Issue 295
February 7, 2013

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Bank funding conditions improve in fourth quarter of 2012

The Emerging Markets Bank Lending Conditions Survey indicated that the Lending Conditions Index reached 50.5 in the fourth quarter of 2012, constituting the first time it exceeds 50 since the second quarter of 2011. The Index increased from 49.9 in the third quarter of 2012 and from the all-time low of 44.7 in the same quarter of 2011. The survey said that overall bank lending conditions improved for the first time since the second quarter of 2011. It noted that 31.8% of responding banks reported an overall easing in international funding conditions relative to 39.3% that acknowledged an overall easing of domestic funding conditions. Also, it noted that international trade finance conditions improved significantly across all regions, mainly in emerging Asia. But the survey indicated that the growth in loan demand continued to weaken in emerging markets, and credit standards continued to tighten. It revealed that 29.8% of respondent banks indicated that demand for commercial and industrial loans increased in the fourth quarter of 2012, while 15.2% of respondents said that demand for commercial real estate loans rose. Also, the survey noted that 21.2% of respondents acknowledged that residential real estate loans increased in the fourth quarter of 2012 and 36% of them said demand for consumer loans rose. The results of the survey are based on responses from 141 banks domiciled in emerging market economies. The survey is addressed to senior loan officers, chief credit officers or other senior officers in equivalent positions at 200 banks based in emerging market countries.

Source: Institute of International Finance

Private equity investments down 12% to $23.7bn in 2012

Private equity funds dedicated to emerging markets raised $40.3bn in 2012 compared to $38.5bn raised in the previous year. Emerging Asia funds raised $25.5bn, with China accounting for $10.8bn and India for $2.1bn, followed by CEE & CIS funds with $4.9bn, and Latin America & the Caribbean funds with $4.2bn. Also, multi-regional funds raised $3.7bn, followed by Sub-Saharan Africa funds with $1.4bn and MENA funds with $548m. In parallel, private equity investments in emerging markets totaled $23.7bn in 2012 constituting a decline of 11.8% from $26.9bn in 2011. Also, the number of transactions reached 819 deals in 2012 compared to 876 deals in 2011. The average deal was worth around $29m last year relative to $30.7m in 2011. Emerging Asia attracted 58.8% of private equity investments by value, followed by Latin America & the Caribbean with 20.9%, the CEE & CIS with 8.8%, the MENA with 6.6%, and the Sub-Saharan Africa region with 4.9%. China attracted 30% of emerging markets private equity investment, followed by Brazil with 18.5%, and India with 11.3%.

Source: Emerging Markets Private Equity Association

MENA

M&A activity up by 42% to $45bn in 2012

Figures released by Ernst & Young show that a total of 398 merger & acquisition deals were announced in the Middle East & North Africa region in 2012, down 4% from 416 deals in 2011. The aggregate value of M&A deals in the region increased by 42% to $44.8bn in 2012 from $31.6bn in 2011. The value of outbound deals stood at $19.4bn and accounted for 43% of the region's total announced deal value in 2012, followed by domestic deals with $15.6bn (34.8%), and inbound transactions with $9.9bn (22.1%). The region's overall value of inbound deals rose by 77% year-on-year, while that of domestic deals increased by 60% in 2012. The UAE had the largest aggregate value of announced deals in 2012 with $13.5bn, or 30.1% of total value of M&A deals in the region; followed by Qatar with $11.2bn (25%,) and Kuwait with $3.9bn (8.7%). Also, the UAE had the highest number of announced acquisitions last year with 77 deals or 19.3% of total announced deals, followed by Qatar with 48 deals (12.1%), and Saudi Arabia with 33 deals (8.3%). Further, Egypt had the largest number of domestic transactions in 2012 with 36 deals, followed by the UAE with 33 deals; while Kuwait had the highest aggregate value of domestic transactions with $4.9bn followed by Egypt with $3.4bn. Further, the most active sectors for domestic M&A deals in terms of value were banking & capital markets with deals worth $5.2bn and the telecommunications sector with $4.1bn; while the oil & gas sector was the most active in terms of value of outbound M&A deals with $5.7bn, followed by professional firms & sectors with $3.4bn. It added that the telecommunications sector posted the largest value among inbound M&A deals at $3.3bn.

Source: Ernst & Young

Energy architecture of Arab countries lags global levels

The World Economic Forum included 14 Arab countries in its Energy Architecture Performance Index (EAPI) for 2013, which assesses the performance of energy systems across three primary objectives that are delivering economic growth, achieving economic growth in an environmentally-sustainable way, and providing universal energy access and security. The index is composed of 16 indicators aggregated into three sub-indices that are Economic Growth & Development, Environmental Sustainability, and Energy Access & Security. The scores and ranks of each country are based on how well its current energy architecture contributes to the three objectives. Tunisia ranked in first place among Arab countries and in 50th place globally, followed by Algeria (58th), Morocco (64th), Libya (66th), Egypt (73rd), Oman (76th), Saudi Arabia (82nd), the UAE (87th), Syria (90th), Jordan (91st), Qatar (92nd), Kuwait (95th), Bahrain (99th) and Lebanon (103rd). Arab countries received an average score of 0.47 points, below the global average of 0.55 point. In comparison, non-GCC Arab and GCC countries had average scores of 0.49 points and 0.44 points, respectively.

Source: World Economic Forum, Byblos Research

POLITICAL RISK OVERVIEW - January 2013

EGYPT

The second anniversary of the 'January 26 revolution' marked the beginning of civil uprising, unrest, and violent clashes between protesters and security forces in major cities across the country. A court sentenced 21 defendants to death over a deadly soccer riot last year, but the verdict sparked massive riots in Port Said and caused at least 30 deaths and over 1,000 injuries. President Mohamed Morsi declared on January 27th a one-month state of emergency and a curfew in the cities of Suez, Ismailia and Port Said, but the announcement was widely defied by thousands of protestors. President Morsi's calls for a "national dialogue" were rejected by the opposition, as they demanded him to form a national unity government and amend the disputed constitution. President Morsi approved a law granting army officers judicial arrest power. A Cairo appeals court ordered the retrial of former President Hosni Mubarak who was sentenced in June 2012 to life in prison for his involvement in the killings of protestors during the 2011 revolt.

IRAN

Iran arrested 14 journalists over their alleged co-operation with foreign-based Persian-language media organizations. The International Atomic Energy Agency (IAEA) failed to secure an agreement with Iran on resolving the outstanding nuclear crisis issues. Iran told the IAEA in a letter that it plans to speed up its uranium enrichment. The U.S. broadened its sanctions to target Iran's energy and shipping sectors.

IRAQ

Tens of thousands of Iraqis protested against Prime Minister Nouri al-Maliki in retaliation to the arrest of Finance Minister Rafie al-Issawi's bodyguards. The banned Baath Party leader, Izzat Ibrahim al-Douri, urged Sunni protesters to continue their demonstrations until they overthrow the Prime Minister. Sunni and Kurdish ministers boycotted the Cabinet's session to illustrate solidarity with the protesters. Shiite religious leader Grand Ayatollah Ali al-Sistani called on building a civil state based on constitutional institutions. Parliament passed a law that seeks to prevent the Prime Minister from seeking a third term in office, but the legislation still requires the president's approval. Finance Minister Rafi al-Issawi's escaped an assassination attempt as a roadside bomb exploded near his convoy. Thousands of protestors marched in the southern cities of Basra and Kerbala in support of the Prime Minister. Sectarian violence continued across the country with at least 124 deaths and over 100 injuries.

DEM REP CONGO

The government and the M23 rebel movement resumed peace talks. The U.S. backed the UN plan to deploy surveillance drones to aid peacekeepers. The leaders of the UN, the Southern Africa Development Community, the African Union, and the International Conference on the Great Lakes Region failed to reach an agreement over the deployment of neutral forces. Rebel groups continued to launch attacks in the east of the country.

LIBYA

The month saw continued attacks, killings and communal fighting. Islamist leader Ahmed Abu Khattala and the National Assembly President Mohammed Magarief survived separate assassinations attempts. The Head of the Benghazi criminal investigation unit, Abdel-Salam al-Mahdawi, was kidnapped on January 2nd. European countries urged their nationals to leave the eastern city of Benghazi due to elevated security threats.

SOUTH SUDAN

South Sudan's president and his Sudanese counterpart agreed to abide by the timelines for security, border and oil deals; but then accused each other of making new demands. Plans to resume oil exports were delayed as both sides failed to reach an agreement on a demilitarized zone along their disputed border. South Sudan accused Sudan of attempting to inflict an "economic war". Thousands of people were displaced as the Sudan People's Liberation Army clashed with former Yau Yau rebels in the town of Pibor in the Jonglei state in the east.

SUDAN

The National Consensus Forces and the Sudanese Revolutionary Front signed the "New Dawn" charter to unite their efforts to overthrow the National Congress Party regime. President Omar al-Bashir announced that his country will not seek financial compensation nor international arbitration over the confiscated oil by South Sudan. The United Kingdom agreed to write off Sudan's debt, on the condition that the Sudanese government addresses internal conflicts and increases spending on health and education. The Foreign Ministry confirmed the loss of Sudan's UN voting rights due to failure to pay its dues.

SYRIA

Casualties and displacements continue to rise as fighting between the Syrian military and the Free Syrian Army escalates. UN/Arab League envoy Lakhdar Brahimi urged members of the UN Security Council to overcome their differences, and to support a plan for a political transition. President Bashar al-Assad pledged to continue fighting "terrorists" and demanded foreign countries to end their support for his enemies, while also offered a national dialogue and a constitutional referendum to end the crisis. The president's plan was widely rejected as there was no indication that he would step down as the first stage of the political transition. An Israeli airstrike targeted a convoy in Syria, which was reportedly transporting weapons to Lebanon. The National Coalition failed to form a transitional government in Istanbul. Over 50 UN member states requested the International Criminal Court to investigate all possible war crimes carried in the Syrian conflict, but Russia opposed such efforts.

TUNISIA

Violent protests over ongoing socio-economic conditions erupted in the south-east city of Ben Guerdane, and police used teargas to disperse the crowds. Thousands of people protested outside of the Interior Ministry against the Islamist-led government on the two-year anniversary of the fall of former President Zine El Abidine Ben Ali. Thousands of policemen protested outside the Prime Minister's office demanding better pay, equipment, and protection.

YEMEN

The al-Qaeda in the Arabian Peninsula's (AQAP) second-in-command, Said al-Shehri, was confirmed dead in late January. The government launched a major military offensive against AQAP militants in the central Yemeni town of Baydah, while AQAP retaliated with suicide bombings at military checkpoints. Security forces seized several suicide bomb vests, assassination manuals and a list of targets, following the arrest of two al-Qaeda militants near Sanaa. A UN Security Council envoy arrived in Yemen to show support for a U.S.-backed power transfer deal.

Source: International Crisis Group

OUTLOOK

ARMENIA

Economic activity to revert to long-term levels this year

The International Monetary Fund projected Armenia's real GDP growth at 4.3% in 2013 relative to an estimated growth of 6.2% in 2012. It said that last year's high growth level reflects a positive harvest, dynamic mining and services sectors, and a stabilizing construction sector. It anticipated the economy to return to its long-term trend growth rate of between 4% and 4.5% this year due to a slowdown in credit expansion, weakening FDI, low domestic private investment, and fading favorable weather conditions. It said that Armenia faces downside risks from external shocks, political uncertainties and regional conflicts. It noted that stagnation in global growth poses considerable risks through trade, finance, and investment channels, mainly if Russia's economy is significantly affected. It added that a disorderly external adjustment remains a challenge, given Armenia's large external current account deficit and the need for a medium-term adjustment of the real exchange rate. But it noted that Armenia's sound policy framework and official support would mitigate the impact of external adjustments.

In parallel, the IMF estimated Armenia's fiscal deficit to have narrowed to 2.1% of GDP in 2012 from 2.8% of GDP in 2011 and compared to the government's target deficit of 3.1% of GDP. It said that the narrowing deficit reflects spending restraint, mainly due to delays in foreign-financed infrastructure projects. It forecast the fiscal deficit to slightly widen to 2.6% of GDP in 2013. Further, the Fund projected the current account deficit at 9.6% of GDP this year compared to 10.4% of GDP in 2012. It said that the government financed its external deficit last year through FDI, external borrowing and bank flows. It forecast foreign exchange reserves at $1.5bn this year, or 3.5 months of import cover relative to $1.6bn in 2012 or 3.7 months of imports. In parallel, the Fund called on authorities to maintain their commitment to sound macroeconomic policies and structural reforms.

Source: International Monetary Fund

NIGERIA

Medium-term economic growth to depend on improvements in infrastructure

Standard & Poor's projected Nigeria's real GDP growth at 6.5% in 2013 relative to an estimated growth of 6.8% last year. It forecast real GDP growth to average 6.4% between 2013 and 2015, supported by strong domestic and external demand. It expected Nigeria's medium-term economic growth to depend on improvements in the physical, local, legal and commercial infrastructure as well as on continued political and security stability. It warned that the deterioration in security conditions would lead to lower investment by the private sector, while delays in the Petroleum Industry Bill would undermine investment in the oil & gas sector. S&P projected the fiscal surplus at 0.7% of GDP in 2013 relative to an estimated surplus of 0.3% of GDP last year. It indicated that Nigeria's budgetary performance has been improving from a low base due to recovering oil revenue, better expenditure management, and conservative budgetary oil price estimates. But it noted that the government's commitment to reduce the fiscal deficit is mainly driven by increases in revenues rather than reductions in spending. It added that shortfalls in basic public services and infrastructure needs will increase fiscal pressure in the medium-term.

In parallel, S&P forecast the current account surplus at 5.4% of GDP in 2013 compared to an estimated 4.7% of GDP last year, due to high global oil prices and a rise in oil production. It indicated that the combined fiscal reserves in the Excess Crude Account and the new Nigeria Sovereign Investment Authority have increased from about $2bn at end-2010 to an estimated $10bn at end-2012, providing a potential fiscal buffer. It noted, however, that favorable terms of trade and higher crude oil output since 2010 have not led to a very large increase in foreign currency reserves, given rising imports and unreported leakages on the financial account. But it added that reserves have been rising in recent months and stood at $41bn in October 2012. It forecast foreign exchange reserves to cover 3.8 months of current account payments in 2013, unchanged from last year. Also, S&P estimated Nigeria's gross external financing needs to average 76% of current account receipts and usable reserves in each of 2013 and 2014, which compares favorably with the median of 109% for similarly-rated sovereigns.

Source: Standard & Poor's

Dem Rep Congo

Economic growth to reach 8% in 2013

Business Monitor International revised upwards its projections for real GDP growth in the Democratic Republic of Congo (DRC) to 8% in 2013 from a previous forecast of 7.7%, which would constitute the highest growth level since 1990. It attributed the change to a moderation in inflation levels and an increase in copper exports. But it forecast economic growth to trend lower at around 6% in the coming years and due to a slowing Chinese demand, a maturing copper industry and a worsening business environment. It said that China accounts for almost 50% of the DRC's exports and that Chinese demand drove a significant increase in global copper prices, which is the DRC's main mineral export. It forecast China's growth to slow down in the coming year as the economy shift towards a growth model based on domestic consumption, which would depress Chinese demand for copper, discourage foreign investment in the DRC, and reduce growth in the minerals sector. It noted that even if Chinese demand maintains its current level, the maturation of the DRC's copper sector would lead to a decline in the sector's contribution to overall economic expansion.

Also, BMI expected the DRC's business environment to deteriorate further over the coming years, mainly as a result of uncertainty related to the new mining law, which reportedly includes a mandatory government stake of 35% in mining projects and a steep tax on 'super profits'. As a result, it said that announcements of new projects almost ceased as investors wait for more information. It anticipated that investors will be less inclined to overlook the high risks of doing business in the DRC as foreign demand for copper slows. It said that a rapid issuance of a new mining law that avoids imposing a heavy burden on foreign miners would calm investors and unlock investment.

Source: Business Monitor International

EMERGING MARKETS

Central & Eastern Europe's financing needs at €184bn or 10% of GDP in 2013

Moody's Investors Service projected the financing needs of governments in Central & Eastern Europe (CEE) at €184bn in 2013, constituting an increase of 4.1% from €177bn in 2012. It attributed the rise in the region's financing needs to an increase in debt amortization payments, which would account for 76% of the region's gross financing needs in 2013 relative to 73% in 2012. It forecast long- and short-term domestic market issuance to reach €151bn or 82.1% of the region's financing needs, and for external bond issuance to amount to €21bn, or 11.6% of the total. But it anticipated CEE's borrowing requirements to fall to 9.9% of GDP in 2013 from 10.2% of GDP last year. It expected Estonia's gross financing needs to be the lowest in the region at 3.2% of GDP, while those of Hungary to be the largest at 19% of GDP this year. Further, Moody's projected the average fiscal deficit of CEE governments to fall marginally to 2.3% of GDP in 2013 from 2.5% in 2012. However, it expected the region's government debt metrics to continue to deteriorate in 2013 despite fiscal consolidation. It forecast the median debt-to-GDP ratio for the region to rise to 47% in 2013 from an estimated 45% in 2012. It expected the region's negative debt dynamics to persist beyond 2013, and for debt levels to stabilize in 2014 and 2015.

Source: Moody's Investors Service

JORDAN

Local currency ratings downgraded on weakening fiscal position

Capital Intelligence downgraded Jordan's long- and short-term local currency sovereign ratings by one notch to 'BB+' and 'B', respectively; and affirmed the long- and short-term foreign currency ratings at 'BB' and 'B', respectively. It also revised the outlook on the long-term ratings to 'negative' from 'stable'. The agency attributed the downgrades to the continuous weakening of Jordan's fiscal position and the steady growth of its public debt over the past four years. It said that the ratings are constrained by the economy's vulnerability to exogenous factors, mainly high global oil prices and geopolitical risk events; and to internal factors such as chronic fiscal weaknesses, growing financing needs and escalating social challenges. It said the outlook revision factors the significant decrease in official foreign exchange reserves over the past two years and the weakening of the country's capacity to absorb external shocks. It noted that the 'negative' outlook reflects the increase in financing risks given the large fiscal and external current account deficits and the rising indebtedness. It added that prospects for significant improvements in the public and external finances over the coming years are uncertain, partly due to regional and domestic political risk factors. It expected Jordan's international liquidity to remain constrained and to further decline in the short-term. It forecast the public debt burden to increase over the coming years, which would further reduce the government's already limited fiscal flexibility.

Source: Capital Intelligence

UAE

Sovereign ratings affirmed on strong balance sheet

Capital Intelligence affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-' and its short-term foreign and local currency sovereign ratings of 'A1+', with a 'stable' outlook on the long-term ratings. It said that the ratings reflect continuing fiscal and external current surpluses in the foreseeable future, which would further strengthen the external balance sheet and increase the authorities' abilities to respond to economic and oil price shocks. It estimated the consolidated budget surplus of the federal government and the governments of Abu Dhabi, Dubai and Sharjah at 7.5% of GDP in 2012 and expected it to remain at this level in 2013. It also estimated the consolidated government debt at about 19% of GDP in 2012, of which only a small proportion relates to the federal government; while it estimated the total public debt, which includes the borrowings of government-related entities (GREs), at about 70% of GDP. It noted that the refinancing risk for GREs remains relatively high despite progress on debt restructuring, due to $50bn in debt maturing in 2013 and $30bn due in 2014, and the fact that GREs are dependent on cross-border financing. Further, CI estimated that the external financial assets of the public sector and banking sector in the UAE exceeded the country's stock of gross external debt of 42% of GDP by an amount equivalent to 160% of GDP at end-2012.

Source: Capital Intelligence

ANGOLA

Non-oil sector to grow by 7% in 2013

The International Monetary Fund estimated that Angola's real GDP growth exceeded 8% in 2012, supported by a recovery in oil production and robust growth in the non-oil sector. It noted that inflation fell below double digits for the first time in a decade as it reached 9% at end-2012. It estimated the fiscal balance to have posted a surplus of 8.5% of GDP last year due to strong oil revenues. It added that foreign currency reserves continued to rise and were equivalent to 7.3 months of 2013 imports at end-2012. The Fund anticipated favorable macroeconomic prospects for Angola this year despite the uncertain global environment. It expected oil production to grow by around 4% and to exceed 1.8 million barrels per day this year. It forecast growth in the non-oil sector at over 7% in 2013, supported by the public sector investment program that aims to complete reconstruction and address key infrastructure gaps. It expected foreign reserves to further increase and for inflation to remain in single digits this year. Further, the IMF indicated that the 2013 draft budget proposal incorporates for the first time all quasi-fiscal operations previously undertaken by the state oil company. It expected the fiscal balance to shift to a moderate deficit this year as the budget proposal includes a large increase in public spending, and for the non-oil primary deficit to widen significantly. The Fund called on authorities to carefully monitor the impact of the projected fiscal deficit on inflation levels and the balance of payments, and to ensure a timely and complete transfer of oil revenues from the state oil company to the Treasury.

Source: International Monetary Fund

GCC

Banks looking for acquisitions across MENA region

Standard & Poor's indicated that banks in Gulf Cooperation Council (GCC) countries are benefiting from their strong capital positions, healthy liquidity, and supportive shareholders to pursue acquisitions of banks in other parts of the Middle East & North Africa region. It noted that the de-leveraging process by European banks as a result of global regulatory reforms and the Eurozone crisis has created acquisition opportunities for Gulf banks. Further, it said that the limited bankable population in the GCC provides an incentive for GCC banks to search elsewhere for business. As such, it noted that GCC banks are seeking growth opportunities in Turkey, Egypt and in some Asian countries, given their relatively under-banked and young population. Also, it pointed out that the increasing foreign trade and business volumes between the GCC and Turkey and the wider MENA region make these markets key destination for acquisitions. Further, it said that the declining valuations of banks in target markets are a further buying incentive for Gulf banks. S&P expected GCC banks to continue seeking growth opportunities in overseas markets in the next few years as European banks proceed to sell non-core assets to rebuild their balance sheets. However, the agency indicated that the acquisitions in countries with higher economic risk are credit negative for the assessment of GCC banks' capital and risk positions. Further, it anticipated that the consolidation and monitoring of risks linked to different countries will be a challenge for the banks, given that they lack lending and credit underwriting experience outside their region.

Source: Standard & Poor's

SAUDI ARABIA

Private sector lending up 16.4% in 2012

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks reached SAR1,734.1bn at the end of 2012, constituting an increase of 3.3% from the preceding month and a growth of 12.3% from end-2011. Private sector loans totaled SAR999.1bn at end-2012 and grew by 16.4% in 2012, with credit to the manufacturing and commerce segment rising by 13%, and lending to utilities and services sector increasing by 33% and 48%, respectively, year-on-year. Private sector lending grew by 1.2% month-on-month in December relative to a rise of 0.7% month-on-month in November, and constituted the first increase in the month of December in the past four years. In parallel, aggregate deposits reached SAR1,260.6bn at end-2012, increasing by 5.3% month-on-month and by 14.2% year-on-year. Demand deposits reached SAR754bn and grew by 17.6% year-on-year. The loans-to-deposits ratio regressed from 77.8% at end-2011 to 79.3% at the end of 2012 due in part to the large rise in deposits in December. Also, the sector's aggregate profits totaled SAR33.5bn in 2012 and rose by 8.4% in 2012.

Source: Saudi Arabia Monetary Agency, EFG Hermes

JORDAN

Private sector lending up 6.2% in 2012

The total assets of banks operating in Jordan reached JD39.3bn at the end of 2012, constituting an increase of 4.2% from end-2011 compared to growth rates of 7.8% in 2011 and 9.4% in 2010. Resident private sector loans totaled JD15.4bn, constituting a rise of 7.5% from end-2011 relative to increases of 10.1% in 2011 and 7.8% in 2010. Credit facilities to the non-resident private sector reached JD853.4m, down 12.4% from end-2011 following a drop of 4.5% in 2011. As such, overall private sector lending rose by 6.2% in 2012. Resident private-sector lending accounted for 39.1% of total assets at end-2012, up from a 37.9% share a year earlier. In parallel, resident private sector deposits reached JD20.4bn at end-2012, up 2.4% from end-2011 and compared to growth of 8.5% in 2011 and 12.8% in 2010. Also, deposits of non-bank financial institutions dropped by 0.8% from end-2011 to JD274.9m. The central government's deposits totaled JD646.7m, up 1.5% from end-2011, while those of public institutions increased by 17.1% to JD1bn. Further, claims on the public sector increased by 22% to JD9bn at end-2012, with claims on the central government accounting for 94.6% of public sector lending. Claims on the public sector accounted for 23% of total assets at end-2012 compared to 19.6% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD4.7bn at end-2012, down 37% from JD7.5bn at end-2011; while capital accounts and allowances rose by 8.4% to JD5.8bn. Deposits with foreign banks reached JD4.4bn at end-2012, up 3.2% from end-2011, and the sector's foreign liabilities dropped by 5.5% to JD5.8bn at end-2012.

Source: Central Bank of Jordan, Byblos Research

MOROCCO

Slowdown in lending growth in 2012

Figures issued by Bank Al-Maghrib show that the total assets of commercial banks operating in Morocco reached MAD1,135.2bn at the end of December 2012, constituting an increase of 3.7% from the preceding month and a growth of 8.4% from end-2011. The sector's aggregate loans totaled MAD718.1bn at end-2012 and grew by 4.5% last year compared to an increase of 10.5% in 2011, as investment-related lending and loans to financial institutions contracted by 2% and 4% year-on-year, respectively. Mortgage and consumer loans were among the best performing segments last year, with annual increases of 7% and 9%, respectively. Deposits totaled MAD718.1bn at end-December 2012 and grew by 3.2% in 2012 relative to 7.7% in 2011 due to a contraction in corporate deposits. The loans-to-deposits ratio stood at 100% at the end of 2012 relative to 98% at end-2011. Also, the sector's non-performing loans (NPLs) ratio stood at 4.9% at end-2012, increasing from 4.7% a year earlier. Further, nominal NPLs grew by 9% last year, with corporate NPLs constituting the main driver of the rise. However, the increase in NPLs last year was contained, given that defaults were concentrated in sectors with a high exposure to Europe such as tourism and textiles.

Sources: Bank Al-Maghrib, EFG Hermes

Global natural gas output to grow by 3% in 2013

Global gas production is projected to reach 3,528 billion cubic meters (bcm) in 2013, constituting an increase of 3.3% from 3,415.2 bcm in 2012. North America's gas supply is expected to reach 914.9 bcm in 2013, equivalent to 26% of global output. It would be followed by Eastern Europe & the Commonwealth of Independent States with 829 bcm (23.5%), the Middle East with 584 bcm (17%), Asia & Australasia with 524 bcm (15%), Western Europe with 280 bcm (8%), and Africa with 228.8 bcm (6.5%). In parallel, global gas consumption is anticipated to rise by 3.3% year-on-year to 3,435.8 bcm in 2013. Further, U.S. natural gas Henry Hub prices are forecast to reach $3.24 per million British Thermal Units (Btu) on average in the first quarter of 2013, while European natural gas prices are projected to average $11 per million Btu during the same quarter. In parallel, U.S. natural gas Henry Hub prices dropped by 2.9% in January to $3.3 per million Btu, prices of Brent ICE futures increased by 3.6% to $115.1 a barrel, while prices of WTI NYMEX futures rose by 6.6% to $98.4 a barrel in January 2013.
Source: Economic Intelligence Unit, Byblos Research

South Sudan's oil supply to reach 203,000 b/d in 2013

South Sudan's oil output is projected to reach 203,000 barrels per day (b/d) in 2013 and 455,000 b/d by 2017. As such, South Sudan's oil supply is forecast to grow by a compound annual growth rate of about 22.4% during the 2013-17 period. South Sudan planned to resume exports through Sudan in January 2013 after the two countries signed a deal to end their dispute in September 2012. However, the two states failed to agree on ways to secure their disputed border. Sudan has insisted on the disarmament of the Sudan People's Liberation Movement-North and the deployment of Ethiopian soldiers to monitor the disputed border area, before allowing South Sudan's crude oil exports to flow via its pipelines. In parallel, South Sudan and Sudan's combined oil production dropped by 72.8% to about 124,000 b/d in 2012, from 455,000 b/d in 2011. Sudan and South Sudan's collective oil production is forecast to grow by an average annual rate of 1% during the 2017-22 period.
Source: Business Monitor International, Byblos Research

Iraq's oil exports up by 1% in January 2013

Iraq's oil exports reached 2.359 million b/d in January, constituting an increase of 0.8% from 2.34 million b/d in December 2012. Iraq indicated that 2.095 million b/d, or 88.8% of total oil exports, were shipped from the southern oil hub of Basra, while 264,000 b/d (11.2%) originated from the northern fields around Kirkuk. Oil exports are forecast to reach 6 million b/d by 2017. Iraq currently has the world's fourth-largest oil reserves.
Source: Thomson Reuters, Byblos Research

Egypt to reduce energy subsidy bill by 50%

Egypt announced plans to reduce its energy-subsidy bill by 50% over the following five years. The government spent about EGP55bn, or $8.1bn, on energy subsidies in the first-half of fiscal year 2012/13. The government have allocated EGP70bn, or $10.4bn, to energy subsidies for the FY2012/13 budget. In contrast, the energy subsidy bill is expected to reach EGP110bn, or $16.3bn, for the FY2012/13.
Source: Middle East News Agency

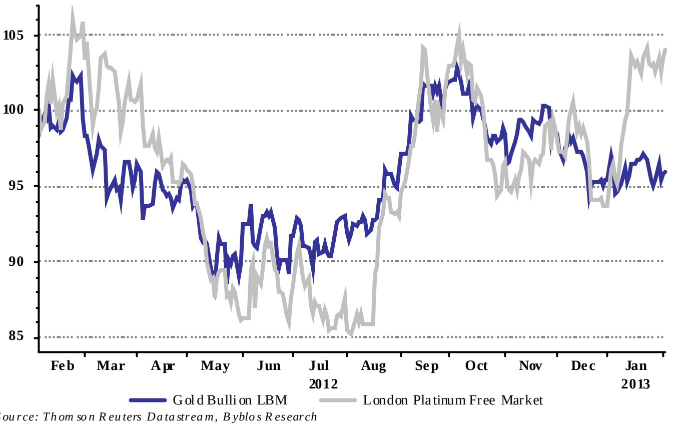
Base Metals: Aluminium demand to rise by 6% in 2013

Global aluminium demand is expected to reach 46.8 million tons in 2013, constituting an increase of 5.7% from 44.3 million tons in 2012. China's aluminium consumption is forecast to reach 20.9 million tons in 2013, equivalent to 44.8% of global demand. It would be followed by the EU with 6.3 million tons (13.5%), the U.S. with 4.9 million tons (10.4%), Japan with 2 million tons (4.3%), and India with 1.8 million tons (3.8%). In parallel, global aluminium production is projected to reach 47.6 million tons in 2013, constituting a rise of 4.3% from 45.7 million tons in 2012. China's aluminium production is anticipated at 20.9 million tons in 2013, equivalent to 43.9% of global supply. It would be followed by Russia with 4.1 million tons (8.6%), Canada with 2.9 million tons (6%), the EU with 2.4 million tons (5%), and the U.S. with 2.2 million tons (4.6%). Global aluminium prices are forecast to average $2,025 a metric ton in the first quarter of 2013 and to rise by 4.9% to $2,125 a metric ton in the second quarter of the year.
Source: Economic Intelligence Unit, Byblos Research

Precious Metals: Gold output to grow by 4% in 2013

Global gold production is projected to reach 4,223 tons in 2013, constituting an increase of 4.2% from 4,053 tons in 2012. Global gold mine supply is forecast to grow by 0.7% year-on-year to 2,823 tons in 2013, while old gold scrap supply is expected to rise by an annual 4% to 1,781 tons in 2013. In parallel, global gold consumption is anticipated at 3,949 tons in 2013, constituting a rise of 3.3% from 3,822 tons in 2012. Total gold jewelry consumption is projected to reach 1,919 tons in 2013, equivalent to 48.6% of global gold demand. It would be followed by physical bars and coins investments with 1,325 tons (33.6%), industrial & dental purchases with 436 tons (11%) and ETFs investment with 268 tons (6.8%). Gold prices are forecast to average $1,750 a troy ounce in the first quarter of 2013, constituting a rise of 3.5% from $1,691 a troy ounce in the same quarter last year. In parallel, the price of gold increased by 0.3% in January to $1,680.6 a troy ounce on January 31st, while that of silver rose by 6.2% to $32.1 a troy ounce over the same month. Also, palladium prices improved by 7% in January to $752.5 a troy ounce and platinum prices grew by 9.4% to $1,687.1 a troy ounce during the same month.
Source: Economic Intelligence Unit, Byblos Research

Platinum Prices vs. Gold Prices
US$/Troy Ounce (Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	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 (%)
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-3.6	9.9	2.8	5.7	1.2	2.6	10.3	2.0
Angola	BB- Stable	Ba3 Stable	BB- Stable	- -	BB Stable	12.6	30.9	18.0	47.1	7.5	-	12.0	-
Egypt	B- Negative	B1 Negative	B Negative	BB- Negative	CCC Stable	-9.9	76.4	14.8	44.6	6.7	127.8	-2.0	-
Ethiopia	-	-	-	-	B Stable	-1.6	37.3	26.5	276.7	-	-	-6.3	0.2
Ghana	B Stable	- -	B+ Stable	- -	B Stable	-4.3	43.4	20.4	59.4	-	-	-6.5	3.2
Ivory Coast	- -	- -	- -	- -	B Stable	-5.7	67.9	47.3	100.0	-	-	1.0	0.3
Libya	- -	- -	B Stable	- -	B Stable	-	-	15.1	28.2	2.0	-	4.4	-
Mauritania	- -	- -	- -	- -	- -	-1.5	92.4	92.2	100.0	-	560.0	-6.5	0.01
Morocco	BBB- Negative	Ba1 -	BBB- Stable	BBB- Stable	B Stable	-6.9	54.4	24.6	81.2	8.9	131.3	-7.4	2.3
Nigeria	BB- Stable	Ba3 Stable	BB- Stable	- -	B Positive	1.1	17.9	4.2	7.5	0.4	-	13.5	9.7
Sudan	- -	- -	- -	- -	C Stable	-2.9	73.1	60.5	397.9	-	-	2.1	-
Tunisia	BB Stable	Baa3 Negative	BB+ Negative	BBB Stable	CCC Stable	-3.2	42.4	47.9	105.5	9.3	309.3	-7.4	1.1
Middle East													
Bahrain	BBB Stable	Baa1 Negative	BBB Stable	BBB+ Negative	BB Stable	-2.3	36.5	138.6	65.1	6.2	354.8	4.2	-
Iran	- -	- -	B+ Stable	BB- Negative	CCC Stable	0.2	9.0	3.4	9.8	1.5	11.3	10.7	3.8
Iraq	- -	- -	- -	- -	CCC Stable	7.4	86.9	76.8	61.4	-	83.1	7.9	1.5
Jordan	BB Negative	Ba2 Negative	- -	BB Negative	CCC Positive	-6.0	70.6	21.6	53.9	4.8	71.0	-9.5	1.4
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	31.0	4.1	18.0	25.3	7.0	126.1	41.8	-
Lebanon	B Negative	B1 Stable	B Stable	B Stable	CCC Stable	-5.6	136.2	174.5	536.4	14.7	92.5	-14.4	2.3
Oman	A Negative	A2 -	- -	A Stable	A Stable	8.2	5.1	11.5	19.1	-	65.7	13.2	0.2
Qatar	AA Stable	Aa2 Stable	- -	AA- Stable	AA Stable	8.0	32.5	72.6	123.1	9.1	642.6	28.4	-
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	15.2	7.5	16.3	29.8	2.1	19.7	24.4	13.0
Syria	- -	- -	- -	- -	CC Negative	-	-	-	87.7	-	-	-	1.1
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	2.9	16.9	41.0	59.3	6.6	445.1	9.2	5.5
Yemen	- -	- -	- -	B- Negative	CC Stable	-4.4	42.5	18.0	72.4	-	157.5	-3.5	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	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 (%)
Asia													
Armenia	-	Ba2	BB-	-	-								
	-	Negative	Stable	-	-	-2.7	35.1	65.5	453.3	-	357.9	-12.3	0.4
China	AA-	Aa3	A+	A	BBB								
	Stable	-	Stable	Stable	Stable	-1.1	25.8	9.1	31.5	1.7	-	2.8	58.9
India	BBB-	Baa2	BBB-	BBB-	BB								
	Negative	Stable	Negative	Stable	Stable	-5.9	68.1	15.5	62.9	11.1	96.5	-2.8	16.8
Kazakhstan	BBB+	Baa2	BBB-	-	BBB								
	Stable	-	Stable	-	Stable	5.7	10.9	76.1	136.2	29.7	432.4	7.6	8.4
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Positive	-2.5	17.0	87.9	132.3	17.8	-	1.9	1.7
Romania	BB+	Baa3	BBB-	BBB-	BB								
	Stable	-	Stable	Negative	Stable	-4.1	33.0	67.4	175.7	23.7	246.9	-4.2	2.6
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	0.8	9.6	22.5	71.9	9.7	-	5.5	-
Turkey	BB	Ba1	BBB-	BB	B								
	Stable	Positive	Stable	Stable	Stable	-1.3	39.4	39.7	167.4	29.5	454.2	-9.9	13.4
Ukraine	B	B3	B	-	CCC								
	Negative	Negative	Stable	-	Stable	-4.0	36.5	76.4	142.1	34.9	-	-5.6	7.0

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	30-Jan-13	No change	20-Mar-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	22-Jan-13	No change	14-Feb-13
Australia	Cash Rate	3.00	04-Dec-12	Cut 25bps	05-Feb-13
New Zealand	Cash Rate	2.50	31-Jan-13	No change	14-Mar-13
Switzerland	3 month Libor target	0.00	13-Dec-12	No change	14-Mar-13
Canada	Overnight rate	1.00	23-Jan-13	No change	06-Mar-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	30-Jan-13	No change	20-Mar-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	31-Jan-13	No change	07-Mar-13
Thailand	1D Repo	2.75	09-Jan-13	No change	20-Feb-13
India	Reverse repo rate	7.75	29-Jan-13	Cut 25bps	19-Mar-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	22-Jan-13	No change	19-Feb-13
South Africa	Repo rate	5.00	22-Jan-13	No change	20-Mar-13
Kenya	Central Bank Rate	9.50	10-Jan-13	Cut 150bps	Mar-13
Nigeria	Monetary Policy Rate	12.00	22-Jan-13	No change	19-Mar-13
Ghana	Prime Rate	15.00	Nov-12	No change	11-Feb-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	18-Jan-13	No change	08-Mar-13
Brazil	Selic Rate	7.25	16-Jan-13	No change	06-Mar-13
Armenia	Refi Rate	8.00	21-Dec-12	No change	N/A
Romania	Policy Rate	5.25	05-Feb-13	No change	N/A
Bulgaria	Base Interest	0.01	01-Feb-13	Cut 2bps	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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