

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate bond issuance at \$3 trillion in 2012

Standard & Poor's indicated that global corporate bond issuance totaled \$3,026bn in 2012, constituting an increase of 23.7% from \$2,447bn in 2011 and the highest issuance level since the \$3,296bn reached in 2009. It included \$1,722bn in investment grade, \$419bn in speculative grade, and \$885bn in unrated bonds. Bond issuance in the U.S. totaled \$1,034bn in 2012 and accounted for 34.2% of global bond issues, followed by Europe with \$1,026bn (34%), emerging markets with \$613bn (20.3%), and other developed markets with \$353bn (11.7%). Speculative grade issuance in the U.S. reached \$281bn and represented 67.1% of global speculative grade issues, followed by Europe with \$77bn (18.4%), emerging markets with \$39bn (9.3%) and other developed markets with \$22bn (5.3%). Issuance by companies in the non-financial sector totaled \$1,558bn at end-2012 and accounted for 51.5% of global corporate bond issuance, while issuance by financial firms represented the remaining \$1,467bn (48.5%). Speculative grade issuance in the non-financial sector reached \$332bn and represented 79.4% of global speculative grade issues, while investment grade issuance in the non-financial sector totaled \$831bn and accounted for 48.3% of global investment grade issues. S&P said that companies globally were able to raise capital at relatively attractive terms in 2012 despite the challenging conditions in Europe and the U.S., which helped maintain defaults at a low level last year. It noted that fears of a hard economic landing in China continue to ease, which increases optimism globally. It pointed out, however, that investors' sentiment will be negatively affected in the event of the deterioration of the situation in the Middle East. It added that uncertainty related to spending cuts and debt limit in the U.S. remains a major concern for investors.

Source: *Standard & Poor's*

Corporate default rate at 2.6% at end-2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.6% at the end of December 2012, down from 2.7% in the preceding month, 3.2% at end-September and 2.7% at end-June, but significantly up from 1.7% at the end of 2011. It said that a total of 58 rated corporate debt issuers have defaulted in 2012, including 10 in the last quarter of the year. Moody's said that the default rate remains low and in line with expectations, but it expected a slight increase in defaults this year. It forecast the global speculative-grade default rate at 3% at the end of 2013, well below the annual average of 4.8% since 1983. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at the end of 2012, relative to 1.3% in the preceding month, 2% at end-September, 1.7% at end-June and from 1.8% at end-2011. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 14.1% at the end of December 2012, down from 15.1% at end-November and from 24.1% at end-2011.

Source: *Moody's Investors Service*

EMERGING MARKETS

Bond and equity inflows at \$92bn in 2012, AUM at \$1,131bn

Capital flows to emerging market equity and bond funds posted net inflows of \$92.3bn in 2012, with bond inflows at \$43.8bn and equity inflows at \$48.5bn. Latin America accounted for \$16.7bn or 38% of inflows to bond funds; Emerging Europe, the Middle East & Africa (EMEA) for \$16bn, or 36.5%; and Emerging Asia for \$11.2bn or 25.5% of the total. Further, Emerging Asia posted \$31.9bn in inflows to equity funds in 2012 and accounted for 65.8% of equity inflows to emerging markets, followed by Latin America with \$9.2bn (19.1%) and the EMEA region with \$7.3bn (15.1%). Mexico was the biggest recipient of bond inflows with \$4.9bn, or 11.1% of total inflows into emerging market bond funds in 2012; while China was the largest recipient of equity inflows with \$13.2bn or 27.3% of total inflows into emerging market equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$1,131.4bn at the end 2012, with bonds reaching \$277.3bn and equities totaling \$854.1bn. The EMEA region had \$112.1bn in bonds-related AUM, followed by Latin America with \$97.1bn, and Emerging Asia with \$68.2bn. Further, Emerging Asia had \$556.9bn in equity-related AUM, followed by the EMEA region with \$152.5bn, and Latin America with \$144.7bn.

Source: *Barclays Capital*

MENA

Region's economic freedom stagnates

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2013, a broad indicator of economic freedom in 177 countries, shows that economic freedom among Arab countries regressed marginally year-on-year, as the region's average level of economic freedom reached 61.5% in 2013, relative to 61.9% in 2012 and 62.4% in 2011. The level of economic freedom in the region came slightly above the global level of 59.6%. In comparison, GCC countries had an average score of 68.3% and non-GCC Arab countries had an average of 57%. The index evaluates individual economies on the basis 10 broad factors of economic freedom that are equally weighted. The rankings of four Arab countries improved, nine declined and two remained unchanged; while the level of economic freedom improved in six countries, declined in seven economies and remained unchanged in two countries. Bahrain remains the most economically-free country among Arab economies, ranking as the 12th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide; while Djibouti (127th), Mauritania (134th) and Algeria (145th) are the lowest ranked regional economies. Three economies came in the "mostly free" category, while three countries had economies that are "moderately free", seven were "mostly unfree", and one had a "repressed" system. The economies of the UAE and Jordan were upgraded to the "mostly free" category, those of Lebanon and Morocco were downgraded to the "mostly unfree" category and Algeria became a "repressed" economy.

Source: *Euromoney, Byblos Research*

OUTLOOK

MENA

Economic growth to slow down to 3.4% in 2013

The World Bank projected economic growth in the Middle East & North Africa at 3.4% in 2013 relative to an estimated growth of 3.8% in 2012, and compared to growth of 5.5% for developing nations and 2.4% for the global economy. The World Bank's growth forecast for the MENA geographic region becomes 3.6% in 2013 relative to 4.4% in 2012 when including GCC economies ex-Qatar. It expected the region's developing oil exporters that include Algeria, Iran, Iraq, Libya, Syria and Yemen to grow by 3.3% in 2013 compared to 4.6% in 2012, and projected real GDP growth in developing oil importers that include Egypt, Jordan, Lebanon, Morocco and Tunisia at 3.5% in 2013 relative to 2.5% in 2012. Also, it forecast economic growth in GCC countries at 3.8% in 2013 compared to 5.1% in 2012. It considered that prospects for the region over the medium-term are contingent on assumptions of a gradual easing of social unrest and ongoing uncertainty. It projected the MENA region's current account balance to post a surplus of 0.6% of GDP this year, down from an estimated 1% of GDP in 2012, and forecast the fiscal deficit at 4.9% of GDP in 2012 relative to 7% of GDP in 2012.

The World Bank warned that a significant deterioration of conditions in the Eurozone in 2013 would lead to a fall in the MENA region's GDP by one percentage point in 2013 and 0.7 percentage points in 2014. It said that the region's oil importers would be mainly affected through trade, tourism, remittances and financial flows. Further, it said that a prolonged fiscal deadlock in the U.S. represents an immediate threat to global growth and, in turn, for the economic performance of developing MENA countries. It said that a partial solution to the U.S. fiscal deadlock would reduce growth in developing MENA economies by 0.8 percentage points in 2013. It added that a 5 percentage points decline in the GDP levels of high-income countries due to an unspecified shock would result in a decrease in the growth of MENA countries with inadequate buffers by 1.9 percentage points to 2.9 percentage points. Further, it noted that a sudden slowdown in Chinese investment would reduce growth in the MENA region by 0.3 percentage points.

Source: World Bank

ARMENIA

Banking sector can withstand domestic recession and significant currency depreciation

The International Monetary Fund anticipated that second-round effects of a downturn in Europe, mainly in Russia, would have a greater impact on banks in Armenia than direct spillover effects from future financial sector distress in the Eurozone. It said that banks in Armenia would be affected through increased credit risks in the real sector. In parallel, the IMF's solvency stress tests show that the Armenian banking system can adequately withstand a domestic recession along with a significant depreciation of the currency against the U.S. dollar. It said that this scenario would severely constrain the banks' ability to generate additional capital, as an increase in interest rates would worsen their income streams. It pointed out that this reflects the high share of loans that carry a fixed interest rate in banks' port-

folios, which limits the possibility of pass-through to customers of a rise in funding cost.

The Fund expected banks that largely rely on domestic funding sources to face negative net interest income margins in case of significant shocks. It added that such margins, along with additional loan-loss provisions, would further erode capital buffers. But it noted that banks' high capital buffers would help them mitigate these risks. Also, it said that banks' capital adequacy ratio would be supported by a slower or negative growth in risk-weighted assets and higher pre-provisioning returns on assets in case of a recession. However, the IMF cautioned that stress test results may understate vulnerabilities, as these tests were based on historic experiences that may not capture the recent rise in the dollarization rate of deposits, increased competition among banks, and relatively high credit growth. Further, the IMF's liquidity stress tests reveal that banks would be able to cope with large liquidity outflows, as they maintain large liquidity buffers in both domestic and foreign currency, and they are not exposed to market funding risk given that domestic deposits constitute their main source of funding.

Source: International Monetary Fund

QATAR

Rising spending and dependence on hydrocarbon revenues to raise fiscal breakeven oil price

The International Monetary Fund anticipated that Qatar's fiscal breakeven oil price, which is the level of oil prices that balances the budget at a given level of spending, would increase over the medium-term due to rising spending pressures and dependence on hydrocarbon revenues. It noted that the upward trend in the country's fiscal breakeven oil price highlights the need to focus on containing current expenditures that are difficult to reverse, such as public-sector wages and administrative expenses. It said that if global oil prices drop by \$28 in 2013, Qatar's fiscal balance would shift to a deficit by 2015, as the fiscal breakeven price would exceed global oil prices. It noted that under this scenario, the country's cumulative fiscal deficits would amount to \$34bn during the 2015-17 period, representing around 80% of the projected capital expenditures for both fiscal years 2016 and 2017. The Fund called for prioritizing and sequencing capital projects, refraining from further ad hoc increases in current expenditures, and enhancing fiscal buffers and reserves.

In parallel, the IMF indicated that Qatar plans to finance its budget from 2020 onwards from non-hydrocarbon revenues. It noted that the government would meet its objective through an infrastructure investment program in the non-hydrocarbon sectors. It estimated the total cost of Qatar's budgeted capital projects at \$93bn during the 2012-2020 period. It expected non-hydrocarbon revenues to finance 75% of projected expenditures in FY2017/18, but it noted that Qatar's fiscal surpluses are contracting. As a result, it called for more savings in the medium-to-long term, mainly through containing current expenditures and prioritizing capital spending. It estimated that Qatar is able to save around \$50bn each year until 2017 through its sovereign wealth fund, given that it drafts its budgets based on conservative global oil prices. It forecast Qatar's total international reserves at \$485bn in 2017 relative to a current level of \$215bn.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

External debt up 1.7% during 2005-11 period, reaches \$166bn at end-2011

Figures released by the World Bank show that total external debt outstanding in the MENA region reached \$166bn at end-2011 and accounted for 3.4% of total external debt in emerging markets. The region's external debt grew at a compound annual growth rate (CAGR) of 1.7% during the 2005-11 period compared to a CAGR of 11.2% in emerging markets. The stock of long-term debt in MENA economies totaled \$120bn at end-2011 or 72.1% of the region's total external debt outstanding, followed by short-term external debt with \$38.2bn (23%) and the use of IMF credit with \$8.2bn (4.9%). The region's short-term external debt increased by 2.5% at end-2011, the stock of long-term fell by 0.6%, and the use of IMF credit decreased by 1.5%. Further, public and publicly-guaranteed debt accounted for 94% of total long-term debt, while private non-guaranteed debt represented the remaining 6%. In parallel, the ratio of external debt stocks-to-exports fell to 44.5% at end-2011 from 51.5% at end-2010, while that of reserves-to-external debt outstanding decreased to 161% at end-2011 from 180% at end-2010. Further, the ratio of short-term debt-to-imports was 23% at end-2011, down from 22.4% at end-2010. Egypt had \$35bn in external debt, or 21.1% of the region's total, followed by Morocco with \$29.1bn (17.5%) and Lebanon with \$24.8 (14.9%).

Source: World Bank

SYRIA

Illicit financial outflows at \$3.3bn annually, 22nd highest worldwide

Global Financial Integrity, a non-profit, research and advocacy organization, estimated the cumulative illicit financial flows (IFFs) from Syria at \$32.6bn between 2001 and 2010, which is equivalent to an average of \$3.3bn per year during the covered period. The organization defined IFFs as funds that are illegally earned, transferred or utilized, and cover all unrecorded private financial outflows that drive the accumulation of foreign assets by residents in infringement of applicable laws and regulatory frameworks. IFFs from Syria were the 22nd highest among 143 developing economies and the fifth largest among 18 Arab countries during the covered period. Globally, IFFs from Syria were higher than those from Egypt, Honduras and Turkey, and were lower than those from Venezuela, Brunei Darussalam and Brazil. It noted that the annual average IFFs from Syria during the 2001-10 period were lower than the annual average in developing economies of \$4.1bn and the Arab yearly average of \$3.7bn. Further, Syria accounted for 5.2% of cumulative IFFs from Arab countries and for 0.6% of IFFs from developing economies during the 10-year period. In parallel, it said that illicit outflows from Syria on a GER basis, or those transferred through the deliberate misinvoicing of external trade, totaled \$27.8bn between 2001 and 2010 and averaged \$2.8bn per year during the covered period. Also, illicit outflows from Syria on an HMN basis, or those that were channeled through balance-of-payments leakages, totaled \$4.8bn between 2001 and 2010, and averaged \$476m per year during the covered period.

Source: Global Financial Integrity

ARMENIA

Country risk level lower than most regional peers, ranks 79th globally

Euromoney magazine's quarterly survey on global country risk ranked Armenia in 79th place among 184 countries worldwide and in third place among 12 Commonwealth of Independent States (CIS) in the fourth quarter of 2012. Armenia ranked in 80th place globally and in third place regionally in the third quarter, while it ranked in 79th place globally and in fourth place regionally in the second quarter of 2012. Armenia's overall score reached 43.61 points, down from its score of 44.01 points in the preceding survey and compared to the global average of 42.83 points, and to the average score of 33.62 points for the CIS. Globally, Armenia had a lower country risk level than that of El Salvador, Azerbaijan and Georgia, and a higher risk level than that of Sri Lanka, Ghana and Jordan. Also, Armenia had a higher risk level than only Russia and Kazakhstan among the CIS. Armenia's Political Risk score was 15.42 points, better than the global average of 14 points and the CIS average of 10.9 points; while its Economic Performance received 14.6 points, above the global average of 13.52 points and the CIS average of 12.37 points. Further, Armenia's Credit Ratings score was 2.81 points compared to the global average of 3.22 points and the CIS average of 1.9 points; while its score on Access to Bank Finance & Capital Markets was 3.25 points relative the global average of 3.91 points and the CIS average of 2.80 points. Also, Armenia's score on Debt Indicators reached 2.63 points relative to the global average of 4.23 points and the CIS average of 2.28 points.

Source: *Euromoney*, *Byblos Research*

AFRICA

Sub-Saharan African economies increasingly linked to global trends

The International Monetary Fund projected economic growth in Sub-Saharan Africa (SSA) at 5.3% in 2013, which would be the second fastest-growing region globally after Emerging Asia. It noted that SSA showed economic resilience in the context of the most serious global instabilities since the Great Depression. It said that African countries were able to take advantage of the strong foundations they had built, and to shift trade and investment toward a more diverse set of partners. It noted that non-traditional partners account for 50% and 60% of African imports and exports, respectively, with China being the region's largest single trading partner. But the IMF pointed out that a weaker global economy would impact SSA through trade, foreign investment and remittances flows. It said that a sustained drop of 2 percentage points in global GDP would reduce growth in SSA by about 1.3 percentage points a year. It added that high global food prices and food scarcity constitute a threat to the region's stability. Further, the Fund indicated that SSA needs to address longer-term challenges that include faster structural transformation, more inclusive growth and job creation, better management of natural resources, and stronger financial sectors. It warned that general subsidies that are designed to protect consumers, especially in the energy sector, are protecting those who do not need them.

Source: International Monetary Fund

BANKING

WORLD

Bank ratings unlikely to return to pre-crisis levels

Moody's Investors Service anticipated that banks' credit ratings and standalone assessments worldwide are not likely to return to levels reached prior to the 2007-08 global financial crisis. It indicated that creditors will be exposed to increased risks of bank default for the foreseeable future. It said that banks face substantial and intrinsic risks that include high leverage, reliance on funding that is sensitive to confidence, and high sovereign risks. Further, it expected banks' fundamental credit risks to continue to be under stress due to the ongoing macroeconomic instability and uncertainties in the global operating environment. It noted that the capacity and willingness of governments to provide support to distressed banks add to these risks. It pointed out that the promise of government support has historically moderated the global banking sector's fundamental risk level for creditors. It noted that bank defaults and failures would have been far more wide-spread without the extraordinary liquidity and capital-replenishment measures taken by authorities during the 2007-08 financial crisis. But it added that the recent rise in bank failures led to the revaluation of this assumption.

Source: Moody's Investors Service

IRAN

Central Bank likely to devalue currency

Business Monitor International anticipated that the Central Bank of Iran (CBI) will devalue the official exchange in 2013 from a current level of IRR12,302 against the US dollar, in order to limit the fall in foreign currency reserves. But it forecast a managed and gradual devaluation given that a sharp decrease in the value of the rial will cause a major sell-off of the currency on the open market. It expected the official rate to average IRR14,636 per US dollar in 2013, constituting a 20% decline from an average of IRR12,197 per dollar in 2012. It projected the CBI's foreign currency reserves at \$61.1bn in the fiscal year 2013/14, down 3% from the preceding year and equivalent to 6.8 months of import cover. It said that the CBI's level of foreign currency reserves would be sufficient to avoid another sharp drop in the value of the currency in 2013. Further, it anticipated that confidence in the rial would remain low, given high inflation levels and weak economic performance, which would lead to further currency weakening. It forecast the rial to trade at IRR39,000 to the US dollar on the black market in the coming quarters relative to IRR32,450 per dollar on January 7th and IRR18,000 per dollar in January 2012. In parallel, BMI indicated that risks to the currency outlook are significantly to the downside. It said that a faster-than-expected decline in foreign reserves would force the CBI to accelerate the devaluation of the currency in the official market, causing a sharp drop of its value on the black market. It added that an increase in political risks would simulate a sell-off of the currency.

Source: Business Monitor International

TURKEY

Central Bank measure to contain lending growth

Fitch Ratings anticipated that the Central Bank of Turkey's introduction of higher reserve requirements for Turkish banks that fail to meet set leverage ratios would reduce the risk of a

return to very high loan growth levels. It said that the new policy tool, which will be implemented in the fourth quarter of 2013, will require banks with leverage ratios below 3.5% to hold additional reserves between one and two percentage points. It noted that the threshold would increase to 4% in the fourth quarter of 2014 and to 5% in the last quarter of 2015. It pointed out that the new policy would reduce the resumption of high credit growth rates similar to those posted in 2010 and 2011, when average lending growth exceeded 30% per year. It expected nominal lending growth to exceed the official target of 15% in 2013, but not to significantly exceed 20%. It warned that Turkish banks would face substantial risks if credit growth significantly exceeds 20% annually. It said that this would challenge banks' underwriting capacity and asset quality, weaken their capital and funding ratios, stretch corporate and household balance sheets, and threaten macroeconomic stability. It noted that the stricter reserve requirements would prevent such risks from building up in the banking system and would improve liquidity ratios. Further, it pointed out that the introduction of a leverage ratio requirement prepares the Turkish banking sector for the implementation of Basel III standards. It added that this measure constitutes the CBT's first macro-prudential policy that addresses individual banks' balance sheet structures.

Source: Fitch Ratings

NIGERIA

Bank lending to grow by 12% in 2013, change in loan mix to continue

Citigroup anticipated that loans extended by Nigerian banks will grow by 6% in 2012 and 12% in 2013 relative to contractions of 5% in 2011 and 14% in 2010. It expected that general commerce such as trade financing & working capital, transport & communications, and oil & gas to constitute the main sources of lending growth. It said that the 2009 domestic banking crisis led to a change in the loan mix, mainly due to the Central Bank of Nigeria's policy of encouraging lending to the real sector. It noted that loans to the agriculture, solid minerals, exports and manufacturing sectors accounted for a combined 38% of total loans at end-September 2012 relative to 26% at end-2008, while the share of general loans fell to 22% at end-September 2012 from 33% at end-2008. It added that loans to the real estate & construction, transport & communication, public utilities, finance & insurance, government, and import & domestic trade accounted for 40% of total loans at end-September 2012, similar to the level posted at end-2008. But it pointed out that loans extended to the government, financial service providers and importers fell significantly between end-2008 and end-September 2012, while loans to the solid minerals and agriculture sectors posted significant increases during the covered period. In parallel, it forecast the growth in banks' deposits at 10% in 2012 and 13% in 2013 relative to 14% in 2011 and 11% in 2010. It considered that low-cost deposits will drive the growth in deposits this year. It noted that low-cost deposits accounted for 75% of total deposits at end-September 2012 relative to 72% at end-2008.

Source: Citigroup



ENERGY / COMMODITIES

Global oil demand to grow by 1.5% in 2013

Global oil consumption is projected to reach 91 million barrels per day (b/d) in 2013, constituting an increase of 1.5% from 89.7 million b/d in 2012. The Organization for Economic Cooperation and Development countries' demand is expected to reach 45.9 million b/d, equivalent to 50.4% of global consumption. It would be followed by non-China Asian countries with 11.8 million b/d (12.9%), China with 10 million b/d (11%) and the Middle East with 7.8 million b/d (8.6%). Also, the Organization of Petroleum Exporting Countries' (OPEC) output is anticipated to account for 41.5% of global production in 2013, while total non-OPEC output would represent 56.2% of global oil production this year. Brent crude prices are forecast to reach \$110 a barrel on average in the first half of 2013 and to average \$105 a barrel for the year. In parallel, Goldman Sachs projected oil prices to rise during the second half of 2013 on improvements in the U.S. economic outlook. It noted that there are many upside risks to oil prices such as low inventory levels, limited OPEC spare capacity and geopolitical risks. It said that risks related to oil production are at an all-time high in a number of countries that include Iran, Sudan and Venezuela.

Source: *Economic Intelligence Unit, Goldman Sachs, Byblos Research*

Qatar leads rise in global LNG production

Qatar is leading the increase in the global supply of Liquefied Natural Gas (LNG), as its output grew by a compound annual growth rate of 13.1% to 74.8 million tons per year during the 2000-11 period, while its production is forecast to increase by 3% in 2013. Further, Qatar is the world's third largest producer of natural gas and accounts for 33.3% of the world's proven reserves, and is the world's largest exporter of LNG. Qatar's gas exports go to 15 countries around the world. Qatar's gas reserves-to-production ratio is estimated at more than 100 years. Qatar accounted for 30% of global LNG trade and for 28% of LNG export capacity in the world in 2011.

Source: *International Monetary Fund, Byblos Research*

Sudan plans to raise oil output by 9% in 2013

Sudan plans to increase its oil output to 150,000 b/d in 2013, constituting an increase of about 8.7% from an average 138,000 b/d currently being produced. It attributed the projected increase in production to a rise in output at two new oilfields and higher recovery rates from existing fields. Sudan's current oil production levels are only able to accommodate domestic consumption.

Source: *Thomson Reuters, Byblos Research*

Syria's electricity output drops by 35%

Electricity production in Syria dropped by about 35.3% by end-2012 due to lack of fuel supplies at power plants and energy transport difficulties as the security situation deteriorated. Syria's shortfall in electricity generation reached 3,000 megawatts (MW), as electricity production declined to 5,500 MW from its normal level of 8,500 MW. In parallel, demand rose to 9,500 MW as many Syrians shifted to electrical heating from conventional oil whose price increased by five times to \$1.4 per liter. Electricity consumption in Syria rose by 45% year-on-year in 2012, especially in Damascus.

Source: *Agence France Presse*

Base Metals: Nickel output to grow slightly

Global refined nickel production is projected to reach 1.83 million tons in 2013, constituting a rise of 0.3% from 1.82 million tons in 2012. China's nickel production is expected to reach 530,000 tons in 2013, equivalent to 29% of global supply. It would be followed by Russia with 270,000 tons of output (14.8%) and Japan with 165,000 tons (9%). In parallel, global refined nickel demand is predicted at 1.79 million tons in 2013, constituting an increase of 1.1% from 1.77 million tons in 2012. China's nickel consumption is forecast to reach 790,000 tons in 2013, equivalent to 44.1% of global demand. It would be followed by the EU with 325,000 tons (18.2%) and Japan with 162,000 tons (9.1%). The nickel market is projected to post a surplus of 40,000 tons in 2013 and shift to a deficit of 35,000 tons in 2014. As such, global nickel prices are anticipated to remain on a downward trend in 2013 due to the oversupply in the market before it stabilizes during the 2014-15 period. Further, the expected price decline of the metal during 2013 will result in lower nickel output in 2014 and subsequently cause inventories to drop. Global nickel prices are forecast to average \$16,500 a metric ton in the first quarter of 2013 and average \$17,000 a metric ton for the year.

Source: *Economic Intelligence Unit, Goldman Sachs, Byblos Research*

Precious Metals: Gold prices to rise in the first half of 2013

Goldman Sachs projected gold prices to rise in the first half of 2013 due to excess liquidity resulting from global monetary easing measures and as investors look to hedge inflation. It anticipated the gold cycle to remain structurally stable with upside catalysts, such as the debt ceiling debates in the United States, acting in favor of gold prices in early 2013. However, it expected gold prices to decline once improved U.S. economic data prevail over the effects of monetary easing. In parallel, Global gold production is projected to reach 4,223 tons in 2013, constituting an increase of 4.2% from 4,053 tons in 2012; while global consumption is expected to reach 3,949 tons in 2013, constituting a rise of 3.3% from 3,822 tons in 2012. Total gold jewelry demand is projected to reach 1,919 tons in 2013, equivalent to 48.6% of global gold consumption. It would be followed by physical bars and coins investment with 1,325 tons (33.6%), industrial & dental purchases with 436 tons (11%) and ETFs investment with 268 tons (6.8%). Further, gold prices are forecast to average \$1,825 a troy ounce in the first quarter of 2013.

Source: *Goldman Sachs, 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								
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-13
Eurozone	Refi Rate	0.75	10-Jan-13	No change	07-Feb-13
UK	Bank Rate	0.50	10-Jan-13	No change	07-Feb-13
Japan	O/N Call Rate	0-0.10	20-Dec-12	No change	22-Jan-13
Australia	Cash Rate	3.00	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	19-Dec-12	No change	Mar-13
South Korea	Base Rate	2.75	11-Jan-13	No change	14-Feb-13
Malaysia	O/N Policy Rate	3.00	08-Nov-12	No change	31-Jan-13
Thailand	1D Repo	2.75	09-Jan-13	No change	20-Feb-13
India	Reverse repo rate	8.00	18-Dec-12	No change	29-Jan-13
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	24-Nov-11	Raise 100bps	N/A
Turkey	Base Rate	5.50	18-Dec-12	Cut 25bps	22-Jan-13
South Africa	Repo rate	5.00	22-Nov-12	No change	22-Jan-13
Kenya	Central Bank Rate	9.50	10-Jan-13	Cut 150bps	Mar-13
Nigeria	Monetary Policy Rate	12.00	20-Nov-12	No change	22-Jan-13
Ghana	Prime Rate	15.00	Nov-12	No change	Feb-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	21-Dec-12	No change	N/A
Romania	Policy Rate	5.25	07-Jan-13	No change	05-Feb-13
Bulgaria	Base Interest	0.03	01-Jan-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	20-Aug-12	No change	N/A
Russia	Refi Rate	8.25	15-Jan-13	No change	N/A



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