

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Equity issuance up 5% to \$660.8bn in 2012, IPOs down 27% to \$123.5bn

Global Equity Capital Market (ECM) issuance reached \$660.8bn in 2012 constituting an increase of 5% from \$629.8bn in 2011, while the number of ECM deals totaled 4,251 deals in 2012, down 17.9% from 5,175 deals in 2011. The Americas accounted for 46% of global ECM volume, followed by Asia Pacific with 32%, and Europe, the Middle East & Africa (EMEA) with 22%. Also, emerging markets ECM volume totaled \$219.4bn in 2012, constituting a 4% decrease from \$228.8bn in 2011 and accounting for 33.2% of global ECM volume; while the number of ECM deals totaled 1,500 deals in 2012 down 19.3% from 1,858 deals in 2011. Also, accelerated offering reached a record high of \$324.5bn through 1,208 deals in 2012 relative to \$205.7bn through 1,026 deals in 2011. The finance sector was the leading sector for global ECM with \$113.1bn or 17% of total ECM volume in 2012, followed by the real estate sector with \$77bn (11.7%) and the insurance sector with \$74.7bn (11.3%). In parallel, global Initial Public Offerings' (IPO) volume totaled \$123.5bn, down 27% from \$168.5bn in 2011, and constituting the lowest annual volume since the \$115bn posted in 2009. The Americas accounted for 44.6% of IPO volume, followed by Asia Pacific with 42.1% and the EMEA region with 13.2%. Also, emerging markets IPOs fell by 42% from \$96bn in 2011 to \$55.8bn in 2012.

Source: Dealogic

EMERGING MARKETS

Non-life insurance premiums to grow by 7.2%, life premiums to rise by 6.2% in 2013

Global re-insurer Swiss Re projected non-life insurance premiums in emerging markets to post real growth rates of 7.2% in 2013 and 7.4% in 2014 relative to an estimated real growth of 7.8% in 2012. It attributed the deceleration in premium growth in 2013 and 2014 to weaker premium growth in Latin America and Asia. It anticipated that growth in motor insurance will remain a key driver for non-life premium activity in emerging markets. In comparison, it forecast global non-life insurance premiums to grow by real rates of 3.5% in 2013 and 4.3% in 2014 relative to 3% in 2012, and for non-life premiums in advanced markets to expand by real rates of 2.7% in 2013 and 3.6% in 2014 compared to 2% in 2012. In parallel, it expected life insurance premiums in emerging markets to grow by 6.2% in 2013 and 6.8% in 2014 in real terms, relative to 2.3% in 2012, supported by higher employment and improved business income. In comparison, it projected premiums from the life insurance segment worldwide to grow by 2.2% in 2013 and 3.1% in 2014 in real terms relative to no growth in 2012, and for life premiums in advanced markets to increase by 1.5% in 2013 and 2.5% in 2014 compared to a contraction of 0.4% in 2012. It anticipated the outlook for the insurance sector in emerging markets to remain challenging this year in the context of a highly uncertain global economic environment.

Source: Swiss Re

MENA

Private capital inflows to reach \$17.3bn in 2013

The World Bank projected net private capital inflows to the Middle East & North Africa (MENA) region at \$17.3bn in 2013, constituting an increase of 38.4% from \$12.5bn in 2012, and accounting for 1.5% of capital inflows to developing economies, the smallest share of such inflows among all regions. It forecast net private inflows to the region to be equivalent to 1.4% of the region's GDP in 2013 compared to 1.1% of GDP in 2012. The World Bank said that net private capital inflows to the MENA region would remain below the levels reached in 2009 and 2010 despite the projected increase this year. It attributed this trend to ongoing uncertainty and domestic tensions in several large oil importers and in some developing oil exporters, which would discourage foreign investors. It forecast net equity inflows to rise by 20.3% to \$16bn in 2013, driven by an increase of 8.4% in net FDI to \$15.5bn, and a shift in net portfolio equity flows from \$1bn in outflows in 2011 to \$0.5bn in inflows. Also, net private debt inflows would reach \$1.3bn in 2013 compared to outflows of \$0.8bn last year. The World Bank forecast net private inflows to reach \$22bn in 2014 and \$29.5bn in 2015, and to be equivalent to 1.6% of GDP in 2014 and 1.9% of GDP in 2015. It expected net equity flows to rise to \$19.2bn in 2014 and \$24.9bn in 2015, along with an increase in net private debt inflows to \$2.8bn in 2014 and to \$4.6bn in 2015. It attributed the increase to opportunities in non-oil activities, especially in tourism and manufacturing, as well to the expansion of the oil and gas sectors.

Source: World Bank

Property damage from terrorist incidents at \$775m in 2011

The Institute for Economics & Peace, a Sydney-based independent non-profit organization, estimated property damage from terrorist incidents in 12 Arab countries at \$775m in 2011, equivalent to 40% of property damage from terrorist incidents worldwide. Property damage from terrorist incidents in Iraq was the highest globally and totaled \$660m in 2011, accounting for 85.2% of estimated property damage from such incidents in Arab countries and for 34.1% of property damage worldwide. It was followed by Yemen in eighth position globally (\$44m), Somalia in ninth place (\$35m), Syria and Egypt in 16th place (\$9m, each), Sudan and Lebanon in 19th place (\$5m, each), Algeria in 22nd place (\$4m each) and Saudi Arabia, Qatar, Tunisia and Mauritania in 36th place (\$1m each). In parallel, there were 1,650 terrorist incidents in Arab countries in 2011 that resulted in 2,963 fatalities and 6,333 injuries. Also, terrorist incidents in Arab countries accounted for 36.2% of terrorist incidents worldwide. Iraq accounted for 74.4% of terrorist incidents in Arab countries in 2011, for 77.5% of injuries and for 60.7% of fatalities.

Source: Institute for Economics & Peace

OUTLOOK

EMERGING MARKETS

Net private capital inflows to increase by 3.5% to \$1,118bn in 2013

The Institute of International Finance projected net private capital inflows to emerging markets at \$1,118bn in 2013, constituting an increase of 3.5% from an estimated \$1,080bn in 2012, and a rise of \$18bn from an October forecast. It revised upwards its October forecast for inflows to Emerging Europe by \$11.3bn, to Emerging Asia by \$5.7bn, to Latin America by \$2.3bn, while it adjusted downwards its projections for flows to the Middle East & Africa by \$1bn for 2013.

The IIF said that the estimated net private capital inflows to emerging markets for 2012 are \$54bn higher than the October forecast. It said that inflows to all four regions were higher-than-expected due to the improved global environment and better investor appetite in the second half of 2012. It attributed the upward revision in its 2013 forecast to the favorable growth outlook for emerging markets, a fall in risk aversion on financial markets and very easy monetary conditions in mature economies. It noted that higher growth in emerging economies and elevated interest rates are attracting funds to emerging markets, while lax monetary policy in mature economies and the prospect of poor returns are pushing flows out of advanced markets. Also, it forecast net private capital inflows to emerging markets to accelerate to \$1,150bn in 2014.

The IIF forecast net direct investment to emerging economies to increase to \$517bn in 2013 and \$536bn in 2014 from \$499bn in 2012. It estimated net portfolio investment at \$73bn last year and expected inflows to increase to \$99bn in 2013 and \$110bn in 2014. Also, it forecast net commercial bank lending to post net inflows of \$152bn in 2013 and \$175bn in 2014 relative to \$143bn in 2012. It estimated net non-bank private lending to drop from \$365bn in 2012 to \$351bn in 2013 and \$329bn in 2014. Further, it projected net lending by official creditors to increase from \$33bn last year to \$55bn this year.

Source: Institute of International Finance

AFRICA

Sub-Saharan Africa to grow by 4.9% in 2013, third fastest globally

The World Bank projected economic growth in Sub-Saharan Africa (SSA) at 4.9% in 2013 relative to an estimated growth of 4.6% in 2012 and compared to growth of 5.5% for developing nations and 2.4% for the global economy. It said that, excluding South Africa, growth is projected at 6.1% in 2013 compared to an estimated growth of 5.8% in 2012. It noted that SSA's projected growth for 2013 would make it the third fastest-growing region, behind East Asia & the Pacific at 7.9% and South Asia at 5.7%. It said that the region's medium-term growth prospects remain strong, supported by a pick-up in the global economy, high commodity prices, increased investment, and mineral exports. It noted that continued investment in infrastructure would increase growth over the medium-term by two percentage points. However, the Bank pointed out that risks to the outlook are to the downside, as a weaker economic growth in China and the ongoing fiscal consolidation in both the Eurozone

and the United States would derail the region's growth prospects.

In parallel, the World Bank estimated that a marked escalation in the Eurozone crisis would lower SSA's real GDP growth by about one percentage point in 2013 and 0.7 percentage points in 2014. It anticipated that Côte d'Ivoire, Nigeria and Senegal would be among the most affected economies in SSA by a deterioration of the crisis in Eurozone area, and that Rwanda, Uganda and Ethiopia would be among the least affected ones. Further, it said that a partial solution to the U.S. fiscal deadlock would reduce growth in SSA by 0.9 percentage points in 2013, mainly through the trade channel. It added that the region's current account and fiscal balances would deteriorate by 1.3 and 0.8 percentage points of GDP, respectively in 2013. It estimated that a five 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 SSA countries with inadequate buffers by 0.8 percentage points relative to a decline of 0.3 percentage points for countries that have adequate policy buffers. Further, it noted that a sudden slowdown in Chinese investment would reduce growth in SSA by 0.3 percentage points and deteriorate the current account and fiscal balances by 0.6 and 0.3 percentage points of GDP, respectively.

Source: World Bank

SUDAN

Economic growth projected at 2% in 2013

Business Monitor International revised downward its projection of Sudan's real GDP growth to 2.1% in 2013 from 2.5% previously and compared to a contraction of 6.5% in 2012. It said that the Sudanese economy continues to face major obstacles that include a chronic fiscal crisis, a deep balance-of-payments deficit, international sanctions, very high inflation levels, and the lack of a comprehensive reform plan that would help it overcome these challenges.

In parallel, it forecast private consumption to grow by around 1.8% in 2013 as high inflation levels and ongoing tension with South Sudan are eroding the purchasing power of households. It noted that headline inflation reached 44.4% in December, with the prices of food increasing by 45%. Further, it considered that the increase in government consumption is contingent on the resolution of the oil transit dispute with South Sudan. It noted that an agreement between North and South Sudan was reached in November 2012, but has yet to be implemented. It pointed out that the government had to significantly reduce its consumption and overall spending, and find new sources of revenues through tax increases, following the independence of South Sudan.

Further, BMI expected private investment to be limited as the increase in tax levels would weigh on much-needed investment. But it noted that the country's hydrocarbon sector would attract investors due to the discovery of new oil fields. It said that the development of new oil fields, the mining sector, and agriculture would support exports and reduce the demand for imports over the long-term. But it expected net exports to weigh on economic activity in the short- and medium-term. It projected exports to grow by 5% and imports to rise by 4% in 2013.

Source: Business Monitor International

ECONOMY & TRADE

SYRIA

Economic cost of conflict equivalent to 55% of 2010 GDP

The United Nation's Economic and Social Commission for Western Asia (ESCWA) indicated that the conflict in Syria is causing significant damages to the economy, including the destruction of commercial and residential properties, infrastructure and production facilities. It noted that the estimated cost of total damages is at SYP2 trillion, equivalent to 55% of 2010 GDP after adjusting for inflation. It said the conflict led to the destruction of at least 33% of the country's 2010 capital stock. Further, it pointed out that unemployment levels increased significantly from an annual average rate of 8.6% in 2010 to 14.9% in 2011 despite the government's effort to increase employment in the public sector. It added that unemployment further increased in 2012 as a growing number of workers became unemployed, were deterred from reporting to work, were displaced domestically, or became political refugees abroad. As a result, it expected the Syrian economy to need several years to recover, and for the ongoing destruction of physical and human capital to complicate reconstruction efforts. In parallel, it estimated the loss in export revenues due to the oil embargo at about \$4bn in 2012, resulting in a 25% decline in government revenues last year. It noted that financial sanctions further hampered trade by complicating trade financing and exerting pressure on the Syrian pound. It pointed out that the Central Bank of Syria's introduction of a managed float exchange rate in January 2012 allowed the pound to devalue by more than 30% against the US dollar before stabilizing at around 70 pounds per dollar.

Source: ESCWA

EGYPT

Sovereign ratings on review for possible downgrade

Moody's Investors Service placed Egypt's 'B2' government bond ratings on review for possible downgrade. It attributed its action to the return of unsettled political conditions, the heightened uncertainty surrounding the government's ability to secure financial support from the International Monetary Fund, the recent imposition of capital controls by the Central Bank of Egypt in order to limit foreign-currency cash withdrawals from the country's banks, and the continued rise in the government's already high fiscal financing costs. It said that Egypt's postponement of a preliminary, staff-level agreement that was reached with the IMF is credit negative. It added that the delay would put at risk the country's fragile economic stability given that the program would have directly provided \$4.8bn in financial support and helped increase investor confidence. It pointed out that Egypt's external payments position had not deteriorated since August 2012. It added that foreign currency reserves have remained stable at \$15bn and that they are sufficient to meet the external debt repayments that are due in the next 12 months. But it noted that the country's exchange rate remains under pressure, as reflected by its steady depreciation against the US dollar since the introduction of a new exchange rate regime in December 2012. Moody's said that it would downgrade Egypt's ratings in the event of an absence of substantial and predictable external financing support; further weakening of the external

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payments position and a further fall of foreign reserves; tighter capital controls on domestic deposits or foreign-exchange transactions; and/or a rise in the government's funding costs to a degree that would significantly amplify refinancing risks.

Source: Moody's Investors Service

KUWAIT

Sovereign ratings affirmed, outlook stable

Capital Intelligence affirmed Kuwait's long-term foreign and local currency ratings at 'AA-', and its short-term foreign and local currency ratings of 'A1+'. It maintained a 'stable' outlook on all the ratings. It said that the ratings reflect Kuwait's financial flexibility due to the government's large net creditor position, the robustness of the budget to oil price shocks, the country's large hydrocarbon resources and oil exporting capacity, and the high level of GDP per capita. It indicated that Kuwait's fiscal breakeven oil price increased over the years to reach \$40 per barrel for the current fiscal year, but remains below current global oil prices. It estimated the government's financial assets at around 190% of GDP. In parallel, CI indicated that several factors constraint the credit standing of the sovereign's balance sheet, including structural economic and budgetary weaknesses, institutional deficiencies, and policy and political risk factors. It considered that Kuwait remains heavily dependent on the oil sector, which accounts directly for around 50% of nominal GDP, 80% of budget revenues, and 90% of export receipts. It noted that the government budget is structurally weak, reflecting a very narrow non-oil revenue base and significant expenditure rigidities. It added that the private sector is small and depends on government spending.

Source: Capital Intelligence

ARMENIA

Economy is "moderately free", ranks 38th globally on Economic Freedom Index

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2013, a broad indicator of economic freedom in 177 countries, ranked Armenia in 38th place globally, ahead of Barbados and Belgium; and behind Columbia and Uruguay. Armenia also ranked second among the Commonwealth of Independent States (CIS), behind only Georgia. The index evaluates individual economies on the basis of 10 broad factors of economic freedom. Armenia came in the "moderately free" category with a 69.4% level of economic freedom, up from 68.8% in 2012, and above the global average of 59.6% and the CIS average of 55.6%. Armenia ranked in 17th place globally in Financial Freedom, in 20th place in Business Freedom, in 27th place in Investment Freedom, in 34th place in Fiscal Freedom, in 39th place in Trade Freedom, in 33rd place in Labor Freedom, in 37th place in Government Spending, in 94th place in Property Rights, in 115th place in Monetary Freedom, and in 127th place in Freedom from Corruption. Among CIS countries, Armenia ranked first in Investment and Financial Freedom, second in Business and Trade Freedom, third in Monetary Freedom and Government Spending, fourth in Freedom from Corruption and Property Rights, and eighth in Fiscal Freedom.

Source: Heritage Foundation, Byblos Research

January 24, 2013

BANKING

GCC

Stable outlook on most banks

Fitch Ratings anticipated that the outlook for most banks in the Gulf Cooperation Council (GCC) countries to remain stable in 2013, mainly driven by the probability of sovereign support. It forecast lending growth to accelerate in 2013, given that the improvement in confidence and the start of new infrastructure projects would stimulate domestic growth. Further, it expected the profitability of GCC banks to gradually improve due to rising fee income, lower impairment charges, and cost control. It said that problem loans have peaked in most GCC banking sectors, which would lead to lower impairment charges this year. But it noted that significant legacy problems remain, mainly in the UAE and Kuwait. It pointed out that the recovery rate of these loans and related collateral values will depend on market developments. In parallel, it said that most GCC governments have previously provided support to their banking systems through additional liquidity and, in a few cases, capital injections. It expected such support to continue, as capital and liquidity would come under pressure in the event of significant loan growth.

Source: Fitch Ratings

JORDAN

Ratings on banks affirmed

Capital Intelligence affirmed the long- and short-term foreign currency ratings of Arab Bank (AB) at 'bb' and 'b' respectively, and those of Jordan Ahli Bank (JAB), Housing Bank for Trade & Finance (HBTF) and Cairo Amman Bank (CAB) at 'BB' and 'B', respectively. It maintained the Financial Strength Rating (FSR) of AB at 'a-' and affirmed that of JAB, HBTF and CAB at 'BB', 'BBB+' and 'BBB-', respectively. It said that all the ratings have a 'stable' outlook. The agency indicated that AB's FSR reflects its strong liquidity, deep customer deposit base, improved cover for non-performing loans (NPLs), good capital adequacy, and diversified balance sheet. It pointed out that JAB's FSR is supported by its high liquidity, improved loan-loss reserve coverage and better operating profitability. It attributed HBTF's FSR to its strong liquidity and customer deposit funding, very solid capital base, and better than sector average profitability. Further, it noted that CAB's FSR reflects its strong liquidity and profitability, sound asset quality and good Capital Adequacy Ratio. In parallel, it said that the FSRs of AB, JAB and HBTF are constrained by relatively high NPLs, while that of CAB is constrained by risk exposure to Palestine.

Source: Capital Intelligence

EGYPT

Bank ratings downgraded, outlook negative

Capital Intelligence downgraded the long-term foreign currency ratings of National Bank of Egypt (NBE), Arab African International Bank (AAIB), Arab International Bank (AIB), Bank of Alexandria (BoA), Commercial International Bank (CIB), Export Development Bank of Egypt (EDBE) and National Société Générale Bank (NSGB) to 'BB-' from 'BB+'. It affirmed the seven banks' short-term foreign currency rating at 'B'. It also lowered CIB's Financial Strength Rating (FSR) to 'A-' from 'A', and affirmed that of NSGB at 'A-', EDBE and NBE

at 'BB+', and AAIB, AIB and BoA at 'BBB-'. It has a 'negative' outlook on all the ratings. The agency said that its rating actions reflect its earlier downgrade of Egypt's sovereign long-term foreign currency rating to 'BB-' from 'BB+'. It noted that the FSR of each of the seven banks is vulnerable to downward pressure given the ongoing difficult domestic operating environment. It pointed out that the current operating conditions in the country would further weigh on the banks' credit metrics over the near-term.

Source: Capital Intelligence

MOROCCO

Bank ratings affirmed

Fitch Ratings affirmed Attijariwafa Bank's (AWB) long- and short-term foreign currency Issuer Default Rating (IDR) at 'BB+' and 'B', respectively, and its Viability Rating (VR) at 'bb-'. It also maintained the National Long-term Rating of Banque Marocaine pour le Commerce et l'Industrie's (BMCI) at 'AAA(mar)' and the support rating of BMCE Bank (BMCE) at '3'. All the ratings have a 'stable' outlook. It attributed AWB's VR to its moderate asset quality, high related-party lending, exposure to fragile economic environments and decreasing liquidity. It also indicated that AWB's VR reflects its strong domestic market presence, satisfactory and stable profitability, and modest capitalization. It said that BMCI's ratings are based on support from its majority shareholder BNP Paribas, in case of need. It noted that Moroccan authorities would provide support to BMCE and AWB in case of need, given both banks' large franchises in the country. But it considered that the probability of support is moderate given Morocco's limited financial strength.

Source: Fitch Ratings

TURKEY

Foreign acquisition of local banks to pick up

Fitch Ratings expected foreign banks to seek the acquisition of Turkish banks this year in an attempt to benefit from the country's strong economy and its solid banking sector. It considered that Turkey's medium-sized banks constitute the main acquisition target because the long-term sustainability of their operations will be uncertain if they remain independent entities. It indicated that medium-sized banks are sufficiently robust to weather near-term challenges, but it noted that they need to develop and protect their franchises and maintain their profitability in a highly competitive banking sector. It noted that the acquisitions would improve the credit ratings of purchased banks, which are currently below investment grade. It attributed the attractiveness of Turkey's banking sector to its healthy credit fundamentals, market size that includes a large bankable population, and the favorable outlook for the Turkish economy. It said that the banking sector has good liquidity, and is supported by a stable retail deposit funding base, low leverage, wide margins and strong credit demand. But it warned that a return to rapid lending growth would increase risks in the system. The agency pointed out that banking concentration in Turkey is high, with the country's top seven banks accounting for 80% of deposits, and that foreign ownership of large banks is minimal.

Source: Fitch Ratings



ENERGY / COMMODITIES

Natural gas prices to grow by 13% in 2014

Goldman Sachs projected the NYMEX natural gas prices to average \$3.75 per million British thermal unit (Btu) in 2013 and to rise by 13.3% to an average \$4.25 per million Btu in 2014. It maintained an upbeat outlook on the natural gas market due to its expectations of normal weather conditions, structural demand growth and stable production levels. It expected the market to remain in balance throughout 2013 due to consumers' diminished need for coal-to-gas substitution. It anticipated U.S. gas demand to benefit from further coal-fired power plant retirements and from liquefied natural gas exports which, in turn, would eliminate the surplus created by shale gas production. In parallel, the Organization of Petroleum Exporting Countries (OPEC) forecast global natural gas supply to rise by 2% to 59.9 million b/d in 2013. Also, it anticipated non-OPEC supply to account for 90% of global gas production in 2013, and for OPEC output to account for 10% of the total this year.

Source: OPEC, Goldman Sachs, Byblos Research

Syria and Iran sign \$1bn credit facility and seven energy contracts

Syria and Iran signed a \$1bn credit line facility agreement on January 16, 2013, and inked seven other contracts on energy and electrical equipments projects. The value of the contracts signed with Iran are estimated at €50m. Also, Syria indicated that around \$500m of the Iranian loan will be allocated to the electricity sector, including investments in wind power generation. The new projects include the establishment of a steam power generation plant with a capacity of 600 megawatts (MW) and the implementation of a wind farm with a capacity of between 50 MW and 100 MW. Also, there was an agreement to establish a power generation plant with a total capacity of 650 MW that will operate on fuel and gas. Syria is currently facing several challenges in the oil, gas and electricity sectors due to the ongoing turmoil in the country.

Source: Syrian Arab News Agency

Syria raises diesel, petrol, wheat and flour prices

The Syrian Ministry of Internal Trade & Consumer Protection issued a decision on January 19, 2013 to increase the price of diesel by 40% to SYP35 per liter. Also, Syrian authorities raised the prices of petrol, wheat and flour on January 21st due to the severe economic crisis in the country. The price of flour increased by 3.5% to SYP34,685 per ton, while soft wheat rose by 41.3% to SYP26,949 per ton. Also, the price of 95-octane gasoline rose by 9% to SYP60 per liter. Syrians have resorted to fuel to heat their homes due to severe electricity shortages.

Source: Agence France Presse, Byblos Research

Algeria amends hydrocarbons law

Algeria approved amendments to its hydrocarbons law by offering incentives to foreign companies to invest in unconventional resources such as shale gas and shale oil. Also, the amendments cancelled a windfall tax on foreign firms and replaced it by a complementary tax on results. These changes to the law aim at increasing foreign investments in the country's energy sector. Algeria's oil and gas sales abroad account for about 97% of its export receipts.

Source: Thomson Reuters

Base Metals: Copper to outperform other base metals in 2013

Copper prices are projected to outperform other base metals in 2013. Copper prices were resilient in 2012 mainly due to strong growth in the Chinese construction sector. As such, copper's resiliency is expected to persist during 2013, complemented by a rise in consumption of Chinese copper appliances. The copper market is anticipated to balance, or to post a small deficit, by the middle of 2013 as global copper demand growth will more than offset that of mine supply. Also, copper prices are forecast to average \$9,000 a metric ton in the first half of 2013 and to average \$8,000 a metric ton for the year. In parallel, the aluminium market is expected to register its seventh consecutive annual surplus in 2013 as growth in the metal's production keeps on outpacing growth in global demand. Aluminium prices are forecast to average \$2,000 a metric ton in the first half of 2013 and to average \$2,100 for the year.

Source: Goldman Sachs

Precious Metals: Platinum prices to grow by 10% in 2013

Global platinum production is projected to reach 7.2 million ounces in 2013, constituting a rise of 4.2% from 6.9 million ounces in 2012. As such, total mine supply is forecast to reach 5.9 million ounces in 2013, while auto catalyst recycling is estimated at 1.3 million ounces over the same year. South Africa's output is expected to account for about 70% of the world's total production in 2013. In parallel, global platinum demand is projected to reach 7.3 million ounces in 2013, constituting an increase of 2.8% from 7.1 million ounces in 2012. Auto catalysts' consumption is anticipated at 3.2 million ounces in 2013, equivalent to 43.3% of global demand. It would be followed by industrial demand with 2 million ounces (28%), jewelry consumption with 1.8 million ounces (24.9%) and ETF investments with 0.3 million ounces (3.8%). The platinum market is projected to post a deficit of 94,000 ounces in 2013 and to shift to a surplus of 46,000 ounces in 2014. As such, global platinum prices are anticipated to remain on an upward trend in 2013 due to the undersupply in the market, before they stabilize during the 2014-16 period. Global platinum prices are forecast to average \$1,700 a troy ounce in 2013, constituting an increase of 9.5% from \$1,552 a troy ounce in 2012, and to rise by 4.4% to average \$1,775 a troy ounce in 2014.

Source: Citigroup, Byblos Research

| Global Commodity Outlook | | | | |
|--------------------------|--------|--------|--------|--------|
| (3-months LME, \$/ton) | 2012e | 2013f | 2014f | 2015f |
| Aluminum | 2,049 | 2,100 | 2,175 | 2,250 |
| Copper | 7,945 | 7,965 | 7,775 | 7,500 |
| Lead | 2,072 | 2,115 | 2,200 | 2,250 |
| Nickel | 17,592 | 19,890 | 22,725 | 24,000 |
| Tin | 21,108 | 22,750 | 22,875 | 25,000 |
| Zinc | 1,963 | 2,060 | 2,125 | 2,220 |
| (Spot price, \$/ounce) | | | | |
| Gold | 1,669 | 1,675 | 1,655 | 1,540 |
| Palladium | 645 | 775 | 925 | 925 |
| Platinum | 1,552 | 1,700 | 1,775 | 1,825 |
| Silver | 31.18 | 31.0 | 26.5 | 23.25 |

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 | 16-Jan-13 | Cut 50bps | 06-Mar-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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