

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Retaining existing shareholders and attracting foreign investors are key corporate objectives

A survey analyzing investor relations worldwide indicated that company executives are increasingly focusing their investor outreach on retaining existing shareholders and are more committed to expand their international shareholder base. The survey revealed that 33% of companies considered that expanding their shareholder base internationally constitutes their main goal, relative to 20% of firms in 2011 and 17% of corporates in 2010. It noted the 27% of corporations worldwide are spending more time and attention on current shareholders, relative to 18% of firms who did the same in 2011. Further, it pointed out that 67% of corporations cited the U.S. as the most strategic market for stock listings over the next five years, followed by the United Kingdom with 37% of respondents, Mainland China (27%) and Hong Kong (23%). It noted that corporates continue to focus on Sovereign Wealth Funds (SWFs) as prospective investors, with 62% of firms worldwide reported that they contacted SWFs in 2012, up from 47% in 2010. Further, it said that 56% of corporates ranked disclosure as their main non-financial goal, up from 35% in 2010. In parallel, the survey revealed that 38% of corporates in Eastern Europe, the Middle East & Africa acknowledge that they are actively exploring other markets. Also 45% of respondents in Western Europe said that their top goal is to increase international shareholder ownership. Further, 81% of corporates in Latin America cited systemic market risk as the primary issue affecting global market confidence. The survey is based on 817 online respondents from 59 countries and was conducted between July and September 2012.

Source: Bank of New York Mellon

Volume of letters of credit unchanged in first eight months of 2012

The aggregate volume of letters of credit sent through SWIFT totaled 3,087,029 in the first eight months of 2012, constituting a 0.3% decrease from the same period last year. Letters of credit sent from the Asia-Pacific region stood at 2,022,146 and accounted for 65.5% of the global volume, followed by the Eurozone with 268,525 (8.7%), the Middle East with 248,058 (8%), Africa with 226,860 (7.3%), Non-Eurozone economies with 149,617 (4.8%), Latin America 87,920 (2.8%) and North America with 83,903 (2.7%). Also, the aggregate number of L/Cs sent from the Middle East increased by 6.5% in the first eight months of year, followed by Latin America (+4.3%) and Asia-Pacific (+1.4%); while L/Cs sent from the Eurozone dropped by 14.9%, followed by Non-Eurozone economies (-2.7%), Africa (-2.2%) and North America (-1.3%). In parallel, the total number of reimbursement authorizations stood at 428,394 in the first eight months of 2012, constituting a 1.1% decrease from the same period of 2011. The volume of authorizations in the Asia-Pacific region reached 242,221 in the covered period and accounted for 56.5% of the global aggregate volume, followed by the Middle East with 80,477 (18.8%),

Africa with 48,651 (11.4%), Latin America with 38,490 (9%), Non-Eurozone countries with 10,583 (2.5%), the Eurozone with 5,306 (1.2%), and North America with 2,666 (0.6%).

Source: Citigroup

Banks' unsecured long-term debt issuance reaches \$1.2 trillion at end-September 2012

Moody's Investors Service indicated that unsecured long-term debt issued by rated banks totaled \$1.2 trillion over the 12 months ending September 2012, down 15% from the same period last year. It attributed the decline in global unsecured long-term debt issuance to a 26% annual contraction in issuance by banks in the Eurozone. But it noted that unsecured debt issuance by Eurozone banks improved in the third-quarter 2012, which would signal a degree of stabilization. It added that issuance by North American banks posted a contraction of 10% annually over the covered period, while issuance by banks in Asia posted a broad-based increase. In parallel, Moody's expected banks in mature markets to shift towards more stable funding sources over time, because increased investor risk perceptions restrict demand for unsecured bank debt. It said that the transition to more stable funding profiles will be particularly difficult for banks that are affected by the ongoing Eurozone crisis and for those that relied heavily on market funding. It noted that banks are looking to increase deposits, raise more covered bonds and, in some cases, restrict new lending and shed assets in order to alleviate funding pressures.

Source: Moody's Investors Service

MENA

Awarded projects total \$66bn in first 11 months of 2012, planned & under way projects at \$2,598bn

The aggregate value of projects awarded in the Middle East & North Africa region reached \$66bn in the first 11 months of the year, down 21% from \$84bn reached in the same period last year. The number of projects awarded reached 273 in the first 11 months of the year, compared to 280 projects awarded in full year 2011. Projects awarded in Saudi Arabia accounted for 29% of the total value of new projects in the covered period, followed by the UAE with 27%, Qatar with 17%, Kuwait with 12%, Oman and Iraq with 6% each, and Egypt with 3%. In parallel, the value of planned & under way projects stood at \$2,598bn at end-November 2012, constituting a rise of 7% from a year earlier. The value of planned & under way projects in Saudi Arabia reached \$790bn at end-November, up 19% from a year earlier, followed by the UAE with \$614bn (+6%), Qatar with \$228bn (+6%), Kuwait with \$206bn (+16%), Oman with \$122bn (+6%) and Bahrain \$64bn (+15%). In parallel, the value of planned & under way projects in Iran totaled \$291bn, down 2% annually, followed by Iraq with \$284bn (-15%). Citigroup noted that oil price volatility will remain the key barrier to spending, particularly in Iraq, as the country suffers from a less favorable fiscal position. It anticipated the aggregate value of projects awarded in the region to remain flat in 2013, assuming no major oil price shocks or an increase in geopolitical risks.

Source: Citigroup

OUTLOOK

JORDAN

Fiscal challenges increase, current account deficit to widen to 16% of GDP in 2012

The Institute of International Finance projected Jordan's real GDP growth at 2.7% in 2012 and 3.2% in 2013 compared to 2.6% in 2011. It said that the escalation of violence in Syria and the instability in Egypt have significantly affected the Jordanian economy. It projected inflation to average 4.4% in 2012, unchanged from 2011 and to increase to 5% in 2013. It forecast the unemployment rate at around 13% in each of 2012 and 2013, unchanged from 2011. It noted that a combination of structural reforms and adequate external financing would lead to higher and sustained economic growth levels. Further, the IIF said that the disruption of natural gas supplies from Egypt and higher global oil prices have significantly raised Jordan's import bill and doubled the current account deficit over the past two years. It projected the current account deficit to widen to 16.1% of GDP in 2012 and 13.7% of GDP in 2013 relative to 12% of GDP in 2011 and 7.1% of GDP in 2010.

In parallel, it forecast the fiscal deficit at 7.1% of GDP in 2012 and 6.7% of GDP in 2013, relative to 6.8% of GDP in 2011, when including grants; and at 11.2% of GDP in 2012 and 10.6% of GDP in 2013 when excluding grants. It attributed the deterioration in Jordan's public finances to the large increase in wages and subsidies, combined with lower domestic revenues. It said that the government increased its borrowing from the domestic banking system to finance its large deficits in the absence of adequate external financing. It noted that this strategy led to higher interest rates, lower allocation of credits to the private sector and would increase government debt to 80.4% of GDP in 2012 and 81.6% of GDP in 2013 from 76.6% of GDP in 2011. Further, it expected the country's foreign exchange reserves to decline to 4.4 months of imports in 2012 and 3.9 months of imports in 2013 from 6.2 months of imports in 2011. It expected Jordan to continue struggling with fiscal sustainability in the next few years despite its program with the International Monetary Fund.

Source: Institute of International Finance

IRAN

Economy to contract by 3.5% in 2012, official reserves to drop from international sanctions

The Institute of International Finance projected Iran's real GDP to contract by 3.5% in 2012 and to grow by 1.4% in 2013 relative to an estimated growth of 1.2% in 2011. It said that the international sanctions on Iran that took effect in July 2012 led to an economic recession for the first time in the past two decades, as well as to a significant drop in crude oil exports, a surge in inflation levels, and depreciation in the value of the rial. It projected Iran's crude oil production to decline to 2.6 million barrels per day (b/d) in 2012 and 2.5 million b/d in 2013 from 3.62 million b/d in 2011; and for crude oil exports to regress to 1.2 million barrels b/d in each of 2012 and 2013 from about 2.14 million b/d in 2011. It forecast inflation level to average 49.8% in 2012 and 30.7% in 2013 relative to an estimated 26.5% in 2011. Also, it estimated government revenues from oil, which account for around 50% of total revenues, to contract by 40% in

fiscal year 2012/13. It noted that Iran is facing problems in repatriating its oil revenues, as international banks have refused to transfer US dollars to the country. It said that authorities are projecting a sharp decrease in spending in the budget for FY2012/13 to offset the drop in oil receipts, but it noted that drop is not likely to be substantial given the increase in inflation levels. It projected the fiscal deficit at 3.5% of GDP in 2012 and 3.9% of GDP in 2013 relative to 0.4% of GDP in 2011.

In parallel, the IIF pointed out that the currency has steadily depreciated this year. It said that the official rate depreciated by 10% since end-2011 to IR12,260 against the US dollar, but noted that the unofficial rate has depreciated more significantly, with the rial trading currently at around IR30,000 against the dollar in the parallel market. It considered that the continuation of the crisis could accelerate capital flight and further drain official reserves to well below \$60bn by the end of FY 2013/14. It forecast foreign exchange reserves to fall from 13 months of imports in FY2011/12 to 7 months of coverage in FY2013/14. Further, it expected the current account balance to post a deficit of 1.6% of GDP in 2012 and to shift to a surplus of 0.6% of GDP in 2013 relative to a surplus of 10% of GDP in 2011.

Source: Institute of International Finance

YEMEN

Non-oil sector growth to average 2% in 2012-13

The International Monetary Fund projected Yemen's real GDP growth to remain flat in 2012 and to rise to 4.4% in 2013. It forecast hydrocarbon output to contract by 7.5% in 2012 and to grow by 17.9% in 2013 compared to an estimated contraction of 14.5% last year, and for the non-hydrocarbon sector to grow by 1% in 2012 and 3% in 2013 relative to an estimated contraction of 10% in 2011. It expected the country's economic challenges to continue to be very serious in 2013, mainly in the context of high poverty and unemployment levels. It forecast the inflation rate to decline to 11% in 2012 and 7.5% in 2013 from an estimated rate of 19.5% in 2011.

The IMF projected Yemen's fiscal deficit to widen to only 5.5% of GDP in 2012 relative to 4.3% of GDP in 2011 due to grants from Saudi Arabia, cuts in capital expenditures and transfers, and higher-than-budgeted non-hydrocarbon revenues. It forecast the fiscal deficit at 5.7% of GDP in 2013 despite the projected decline in government spending, given expectations of a large fall in grants. It forecast other government revenues to significantly increase, as oil production recovers and tax receipts improve. Further, it projected the current account deficit at 2.7% of GDP in 2012 and 3.3% of GDP in 2013 relative to 4% of GDP in 2011. It said that Yemen's current account deficit and foreign exchange reserves would worsen in 2013 unless large external grants materialize. In parallel, the IMF indicated that the government's economic policies should focus on redirecting public spending towards efficient and growth-promoting expenditures. It considered that containing the wage bill of 10% of GDP is essential for achieving fiscal sustainability. Further, it pointed out that a gradual decrease in the policy interest rate and a more flexible exchange rate would help expand credit to the private sector. It advised the Central Bank of Yemen to refrain from any additional lending to the government.

Source: International Monetary Fund

ECONOMY & TRADE

EGYPT

Sovereign ratings downgraded on political uncertainties

Capital Intelligence lowered Egypt's long-term foreign and local currency sovereign ratings to 'BB-' from 'BB+', and affirmed its short-term foreign and local currency ratings at 'B'. It said that ratings have a 'negative' outlook. It attributed the downgrade to the large deterioration in Egypt's public finances and external finances over the past two years, reflecting a pronounced slow-down in domestic economic activity and increased spending to alleviate social and political pressures. It added that the country's medium- to-high political risk level is weighing on investor and business confidence, and raising doubts about the government's ability to implement measures to reduce economic and financial vulnerabilities and improve future economic growth prospects. It pointed out that Egypt's uncertain political climate would worsen its macroeconomic and financial conditions and jeopardize its access to official external financing. It said that economic and financial vulnerabilities are high and the authorities face significant socio-economic challenges in the context of an unfavorable external environment. It noted that the country's budgetary flexibility regressed due to increases in public wages and in spending on fuel subsidies. It added that debt servicing rose significantly due to the rising net borrowing requirements and the elevated cost of borrowing. It noted that domestic financial conditions are tight and the government is borrowing from the Central Bank of Egypt to bridge its financing gaps. As a result, it said that the government's margin of maneuver to counter economic shocks or absorb contingent public liabilities has tightened. It pointed out that Egypt's external finances have weakened, while its reserve adequacy has diminished.

Source: Capital Intelligence

ARMENIA

Corruption perception is third lowest among CIS countries

Transparency International's 2012 Corruption Perceptions Index (CPI) ranked Armenia in 105th place among 176 countries around the world and in third place among 11 CIS countries. 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. Transparency International modified its methodology this year, which means that it is not possible to make direct comparisons between the 2012 index's scores and rankings with the results of previous years. According to the previous methodology, Armenia came in 129th place among 183 countries globally and in 4th place among 12 CIS countries in the 2011 survey. Globally, Armenia has the same level of corruption as Algeria, Bolivia, Gambia, Kosovo, Mali, Mexico and the Philippines. It is considered to be less corrupt than Albania, Ethiopia and Guatemala; and is perceived as more corrupt than Tanzania, Gabon and Argentina. It is also perceived as more corrupt than Moldova and Georgia among CIS countries. Armenia received a score of 34 points, below the global average score of 43.3 points, but higher than the CIS countries' average score of 29.1 points.

Source: Transparency International

CHINA

Sovereign ratings affirmed, transparency is key concern

Standard & Poor's affirmed China's 'AA-' long-term and 'A-1+' short-term sovereign credit rating, with a 'stable' outlook on the long-term rating. It also affirmed the country's convertibility assessment at 'AA-'. It said that the sovereign ratings reflect the country's strong economic growth potential, robust external position and relatively healthy fiscal position. But it noted that these strengths are balanced by China's lower average income compared with similarly-rated peers, a lack of transparency, restricted information flow, and continued reliance on direct administrative tools to manage the economy. It anticipated that the Chinese economy will continue its strong growth, while the country will maintain its large external creditor position in the next three to five years. It forecast China's high domestic savings to be more than sufficient to fund strong investment spending in the near future. However, the agency pointed out that China's fiscal metrics may be weaker than what official figures show, given that local governments carry significant off-budget debt. It noted that the lack of timely and regularly available data, as well as the lack of clarity about the legal responsibilities of local governments for these debts, makes external monitoring of such debt extremely difficult. It added that the weak flow of information and the lack of transparency challenge the early detection of risks that affect the ability of the sovereign to service its debt.

Source: Standard & Poor's

AFRICA

Most economies have fiscal flexibility in case of budgetary financing pressure

Standard & Poor's indicated that commodity exports and foreign investment constitute the main drivers of economic growth in many economies of Sub-Saharan Africa (SSA). It said that Chinese investments in SSA increased significantly over the past few years and constitute an important buffer against weaker demand and investment from SSA's traditional markets, such as the U.S. and Europe. It added that Chinese investments present an opportunity for SSA economies to achieve much-needed improvements in their physical infrastructure. Further, it noted that persistent high global oil prices would maintain pressure on fiscal balances in non-oil exporting countries, as governments attempt to keep subsidies or reduce taxes on fuel products. It added that economies with a high dependence on few commodities are likely to remain exposed to volatile commodity prices. It warned that slower-than-expected growth in China's economy, a decrease in some global commodity prices, adverse weather conditions, and a recession in Europe reflect risks associated with high economic and fiscal dependence on commodities, and highlight the importance of non-commodity export diversification. It anticipated that most governments in SSA would have fiscal flexibility and would delay part of their capital spending programs in the event of budgetary financing pressures. It expected fiscal pressure to emerge from revenue shortfalls as a result of lower economic growth, a decline in certain commodity prices, or from declines in donor flows.

Source: Standard & Poor's



BANKING

QATAR

Public sector lending drives assets growth

Figures issued by the Central Bank of Qatar show that total assets reached QAR810.8bn at the end of November 2012, constituting an increase of 1.4% from the previous month, a growth of 16.1% from end-2011 and a rise of 25.2% from end-November 2011. Loans totaled QAR502.9bn and increased by 24.3% from end-2011. Lending growth accelerated to 3.8% month-on-month in November 2012, up from 0.4% in the preceding month, driven by a 7% month-on-month growth in public sector lending. Total loans grew by 28.2% year-on-year in November 2012 and remained well above the average lending growth in the MENA region. Private sector lending decelerated to 18.8% year-on-year in November 2012 from 20.7% year-on-year in the preceding month, due to a slowdown in growth in the consumer and real estate sectors. In parallel, aggregate deposits totaled QAR448.9bn at end-November 2012, up by 23.5% from end-2011. Total deposits increased by 2.3% month-on-month, up from 1.8% in October 2012, driven by a 6% month-on-month growth in public sector deposits. Also, total deposits posted the highest annual growth since January 2011 as they expanded by 30.4% year-on-year in November 2012 relative to an annual growth rate of 20.8% in the preceding month, mainly driven by a 65% year-on-year rise in public sector deposits. The loans-to-deposits ratio increased to 112% at end-November 2012 from 110.5% at end-October 2012 and 111.3% at end-2011, but remained below the 124% peak reached in April 2012.

Source: Central Bank of Qatar, EFG Hermes

GHANA

Banking sector recovers from slowdown

Business Monitor International expected the assets and private sector credit of banks operating in Ghana to post strong growth this year, as the banking sector recovered from a slight slowdown in the first half of 2012. It said that total assets grew by 25% year-on-year at end-July 2012 to GHS24.3bn, or \$12.8bn and equivalent to 35% of GDP, compared to annual growth of 21% at end-April 2012. It added that domestic assets increased by 25.2% annually at end-July 2012 relative to 19.7% at end-April 2012, while foreign assets grew by 22.4% at end-July 2012 relative to 31.6% at end-April 2012. It said that Ghana's banking sector remains relatively stable, and is benefiting from high capitalization levels and sound liquidity and profitability. It indicated that the capital adequacy ratio of banks operating in Ghana stood at 15.5% at end-July 2012, well above the 10% level considered to be prudent, but down from 17.4% at end-February 2012. It added that the majority of banks met the Bank of Ghana's target GHS60m, or \$31m, minimum capital requirement. Further, BMI noted that credit to the private sector increased by 29% year-on-year in real terms in July 2012 from 15.4% in July 2011. In parallel, BMI pointed out that the sector's non-performing loans (NPLs) level decreased significantly from 18.7% in May 2010 to 13.1% in July 2012, but remains high. It said the mining & quarrying sector had the highest level of NPLs at 22.5% at end-July 2012, commerce & finance at 18%, construction at 14.5%, and manufacturing at 14%.

Source: Business Monitor International

MOROCCO

Lending growth decelerates to lowest level in five years

Figures issued by Bank Al-Maghreb show that the total assets of commercial banks operating in Morocco reached MAD1,089.4bn, or about \$127.3bn, at the end of October 2012, constituting a marginal increase of 0.4% month-on-month, a rise of 4% from end-2011 and a growth of 8.5% from end-October 2011. The sector's aggregate loans totaled MAD700.8bn, down by a marginal 0.4% from the previous month, but up by 2% from end-2011. Also, total lending growth decelerated to its lowest level in the past five years and reached 5.4% year-on-year in October 2012 compared to 10.5% year-on-year in December 2011, due to the slowdown in economic growth and weak external demand from Europe. Consumer loans, residential mortgage loans and working-capital lending to the corporate sector were the main drivers of credit growth in the first 10 months of 2012, despite posting growth rates significantly lower than the average rates during the 2006-09 period. The loans-to-deposits ratio was the highest among non-GCC MENA countries at end-October 2012 at 102% as a result of the strong credit growth during the 2006-09 period and the slowdown in deposit growth. Also, the sector's NPLs ratio increased to 5.2% in October 2012 from 4.9% in December 2011, but remained significantly lower than the peak levels of 18% in 2003.

Source: Bank Al-Maghreb, EFG Hermes

TURKEY

Ratings on largest banks upgraded on decline in economic risks

Fitch Ratings upgraded the Viability Ratings (VR) of state-owned T.C. Ziraat Bankasi, Turkiye Halk Bankasi and Turkiye Vakiflar Bankasi (Vakifbank) from 'bb+' to 'bbb-'. Also, it upgraded the long-term IDRs of the privately-owned Turkiye Is Bankasi, Turkiye Garanti Bankasi and Akbank to 'BBB' from 'BBB-', and affirmed that of Yapi ve Kredi Bankasi at 'BBB'. It also upgraded the four privately-owned banks' VRs to 'bbb' from 'bbb-'. It said that all the ratings have a 'stable' outlook. It attributed its ratings actions on all banks to the decline in near-term risks for the Turkish economy and to the drop in sovereign risk. It expected the economy to return to higher growth rates in 2013 after achieving a soft landing this year. Further, it said that the VRs of private and public banks reflect their broad and stable franchises, generally sound management and governance, and solid financial metrics in terms of capitalization, asset quality, performance, liquidity and funding. It noted that the ratings are supported by the moderate level of systemic risks and imbalances in the Turkish banking system. Also, it pointed out that the long-term IDRs of privately-owned banks reflect their very strong credit profiles, mainly their solid and stable deposit franchises that allow them to service their obligations even during periods of macroeconomic stress. It said that the ratings on the four privately-owned banks are constrained by their own growth, future macroeconomic stability and the credit profile of the sovereign.

Source: Fitch Ratings



ENERGY / COMMODITIES

Global oil consumption to rise by 1% in 2013

Global oil demand is expected to reach 89.5 million barrels per day (b/d) in 2013, constituting an increase of 0.9% from 88.7 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' demand is anticipated to account for 51.4% of global consumption in 2013. OECD-America's demand is projected to reach 23.7 million b/d in 2013, equivalent to 51.5% of total OECD countries' consumption. It would be followed by OECD-Europe with 13.8 million b/d (30%) and OECD-Asia Oceania with 8.5 million b/d (18.5%). Further, developing countries' demand is expected to reach 38.5 million b/d, equivalent to 43% of global oil consumption in 2013. China's oil consumption is forecast to reach 10.2 million b/d in 2013, equivalent to 26.8% of developing countries' demand. It would be followed by OPEC countries with 8.6 million b/d (22.3%) and Other Asian countries with 7.2 million b/d (18.7%). Also, Eurasia's oil consumption is projected to reach 5.1 million b/d in 2013, equivalent to 5.7% of global demand. Brent crude prices are forecast to reach \$105 a barrel on average in the first quarter of 2013 and to drop by 9.5% to \$95 a barrel on average in the second quarter. In parallel, U.S. crude imports dropped by 100,000 barrels per day (b/d) on December 19 from the preceding week to about 8.4 million b/d; while U.S. crude output rose to 6.68 million b/d. Also, distillate stocks in the U.S. declined by 1.1 million barrels, against expectations of a one million barrels rise on December 19th.

Source: Organization of the Petroleum Exporting Countries, Citigroup, Byblos Research

Iraq's oil output to reach 14-year high in 2012

Iraq's oil production rose by 650,000 barrels a day (b/d) in 2012 to 3.35 million b/d, the biggest annual gain in 14 years. Iraq is projected to increase its oil output by 10.4% to 3.7 million b/d in 2013 and beat its 3.8 million b/d record set in 1979. Iraq, the second-biggest supplier in OPEC, aims to rebuild its petroleum industry after decades of war and sanctions. Also, the Iraqi government has been freed from strict OPEC quotas since 1998.

Source: Bloomberg, Byblos Research

Iran's oil revenues drop by 50% so far in 2012

Iran's oil receipts dropped by 50% so far in 2012 compared to a year earlier, equivalent to \$5bn a month in lost proceeds, due to Western imposed sanctions. Iran's oil production declined to 2.65 million b/d in October 2012, the lowest level since February 1990. Iranian oil exports are expected to further decline in 2013.

Source: Thomson Reuters, Dow Jones Newswires

Jordan to receive \$5bn in oil shale projects

Enefit, a world oil shale exploration and development company, estimated Jordan's oil shale reserves at 34 billion barrels and projected it to last for over 900 years at current levels of consumption. Enefit is expected to carry out electricity generation and an oil extraction project from oil shale in Jordan. The \$5bn projects would assist Jordan in meeting its energy consumption challenges and would increase the contribution of domestic energy sources to the total energy mix. The projects are anticipated to become operational in 2016 and would save the Kingdom hundreds of millions of dollars every year.

Source: Jordan News Agency

Base Metals: Industry outlook remains negative going into 2013

Moody's Investors Service indicated that demand and price expectations for the global base metals' industry will remain weak over the next 12 to 18 months. It said that the base metals' industry is projected to face a challenging path through 2013 due to mounting macroeconomic uncertainties. Several factors weigh on the industry going into 2013, such as the recession in Europe, concerns about the fiscal cliff in the U.S., and a slower economic growth in China. It added that China is a key driver for demand growth and its level of consumption remains vital in determining the direction of metal prices in 2013. It stated that copper is best positioned among base metals due to its more favorable supply and demand characteristics. The agency noted that prospects for the base metals industry would significantly improve if the world's biggest economies introduce economic stimulus programs, uncertainties over the European debt crisis diminish, and China's economic growth recover.

Source: Moody's Investors Service

Precious Metals: Diamond consumption to grow by an annual average of 5.9% through 2020

Global rough-diamond consumption is projected to grow to \$18bn in 2013 from \$15.6bn in 2011. Global rough-diamond demand is estimated to grow by an average annual rate of 5.9% between 2011 and 2020, and to exceed \$26.1bn by 2020. The United States is expected to remain the world's top diamond consumer in 2013 and to account for 37% of the aggregate global rough-diamond demand, while China and India are forecast to represent for 26% of the total. Further, India and China's aggregate consumption is projected to reach 50% of the incremental global demand by 2020, and to surpass the U.S. as the largest diamond jewelry market. Global demand for rough-diamonds is estimated to outpace supply over the next decade. Further, fiscal issues in the U.S., the Eurozone recession and the economic slowdown in China would negatively impact the overall demand for diamonds in 2013, while growing wealth and household incomes are expected to be the main drivers of demand growth. Diamond prices range between \$28 and \$400 per carat, contingent on quality. In parallel, global rough-diamond production is projected to reach 140 million carats in 2013 and is expected to grow by a compound annual growth rate of 2.7% between 2011 and 2020. Global rough-diamond production reached 124 million carats in 2011, constituting a drop of 3.4% from 128.2 million carats in 2010.

Source: Bain & Company, Antwerp World Diamond Center

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								
Africa													
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								
Middle East													
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								
Asia													
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								
Central & Eastern Europe													
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-Dec-12	No change	30-Jan-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-Dec-12	No change	14-Mar-13
Canada	Overnight rate	1.00	04-Dec-12	No change	23-Jan-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	12-Dec-12	No change	30-Jan-13
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	18-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
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

