

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Bond and equity inflows at \$34bn in January 2013, AUM at \$1,213bn

Capital flows to emerging market equity and bond funds posted net inflows of \$34.3bn in January 2013, with bond inflows at \$25.4bn and equity flows at \$8.9bn. Emerging Europe, the Middle East & Africa (EMEA) accounted for \$3.1bn or 35.5% of inflows to bond funds; followed by Latin America with \$2.9bn, or 32.7% of the total; and Emerging Asia with \$2.8bn, or 31.8% of the total. Further, Emerging Asia posted \$17.7bn in inflows to equity funds in January 2013 and accounted for 69.6% of equity inflows to emerging markets, followed by Latin America with \$3.9bn (15.2%) and the EMEA region with \$3.8bn (15.1%). Brazil was the biggest recipient of bond inflows with \$850m, or 9.6% of total inflows into emerging market bond funds in January 2013; while China was the largest recipient of equity inflows with \$6.6bn or 26% of total inflows into emerging market equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$1,213.1bn at the end of January 2013, with bonds reaching \$295.8bn and equities totaling \$917.3bn. The EMEA region had \$118.2bn in bonds-related AUM, followed by Latin America with \$103.2bn, and Emerging Asia with \$74.5bn. Further, Emerging Asia had \$603.2bn in equity-related AUM, followed by the EMEA region with \$162.2bn, and Latin America with \$152bn.

Source: Barclays Capital

Trading in Credit Default Swaps down 23% to \$809bn in 2012

Trading in emerging markets Credit Default Swaps (CDS) reached \$809bn in 2012, constituting a decrease of 23% from \$1,054bn in 2011. Trading in CDS contracts reached \$142bn in the fourth quarter of 2012, constituting a decline of 39% from \$234bn in the same period of the previous year and a drop of 33% from \$214bn in the third quarter of 2012. The sharp drop in CDS trading during the last three months of 2012 was mainly due to greater market volatility during the covered quarter. Also, the exit of large brokers and dealers from the market and the reduction of risk limits by other players led to reduced liquidity in the market. The most frequently-traded sovereign CDS contracts in the fourth quarter of 2012 were those of Brazil at \$24bn, followed by Turkey at \$16bn and Russia at \$14bn; while the most frequently-traded corporate CDS contracts were those on Gazprom at \$1.5bn and Petrobras at \$1bn. The survey covered data on CDS contracts for 19 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

MENA

Quality of living differs across region

The 2012 survey on the quality of living in 221 cities around the world by Mercer Consulting included 22 Arab cities. The study evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to health & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the environment. Dubai came in 73rd place and was the top ranked Arab city and was followed by Abu Dhabi (78th), Muscat (103rd) and Doha (106th) as the best cities for overall quality of living in the region; while Nouakchott (213th), Sanaa (216th), Khartoum (217th) and Baghdad (221st) are the region's least appealing cities. Also, 11 Arab cities ranked in the bottom third globally and four Arab cities ranked among the bottom 20 cities worldwide. The rankings of seven Arab cities improved, nine declined and six were unchanged from the 2011 survey. Libya's rank rose by six spots and constituted the best improvement in the Arab world, while Damascus' rank dropped by 18 spots and represented the steepest decrease in the region. Mercer indicated that the ongoing turmoil in many countries across in the region has led to serious security issues for locals and expatriates. The survey is conducted annually to help multinational companies assess international hardship allowance for their expatriate workers.

Source: Mercer Consulting, Byblos Research

Unemployment rate at 9.7% in Arab countries, youth unemployment at 24.6%

Figures issued by the International Labor Organization indicate that the population-weighted average unemployment level in 18 Arab countries was 9.7% in 2010, with the rate at 14.2% in Middle Eastern countries, 9.6% in North African countries and 4.7% in the Gulf Cooperation Council (GCC) economies. Qatar had the lowest unemployment rate at 0.5%, followed by Kuwait (2.1%) and the UAE (4%); while Palestine (24.6%), Iraq (18.5%) and Yemen (14.2%) had the highest levels among Arab countries. Further, the female unemployment rate stood at 17.4% in 2010 across the Arab world, with this level reaching 24% in the Middle East, 16.4% in North Africa and 13.4% in GCC countries. Also, the male unemployment level was 7.5% in 2010, and reached 11.7% in Middle Eastern countries, 7.4% in North African countries and 3.1% in GCC economies. In parallel, the population-weighted youth unemployment rate was 24.6% in Arab countries, while it stood at 30% in Middle Eastern economies, at 23% in North African economies and at 20% in GCC countries. Qatar (1.2%), Kuwait (12%) and the UAE (13.4%) had the lowest youth unemployment rates; while Iraq (39.5%), Palestine (36.6%), and Tunisia (31.2%) had the highest levels among Arab countries. Further, the youth unemployment rate for males was 20.2% in Arab economies, while it reached 25.4% in Middle Eastern countries, 18.5% in North African economies and 15.7% in GCC countries.

Source: International Labor Organization, Byblos Research

OUTLOOK

EMERGING MARKETS

Economic growth revised downward to 5.5% for 2013, Developing Asia to be fastest-growing region at 7.1%

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 5.5% in 2013 from an October forecast of 5.6%. It said that the projected growth for 2013 constitutes an increase from 5.1% in 2012, but it remains below the high growth rates posted in 2010 and 2011. In comparison, the IMF reduced its forecast for global economic growth to 3.5% in 2013 from an October forecast of 3.6% due to a slower-than-previously projected global recovery and a delay in the recovery of the Eurozone. It also revised downward its forecast for real GDP growth in advanced economies to 1.4% this year compared to an October projection of 1.6%. It attributed the acceleration in activity in many emerging and developing economies to supportive government policies. But it noted that the weakness in advanced economies will weigh on external demand and on the terms of trade of commodity exporters. The Fund also revised downwards its growth projections in Developing Asia to 7.1% from an October forecast of 7.2%, reduced its forecast to 3.8% from 4.1% for the Commonwealth of Independent States, lowered its projection to 3.6% from 3.9% for Latin America & the Caribbean, reduced its estimate to 3.4% from 3.6% for the MENA region, and lowered its forecast to 2.4% from 2.5% for Central & Eastern Europe. It maintained its growth forecast at 5.8% for Sub-Saharan Africa.

In parallel, the IMF considered that the space for further policy easing in emerging and developing economies has diminished, while supply bottlenecks and policy uncertainty have hampered growth in some economies. It said that the challenge for some developing economies consists of rebuilding a macroeconomic policy space that would balance external downside risks against those related to domestic imbalances.

Source: International Monetary Fund

EGYPT

Economic outlook faces downside risks from social unrest and fiscal slippage

The Institute of International Finance projected Egypt's real GDP growth at 2% for fiscal year 2012/13 relative to 2.2% in FY2011/12. It indicated that Egypt's economic prospects currently look less favorable relative to few months ago due to political uncertainties, widespread violence and delays in an agreement with the International Monetary Fund. It said that the economy continues to face significant downside risks from ideological tensions, potential social unrest, populist policies, and fiscal slippage. It noted that a further deterioration in security conditions would adversely affect economic activity through lower tourism receipts, weak private investment, and further capital flight. It warned from a higher-than-expected depreciation of the exchange rate in the absence of an IMF program, which would result in significant inflationary pressures. It noted that failure to implement near- and medium-term fiscal consolidation would exacerbate existing debt sustainability concerns. It said that such downside risks would lead to lower-than-projected real GDP growth, which would weigh on the fiscal bal-

ance through lower tax revenues and difficult fiscal consolidation. The IIF pointed out that inflation pressures eased in recent months due to continued weakness in domestic demand. As such, it projected inflation to average 6.1% in FY2012/13 relative to 8.6% in FY2011/12. But it noted that risks of higher inflation rates following the depreciation of the pound are significant, and would lead to an average inflation rate of 9.3% in FY2013/14.

In parallel, the IIF projected the fiscal deficit to widen to 11.4% of GDP in FY2012/13 from 10.8% of GDP in FY2011/12. It said that the current environment of growing social tensions and rising political pressures limits the government's ability and willingness to implement the reforms needed to achieve macroeconomic stability and secure adequate foreign financing. It expected an agreement with the IMF to go off-track as politically unpopular policies, such as subsidy reforms, will be hard to implement. It forecast Egypt's foreign currency reserves at \$12.5bn in FY2012/13, equivalent to about 2 months of imports of goods, services & income payments, relative to \$32.8bn or 6.3 months of import cover in FY2009/10.

Source: Institute of International Finance

CHINA

Real GDP growth to average 7.6% in 2013-14

Citigroup projected China's real GDP growth at 7.8% in 2013 and 7.3% in 2014 relative to 7.7% in 2012. It said that the Chinese economy recovered in the fourth quarter of 2012 as accommodative monetary policy and fiscal spending maintained both consumption and investment at stable levels. It expected the rebound in growth to continue in the first half of the year due to the lagged effect of policy easing last year and to the investment appetite of local governments. Also, it projected private consumption growth at 8.9% in 2013 relative to 8.8% in 2012, constituting a key stabilizing factor in the economy. Also, Citigroup expected China's exports to continue to post single-digit growth in 2013 and to be lower than imports' growth rate. As a result, it forecast net exports to negatively contribute to GDP growth and to reduce it by 0.3 percentage points in 2013. It projected the current account surplus at 2% of GDP in 2013 relative to 2.5% of GDP in 2012. Also, it anticipated net FDI to drop by 20% to \$125.6bn in 2013 from \$157bn in 2012. Further, it forecast the fiscal deficit to narrow to 2% of GDP in 2013 from 2.4% of GDP in 2012. It considered that China's anticipated fiscal deficit reflects fiscal and tax reforms that are expected to clarify the fiscal relationship between central and local governments, build local tax systems, and cut tax burdens for households and small businesses.

In parallel, Citigroup indicated that its baseline scenario assumes that the new government will implement incremental reforms to improve investment efficiency, encourage innovation and promote urbanization to sustain growth and rebalance the economy towards consumption. It noted that the authorities' failure to fully implement reforms would not reduce economic growth, but would increase inflationary pressures and exacerbate existing distortions. It added that economic growth would eventually slow down, while reforms would become costlier.

Source: Citigroup

ECONOMY & TRADE

MENA

Government spending to support construction activity in oil-exporting economies

Fitch Ratings anticipated that the construction sector in oil exporters in the Middle East & North Africa will continue to grow, supported by government spending. It said that Saudi Arabia's 2013 budget projects record spending of \$219bn or 34% of GDP, constituting a 20% increase from last year's budget. It added that the budget includes a 28% increase in capital spending and that such expenditures will be channeled to the construction sector, which was the fastest-growing sector in 2012. It anticipated infrastructure spending to continue to be strong in Abu Dhabi and to be backed by a \$90bn five-year spending plan on housing, schools, infrastructure and leisure projects. Further, it pointed out that activity in Qatar's construction sector suffered from delays in non-core projects last year, given the shift in the government's focus on World Cup-related projects. But it noted that key projects remain in the pipeline and that the sector's outlook for 2013 is stable. In parallel, it said that South Korean companies continue to dominate construction in the region's hydrocarbon sector, but it noted that Turkish firms have secured more than \$17bn in construction contracts in the hydrocarbon sector over the past five years. Fitch forecast long-term infrastructure growth to continue across the region and to be a key area for tendering activity this year.

Source: Fitch Ratings

EGYPT

Sovereign ratings downgraded

Moody's Investors Service downgraded Egypt's government bond ratings by one notch to 'B3' from 'B2' and maintained them on review for further possible downgrade. It also lowered the country ceiling for foreign currency bank deposits to 'Caal' from 'B3', the country ceiling for foreign currency bonds to 'B1' from 'Ba3', and the local-currency bond and deposit ceilings to 'Ba2' from 'Ba1'. It attributed the downgrades to the impact of political instability on the economy, the further weakening in Egypt's external payments position, and the continued uncertainty surrounding the Egyptian government's ability to secure financial support from the IMF. It said that Egypt's foreign exchange reserves fell by \$1.4bn to \$13.6bn in January, constituting the largest decline in 12 months and a sharp deterioration compared to the stability of reserves in most of 2012. It noted that the country's international reserves decreased significantly despite the deposits made by the governments of Saudi Arabia and Qatar at the Central Bank of Egypt (CBE), and despite the CBE's decision to impose capital controls at the end of 2012. Further, it pointed out that delays in achieving an agreement with the IMF is credit-negative and 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. Moody's said that it would downgrade Egypt's ratings in the absence of external financing support; further weakening of the external payments position; tighter capital controls on deposits or foreign-exchange transactions; and/or a rise in the government's funding costs.

Source: Moody's Investors Service

IRAQ

Low budget execution rate to restrain public spending

Business Monitor International projected Iraq's budget surplus at 3.5% of GDP and 6% of GDP in 2013 and 2014, respectively, despite elevated public spending. It expected current expenditures to increase by 14% in 2013 compared to the government's target of 4.4%. It said that the increase reflects the expiry of the country's Stand-By Arrangement with the International Monetary Fund that required the government to hold recurrent expenditures constant in the 2011 and 2012 budgets. It noted that the expiry of the SBA will allow the government to significantly increase the salaries of public sector workers this year. It added that the government plans to raise spending on security and defense by more than nine folds this year, which would account for 19.7% of total spending. Further, it forecast development spending to increase by 28% in 2013 relative to the government's target of 49%, mainly due to low budget execution rates. It attributed the lower rates to the lack of control by the government over local agencies and to bureaucratic bottlenecks. It noted that low execution rates will slow the development of the poorest regions in the country. In parallel, it expected revenues to remain elevated due to high hydrocarbon revenues. It anticipated the government's revenues to also include unspent funds from the 2012 budget, assets in the Development Fund for Iraq, and extra receipts from oil exports.

Source: Business Monitor International

MOROCCO

Outlook changed to 'negative' on deterioration in public finances

Moody's Investors Service affirmed Morocco's government bond rating at 'Ba1' but revised the outlook to 'negative' from 'stable'. Also, it lowered the local-currency bond and deposit ceiling to 'Baa1' from 'A3', and maintained the foreign-currency bond and deposit ceilings at 'Baa2/P-2' and 'Ba2/NP', respectively. It attributed the outlook revision to the significant deterioration in the government's fiscal metrics, as well as to the country's very large external deficits and high external funding requirements. It noted that the fiscal deficit widened significantly since 2011 due to high subsidies on oil and basic food commodities that reached around 6% of GDP. It noted that the implementation of subsidy reforms this year would help public finances get back on a sustainable path and avoid a further rise in the public debt ratio. Further, Moody's indicated that Morocco's external vulnerability grew rapidly due to rising global oil prices, as well as slower exports of goods & services and remittance inflows. It pointed out that the government used foreign exchange reserves to finance the external deficit, which led to a drop in reserves to less than four months of import cover. It expected Morocco's external funding needs to remain high at around 10% of GDP this year given the continued large current account deficit. It noted that the country's funding requirements require sustained FDI inflows and a further build-up of external debt. But it added that the availability of \$2bn in IMF funding reduces the risk of a balance of payments crisis.

Source: Moody's Investors Service



BANKING

JORDAN

Trade and construction account for 42% of overall lending at end-2012

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD17.8bn at the end of 2012, constituting an increase of 12.4% from JD15.9bn at end-2011 and compared to a growth rate of 9.7% in 2011. The resident private sector accounted for 86.2% of the total at end-2012, down from 90.1% at end-2011, followed by the central government with 6.9%, the non-resident private sector with 4.8%, public entities with 2%, and financial institutions with 0.1%. Foreign currency lending accounted for 12.9% of total lending, up from 11.4% of aggregate lending at end-2011. The distribution of lending by sector shows that general trade and construction represented JD3.78bn each, or 21.2% each of the total relative to 23.8% and 21.9%, respectively, a year earlier. They were followed by industry with JD2.6bn, or 14.5% of overall lending; public services & utilities with JD2bn, or 11.3% of the total; transportation services with JD552.7m, or 3.1% of credit; financial services with JD490.7m, or 2.8% of credit; tourism, hotels & restaurants with JD482.2m, or 2.7% of the total; and agriculture with JD264.5m, or 1.5% of overall lending. Further, other lending accounted for JD3.8bn, or 21.3% of total credit, of which JD329.6m were extended to buy shares. In parallel, loans & advances totaled JD15.3bn of overall credit at end-2012, followed by overdrafts with JD2.3bn, and discounted bills with JD275m.

Source: Central Bank of Jordan, Byblos Research

ARMENIA

Capital adequacy ratio at 17%, NPLs at 4.1%

The risk-weighted capital adequacy ratio of banks operating in Armenia reached 16.8% at the end of June 2012, constituting a decline from 20% a year earlier and from 18.3% at the end of 2011. Also, the sector's net capital-to-assets ratio regressed to 16.5% at end-June 2012 from 19.3% a year earlier and 17.2% at end-2011. The sector's liquidity slightly decreased, as liquid assets were equivalent to 24.4% of total assets at end-June 2012 relative to 26.8% a year earlier and 27.9% at end-2011; while they represented 118.1% of total short-term liabilities at the end of June 2012 compared to 132% a year earlier and 120.8% at end-2011. Further, the sector's customer deposits-to-loans ratio decreased to 85% at end-June relative to 85.3% at end-June 2011 and 91.5% at end-2011. Also, foreign exchange liabilities reached 65.6% of total liabilities at end-June 2012 relative to 65.5% a year earlier and 63.3% at end-2011; while foreign exchange loans represented 64.6% of total loans compared to 59.6% at end-June 2011 and 61.2% at end-2011. The sector's non-performing loans were equivalent to 4.1% of total loans at the end of June 2012, up from 3.4% at the end of each of June and December 2011. Further, the sector's provisions-to-NPLs ratio declined to 47.9% at end-June 2012 from 50.9% a year earlier and 55.4% at end-2011. In parallel, the sector's interest margin-to-gross income regressed to 43.1% at end-June 2012 from 43.4% a year earlier; while the interest spread in foreign currency reached 5%, unchanged from end-June 2011.

Source: International Monetary Fund

KUWAIT

Loan growth at 5% in 2012, liquidity at comfortable levels

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD47.3bn at the end of 2012, constituting an increase of 7.3% year-on-year. Lending to the private sector reached KD26.9bn at end-2012 up 5% from end-2011. Credit growth was mainly driven by retail lending that posted a 12.6% growth in 2012 compared to a 5.8% increase in 2011, as it continued to be positively affected by wage increases in the public and private sectors. Also, corporate lending increased by 4.6% year-on-year, up from a 2.6% annual rise in the preceding year, as investor's sentiment slightly improved due to the election of a pro-government Parliament and the strong commitment by the Emir to launch investment projects. Further, the sector's aggregate deposits totaled KD33.4bn at end-2012, constituting an increase of 8.6% from end-2011, and were mainly driven by government deposits. The loans-to-deposits ratio fell to 80.6% at the end of 2012 from 83.3% at end-2011. Liquidity, which remains at comfortable levels, is weighing on the banking sector's asset yields given the current slow growth in lending.

Source: Central Bank of Kuwait, EFG Hermes

INDIA

Banks able to withstand shocks but need additional capital

The International Monetary Fund indicated that commercial banks in India would need to raise additional capital to comply with Basel III and to support continued credit growth. It expected public banks' capital needs to weigh on the country's fiscal position, given their dependence on the government to provide the majority of any capital increase. Further, it forecast rapid credit growth and a slower economy to weigh on Indian banks' asset quality. It noted that asset quality deteriorated, mainly for loans to priority sectors and infrastructure. Also, the Fund said that group concentrations are well in excess of prudent levels and encouraged banks to reduce such concentration so that the failure of a single large borrower would not threaten banks' viability. It noted that increased asset-liability maturity mismatches have made banks susceptible to liquidity pressures.

In parallel, the IMF indicated that stress tests confirm that commercial banks in India are well-positioned to withstand a range of severe shocks. It said that macro credit risk tests indicate that the sector is resilient to aggregate increases in credit risk. It pointed out that liquidity stress tests reveal that the banking system would withstand severe funding and market liquidity shocks, but it noted that maturity mismatches constitute the highest risk under such scenarios. Further, it said that a rise in credit risk is manageable given banks' high initial levels of capital and good profitability, as only few small banks would need recapitalization. It noted that shocks to market risks such as interest rate, foreign exchange and equity price risks have a low impact on the banking sector due to strict regulations that limit maturity gaps, net foreign currency exposures, and equity market exposures.

Source: International Monetary Fund



ENERGY / COMMODITIES

Crude oil prices to ease in 2013

Global crude oil prices rose significantly in 2012 as tensions mounted between Iran and the West over the Islamic Republic's controversial nuclear program. The Western-imposed sanctions on Iran have dominated crude oil markets' dynamics last year and pushed prices to high levels that were last reached at the start of the Arab Spring. The global oil market is anticipated to be well-supplied this year as new technologies lead to the exploitation of previously untapped vast energy resources. Oil prices are projected to ease in 2013, as global oil supply outweighs global demand, which would weigh down on prices. Brent crude prices are forecast to reach \$103 a barrel on average in the first quarter of 2013, while WTI crude oil prices are projected to average \$90 a barrel over the same quarter. In parallel, the Dow Jones-UBS Petroleum Sub-Index rose by 5.6% in January 2013, while the Natural Gas Sub-Index declined by 0.8% during the month. Also, the Dow Jones-UBS WTI Crude oil Sub-Index improved by 5.7% in January, while the Brent Crude Sub-Index rose by 4.7% during the month.

Source: Julius Baer, Dow Jones Indices

Syria's economic losses estimated at \$2.2bn from electricity blackouts

The Syrian Ministry of Electricity indicated that widespread electricity blackouts resulted in economic losses of about \$2.2bn since the beginning of the uprising in March 2011. It added that the construction of new power plants in Syria was suspended due to the absence of Western-backed funding. In parallel, Syria's electricity production declined by 50% since the start of the revolution, mainly due to severe fuel shortages.

Source: Agence France Presse

KRG to proceed with the construction of oil export pipeline to Turkey

The Kurdistan Regional Government (KRG) announced that it will carry on plans to build its own oil export pipeline to Turkey. Iraq's central government and the KRG disagreed over ways to exploit Iraq's hydrocarbon resources and how to split the proceeds. Baghdad claims that it has the sole authority to control exports, while Erbil asserts that it is within their rights according to Iraq's federal constitution of 2003. The KRG is entitled to 17% of Iraq's refined products, but it only receives 3%. As such, a united Iraqi hydrocarbon law is forecast to solve the long-disputed issue, but the draft law remains under parliamentary review since 2007. Also, a power struggle among the country's Shiite, Sunni, and Kurdish factions has blocked many attempts to pass the legislation. Iraq currently has the world's fourth largest oil reserves.

Source: Thomson Reuters

OPEC's oil output down 1% in January 2013

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production reached 30.45 million barrels per day (b/d) in January 2013, constituting a drop of 0.7% from 30.65 million b/d in December 2012. The drop in output was mainly attributed to a 2.1% reduction in Saudi Arabia's supply to 9.25 million b/d, from 9.45 million b/d in December 2012. OPEC's oil production in January 2013 exceeded its oil output ceiling of 30 million b/d set in January 2012.

Source: Platts, Byblos Research

COUNTRY RISK WEEKLY BULLETIN

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

Global refined zinc demand is projected to reach 13.4 million tons in 2013, constituting an increase of 4.7% from 12.8 million tons in 2012. China's zinc consumption is forecast to reach 5.9 million tons in 2013, equivalent to 44% of global demand. It would be followed by the EU with 2.1 million tons (15.4%), the U.S. with 0.9 million tons (7%) and India with 0.6 million tons (4.8%). In parallel, global refined zinc production is anticipated to reach 13.6 million tons in 2013, constituting an increase of 5.1% from 13 million tons in 2012. China's zinc production is expected to reach 5.3 million tons in 2013, equivalent to 38.7% of global supply. It would be followed by the EU with 2.1 million tons (15.3%), India with 0.9 million tons (6.5%) and Canada with 0.8 million tons (5.7%). Global zinc prices are forecast to average \$2,006 per metric ton in the first quarter of 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 2.3% in January 2013, while the Dow Jones-UBS Zinc Sub-Index rose by 3% during the month. Further, the Dow Jones-UBS Copper Sub-Index improved by 2.2% in January 2013, while the Aluminum Sub-Index grew by 0.2% over the same month.

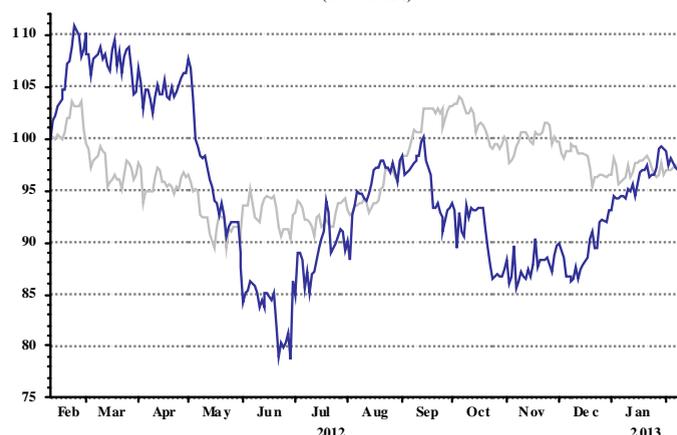
Source: Economic Intelligence Unit, Dow Jones Indices, Byblos Research

Precious Metals: Gold mine output to rise in 2013

Global gold mine production is projected to reach 2,822 tons in 2013, constituting an increase of 0.4% from 2,811 tons in 2012. China's gold mine supply is forecast to reach 425 tons in 2013, equivalent to 15.1% of global mining output. It would be followed by Australia with 251 tons (8.9%) and the U.S. with 236 tons (8.4%). Further, global old gold scrap supply is expected to reach 1,781 tons in 2013, constituting an increase of 4% from 1,712 tons in 2012. As such, overall global gold production is anticipated to grow by 4% year-on-year to 4,222 tons in 2013. Gold prices are forecast to average \$1,680 a troy ounce in the first quarter of 2013 and to rise to \$1,715 a troy ounce in the second quarter of the year. In parallel, the Dow Jones-UBS Precious Metals Sub-Index rose by 0.2% in January 2013, while the Dow Jones-UBS Gold Sub-Index decreased by 1%. Also, the Dow Jones-UBS Silver Sub-Index grew by 3.7%, and the Platinum Sub-Index improved by 8.6% in January 2013.

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

Gold Prices vs. Crude Oil-WTI Prices
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

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-	B3	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	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	-
	Stable	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	-	Negative	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	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	05-Feb-13	No change	05-Mar-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	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	28-Mar-13
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	12-Feb-13	No change	N/A



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