

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity-backed buyout deals down 4% to \$255bn in 2012

Figures issued by research provider Preqin show that the aggregate value of private equity-backed buyout deals totaled \$254.6bn in 2012, constituting a decrease of 3.9% from the post-Lehman record of \$264.8bn in 2011. Also, the number of equity-backed buyout deals stood at 2,866 in 2012 relative to 2,900 deals in 2011. Further, leveraged buyout deals accounted for 62% of the aggregate value and for 43% of the total number of deals in 2012; followed by add-on deals with 11% of aggregate value and 33% of the number of deals; and growth capital deals with 7% and 15% of total value and number of deals, respectively, in 2012. The industrial sector accounted for 23% of the number and for 22% of the value of deals last year, followed by business services that represented 16% of the number and value of deals, and the consumer & retail sector that accounted for 15% of the number and for 16% of the aggregate value of deals in 2012. Private equity-backed buyout deals valued at less than \$250m accounted for 78% of the total number of deals, while deals valued at more than \$1bn represented 55% of the total last year. Further, the aggregate value of exits stood at \$275.2bn in 2012, down 11.3% from a post-Lehman high of \$310.1bn in 2011, while there were 1,192 exit deals relative to 1,145 exits in 2011. The decrease in the value of exit deals is attributed to the absence of exits valued at over \$10bn in 2012. Also, the average exit size stood at \$496m in 2012, down from \$519m in 2011.

Source: Preqin

Corporate defaults up 55% in 2012

Standard & Poor's indicated that a total of 82 corporate debt issuers defaulted worldwide in 2012 relative to 53 issuers in 2011 and 81 issuers in 2010, and compared to the peak of 264 issuers in 2009. It said that the U.S. accounted for 47 corporate defaults or 57.3% of the total last year, followed by emerging markets with 22 defaults (26.8%), Europe with nine defaults (11%) and other developed countries with four defaults (4.9%). Also, it noted that corporate defaults in emerging markets posted a three-fold annual increase, those in Europe increased by 125%, and those in the U.S. grew by 17.5%, while defaults in other developed countries fell by 33.3%. Further, it said that missed payments and bankruptcy filings were the main reason for the default of 23 corporate issuers last year followed by distressed exchanges with 17 entities. In comparison, missed interest or principal payments was the main reason for default in 2011 with 21 issuers, followed by bankruptcy filings with 13 defaults, and distressed exchanges with 11 defaults. In parallel, it pointed out that the global speculative-grade default rate reached 2.5% in 2012, with the U.S. rate at 2.69%, followed by emerging markets at 2.37% and Europe at 1.95%, while that of other developed countries posted a speculative-grade default rate of 3.13%.

Source: Standard & Poor's

MENA

M&A deals up 33% to \$37bn in 2012

Figures released by Standard & Poor's show that there were 478 merger & acquisition deals in the Middle East & North Africa region, including Turkey, in 2012, constituting an increase of 7.4% from 445 deals in 2011. Also, the aggregate value of M&A deals in the region reached \$36.9bn in 2012, up 32.6% from \$22.8bn in 2011. The average deal size in the region was \$177m in 2012 relative to \$128m in 2011, while there were 10 deals worth more than \$1bn in 2012 compared to three in 2011. Also, Turkey and Egypt were the most active countries for M&A attracting 142 deals worth \$10.1bn, and 38 deals worth \$9.8bn, respectively. Transaction values in Egypt, Iraq, Kuwait and Algeria posted the highest annual increases in the region while those in Turkey, Saudi Arabia, Qatar, and Tunisia posted the steepest declines. The financial sector ranked as the leading targeted industry last year with 115 transactions or 24.1% of the total, followed by the industrial sector with 86 transactions (18%) and the consumer discretionary industry with 67 deals (14%). The aggregate value of transactions in the financial sector was the highest in the region at \$11.2bn or 30.5% of the total, followed by the telecommunication sector with \$9.8bn (26.7%) and the industrial sector with \$3.9bn (10.5%). When excluding Turkey, there were 330 deals last year in Arab countries, up 27% from 260 deals in 2011; while the aggregate value of deals increased by 84.7% to \$26.6bn in 2012 from \$14.4bn in 2011.

Source: Standard & Poor's, Byblos Research

Country risk level in Arab world improves in fourth quarter of 2012

Euromoney magazine's quarterly survey on global country risk shows that risks in the Arab world declined, as the average score of 19 Arab economies reached 42.6 points in the fourth quarter of 2012, a significant improvement from 41.5 points in the third quarter of the year. But, the region's risks remain higher than the global risks level that averaged 42.8 points in the fourth quarter. The GCC countries' average score increased to 66.9 points from 65.1 points in the third quarter, while the average score of non-GCC Arab countries improved to 31.3 points from 30.6 points in the preceding quarter. The Arab world's Political Risks score was 12.2 points and was unchanged quarter-on-quarter, but remained below the global average of 13.96 points; while the Economic Performance score was 13.8 points, better than the global average of 13.5 points. Further, the region's Credit Ratings averaged 3.18 points relative to the global average of 3.22 points; while the Access to Bank Finance & Capital Markets score remained at 3.9 points and was similar to the global score. Qatar is the country with the best country risk ratings in the Arab world and ranked in 18th place globally, followed by Kuwait (22nd), Oman (27th), Saudi Arabia (28th) and the UAE (31st); while the lowest-ranked countries in the region are Syria that came in 155th place worldwide, Sudan (156th) and Djibouti (181st).

Sources: *Euromoney*, Byblos Research

OUTLOOK

WORLD

Major systemic financial failure is most important economic risk for 2013

A survey conducted by the World Economic Forum shows that 22.7% of respondents anticipated that major systemic financial failure would be the systematically most important economic risk in 2013, 29.2% of participants forecast global governance failure as the most significant geopolitical risk in 2013, 26.2% of respondents believed that the failure of climate change adaptation would be the most important environmental risk this year, 22.4% of respondents said that water supply crises would be the most significant societal risk in 2013, and 21.7% of participants projected critical systems failure as the most important technological risk this year. The survey covered 1,000 experts from industry, government, academia and civil society who were asked to review 50 global risks.

In parallel, the survey indicates that respondents consider that severe income disparity, chronic fiscal imbalances, rising greenhouse gas emissions, water supply crises, and the mismanagement of population ageing constitute the top five global risks that are most likely to materialize in the next 10 years. It said that the economic risks that are most likely to happen in the next 10 years are severe economic disparity, chronic fiscal imbalances, chronic labor market imbalances, extreme volatility in energy and agriculture prices, and the hard landing of an emerging economy. It added that geopolitical risks that are most likely to take place in the next 10 years are pervasive corruption, global governance failure, terrorism, failure of diplomatic conflict resolution, and entrenched organized crime. It pointed out that the most likely societal risks for the next 10 years are water supply crisis, mismanagement of population ageing, food shortage crisis, and unsustainable population growth. It said the most likely technological risks are cyber attacks, massive incident of data fraud or theft, and massive digital misinformation. Further, the survey shows that respondents anticipate major systemic financial failure, water supply crises, chronic fiscal imbalances, food shortage crises, and the diffusion of weapons of mass destruction to be the top five risks that would generate the highest global impact if they materialize.

Source: World Economic Forum

LIBYA

Real GDP to grow by 13% in 2013, output to average 7% yearly until 2017

Business Monitor International projected Libya's real GDP growth at 13.1% in 2013, making it one of the fastest growing economies in the world this year, and for real GDP growth to average 6.9% annually until 2017 under its baseline scenario. It expected the hydrocarbon sector to continue to drive economic growth this year as investment in the non-oil economy remains subdued. It projected the country's oil production and exports to grow by 7.3% and 6.6%, respectively, in 2013. It added that hydrocarbon receipts, which account for 95% of total fiscal revenues will be transmitted to the non-oil economy through an increase in government spending. Further, it forecast household consumption to post a steady recovery this year, driven by solid demand across economic sectors. It expected private consump-

tion to increase by 15% in 2013 compared to low single-digits growth levels during pre-war years.

In parallel, BMI indicated that Libya's baseline economic outlook faces several risks, depending on which scenario unfolds. It said that the first scenario envisages a return to large scale conflict, with real GDP growth becoming highly volatile over the coming five years, and would depend almost entirely on restarting hydrocarbon production and increasing net exports. It forecast the size of the economy at \$137bn by 2017, compared to \$156bn under the baseline scenario. Its second scenario reflects a fragmented political situation in which the authorities find their ability to exert centralized control gradually diminishing. It considered that this will weigh on foreign investment, and will make doing business in the country very difficult. It expected growth to average 4.9% per year under this scenario.

BMI's third scenario simulates political paralysis, which would slow the passage of economic and business reforms, and undermine capital expenditure plans. It anticipated that economic output would still expand at a relatively healthy level, but it noted that private consumption and net exports would constitute growth's main drivers. Finally, it warned that in case of low global oil prices, Libya's fiscal and external accounts would significantly deteriorate, but real GDP growth would still average 6.2% in the next five years.

Source: Business Monitor International

MENA

Maghreb region requires significant reforms to raise FDI level

The International Monetary Fund indicated that an increase in foreign direct investment in the countries of the Maghreb region would stimulate the region's economic potential, lead to higher productivity, enhance economic diversity and improve the region's resilience against external turmoil. It encouraged Maghreb governments to restore or maintain economic stability, which would provide predictability for investors. It noted that the authorities should pursue sound fiscal and monetary policies, and protect their real exchange rate from overvaluation, as both factors are important for economic stability. Also, it said that Maghreb countries can improve their investment climate and business environment through regulation; better quality infrastructure; fair and predictable tax and customs administration; a strong, independent, and impartial judiciary; and a financial system that supports productive activity and widespread access to credit.

In parallel, the IMF indicated that greater openness in the Maghreb region through higher integration, internationalization and diversification would stimulate FDI inflows. It said that the region would benefit from greater openness through the removal of barriers to trade. It noted that introducing a common set of trade and investment rules for the region would help provide a better investment environment. Further, it encouraged Maghreb countries to reduce their dependence on Europe as a source of FDI; to engage with Brazil, Russia, India, China and South Africa as new sources of FDI; and to develop new investment niches in new and dynamic sectors.

Source: International Monetary Fund

ECONOMY & TRADE

EMERGING MARKETS

External debt up 11.2% during the 2005-11 period, reaches \$4,876bn at end-2011

Figures released by the World Bank show that the total external debt outstanding in emerging markets reached \$4,876bn at end-2011, constituting an increase of 10.5% from end-2010. Total external debt outstanding in Europe & Central Asia totaled \$1,484bn at end-2011 and accounted for 30.4% of emerging markets' external debt. It was followed by East Asia & Pacific with \$1,243bn (25.5%), Latin America & the Caribbean with \$1,233bn (25.3%), South Asia with \$454bn (9.3%), Sub-Saharan Africa with \$296bn (6.1%) and the Middle East & North Africa with \$166bn (3.4%). East Asia & Pacific's external debt posted a 16.2% increase in 2011, followed by Latin America & the Caribbean (+13.5%), South Asia (+12.4%), Sub-Saharan Africa (+9%) and Europe & Central Asia (+4.9%); while that in the MENA region remained unchanged. Further, emerging markets' external debt grew at a compound annual growth rate (CAGR) of 11.2% during the 2005-11 period. South Asia's external debt posted a CAGR of 15.7% during the 2005-11 period, followed by Europe & Central Asia with 15.3%, East Asia & Pacific with 12.2%, Latin America & the Caribbean with 8.6%, Sub-Saharan Africa with 3.9%, and the MENA region with 1.7%.

Source: World Bank

MENA

Illicit financial outflows at \$602bn between 2001 and 2010

Global Financial Integrity, a non-profit, research and advocacy organization, estimated the cumulative illicit financial flows (IFF) from the Middle East & North Africa region at \$602.3bn between 2001 and 2010, equivalent to 10.3% of cumulative IFFs from developing countries. 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. It said that IFFs from the MENA region grew at a CAGR of 11.6% during the covered period, as they reached \$33.2bn in 2001, \$8bn in 2002, \$7.3bn in 2003, \$22.1bn in 2004, \$63.7bn in 2005, \$55.6bn in 2006, \$41.1bn in 2007, \$140.7bn in 2008, \$141.3bn in 2009 and \$89.2bn in 2010. In parallel, the organization said that illicit outflows from the MENA region on an HMN basis, or those that were channeled through balance-of-payments leakages, totaled \$434bn between 2001 and 2010, and grew at a CAGR of 20.1% during the period. It noted that illicit outflows channeled through balance-of-payments leakages accounted for 72% of total illicit outflows from the region and for 37.2% of cumulative HMNs from developing countries. It added that illicit outflows from the region on a GER basis, or those transferred through the deliberate misinvoicing of external trade, totaled \$168.4bn between 2001 and 2010 and grew by a CAGR of 0.9% during the covered period. It pointed out that illicit outflows through the deliberate misinvoicing of external trade accounted for 28% of total illicit outflows from the MENA region and for 3.6% of the total GERs from developing countries.

Source: Global Financial Integrity

SAUDI ARABIA

Expansionary 2013 budget to support growth

Fitch Ratings anticipated that the expansionary 2013 budget in Saudi Arabia, based on a conservative global oil prices, would support healthy economic growth and a further strengthening of the sovereign's net creditor position. It projected Saudi Arabia's fiscal surplus at 7.6% of GDP in 2013 relative to a targeted surplus of 0.4% of GDP in the 2013 budget and compared to a realized surplus of 14.2% of GDP in 2012. It said that global oil prices and production assumptions are not disclosed in the 2013 budget. But it noted that the budget is consistent with an average Brent price of around \$60 per barrel and a production of 9.7 million barrels per day, compared to the agency's forecast of an average Brent price of \$100 p/b. It said that Saudi Arabia's fiscal position is heavily dependent on oil revenues that account for around 90% of total revenues, and that the breakeven oil price has been on an upward trend in recent years. It forecast the breakeven oil price at \$74 barrel in 2013, up from \$68 p/b in 2012 and from \$40 p/b in 2008. It said that the 2013 budget projects record spending of \$219bn, equivalent to 34% of GDP, and constituting a 20% rise from the 2012 budget. But it expected actual spending to surpass the budgeted level, as realized expenditures have exceeded those in the budget by an average of 24% over the past decade. Further, it pointed out that the 2013 budget forecasts a rise of 18% in revenues. But it expected actual revenues to exceed the budgeted receipts in 2013, given that they exceeded the budgeted revenues by an average of 82% over the past five years.

Source: Fitch Ratings

CÔTE d'IVOIRE

Main fiscal challenge is rise in public spending

Citigroup considered that the key objective of Côte d'Ivoire's government in 2013 is to ensure that the planned rise in public spending is met by increasing revenues. It noted that the government's receipts would increase if an economic recovery materializes, but it cautioned about the prospects of revenue growth given the fluctuations in tax revenues in recent years. Further, it said that rescheduling some of the domestic debt repayments that are due in 2013 constitutes another fiscal challenge for the government. It noted that Côte d'Ivoire has currently CFA759.6bn or around \$1.5bn of debt maturing in 2013 with CFA243bn, or 32% of the total, due to mature in December 2013. It anticipated that the domestic and regional banking systems would finance a domestic debt restructuring in 2013, which would allow the government to continue to achieve its goal in terms of fiscal consolidation and to maintain its Eurobond payments. But it pointed out that the need to reschedule the debt provides a degree of uncertainty about the current fiscal projections. It added that the government's repayment capacity would remain limited in 2013. In parallel, Citigroup expected Côte d'Ivoire's current account deficit to be largely funded from external borrowing. In parallel, the IMF indicated that strong macroeconomic policies and a deepening of structural reforms will be essential to maintaining progress towards the country's economic recovery.

Source: Citigroup, International Monetary Fund



BANKING

WORLD

Changes in Basel liquidity rules positive for banks

Fitch ratings indicated that the Basel Committee on Banking Supervision's decision to change the definitions and stress assumptions in the Liquidity Coverage Ratio (LCR), as well as to delay the full implementation of the LCR and to allow banks to use their liquidity buffer in times of stress, set more realistic parameters for banks. It considered that the changes are prudent in the context of the current market and economic pressures. It said that the widening of the liquid asset criteria would provide some diversification to the liquidity portfolio. But it noted that assets that are the most liquid and have the highest quality, such as cash, certain sovereign debt and Central Bank reserves and securities, still have to account for 60% of the liquidity portfolio. Also, the assets class that were added to the liquid asset criteria would not exceed 15% of the liquidity portfolio and may include lower-rated corporate debt, equities and residential mortgage-backed securities, which are all less liquid under distressed conditions. It said that the wider range of liquid assets would help minimize market distortions, as banks could swap certain assets with non-bank financial institutions to improve their regulatory liquidity ratios. Further, Fitch indicated that the Basel Committee weakened the stress assumptions for the total net cash outflows over 30 days. It noted that allowing the LCR to go below the 100% minimum in periods of stress, provides banks with additional flexibility to manage liquidity. Further, it noted that the Basel Committee delayed the implementation of the LCR by four years to 2019, with the minimum requirement starting at 60% in 2015 and rising by 10% each year to 100% when fully enforced.

Source: Fitch ratings

EGYPT

New forex regime reflects reserves shortage

Fitch Ratings indicated that the implementation of the new exchange rate regime in Egypt reflected a serious shortage of foreign exchange reserves, led to a depreciation of the Egyptian pound, and resulted in greater transparency about the Central Bank of Egypt's (CBE) market intervention. It noted that the new regime, which is accompanied by capital controls, is determined by the market, as it is based on an auction system which size and frequency are determined by the CBE. Fitch said that the modest depreciation of the pound is unlikely to provide much support to the balance of payments. It noted that Suez Canal receipts, remittance inflows and oil export revenues, which together account for 55% of total current external receipts, are not sensitive to currency movements. It considered that the currency's weakness will deter foreign portfolio investors in the short-term. Further, it said that the impact of the depreciation on the country's fiscal position would be small due to balanced revenues and expenditures in US dollars. But it noted that the effect of the depreciation on inflation levels will be more pronounced. In parallel, Fitch indicated that an agreement with the IMF is essential for more substantial and sustainable external support, and for restoring domestic and external confidence in the pound.

Source: Fitch Ratings

TURKEY

Banks' capital adequacy solid, NPLs decline

The risk-weighted capital adequacy ratio of banks operating in Turkey reached 16.5% at the end of 2011 relative to 19% at the end of 2010 and 20.6% at end-2009. Also, the sector's shareholders' equity-to-total assets stood at 12% at end-2011, down from 13.4% at end-2010 and 13.3% at end-2009. The sector's liquid assets accounted for 24.7% of total assets at end-2011, declining from 27.7% at end-2010 and 29.4% at end-2009. Also, the sector's loans-to-deposits ratio increased to 98.2% at end-2011 from 85.2% at the end of 2010 and 76.3% at end-2009. Loans accounted for 56.1% of total assets at end-2011, relative to 52.2% at end-2010 and 47.1% at end-2009; while government securities represented 23.4% of total assets at end-2011, down from 28.6% at end-2010 and 31.5% at end-2009. Further, the ratio of foreign currency assets to foreign currency liabilities stood at 83.7% at end-2011, down slightly from 84% at end-2010. Foreign currency deposits accounted for 34% of total deposits and foreign currency loans accounted for 29% of total loans at end-2011. The sector's non-performing loans reached 2.8% of total loans at end-2011, down from 3.8% at end-2010 and 5.6% at end-2009. But the sector's provisions-to-NPLs ratio regressed to 79.4% from 83.8% at end-2010 and 83.6% at end-2009. In parallel, the banking sector's assets were equivalent to 93.8% of GDP at end-2011, up from 91.6% of GDP at end-2010 and 87.6% of GDP at end-2009.

Source: International Monetary Fund

CHINA

Banking sector assessment maintained

Standard & Poor's maintained China's Banking Industry Country Assessment (BICRA) in 'Group 6', and its industry and economic risk scores at '5' each. 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 8' include Colombia, India, Panama, Poland, Thailand, Trinidad and Tobago, Turkey, and the UAE. Further, it said that China's economic risk score indicates that economic resilience is at "intermediate risk", while its credit risk in the economy and assessment of economic imbalances are both at "high risk". It said that the assessment of economic resilience reflects China's low level of GDP per capita, above-average growth prospects, high savings rate, strong fiscal flexibility, and political support for structural reforms. It attributed its assessments of economic imbalances to the rapid expansion of credit facilities in 2009 and 2010, and to the significant rise in property prices over an extended period of time. It noted that the assessment of credit risk in the economy reflects China's high private sector credit-to-GDP ratio. Further, it pointed out that its industry score indicates that the country faces "high risks" in its institutional framework and in its competitive dynamics, and "very low risks" in its system-wide funding due to a very strong core customer deposit base. It said that the assessment of the institutional framework reflects China's intermediate banking regulations and weak corporate governance at many banks.

Source: Standard & Poor's



ENERGY / COMMODITIES

Natural gas prices to rebound by 36% in 2013

Moody's Investors Service anticipated crude oil prices to remain high in 2013, while those of natural gas to slowly recover from their historical lows. It expected oil prices to remain above \$100 a barrel for the third consecutive year in 2013 despite the significant increase in shale oil production in North America. The agency projected that WTI crude oil will continue to sell at a steep discount compared to Brent crude through 2013, while the price differential will gradually narrow afterwards. Moody's indicated that the consumption of natural gas will continue to increase in the U.S. due to large domestic supplies and cheap prices. The U.S. Energy Information Administration forecast Brent crude oil prices, the global benchmark, to average \$105 a barrel in 2013, while it projected U.S. Henry Hub natural gas prices to grow by 36% year-on-year to average \$3.74 per million British thermal unit this year. In parallel, the Dow Jones-UBS Natural Gas Sub-Index declined by 6.6% in December 2012, while the Dow Jones-UBS Petroleum Sub-Index rose by 0.9% during the month. Further, the Dow Jones-UBS Natural Gas Sub-Index decreased by 30.6% in 2012, while the Dow Jones-UBS Petroleum Sub-Index increased by 0.5% last year.

Source: Moody's Investors Service, U.S. Energy Information Administration, Dow Jones Indices, Byblos Research

Syria allows importers to import diesel and fuel

The Syrian Ministry of Economy & Trade announced on January 3, 2013 that it allowed all importers to import diesel and fuel oil into Syria from various sources, while paying for these imports using their methods of choice. It said the decision was an exception to the import ban set in September 2011 and will be valid until the end of March 2013 under the supervision of the Ministry of Petroleum & Mineral Resources. Also, the ministry issued a similar decision a week earlier allowing industrialists to import diesel and fuel oil until the end of June 2013. The two decisions are projected to provide Syria with its energy needs to alleviate shortages in the local market.

Source: Syrian Arab News Agency

Iran's oil revenues drop by 45% in the last nine months of 2012

Iran's oil sales volume declined by 40% over the last nine months of 2012, while its oil revenues dropped by 45% over the same period due to Western-imposed sanctions. Oil production in Iran dropped by 1.5% to 2.66 million b/d in December 2012. Iranian oil exports are forecast to decline to one million b/d in January 2013. Iran is now the fifth-biggest crude exporter in OPEC, falling behind Saudi Arabia, Iraq, Kuwait and Venezuela.

Source: BBC News, Bloomberg, Byblos Research

Iraqi oil exports to rise by 300,000 b/d in 2013

Iraq indicated that it will increase its crude oil exports by 300,000 b/d to 2.9 million b/d in 2013 while enhancing its position among the Organization of the Petroleum Exporting Countries. Iraqi oil exports are projected to reach 4 million b/d in 2014. In parallel, Iraq's crude exports reached 2.35 million b/d in December 2012, constituting a drop of 10.4% from 2.62 million b/d in the previous month.

Source: Aswat al-Iraq, Dow Jones Newswires, Byblos Research

Base Metals: Zinc output to grow by 5% in 2013

Global refined zinc production is projected to reach 13.7 million tons in 2013, constituting an increase of 5.1% from 13 million tons in 2012. China's zinc production is expected to reach 5.4 million tons in 2013, equivalent to 39.2% of global supply. It would be followed by the EU with 2.1 million tons of output (15.3%), South Korea with 0.9 million tons (6.2%) and Canada with 0.7 million tons (5.1%). In parallel, global refined zinc demand is anticipated to reach 13.5 million tons in 2013, constituting an increase of 4.7% from 12.9 million tons in 2012. China's zinc consumption is forecast to reach 6 million tons in 2013, equivalent to 44.3% of global demand. It would be followed by the EU with 2.1 million tons (15.4%), the U.S. with one million tons (7.1%) and India with 0.6 million tons (4.6%). Global zinc prices are projected to average \$2,006 per metric ton in the first quarter of 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index decreased by 0.7% in December 2012, while the Dow Jones-UBS Zinc Sub-Index rose by 1.1% during the month. Further, the Dow Jones-UBS Industrial Metals Sub-Index rose by 0.7%, the Dow Jones-UBS Zinc Sub-Index improved by 9% and the Copper Sub-Index increased by 5% in 2012. In contrast, the Nickel and Aluminium Sub-Indices declined by 10% and 4%, respectively, last year.

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

Precious Metals: Gold mine supply to rise in 2013

Global gold mine production is expected to reach 2,823 tons in 2013, constituting an increase of 0.7% from 2,803 tons in 2012. China's gold mine supply is forecast to reach 420 tons in 2013, equivalent to 14.9% of global mining output. It would be followed by Australia with 260 tons (9.2%) and the U.S. with 232 tons (8.2%). Further, global old gold scrap supply is projected to reach 1,781 tons in 2013, constituting an increase of 4% from 1,712 tons in 2012. As such, global gold production is anticipated to grow by 4.2% year-on-year to 4,223 tons in 2013. Gold prices are forecast to average \$1,775 a troy ounce in the first quarter of 2013 and to rise to \$1,802 a troy ounce in the second quarter of the year. In parallel, the Dow Jones-UBS Precious Metals Sub-Index declined by 3.8% in December 2012, while the Dow Jones-UBS Gold Sub-Index decreased by 2.2% and the Silver Sub-Index dropped by 9.2% during the month. Also, the Dow Jones-UBS Precious Metals Sub-Index rose by 6.3% in 2012, while the Dow Jones-UBS Gold Sub-Index increased by 6.1% and the Silver Sub-Index improved by 7.1% over the year.

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								
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	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-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	13-Dec-12	No change	11-Jan-13
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	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	11.00	07-Nov-12	Cut 200bps	10-Jan-13
Nigeria	Monetary Policy Rate	12.00	20-Nov-12	No change	22-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	21-Dec-12	No change	N/A
Romania	Policy Rate	5.25	07-Jan-12	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	10-Dec-12	No change	N/A



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