes and contribution 11 times a year. In addition, a standard Armenian firm needs 121 hours per year to prepare, file and pay its corporate taxes; 162 hours per year to process its labor taxes; and 97 hours for its consumption taxes. Finally, the corporate tax for a standard Armenian business represents 15% of its commercial profits, the labor tax represents 23% of profits, and the non-corporate and non-labor tax rates represent 0.8% of commercial profits.

*Source: PricewaterhouseCoopers, World Bank, Byblos Research*



# BANKING

## UAE

### Dubai banks downgraded on high NPL levels, low provisioning

Moody's Investors Service downgraded the long-term ratings of Emirates NBD (ENBD) and Commercial Bank of Dubai (CBD) to 'Baa1' from 'A3' and those of Mashreqbank (Mashreq) to 'Baa2' from 'Baa1'. It also lowered the standalone credit assessment of ENBD to 'ba2' from 'ba1', and that of Mashreq and CBD to 'ba1' from 'baa3'. It downgraded the bank financial strength rating of ENBD to 'D' from 'D+' and affirmed that of Mashreq and CBD at 'D+'. The agency also placed under review for possible downgrade all the ratings on Dubai Islamic Bank. It said that it maintained a 'negative' outlook on the ratings of ENBD, and revised the outlook to 'stable' from 'negative' on the ratings of Mashreq and CBD. It attributed its actions to elevated problem loan levels and to low loan-loss coverage at the four banks. It said NPLs at the banks range between 15% and 17% of gross loans at end-2011, well above the average of GCC banks of 6.1%. It expected problem loan levels to remain elevated over the coming quarters, driven by exposures to the stressed government-related issuers and by legacy corporate impairments. Further, it said that Dubai-based banks continue to have relatively low loan-loss coverage levels that range between 30% and 45% at end-2011, well below those of similarly-rated peer of between 72% and 96%. It noted that uncovered lending exposes the banks to capital pressures in the case of write-offs. It anticipated that additional provisioning, which is required to cushion rising problem loans, will continue to weigh on the profitability of Dubai-based banks.

Source: Moody's Investors Service

## MOROCCO

### Banking sector faces intermediate economic risks

Standard & Poor's maintained Morocco's Banking Industry Country Assessment (BICRA) in 'Group 7', and its industry and economic risk scores at '6' and '7', respectively. 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. S&P noted that other countries in BICRA's 'Group 7' include Indonesia, Jordan, Portugal, El Salvador and Russia. Further, it said that Morocco's economic risk score indicates that its economic resilience and credit risk in the economy are at "very high risk" and its economic imbalances at "intermediate risk". It attributed the assessments to the country's low GDP per capita and the concentration of the economy in some cyclical sectors such as agriculture and tourism, which leaves the economy vulnerable to external factors. It pointed out that credit growth was strong over the past five years, with private sector loans posting annual average growth of around 15% since 2007. But it noted that credit growth is currently slowing due to the conservative underwriting standards of banks and weaker economic conditions. Further, it added that risks associated with banks' exposure to the real estate sector have decreased, but continue to present high risks for the banking industry. In parallel, it pointed out that its industry score indicates that the country faces "high risks" in its institutional

framework and in its system-wide funding, and "intermediate risks" in its competitive dynamics.

Source: Standard & Poor's

## TURKEY

### Banking sector facing liquidity and funding risks

Standard & Poor's indicated that the Turkish banking system is facing liquidity and funding risks, given that lending growth is significantly exceeding domestic savings rates. It noted that loans grew by 92.5% between end-2009 and September 2012 relative to deposit growth of 43.4% during the same period. It said that Turkish banks are bridging their funding gap through external borrowing and by using proceeds from maturing government debt instruments to extend loans. But it noted that this strategy increased liquidity risks related to rising maturity mismatches between short-term borrowing and longer-term lending. It added that external borrowing raises contagion risk, mainly from a potential liquidity crunch in the Eurozone, which is the source of a large share of the banks' foreign funding. Further, it expected nominal lending growth at around 17% in 2012, compared to nominal growth of 34% in each of 2010 and 2011. It attributed the deceleration in credit growth to measures implemented by the authorities, such as increasing reserve requirements and implementing Basel II regulations. However, it anticipated the appetite for lending to remain strong in the long-run, which would worsen banks' funding profiles. In parallel, S&P considered that Turkish banks' balance-sheet liquidity remains adequate. But it noted that banks would not be able to continue financing fast loan growth in the future because the loan-to-deposit ratio has already exceeded 100%, and because further recycling of maturing government debt securities would push this ratio to uncomfortable levels. It noted that banks are recycling lower risk-weighted assets, such as government debt, to loans that require much higher capital charges.

Source: Standard & Poor's

## INDIA

### Negative outlook on banking sector to persist

Moody's Investors Service indicated that it will maintain its 'negative' outlook on the Indian banking system for the next 12 to 18 months due to the continued challenging domestic operating environment. It expected the slow economic growth, high inflation and interest rates, and a weak local currency to lead to further deterioration in asset quality, an increase in provisioning costs and a fall in profitability. It estimated that the rapid credit growth of around 15% annually will continue to exceed the pace of internal capital generation. As a result, it anticipated that Indian banks will be challenged to maintain capitalization at current levels, and that some banks will need to raise new capital externally. It added that loan classification and provisioning practices in India are weak, which underestimates challenges facing banks in term of asset quality and capital generation. In parallel, the agency considered that the banks' strong business franchises support their low-cost funding profiles and help them maintain sizeable lending margins to sustain pre-provision earnings. It added that the government would provide extraordinary support to both public and rated private banks in the form of unsecured loans and/or capital injections.

Source: Moody's Investors Service



# ENERGY / COMMODITIES

## Global gas consumption to increase by 4% in 2013

Global gas demand is projected to reach 3,460.7 billion cubic meters (bcm) in 2013, constituting an increase of 3.6% from 3,341.4 bcm in 2012. North America's gas consumption is forecast to reach 890.3 bcm in 2013, equivalent to 25.7% of global demand. It would be followed by Asia & Australia with 720.8 bcm (20.8%), Eastern Europe & the Commonwealth of Independent States with 587.4 bcm (17%), Western Europe with 533 bcm (15.4%), the Middle East with 445.7 bcm (12.9%), Central & South America with 164.5 bcm (4.8%) and Africa with 119 bcm (3.4%). In parallel, U.S. natural gas Henry Hub prices are forecast to reach \$3.3 per million British Thermal Units (Btu) on average in 2013, up by 19% from \$2.7 per million Btu on average in 2012. European natural gas prices are projected to average \$10.6 per million Btu in 2013, down by 6.8% from \$11.4 per million Btu on average in 2012. Also, Japanese liquefied natural gas prices are forecast to drop by 8.8% year-on-year to \$15.5 per million Btu on average in 2013. In parallel, the Dow Jones-UBS Natural Gas Sub-Index declined by 6.8% in November 2012, while the Dow Jones-UBS Petroleum Sub-Index rose by 2.6% during the month.

Source: Economic Intelligence Unit, Dow Jones Indices, Byblos Research

## MENA gas reserves account for 42% of the world's total

The Middle East and North Africa region has around 88 trillion cubic meters (tcm) of proven natural gas deposits, equivalent to 42% of the world's total reserves. The region's undiscovered gas deposits are projected at 26.6 tcm. Saudi Arabia's undiscovered reserves are estimated at 12.8 tcm, equivalent to 48.1% of the total. It would be followed by Iran with 5.9 tcm (22.3%) and Iraq with 2.2 tcm (8.5%).

Source: Arab Petroleum Investments Corp., Byblos Research

## Egypt to import gas for first time in 2013

Egypt is projected to import natural gas for the first time in 2013, as growing domestic demand outpaces local production. A liquefied natural gas import terminal will be built by May 2013, and imports are forecast to start in the second half of 2013. Gas production in Egypt dropped by 0.1% in 2011 to 63.1 billion cubic meters, while gas consumption rose by 10% over the same period. Egypt is currently producing six billion cubic feet of gas a day, most of which is consumed domestically. Energy plants operating in Egypt would only be permitted to import one billion cubic feet of gas per day, equivalent to \$3.7bn a year.

Source: Bloomberg

## Saudi Arabia's oil output reaches lowest level in November so far this year

Saudi Arabia's output reached 9.5 million barrels a day (b/d) in November 2012, constituting the lowest level in a year due to a rise in U.S. crude production and to weaker global demand. The fall in Saudi production caused the overall OPEC output to decline to 30.78 million b/d last month. Saudi Arabia recently increased its production level to make up for lost Iranian output resulting from Western imposed sanctions.

Source: Financial Times

## Base Metals: Aluminum production to grow by 4% in 2013

Global aluminum production is projected to reach 48.1 million tons in 2013, constituting an increase of 4.3% from 46.1 million tons in 2012. China's aluminum production is expected to reach 20.3 million tons in 2013, equivalent to 42.1% of global supply. It would be followed by Russia with 4.1 million tons of output (8.5%), Canada with 2.9 million tons of output (5.9%), the EU with 2.6 million tons (5.4%), and the U.S. with 2.2 million tons (4.6%). In parallel, global aluminum demand is projected to reach 46.1 million tons in 2013, constituting an increase of 5.4% from 43.7 million tons in 2012. China's aluminum consumption is forecast to reach 20.5 million tons in 2013, equivalent to 44.5% of global demand. It would be followed by the EU with 6.3 million tons (13.7%), the U.S. with 4.5 million tons (9.7%), Japan with 2.1 million tons (4.5%), and India with 1.8 million tons (3.9%). Global aluminum prices are projected to average \$2,025 a metric ton in the first quarter of 2013, constituting a drop of 7% from \$2,177 a metric ton in the same quarter in 2012. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 7% while the Dow Jones-UBS Aluminum Sub-Index increased by 9.6% in November, and the Copper Sub-Index rose by 3.4%. Also, the Dow Jones-UBS Nickel Sub-Index increased by 8.9% and the Zinc Sub-Index rose by 9.3% last month.

Source: Economic Intelligence Unit, Dow Jones Indices, Byblos Research

## Precious Metals: Gold old scrap supply to rise by 4% in 2013

Global gold old scrap supply is projected to reach 1,781 tons in 2013, constituting an increase of 4% from 1,712 tons in 2012. Also, global gold mine production is expected to rise by 0.7% year-on-year to 2,823 tons in 2013. China's gold mine supply is forecast to reach 420 tons in 2013, equivalent to 14.9% of global mine output. It would be followed by Australia with 260 tons (9.2%), the U.S. with 232 tons (8.2%), Russia with 223 tons (7.9%), Peru with 171 tons (6.1%) and South Africa with 162 tons (5.7%). As such, global gold production is anticipated to grow by 4.2% year-on-year to 4,223 tons in 2013. In parallel, the Dow Jones-UBS Precious Metals Sub-Index rose by 0.3% in November, while the Dow Jones-UBS Gold Sub-Index decreased by 0.5%, and the Silver Sub-Index increased by 2.7% during the month. Also, the Dow Jones-UBS Platinum Sub-Index rose by 1.8% last month.

Source: Economic Intelligence Unit, Dow Jones Indices, 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	BB+	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	B3	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	06-Dec-12	No change	10-Jan-13
UK	Bank Rate	0.50	06-Dec-12	No change	10-Jan-13
Japan	O/N Call Rate	0-0.10	20-Nov-12	No change	20-Dec-12
Australia	Cash Rate	3.25	04-Dec-12	Cut 25bps	05-Feb-13
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	04-Dec-12	No change	23-Jan-13
<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	19-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	28-Nov-12	Cut 25bps	09-Jan-13
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	30-Nov-12	No change	18-Jan-13
Brazil	Selic Rate	7.25	28-Nov-12	Cut 50bps	16-Jan-13
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	0.03	01-Dec-12	Cut 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	10-Dec-12	No change	N/A



Economic Research & Analysis Department  
Byblos Bank Group  
P.O. Box 11-5605  
Beirut - Lebanon  
Tel: (961) 338 100  
Fax: (961) 217 774  
E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

---

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



---

# BYBLOS BANK GROUP

---

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605  
Riad El Solh - Beirut 1107 2811 - Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## SYRIA

---

Byblos Bank Syria S.A.  
Damascus Head Office  
Al Chaalan - Amine Loutfi Hafez Street  
P.O.Box: 5424 Damascus - Syria  
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4  
Fax: (+ 963) 11 3348205  
E-mail: byblosbanksyria@byblosbank.com

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14  
Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807  
(+ 964) 780 9133031/2  
(+ 964) 1 7177493  
E-mail: baghdadbranch@byblosbank.com.lb

## UNITED ARAB EMIRATES

---

Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+ 971) 2 6336050 - 2 6336400  
Fax: (+ 971) 2 6338400  
E-mail: abudhabirepoffice@byblosbank.com.lb

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362  
Fax: (+ 374) 10 535296  
E-mail: infoarm@byblosbank.com

## CYPRUS

---

Limassol Branch  
1, Archbishop Kyprianou Street  
Loucaides Building  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+ 357) 25 341433/4/5  
Fax: (+ 357) 25 367139  
E-mail: byblosbankcyprus@byblosbank.com.lb

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Rue Montoyer 10  
Bte. 3, 1000 Brussels - Belgium  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: byblos.europe@byblosbankeur.com

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House - Suite 5  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 207 493 3537  
Fax: (+ 44) 207 493 1233  
E-mail: byblos.europe@byblosbankeur.com

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## SUDAN

---

Byblos Bank Africa  
Khartoum Head Office  
Intersection of Mac Nimer and Baladiyya Streets  
P.O.Box: 8121 - Khartoum - Sudan  
Phone: (+ 249) 1 56 552 222  
Fax: (+ 249) 1 56 552 220  
E-mail: byblosbankafrica@byblosbank.com

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

## DEMOCRATIC REPUBLIC OF CONGO

---

Byblos Bank RDC S.A.R.L  
Avenue du Marché No. 4  
Kinshasa-Gombe, Democratic Republic of Congo  
Phone: (+ 243) 81 7070701  
(+ 243) 99 1009001  
E-mail: byblosbankrdc@byblosbank.com

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293

