

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global financial assets at \$209 trillion in 2012

The stock of global financial assets reached \$209 trillion in 2012, constituting an increase of 3% from \$203 trillion in 2011, and posting a compound annual growth rate (CAGR) of 4.8% between 2005 and 2012. Stock market capitalization accounted for \$52 trillion or 24.9% of global financial assets at the end of 2012, followed by non-securitized loans with \$51 trillion (24.4%), public debt securities with \$45 trillion (21.5%), financial institutions' bonds with \$37 trillion (17.7%), securitized loans with \$14 trillion (6.7%), and non-financial corporate bonds with \$9 trillion (4.3%). Also, public debt securities grew at a CAGR of 9.4% during the 2005-12 period, followed by non-financial corporate bonds with a CAGR of 6%, financial institutions bonds with 4.6%, non-securitized loans with 4.3%, securitized loans with 3.5% and stock market capitalization with 2.1%. Further, global financial assets were equivalent to 293% of global GDP in 2012, up from 290% of GDP in 2011. Stock market capitalization was equivalent to 73% of global GDP in 2012, followed by non-securitized loans at 72% of global GDP, public debt securities at 63% of worldwide GDP, financial institutions bonds at 52% of global GDP, securitized loans at 20% of the world's GDP, and non-financial corporate bonds at 13% of GDP.

Source: Deutsche Bank, Byblos Research

Hotel transactions to rise by 4% to \$33bn in 2013

Jones Lang LaSalle projected global hotel transactions at \$33bn in 2013, which would constitute an increase of 3.8% from an estimated \$31.8bn last year. It forecast hotel transactions in the Americas at \$18.5bn this year, up 5.7% from \$17.5bn in 2012; followed by Europe, the Middle East & Africa (EMEA) with \$11bn, similar to the previous year; and Asia Pacific with \$3.5bn, up 6.1% from \$3.3bn last year. In comparison, the value of hotel transactions in the Americas was unchanged in 2012, while those in the EMEA region and Asia Pacific fell by 10% and 30%, respectively, year-on-year. Also, the value of hotel transactions in the Americas is forecast to account for 56.1% of global transactions in 2013, followed by the EMEA region with 33.3%, and Asia Pacific with 10.6%. In parallel, the firm expected private equity funds, sovereign wealth funds, family conglomerates and real estate investment trusts to dominate global buying activity in 2013. It noted that cross-border capital accounted for 30% of global hotel investments last year, driven by strong outbound capital flows from Asia and the Middle East. It forecast cross-border capital to continue to flow and to accelerate this year.

Source: Jones Lang LaSalle

MENA

Mobile phone users to grow by 5.1% between 2012 and 2017

Cisco Systems projected mobile phone users in the Middle East and Africa (ME&A) at 849.2 million in 2017 compared to 661.2 million in 2012. It said that the region's cellular phone users would account for 16.3% of users worldwide in 2017, higher than Latin America's share of 9.5%, Western Europe (7.3%), Central & Eastern Europe (6.6%), and North America (6.1%), but lower than Asia Pacific's share of 54.2%. Also, it expected the ME&A to be the fastest growing region in terms of mobile users between 2012 and 2017 with a compound annual growth rate (CAGR) of 5.1% during the covered period compared to a global CAGR of 4%. In comparison, the number of mobile user in Asia Pacific would increase at a CAGR of 4.9% during the 2012-17 timeframe, followed by Latin America (2.5%), North America (1.9%), Central & Eastern Europe (1.4%), and Western Europe (1%). In parallel, Cisco Systems projected the average mobile network connection speed in the ME&A region to increase to 2,898 kilobits per second (kbps) in 2017 from 219 kbps in 2012, and compared to a global average of 3,898 kbps. It expected the region's average mobile network connection speed to be the second slowest globally after Latin America at 2,207 kbps. But it noted that the region's mobile network connection speed would post the highest CAGR globally at 68% compared to a global CAGR of 49% in the 2012-2017 period.

Source: Cisco Systems, Byblos Research

Infrastructure level varies across Arab world

Mercer Consulting included 22 Arab cities among 221 cities around the world on its 2012 City Infrastructure index. The index ranks the quality of each city's infrastructure based on the level of electricity supply, water availability, telephone and mail services, public transportation, the level of traffic congestion, and the range of international flights from local airports. Dubai came in 34th place globally and was the top-ranked Arab city, and was followed by Abu Dhabi (72nd), Muscat (94th), Cairo (95th) and Doha (102nd) as the cities with the best infrastructure in the region; while Beirut (204th), Nouakchott (207th), Khartoum (210th), Sana'a (219th) and Baghdad (220th) were identified as the cities with the least developed infrastructure in the Arab world. Also, 20 Arab cities ranked in the bottom third globally and five Arab cities ranked among the bottom 20 cities worldwide. Mercer indicated that infrastructure has a significant effect on the quality of living of expatriates and, therefore, need to be accounted for when compensating international workers. The data for the survey was collected between September and November 2012.

Source: Mercer Consulting, Byblos Research

OUTLOOK

SYRIA

Total economic losses from conflict equivalent to 81.7% of 2010 GDP

The Syrian Center for Policy Research estimated Syria's real GDP to have contracted by 18.8% in 2012 following a contraction of 3.7% in 2011. It estimated the total economic losses of the Syrian economy from the conflict at \$48.4bn in current prices in both 2011 and 2012, equivalent to 81.7% of its 2010 GDP. It said that output loss totaled \$24.1bn in both 2011 and 2012 and accounted for 49.7% of total economic losses, followed by damaged capital stock with \$20.8bn (42.9%) and the increase in military spending with \$3.6bn (7.4%). It defined the rise in military expenditures as the reallocation of resources from productive processes to non-productive or even destructive aims. It estimated total economic losses at \$13.1bn in 2011, including \$6.5bn in output loss, \$5.7bn in damaged capital stock and \$951m in increased military expenditures. Also, it estimated total losses at \$35.3bn in 2012, of which \$17.6bn in output loss, \$15.1bn in damaged capital stock and \$2.6bn in increased military spending.

In parallel, it estimated GDP losses at SYP664bn in constant 2000 prices in both 2011 and 2012, equivalent to 45.7% of Syria's 2010 GDP. It said that the wholesale & trade sector accounted for 26.4% of the combined losses in both 2011 and 2012, followed by the transport & communication sector with 23.6%, the manufacturing sector with 17%, the mining sector with 16.4%, government services with 7.4%, the financial & real estate sector with 4.7%, utilities with 2.9%, social services with 1.7% and construction with 0.3%. It added that the agricultural sector was the best performing sector, as it grew by 10% in 2011 and posted no growth in 2012 due to the improvement in yields following several drought seasons.

In parallel, it estimated public and private consumption losses at SYP325bn in both 2011 and 2012, of which SYP279 in private consumption losses and SYP46bn in public consumption losses. It said that gross capital formation losses totaled SYP262bn in the past two years, of which SYP199bn were in the private sector and SYP147bn in the public sector. It noted that export losses reached SYP291bn and import losses totaled SYP214bn in both 2011 and 2012, leading to aggregate losses of SYP77bn in net foreign exports.

Source: Syrian Center for Policy Research

NIGERIA

Economy to become largest in Africa by 2029

The Institute of International Finance expected Nigeria to overtake South Africa as the largest economy in Africa by 2029 based on an average annual growth rate of 2% in the hydrocarbon sector and a yearly expansion rate of 10% in the non-hydrocarbon sector. But it noted that Nigeria would still suffer from high unemployment rates and poverty levels, as well as from low GDP per capita, despite the increase in nominal GDP. It considered that the authorities need to implement major reforms and investments in order for the economy to reach its potential, for growth to pick up, as well as to lower unemployment levels, reduce poverty and increase per capita GDP.

The IIF indicated that the measures include passing the Petroleum Industry Bill (PIB), addressing the unreliable electricity supply that adds to industry costs, implementing reforms in the agricultural sector, and rehabilitating and expanding the physical infrastructure to improve economic efficiency. It said that the PIB needs to simultaneously maximize government revenues and provide incentives for higher investment in the development of new oil and gas fields. It noted that the oil sector faces additional challenges such as oil theft and spills estimated at 150,000 barrels per day, refineries operating at below capacity, inefficiencies, and fraud. Further, it said that the rehabilitation and expansion of the power sector are much-needed, given the low per capita electricity consumption and the fact that only half of the population has access to electricity. It noted that the current state of the electricity sector led industries and businesses to rely on private generators that increase operating costs and adversely affect the competitiveness of the economy. In addition, the IIF pointed out that reforming the agricultural sector would facilitate an expansion of agricultural processing industries and benefit the balance of payments, given that the sector accounts for around 40% of GDP.

Source: Institute of International Finance

ANGOLA

Real GDP growth to average 6.7% per year in 2013-2022

Business Monitor International projected Angola's real GDP growth to average 6.7% per year in the coming 10 years, supported by large public investments and the continued expansion of the hydrocarbon sector. It anticipated that the successful implementation of fiscal and macroeconomic reforms between 2009 and 2012, as well as oil revenues, to support long-term economic diversification. However, BMI indicated that Angola's solid economic growth since the end of the civil war in 2002 has not been inclusive or broad-based. It noted that hydrocarbon revenues still contribute over 50% of economic growth, which keeps the economy vulnerable to fluctuations in global oil prices and disruptions in oil production. It said that the deficient infrastructure increases the cost of doing business in Angola, which, in turn, limits the development of both the private and non-oil sectors. It expected the government to focus on investment in infrastructure given the latter's importance to the country's economic competitiveness. It forecast the share of capital expenditures in total public spending to rise significantly in the coming years due to the planned investments over the next 10 years to upgrade the country's infrastructure base.

It said that economic diversification, mainly through the 2013-17 National Development and 'Angola 2025' plans, would help the economy overcome its structural challenges. It added that the government plans to invest around \$16bn in the energy sector by 2015 given the low access to electricity. It cautioned from a slowdown in the implementation pace of such plans and reforms due to institutional capacity and other structural bottlenecks. However, BMI expected the oil sector to remain the main driver of economic growth and of the government's investment plans, despite the diversification efforts.

Source: Business Monitor International

ECONOMY & TRADE

TUNISIA

Ratings downgraded on political uncertainties

Standard & Poor's lowered Tunisia's long-term foreign and local currency sovereign credit ratings to 'BB-' from 'BB' with a 'negative' outlook. It affirmed the country's short-term foreign and local currency ratings at 'B'. It attributed the downgrade to increased political tensions that would weigh on the country's transition to democracy. It considered that a new transitional administration would face instability and may lack popular legitimacy, which would further put at risk effective policy-making. It noted that the ratings are constrained by Tunisia's recent economic performance, short- and medium-term growth prospects, as well as high fiscal and external deficits. It added that the banking sector remains fragile and that the current political turmoil and the lack of a government with a sufficient mandate hamper medium-term planning. It said the outlook for growth in 2013 is clouded by political uncertainty, which could deter investment. It expected fiscal consolidation to be gradual because economic and social conditions make a more rapid adjustment difficult. It forecast the deficit, including grants, at around 5% of GDP in 2013 and for it to remain higher than 3% of GDP in 2016. It expected the deficit to be financed by higher borrowing, with the public debt reaching around 50% of GDP at end-2013. It also forecast the current account deficit to remain above 5% of GDP until 2016 due to lower tourism receipts and a widening trade deficit. It anticipated that donors and official creditors would support the government's external financing requirements, and for foreign exchange reserves to meet the private sector's external financing needs. But it projected foreign reserves to fall and to cover around 50% of the country's gross external financing requirement at end-2013.

Source: Standard & Poor's

GHANA

Outlook revised to 'negative' on deteriorating public finances

Fitch Ratings affirmed Ghana's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+' but revised the outlook to 'negative' from 'stable'. It maintained the short-term IDR at 'B' and Country Ceiling at 'B+'. It attributed the outlook revision to the deterioration in Ghana's fiscal deficit, the deficit's funding through borrowing at high interest rates on the domestic market, a rise in government debt, and an increase in external vulnerabilities. It estimated the fiscal deficit to have widened to 12.1% of GDP in 2012 due to elections-related spending, compared to an initial target of 4.8% of GDP and a revised target in July of 6.7% of GDP. It noted that the deterioration in the government's finances reflects a serious loss of fiscal control and reduced credibility. It anticipated that the significant rise in current expenditures and the fall in capital expenditures last year would harm longer-term growth prospects and worsen debt dynamics. It said that the public debt-to-GDP ratio stood at 47% of GDP in 2012 relative to 31% of GDP at the time of the 2008 elections, despite current strong economic growth and high global commodity prices. Also, it estimated Ghana's current account deficit to have widened to 12.9% of GDP last year from 8.6% of GDP in 2011, reflecting a rise in external vulnerabilities. The agency indicated that risks to fiscal consol-

idation include high bond yields, arrears built-up in the fourth quarter of 2012, higher fuel subsidies, and potential further slippage from the implementation of the new public-sector salary structure.

Source: Fitch Ratings

TURKEY

Ratings upgraded on improving debt dynamics

Capital Intelligence upgraded Turkey's long-term foreign currency and local currency ratings by one notch to 'BB+' with a 'stable' outlook. It also affirmed the short-term foreign and local currency ratings at 'B'. It attributed the upgrade mainly to the downward trend in the public debt ratio and in the government's gross financing needs. It anticipated that Turkey's debt dynamics will continue to improve over the coming years, supported by robust GDP growth and policy efforts to keep the budget deficit at moderate levels. It also attributed the upgrade to the general improvement in policy credibility and performance over the past five years, which has lowered inflation expectations and resulted in more favorable government financing options. It added that its rating action takes into account the mild improvement in the country's external finances last year despite relatively high vulnerabilities. But it considered that the country's gross external financing needs, estimated at more than 23% of GDP in each of 2012 and 2013, expose the country to significant liquidity and rollover risks. It estimated Turkey's foreign currency reserves to have increased to 60% of gross external financing requirements at end-2012 from 49% a year earlier. But it noted that the authorities need to further strengthen the foreign reserves coverage in order to reduce the vulnerability of the economy to sudden stops in capital flows and shifts in investor sentiment.

Source: Capital Intelligence

ARMENIA

Yerevan ranks 174th worldwide, fifth regionally in quality of living

The annual survey on the quality of living in 221 cities around the world by global consultants Mercer Consulting ranked Yerevan as the 174th most desirable city for overall living standards and the fifth most desirable among 12 cities surveyed in the Commonwealth of Independent States in 2012. Yerevan ranked in 173rd place globally and in fifth place in the CIS in the 2011 survey. 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 natural environment. On a global basis, Yerevan ranked ahead of Tegucigalpa in Honduras, Tirana in Albania, and Nairobi in Kenya; and came immediately behind Banjul in Gambia, Cotonou in Benin and Beirut. Regionally Yerevan had a lower quality of living than Almaty in Kazakhstan, Saint Petersburg, Kiev and Moscow. The survey is conducted annually to help multinational companies assess international hardship allowances.

Source: Mercer Consulting, Byblos Research



BANKING

EGYPT

Bank ratings downgraded

Moody's Investors Service lowered the standalone credit assessment of state-owned National Bank of Egypt, Banque Misr and Banque Du Caire to 'caa2' from 'b3', and that of privately-owned Commercial International Bank (CIB) and Bank of Alexandria (BoA) to 'b3' from 'b2'. It also downgraded the long-term local-currency deposit rating of CIB and the three state-owned banks to 'B3' from 'B2' and that of BoA to 'B1' from 'Ba3'. Further, it downgraded the five banks' foreign-currency deposit ratings to 'Caa1' from 'B3'. It kept all banks' ratings on review for possible downgrade. The agency attributed its actions to the recent downgrade of Egypt's sovereign rating to 'B3' from 'B2'. It said that the banks' downgrade reflects the increased risks from their very high exposure to government securities; expectations of further deterioration in asset quality from renewed weakness in the operating environment; and the weakening capacity of the authorities to support state-owned banks. It noted that banks' exposure to government securities range between 800% and 900% of Tier One capital for each of the three state-owned banks, while it stands at 180% and 277% for CIB and BoA, respectively. It pointed out that state-owned banks are more vulnerable to Egypt's volatile operating environment than privately-owned banks, given their lower capitalization levels and limited loss-absorption capacity.

Source: *Moody's Investors Service*

BAHRAIN

Single-party concentration increases credit risks

Standard & Poor's Banking Industry Country Assessment (BICRA) classified Bahrain's banking sector in Group '6', and assigned an industry and economic risk scores of '6'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. The agency noted that other countries in BICRA's Group '6' include Croatia, Estonia, Guatemala, and Spain. Further, it indicated that Bahrain's economic risk score reflects "high risks" in economic resilience and credit risk in the economy, as well as "intermediate risks" in economic imbalances. It said that the assessment of Bahrain's economic risks takes into account the economy's high reliance on hydrocarbon revenues, strong net external asset position and fragile real estate market, as well as high geopolitical and domestic political risks. It attributed the high credit risks to high industry and single-party concentrations, which are partly mitigated by high personal loan collateralization. In parallel, it said the industry score indicates that the sector faces "high risks" in its system-wide funding and competitive dynamics, as well as "intermediate risks" in its institutional framework. It noted that Bahrain's over-banked population leads to tough competition and limited pricing ability and profitability. It pointed out that the country's small depositor base and underdeveloped debt capital markets limit domestic funding and lead to a high degree of depositor concentration and reliance on wholesale funds.

Source: *Standard & Poor's*

INDIA

Bank ratings affirmed, outlook 'stable'

Capital Intelligence affirmed the long- and short-term foreign currency ratings of ICICI Bank, State Bank of India (SBI), IDBI Bank, Axis Bank (ABL), Bank of India (BOI) and Central Bank of India (CBI) at 'BBB-' and 'A3', respectively. It also lowered the Financial Strength Rating (FSR) of BOI to 'BB+' from 'BBB-' and maintained it on the other banks. All banks' ratings have 'stable' outlooks. It said that the downgrade of BOI's FSR reflects the large increase in NPLs and restructured loans in recent periods, as well as its low provision coverage ratio and impaired capital base. It added that BOI's low profitability does not provide a sufficient buffer against increased provision charges in the future. Further, it said that ICICI Bank's FSR reflects its sound capital position and good provision coverage ratio. But it noted that the rating is constrained by the increase in restructured loans in fiscal year 2012 and the slowing domestic economy. Further, it said that the FSR on SBI is supported by its dominant market presence and the good operating profitability of its key businesses, but is constrained by the large increase in NPLs and a low provision coverage ratio. Also, it said that the FSR on IDBI bank is constrained by its weak profitability, low provision coverage ratio and a high level of restructured loans. It pointed out that the FSR on ABL is constrained by a high restructured loan portfolio. Also, it noted that CBI's rating is supported by the regular capital infusions from the government and its good liquidity, but is constrained by the low loan-loss reserve coverage ratio, high restructured loans, and weak profitability.

Source: *Capital Intelligence*

UAE

Banking sector liquidity improves

Figures issued by the Central Bank of the UAE show that total assets reached AED1,795.9bn at the end of November 2012, constituting an increase of 1.9% from the preceding month, a rise of 8.1% from end-2011, and a growth of 7.4% from end-November 2011. Loans totaled AED1,107.3bn and rose by 0.4% from the preceding month and by 3.4% from end-2011. Total lending posted an annual growth of 3.1%, with corporate loans and personal loans rising by 3% and 3.2% year-on-year, respectively. In parallel, aggregate deposits reached AED1,182.9bn at end-November 2012, up by 1.8% month-on-month and by 8.7% from end-2011. Total Deposits grew by 12.3% year-on-year, driven by private sector deposits that increased by 10% from a year earlier. The loans-to-deposits ratio was 93.6% at end-November 2012 relative to 100.1% at the end of 2011 and 102% at the end of November 2011, which reflects improved liquidity in the banking system. Total investments by banks reached AED155.7bn at end-November 2012 and posted a 7% growth year-on-year, driven by increasing system liquidity and bond issuances.

Source: *Central Bank of the UAE, EFG Hermes*



ENERGY / COMMODITIES

Global oil output to stagnate in 2013

Global oil production is expected to reach 90.7 million barrels per day (b/d) in 2013, almost unchanged from 90.8 million b/d in 2012. The Organization of Petroleum Exporting Countries' (OPEC) output is anticipated to account for 39.9% of global production in 2013, while non-OPEC supply is estimated at 60.1% of the total. In parallel, global oil consumption is projected to reach 90.7 million b/d in 2013, constituting a rise of 1.1% from 89.7 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' consumption is expected to reach 45.8 million b/d in 2013, equivalent to 50.5% of global demand; while total non-OECD consumption is anticipated at 44.9 million b/d, equivalent to 49.5% of global demand during the same year. Further, the oil market is forecast to remain well-supplied in 2013, while growth in demand this year is projected to be slightly higher than last year. In parallel, oil prices are expected to be mainly influenced by the availability of supply, inventory levels and geopolitical factors over the near-term. Also, the main risk to the oil market's outlook remains in the geopolitics of the Middle East and North Africa. Brent crude prices are forecast to average \$112.5 a barrel in 2013.

Source: Institute of International Finance, Byblos Research

M&A deals in oil & gas down 22.2% to \$2.8bn in 2012

Merger & acquisition activity in the oil & gas sector in the Middle East reached 45 deals in 2012, constituting an increase of 14% from 39 deals in 2011. The aggregate value of oil & gas M&A deals in the region decreased by 22.2% year-on-year to \$2.8bn in 2012. The aggregate value of transactions in the oil & gas sector in the Middle East accounted for 0.7% of the world's total activity in 2012; while its overall number of deals represented 2.8% of global deals last year.

Source: Ernst & Young

Iran's oil production and exports decline in 2012

Iran's oil output dropped by over 20% year-on-year to 2.7 million b/d in 2012. Iranian oil supply is projected to remain stagnant in 2013, as fundamental issues between the international community and Iran over the latter's controversial nuclear program remain unsolved. Oil exports from Iran dropped by about 50% to 1.2 million b/d in 2012 mainly due to Western-imposed sanctions. Energy exports from Iran are expected to stagnate in 2013, as importing countries find it increasingly difficult to process payments and insurance coverage of Iranian oil shipments.

Source: Institute of International Finance, Byblos Research

Iraq allows Iranian pipeline through its territory

Iraq approved the construction of a gas pipeline that would extend from Iran to Syria through its territory. A preliminary agreement on cooperation in the construction of the gas pipeline was signed on July 25, 2011. The cost of the project is estimated at \$10bn. Syria will receive an average 22.5 million cubic meters per day of Iranian gas, while Iraq will obtain about 25 million cubic meters per day. The length of the gas pipeline will be at 225 kilometers while the project is set to be completed by June 2013.

Source: Trend News Agency, Byblos Research

Base Metals: Copper consumption to grow by 4% in 2013

Global refined copper demand is projected to reach 20.8 million tons in 2013, constituting an increase of 3.5% from 20.1 million tons in 2012. China's copper consumption is anticipated to reach 9.2 million tons in 2013, equivalent to 44.1% of global demand. It would be followed by the EU with 3 million tons (14.4%), the U.S. with 1.8 million tons (8.7%) and Japan with one million tons (4.9%). In parallel, global refined copper production is forecast to reach 21.1 million tons in 2013, constituting an increase of 3.8% from 20.4 million tons in 2012. China's refined copper production is projected to reach 6.3 million tons in 2013, equivalent to 29.8% of global supply. It would be followed by Chile with 3 million tons of output (14.3%), the EU with 2.8 million tons (13%) and Japan with 1.5 million tons (7.2%). Global copper prices are forecast to average \$8,279 a metric ton in the first half of 2013, constituting a rise of 2.3% from \$8,090 a metric ton in the same period of 2012.

Source: Economic Intelligence Unit, Byblos Research

Precious Metals: Central Banks' gold purchases rose by 17% in 2012

Global gold demand reached a record value level of \$236.4bn in 2012, constituting an increase of 2% from 2011. Central Banks' gold purchases rose by 17% year-on-year to 534.6 tons, constituting the highest level since 1964. Also, the official sector's gold purchases stood at 145 tons in the fourth quarter of 2012, constituting a rise of 29% from the same quarter in 2011. Central Banks were net buyers of gold in the fourth quarter of 2012, for an eighth consecutive quarter. The official sector's purchases across the world are now at their highest level in almost 50 years. Global gold jewelry consumption declined by 3% year-on-year in 2012, while global gold ETF investments increased significantly by 51% annually to 279 tons over the same year. Jewelry and investments' demand reached their highest levels in six quarters in the fourth quarter of 2012. In parallel, gold demand in the two largest gold markets, India and China, was up by 30% compared to the average consumption level of the past 10 years. Gold prices reached an average \$1,669 a troy ounce in 2012, constituting an increase of 6.2% from an average of \$1,571.5 a troy ounce in 2011.

Source: World Gold Council

Crude Oil-Brent 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	-	Negative	-	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
	Negative	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	07-Feb-13	No change	07-Mar-13
UK	Bank Rate	0.50	07-Feb-13	No change	07-Mar-13
Japan	O/N Call Rate	0-0.10	14-Feb-13	No change	07-Mar-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	14-Feb-13	No change	14-Mar-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	12-Mar-13
Nigeria	Monetary Policy Rate	12.00	22-Jan-13	No change	19-Mar-13
Ghana	Prime Rate	15.00	Feb-13	No change	Apr-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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