

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets of sovereign wealth funds at \$5.2 trillion at end-2012

TheCityUK estimated assets under management (AUM) of sovereign wealth funds (SWFs) at a record high of \$5.2 trillion at the end of 2012, constituting an increase of 8% from \$4.8 trillion in 2011. It indicated that SWFs funded by commodity exports totaled \$3 trillion at the end of 2012 and accounted for 58% of overall SWFs' assets; while non-commodity SWFs totaled \$2.2 trillion (42%). It noted that assets of SWFs in Asia stood at \$2 trillion and accounted for 39% of total SWFs' assets at the end of 2012, followed by the Middle East's SWFs with \$1.8 trillion (35%), Europe with \$955bn (18%), the Americas with \$157bn (3%), and others with \$91bn (2%). Also, the Norway Government Pension Fund had the largest AUM globally with \$664bn, or 12.8% of the total at end-2012, followed by the Abu Dhabi Investment Authority with \$627bn (12.1%), China's SAFE Investment Company with \$568bn (10.9%), Saudi Arabia's SAMA Foreign Holdings with \$533bn (10.3%), the China Investment Corporation with \$482bn (9.3%), the Hong Kong Monetary Authority Investment Portfolio with \$299bn (5.8%), the Kuwait Investment Authority with \$296bn (5.7%), the Government of Singapore Investment Corporation with \$248bn (4.8%), Singapore's Temasek Holdings with \$158bn (3%), Russia's National Welfare Fund with \$150bn (2.9%), China's National Social Security Fund with \$135bn (2.6%), the Qatar Investment Authority with \$115bn (2.2%), the Australian Future Fund with \$83bn (1.6%), the Investment Corporation of Dubai with \$70bn (1.3%), and Abu Dhabi's International Petroleum Investment Co. with \$65bn (1.3%).

Source: *TheCityUK*

Corporate default rate at 2.7% at end-February 2013

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.7% at the end of February 2013, unchanged from the preceding month, and compared to 2.8% at the end of 2012 and 2.1% at the end of February 2012. It said that a total of 11 rated corporate debt issuers have defaulted so far this year, relative to 10 defaults in the first two months of 2012. It forecast the global speculative-grade default rate at 2.7% at the end of 2013, well below the average of 4.7% since 1983. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.5% at the end of February 2013, up from 1.3% in the preceding month and unchanged from end-February 2012. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 9.5% at the end of February 2013, down from 12.1% at end-January and from 19.3% a year earlier.

Source: *Moody's Investors Service*

EMERGING MARKETS

Bond and equity inflows at \$48bn in first two months of 2013, AUM at \$1,246.5bn

Capital flows to emerging market equity and bond funds posted net inflows of \$47.9bn in the first two months of 2013, with bond inflows at \$13.8bn and equity flows at \$34.1bn. Emerging Europe, the Middle East & Africa (EMEA) attracted \$5bn or 36.7% of inflows to bond funds; followed by Latin America with \$4.5bn, or 32.7% of the total; and Emerging Asia with \$4.2bn, or 30.6% of the total. Further, Emerging Asia attracted \$24.9bn in inflows to equity funds in the first two months and accounted for 73% of equity inflows to emerging markets, followed by Latin America with \$4.7bn (13.6%) and the EMEA region with \$4.5bn (13.3%). Mexico was the biggest recipient of bond inflows with \$1.3bn, or 9.7% of total inflows into emerging market bond funds; while China was the largest recipient of equity inflows with \$8.6bn or 25.1% of total inflows into equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$1,246.5bn at the end of February 2013, with bonds reaching \$310.8bn and equities totaling \$935.7bn. The EMEA region had \$124.1bn in bond-related AUM, followed by Latin America with \$111bn, and Emerging Asia with \$75.7bn. Further, Emerging Asia had \$613bn in equity-related AUM, followed by the EMEA region with \$166.3bn, and Latin America with \$156.4bn.

Source: *Barclays Capital*

MENA

Competitiveness of travel and tourism sector below global standards

The World Economic Forum indicated that the competitiveness of the travel and tourism industry in the Arab world is below global standards, as the region's average score on the Travel & Tourism Competitiveness Index (TTCI) for 2013 came at 3.9 points compared to the world average of 4.09 points. The Arab region's travel and tourism competitiveness level came below Europe's average of 4.7 points, Asia Pacific (4.2 points), and the Americas (4 points), but above Sub-Saharan Africa's average of 3.4 points. The TTCI measures the travel and tourism competitiveness in 139 countries around the world by assessing the regulatory framework, the sector's business environment and infrastructure, and the human, cultural, and natural resources of the travel and tourism industry. The index included 13 Arab countries, with the UAE ranking in 28th place, the highest ranked market in the region. It was followed by Qatar in 41st place, and Bahrain in 55th place. In contrast, Algeria (132nd), Yemen (133rd) and Mauritania (134th) had the least competitive tourism sectors in the region. The rankings of seven Arab countries improved, those of four countries regressed, while one remained unchanged from the previous survey. Morocco's rank improved by seven spots and posted the highest increase in the Arab world; while Algeria's rank dropped by 19 places, the steepest regional decrease. Yemen was included for the first time in this year's survey, while Syria was removed.

Source: *World Economic Forum, Byblos Research*

OUTLOOK

EMERGING MARKETS

Harmonization of banking supervision and regulation to reduce risks

Fitch Ratings indicated that the regulatory supervision of rapidly-growing banks in emerging market (EM) economies improved markedly over the past two decades. But it noted that the constantly evolving nature of business and regulatory trends in developed markets requires further strengthening of EM banking regulation. It added that banking regulators must work on reducing regulatory asymmetries in order to manage the significant and growing regionalization of EM banks. The agency attributed the improvement in EM banking regulations over the past 20 years mainly to avoid a repeat of past financial crises that put at risk the growth of emerging economies and the health of their banks. It added that regulators established more conservative capital rules across most EM banking systems, and introduced compliance and accounting-oriented supervision techniques, which resulted in risk-based frameworks that closely mirror the regulatory approaches of developed markets. Further, it said that EM regulators tightened foreign currency regulations and improved disclosures, which resulted in less frequent related-party transactions. It noted that the authority of domestic regulators has increased in many EM banking systems in order to carry out bank supervision.

Fitch indicated, however, that not all EM bank regulatory frameworks are equally robust, while the need for tougher supervision is growing as banks' retail exposure expands. It anticipated the need for enhanced regulatory harmonization within regions as EM banks continue to expand internationally. It said that EM banks' compliance with the Basel III capital regulation framework does not pose a threat to most banks due to their generally healthy capital positions. But it noted that the definitions of capital and risk-weighted assets differ significantly between countries, and expected macroeconomic pressures to slow the implementation of Basel III standards in EM banking systems. In parallel, it called on banks to cooperate with regulators to preserve and enhance their healthy capital positions, in order to adequately fund their expected expansion and maintain enough capital to cover unexpected losses.

Source: Fitch Ratings

MENA

Private sector must become main source of economic growth for countries in transition

The International Monetary Fund considered that the future of Arab countries in transition, such as Egypt, Jordan, Libya, Morocco, Tunisia and Yemen, faces one of three possible scenarios. The first scenario anticipates a drift towards economic chaos in case fighting over political power prevents economic stabilization and the implementation of reforms. The Fund's second scenario expects economic stabilization to materialize through the reassertion of vested business interests, which may stabilize economic conditions in the short-term but would eventually lead to economic stagnation or to moderate growth at best. Under the third scenario, the IMF expects newly-mandated governments to gradually end economic disruptions and to implement reforms. It pointed out that the first two scenarios

are not desirable, while the third one will be hard to achieve.

In parallel, the IMF pointed out that the private sector must become the main source of economic growth in these economies in order to achieve broad-based and sustainable growth. It said that countries must move away from state-dominated investments to private-sector investments; and from protected industries to export-led growth. It considered that governments must implement reforms in four key areas. First, it said countries must increase their emphasis on trade by opening up to international competition and through trade integration. Second, it called for improving the business environment and facilitating access to finance. Third, it encouraged enhancing the labor market and improving education; and fourth, it supported replacing untargeted subsidies with a modern social safety net.

Source: International Monetary Fund

LIBYA

Non-oil sector to fully recover by 2014, economy faces major challenges

The International Monetary Fund expected Libya's hydrocarbon sector to reach its pre-crisis growth level this year and for the non-hydrocarbon sector to recover by 2014. It forecast growth in the non-hydrocarbon sector to average 15% annually between 2013 and 2018, and to be driven by large increases in reconstruction expenditures and by private demand. It estimated real GDP growth to have exceeded 100% last year, reflecting a strong economic recovery, and forecast further declines in inflation levels from 6% in 2012.

The IMF considered that the country's short-term challenges include managing the political transition, normalizing the security situation, building institutional capacity, and simultaneously exercising budget discipline and maintaining macroeconomic stability. It said Libya's medium-term challenges include improving the quality of education, rebuilding infrastructure, implementing an efficient social safety net, developing the financial market, improving the management of oil revenues, and reducing hydrocarbon dependency. Further, the Fund considered that authorities need to develop a business environment that is favorable to private sector growth and that focuses on economic diversification.

In parallel, the IMF indicated that Libya's public finances and external current account remain vulnerable to a sustained decline in global oil prices. It said that increases in recurrent expenditures pose risks to fiscal sustainability and are causing an appreciation of the real exchange rate. It expected necessary reconstruction and development spending to shift the budget surplus into a deficit over the medium-term in the absence of measures that would limit increases in current spending. It pointed out the need to contain the increase in the number and salaries of public-sector employees and to reform the subsidies system. Further, it said that a credible fiscal policy anchor would de-link the economy from fluctuations in global oil prices, improve the management of oil wealth, and safeguard economic stability.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

Excessive competition and regulatory deficiencies are insurance sector's main weaknesses

A survey of executives at insurance firms operating in the MENA region cited robust economic activity as the main growth driver of the MENA insurance market, followed by the region's young and growing population, limited natural catastrophe exposure, high infrastructure spending and liberal market access. In comparison, respondents identified excessive competition as the market's main weakness, followed by regulatory deficiencies, market fragmentation, lack of technical expertise, and deficiencies in risk management and corporate governance. Further, respondents considered that low penetration levels across the region is the main source of opportunity in the MENA insurance market, followed by a strong outlook for personal lines business, and continued government spending on infrastructure projects. Also, the executives cited political instability as the most relevant threat to their operating environment, followed by eroding profitability and an uncertain global economic outlook. In parallel, the survey noted that 91% of executives considered that commercial insurance rates are currently low, while 55% of respondents think that personal insurance rates are low. Further, 66% of participants acknowledged that profitability levels are currently low in commercial lines, while 39% had a similar view about personal lines. Further, the survey revealed that only 36% of respondents expect the regional insurance market to consolidate over the next 12 months, as average levels of capitalization are solid and family ownership remains a major obstacle to mergers and acquisitions. Also, 50% of participants anticipate an increase in foreign insurers' market share in the next 12 months.

Source: Qatar Financial Centre Authority

EGYPT

Balance-of-payments crisis and sovereign default avoidable

Citigroup indicated that Egypt's current macroeconomic situation would not necessarily increase the risks of a balance-of-payments crisis and sovereign default. It said that authorities have been able to stabilize the stock of foreign exchange reserves through currency rationing starting last December. It added that they were able to stabilize public finances for some time through the ongoing co-opting of the banking sector and the monetization of the public debt by the Central Bank of Egypt. It indicated that regional and international bilateral financial aid has helped alleviate immediate pressures on the stock of foreign exchange reserves. However, it considered that the use of such strategies to stabilize public finances and foreign currency reserves would adversely impact the real economy by preventing a recovery in investment and increasing inflationary risks, which would lead to subdued economic growth. It considered that if the authorities reach an agreement with the IMF, they would face difficulties implementing the economic program associated with the arrangement. As such, it noted that the increase in capital inflows that an IMF deal would stimulate would only temporarily alleviate pressures on foreign exchange reserves and government finances.

Source: Citigroup

JORDAN

Growth to pick up to 3%, current account deficit to narrow in 2013

The International Monetary Fund projected Jordan's real GDP growth to exceed 3% in 2013 from an estimated 2.8% in 2012, reflecting an increase in government capital spending, higher domestic consumption, and a recovery in exports. It forecast inflation at 3.2% at end-2013 relative to 7.2% at end-2012. It estimated the current account deficit to have widened to around 18% of GDP last year due to lower grants and higher energy imports, and forecast the deficit to significantly narrow this year due to higher grant financing and lower energy imports. It anticipated that the expected narrowing of the current account deficit and a stronger capital account this year would allow the Central Bank of Jordan (CBJ) to further strengthen its foreign currency reserves. The Fund indicated that the CBJ's foreign reserves currently stand at a comfortable level due to sizeable grants from Gulf countries and a successful US dollar-denominated domestic Treasury bond issuance. It expected the authorities to continue their reform program in order to keep the fiscal and external balances on a sustainable path. It anticipated that fiscal consolidation measures will continue to be gradual, and to include an increase in public investment, as well as improvements in tax administration and public financial management.

Source: International Monetary Fund

ARMENIA

Tourism to account for 8% of GDP in 2013 and to support 88,200 jobs

The World Travel & Tourism Council expected Armenia's travel and tourism (T&T) sector to generate direct demand of AMD89.7bn or \$223.1m, equivalent to 2.1% of GDP in 2013 and to reach AMD110.2bn in constant 2012 prices, or 1.7% of GDP, in 2023. It added that the broad T&T economy would generate demand of \$866.4m in 2013, equivalent to 8.2% of GDP, and to reach AMD444.8bn in 2012 constant prices by 2023, or 6.7% of GDP. It estimated investment in the T&T economy at \$78.1m in 2013 and to grow annually by 3.2% in real terms over the 2013-23 period to AMD43.3bn by 2023 in 2012 constant prices. It forecast investment in the T&T economy to account for 2.8% of total investment in Armenia this year, but to decline to 2.1% in 2023. Further, it forecast T&T visitor exports to generate \$444m this year and to rise by 0.3% annually in real terms over the 2013-23 period. It expected T&T exports to decrease to 13.2% of total exports in 2023 from around 16.5% in 2013. It estimated the total contribution of travel and tourism to employment, including jobs indirectly supported by the industry, at 88,200 jobs, or 7.3% of employment this year; with the figure declining to 76,400 jobs or 6% of total employment by 2023. Armenia ranked in 96th place globally in terms of the projected growth of the sector's contribution to GDP in 2013, in 101st place in terms of the expected growth of the sector's contribution to employment, and in 57th place in terms of the forecast growth in investments in the T&T economy this year.

Source: World Travel & Tourism Council



BANKING

SYRIA

Anti-money laundering deficiencies remain

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Syria has not made sufficient progress in implementing its action plan, despite its high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its strategic AML/CFT deficiencies. The FATF noted that certain AML/CFT deficiencies remain and called on authorities to continue working to address the shortcomings. It said that Syria's action plan includes providing adequate legal basis to implement and enforce United Nations Security Council Resolution 1373; implementing adequate procedures for identifying and freezing terrorist assets; and ensuring that appropriate laws and procedures are in place to provide mutual legal assistance. The FATF encouraged Syria to address its remaining deficiencies and to implement its action plan.

Source: *Financial Action Task Force*

TUNISIA

Bank ratings downgraded, outlook negative

Moody's Investors Service downgraded the local- and foreign currency deposit ratings of Société Tunisienne de Banque (STB) 'B1' from 'Ba2' and those of Amen Bank (AB) to 'Ba3' from 'Ba2'. It also lowered the local- and foreign currency deposit ratings of Arab Tunisian Bank (ATB) to 'Ba1' and 'Ba2', respectively, from 'Baa3'. Further, it affirmed the local currency deposit ratings of Banque Internationale Arabe de Tunisie (BIAT) and Banque de Tunisie (BT) at 'Ba1' and downgraded their foreign currency deposit ratings to 'Ba2' from 'Ba1'. It assigned a 'negative' outlook to all the ratings and placed them on review for downgrade. Also, it downgraded the standalone credit rating of ATB to 'caa3' from 'b3' and that of AB to 'b2' from 'b1', while it maintained that of ATB and BT at 'ba2' and that of BIAT at 'ba3' and placed them on review for downgrade. It attributed the downgrades to its earlier downgrade of Tunisia's sovereign ratings, the weakening capacity of the government to support banks, and the effect of the deteriorating domestic operating environment on banks' financial metrics, mainly their asset quality, profitability and capitalization.

Source: *Moody's Investors Service*

TURKEY

Ratings on leading banks upgraded

Capital Intelligence raised the long-term foreign currency rating to 'BB+' from 'BB' and affirmed the short-term foreign currency rating at 'B' of Türkiye İş Bankası (İşbank), Türkiye Garanti Bankası (Garanti), Akbank T., Yapı ve Kredi Bankası (YKB), Türkiye Vakıflar Bankası (Vakıf), Türkiye Cumhuriyet Ziraat Bankası (TCZB), Türkiye Halk Bankası (Halk), Finansbank (FB), Türk Ekonomi Bankası (TEB), Türk Eximbank (Exim), Albaraka Türk Katılım Bankası (ATKB), and Türkiye Sınai Kalkınma Bankası (TSKB). It also raised the long-term foreign currency rating of Kuveyt Türk Katılım Bankası (KTKB) to 'bb+' from 'b' and affirmed its short-term foreign currency rating at 'b'. The agency attributed its actions to its earlier upgrade of Turkey's long-term sovereign rating to 'BB+' from 'BB' as a

result of a decline in the public debt ratio and the government's gross financing needs, as well as 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. Further, it maintained the Financial Strength Rating (FSR) of Akbank at 'A-', that of Garanti, İşbank, Exim, TSKB and FB at 'BBB+', YKB and Vakıf at 'BBB-'; TCZB, Halk, and TEB at 'BBB'; ATKB at 'BB', and KTKB at 'bbb-'.

Source: *Capital Intelligence*

SAUDI ARABIA

Private sector lending up 16% in January 2013

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks operating in Saudi Arabia reached SAR1,742.7bn at the end of January 2013, constituting a marginal increase of 0.5% from end-2012 and a growth of 11% from the end of January 2012. Private sector loans totaled SAR1,011.4bn and grew by 1.2% from the end of 2012 and by 16% from a year earlier. In parallel, aggregate deposits reached SAR1,266bn, up by 0.4% month-on-month and by 13.7% year-on-year. Demand deposits reached SAR762.6bn and grew by 1.1% month-on-month and by 15.5% year-on-year. The loans-to-deposits ratio increased to 80% at end-January 2013 from 79.3% at end-2012 and 78.4% at the end of January 2012, but remained below the recent peak of 82.5% in November 2012.

Source: *Saudi Arabia Monetary Agency, EFG Hermes*

NIGERIA

Central Bank increases risk weights to reduce credit risks

Fitch Ratings anticipated that the increase in risk weights introduced by the Central Bank of Nigeria (CBN) will affect banks' capital ratios. It said that the CBN required banks to increase risk weights for public sector loans to 200% from 100%, and to raise them to 150% from 100% for sectors with a share higher than 20% of the loan book. It added that credit transactions between bank holding companies and their subsidiaries will be regulated and risk-weighted to enhance transparency. It noted that the increase in risk weights aims to direct lending to the real economy and to limit portfolio concentrations. It said that core capital ratios at some banks are lower than the level appropriate for Nigeria's difficult operating environment. It pointed out that banks' internal capital generation is not conducive to sustainable growth over the medium-term, due to the generous dividend policies demanded by investors. It said that higher interest rates on government securities, following the expiry of the interbank guarantee from the CBN in 2011, resulted in a temporarily slowdown in lending growth. But it expected credit growth rates to range between 18% and 20% as banks focus on increasing lending to government-sponsored projects, especially in the power sector. In parallel, it anticipated that banks will resort to long-term subordinated debt in order to fund growth, given low investors' appetite for fresh equity issuance. It pointed out that funding through long-term subordinated debt is not equivalent to loss-absorbing capital, which would also weigh on banks' core capitalization.

Source: *Fitch Ratings*



ENERGY / COMMODITIES

Global oil consumption to grow by 2% in 2013

Global oil consumption is expected to reach 91.2 million barrels per day (b/d) in 2013, constituting a rise of 1.6% from 89.8 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' consumption is projected to reach 46 million b/d in 2013, equivalent to 50.4% of global demand; while total non-OECD consumption is anticipated at 45.2 million b/d, equivalent to 49.6% of worldwide demand over the same year. In parallel, global oil output is expected to reach 91.7 million b/d in 2013, constituting an increase of 1.9% from 90 million b/d in 2012. The Organization of the Petroleum Exporting Countries' (OPEC) output is anticipated to account for 41.5% of global production in 2013; while total non-OPEC output would represent 56.2% of global oil supply during the same year. Brent crude prices are forecast to average \$99 a barrel in the second quarter of 2013, while those of WTI crude oil are projected to reach \$84.2 a barrel during the same quarter. The Brent-WTI spread is expected to narrow during the 2013-14 period. In parallel, the Dow Jones-UBS Energy Sub-Index declined by 2.6% in February 2013, while the Petroleum Sub-Index decreased by 4.6% during the month. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index regressed by 6.2% in February, the Brent Crude Sub-Index fell by 2.9%, while the Natural Gas Sub-Index rose by 1.6% over the month.

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

South Sudan to resume oil exports in March 2013

Sudan and South Sudan agreed on March 10, 2013 to resume the flow of southern oil exports via Sudanese pipelines within two weeks. South Sudan had shut down its 350,000 b/d oil production in January 2012 following a dispute with Khartoum over oil transit fees. Both countries agreed to withdraw their troops from the demilitarized border zone within a week to ease tensions. Sudan and South Sudan are highly dependent on oil-related revenues and on the resulting foreign currency receipts to finance their imports. South Sudan became independent from Sudan in July 2011 after decades of civil war.

Source: Thomson Reuters, Byblos Research

Qatar discovers new offshore gas field

Qatar discovered a small offshore field containing about 2.5 trillion cubic feet (tcf) of natural gas, constituting the country's first gas find since 1971. The discovery was made near Qatar's massive North Field, which is the world's largest non-associated gas field and that contains about 900 tcf of gas. Qatar's proven gas reserves stood at 884.5 tcf, equivalent to about 12% of global gas reserves, at end-2011. As such, the new discovery accounts for about 0.28% of the country's proven reserves.

Source: Thomson Reuters

Iran fuel output drops in first two months of 2013

Iran's liquid fuels production averaged 3.4 million b/d in the first two months of 2013, constituting a decline of 15% from an average 4 million b/d in the same period of 2012. The drop is mainly attributed to the impact of Western-imposed sanctions on Iran's ability to sell its oil. As such, global liquid fuels production decreased by an average of 0.6 million b/d in the first two months of 2013 compared to the same period of 2012.

Source: U.S. Energy Information Administration

Base Metals: Steel consumption to rise in 2013

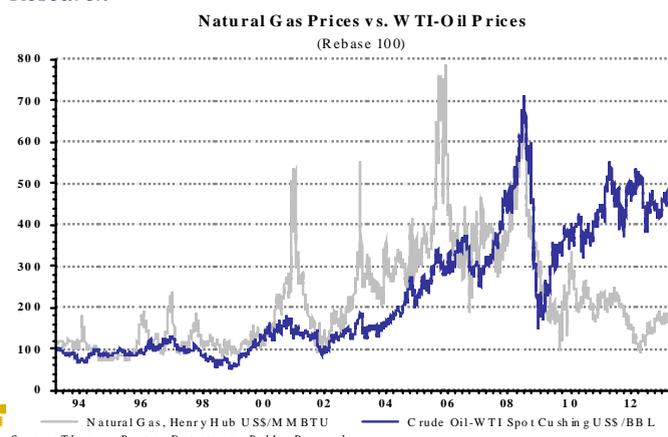
Global steel demand is projected to reach 1,599 million metric tons in 2013, constituting an increase of 4.7% from 1,528 million metric tons in 2012. Chinese demand is forecast to reach 698.4 million metric tons in 2013, equivalent to 43.7% of global steel demand. It would be followed by non-China Asian countries with 341 million metric tons (21.3%) and the EU with 163 million metric tons (10.2%). In parallel, global steel production is anticipated at 1,601 million metric tons in 2013, constituting an increase of 5.2% from 1,521.6 million metric tons in 2012. The steel market is projected to post a surplus of 2,100 tons in 2013 and to shift to a deficit of 200 tons in 2014. Also, EU hot rolled coil steel prices are forecast to average \$640 a metric ton in the second quarter of 2013 and to average \$598 a metric ton in 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index decreased by 5.6% in February 2013, while the Dow Jones-UBS Zinc Sub-Index regressed by 4.3% during the month. Further, the Dow Jones-UBS Copper Sub-Index declined by 5.3% in February 2013, while the Aluminum Sub-Index fell by 4.9% over the same month.

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

Precious Metals: Gold prices to decline during the 2013-15 period due to stronger economic recovery

The gold market is expected to remain oversupplied during the 2013-14 period, with anticipated surpluses of 279 tons in 2013 and 283 tons in 2014. As such, gold prices are forecast to average \$1,701 a troy ounce in 2013 and to drop by 3.4% to \$1,644 a troy ounce on average in 2014, as growth in the metal's supply outweighs demand. In parallel, a stronger global economic growth recovery in 2013 is projected to lead central banks to raise interest rates sooner than expected. As such, gold would no longer be considered a safe-haven asset, which would lead investors to divest their gold-holdings and shift to other asset classes. Investors' probable move towards profit-taking would reduce gold prices to an anticipated average of \$1,500 a troy ounce by the middle of 2015. However, the official sector is projected to remain a net buyer of gold during the 2013-14 period, in line with a trend perceived since early 2009. In parallel, the Dow Jones-UBS Precious Metals Sub-Index dropped by 6.3% in February 2013, while the Gold Sub-Index decreased by 5%. Also, the Dow Jones-UBS Silver Sub-Index regressed by 9.5%, and the Platinum Sub-Index declined by 5.5% in February 2013.

Source: Economic Intelligence Unit, Dow Jones Indices, 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-	Ba1	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-Mar-13	No change	04-Apr-13
UK	Bank Rate	0.50	07-Mar-13	No change	04-Apr-13
Japan	O/N Call Rate	0-0.10	07-Mar-13	No change	04-Apr-13
Australia	Cash Rate	3.00	05-Mar-13	No change	02-Apr-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	06-Mar-13	No change	17-Apr-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	21-Mar-13
South Korea	Base Rate	2.75	14-Feb-13	No change	14-Mar-13
Malaysia	O/N Policy Rate	3.00	07-Mar-13	No change	09-May-13
Thailand	1D Repo	2.75	20-Feb-13	No change	03-Apr-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	19-Feb-13	No change	26-Mar-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	06-Mar-13	No change	17-Apr-13
Armenia	Refi Rate	8.00	12-Feb-13	No change	N/A
Romania	Policy Rate	5.25	05-Feb-13	No change	28-Mar-13
Bulgaria	Base Interest	0.01	01-Mar-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	20-Aug-12	No change	N/A
Russia	Refi Rate	8.25	12-Feb-13	No change	N/A



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