

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Property investments to increase by 14% in 2013

Property consultant Cushman & Wakefield projected global property investments at \$1,061bn in 2013, constituting an increase of 14% from \$929bn in 2012. It anticipated that higher allocations to property by institutions and high-net-worth individuals and families, as well as an increase in new supply, would drive global property investments this year. It added that major global risk factors started to recede, leading to a change in market confidence and momentum. It projected commercial property investment volumes in developing Asia to reach \$361.7bn in 2013 and to account for 34.1% of global investment, followed by North America with \$341.2bn (32.2%), Western Europe with \$186.2bn (17.6%), Mature Asia Pacific with \$147.7bn (14%), Central & East Europe with \$16.4bn (1.5%), Latin America with \$6.2bn (0.6%), and the Middle East with \$1.3bn (0.1%). It forecast investment volumes in commercial property to increase by 25% in the Middle East this year and to post the highest regional increase, followed by Mature Asia Pacific (+20%), North America (+17.5%), developing Asia and Latin America (+15% each), Central & East Europe (+8.6%) and Western Europe (+4%). In parallel, it forecast average prime yields to fall by 15 basis points this year compared to a drop of 6bps last year, and for prime rents to increase by 4.5%.

Source: Cushman & Wakefield

Global foreign exchange reserves at \$10.8 trillion at end-2012

Global foreign exchange reserves reached \$10.8 trillion at the end of 2012, constituting an increase of 5.9% from \$10.2 trillion at end-2011, and posting a compound annual growth rate (CAGR) of 14.1% between 2005 and 2012. China's official foreign exchange reserves reached \$2.9 trillion and accounted for 26.6% of global foreign exchange reserves at end-2012, followed by Japan with \$1.2 trillion (11%), Saudi Arabia with \$634.8bn (5.9%), Russia with \$473.1bn (4.4%), and Switzerland with \$458.7bn (4.2%). In parallel, foreign exchange swaps accounted for 44% of global foreign exchange turnover in 2012, followed by spot transactions with 39% of total turnover, and outright forwards with 11% of the total. The US dollar was the most traded currency in 2012, constituting 86% of total foreign exchange turnover, followed by the Euro with 41% of the total, Japanese Yen with 16%, and the British Pound with 15%. Trading in the UK accounted for 38.1% of global foreign exchange trading in 2012, followed by the US with 17.9%, Singapore with 5.6%, and Japan with 5.4%. The average daily turnover in traditional foreign exchange markets was about \$4.2 trillion in 2012, relative to \$4.4 trillion daily turnover in 2011, \$3.8 trillion in 2010 and \$2.8 trillion in 2009; while the average daily turnover in other foreign exchange instruments reached around \$500bn in 2012, unchanged from the preceding year, and relative to \$400bn in 2010 and \$200bn in 2009.

Source: Deutsche Bank, Byblos Research

MENA

Region's creditworthiness unchanged

Institutional Investor magazine's semi-annual survey on global creditworthiness shows that creditworthiness in the Arab region remained unchanged in the past six months, but declined from a year earlier. The average rating score of 19 Arab countries reached 44.1 points in March 2013, unchanged from September 2012, but down by 2.7% from 45.3 points in March 2012. The region's average score came above the global average of 43.9 points. The GCC countries' average credit score increased to 71.5 points in March from 71.3 points in September 2012, while the average score of non-GCC Arab countries dropped marginally to 31.4 points in March from 31.5 six months ago. The rankings of 12 Arab countries improved, three regressed and four remained unchanged; while the scores of 10 countries improved and nine declined from September 2012. Qatar remained the country with the best creditworthiness in the region and ranked in 25th place worldwide, followed by Kuwait (27th), Saudi Arabia (28th) and the UAE (29th); while Djibouti (141st), Yemen (156th), Syria (166th) and Sudan (174th) had the highest probability of default regionally. Syria posted the steepest decline in the region's ratings, as its score dropped by three points or 16.2%, and its rank fell by nine spots from the previous survey. Libya was the region's best performer in the past six months, as its score rose by 4.5 points, or 13.7%, from the previous survey and its rank improved by 18 spots.

Source: Institutional Investor, Byblos Research

GCC

Credit index posts returns of 0.26% in first two months of 2013

The Standard Chartered GCC Credit Index posted returns of 0.26% in the first two months of 2013 and returns of 9% since its inception in April 2012. Oman credits posted returns of 8.12% year-to-February, followed by Kuwait with 2.91%, Bahrain with 2.65%, Dubai with 1.4%, Saudi Arabia with 0.71%, other UAE with -0.03% and Qatar with -0.47%. The index includes all liquid and tradable instruments issued by credits domiciled in the six GCC countries and that meet relevant inclusion criteria. It tracks total returns, spread and yield movements, and market direction for GCC credits. Qatar has a weight of 38.91%, followed by Abu Dhabi with 32.25%, Dubai with 16.42%, Bahrain with 5.12%, Saudi Arabia with 4.3%, Kuwait with 1.74%, other UAE with 1.02% and Oman with 0.24%. Also, quasi-sovereign issuers represent 46.21% of the index, followed by sovereigns with 30.26%, the financial sector with 21.25% and the corporate sector with 2.28%. Sukuk issued by quasi sovereigns posted the highest returns of 1.59% in the covered period, followed by conventional debt instrument issued by the financial sector with 0.89%, sukuk issued by the financial sector with 0.56%, sukuk issued by sovereigns with 0.45%, conventional instruments issued by quasi-sovereigns with 0.12% and conventional instruments issued by sovereigns with -0.56%.

Source: Standard Chartered Bank

OUTLOOK

LIBYA

Financial sector in need of comprehensive reform strategy

The International Monetary Fund expected that the implementation of a law that prohibits the payment of interest in Libya, in the absence of Sharia-compliant instruments and institutions in place, would pose risks to the financial sector and undermine efforts to diversify the economy. It considered that the environment would be less conducive for financial intermediation and would constrain private sector efforts to invest and create employment. It added that an interest ban would reduce access to credit for start-ups, entrepreneurs, and small and medium-sized enterprises, and would make the banking sector vulnerable to asset quality deterioration. It encouraged authorities to develop a formal financial sector that accommodates the needs of the economy, and to prepare a plan that is consistent with the country's supervisory and implementation capacity.

In parallel, the Fund noted that the rising number of entities that provide financial products and services outside the formal banking system undermines public policy and increases risks to financial stability and macroeconomic performance, as they operate beyond regulatory and supervisory reach. It called on the authorities to implement a comprehensive reform strategy that would improve the legal framework, modernize the insolvency regime, enhance competition in the banking sector, reduce the role of state-owned commercial banks and specialized credit institutions (SCIs), improve the credit information system, and limit the operations of SCIs. Further, the IMF noted that reforming the current regulation system and strengthening the supervisory framework are key to promoting financial intermediation that would support investment, growth, and macroeconomic stability. It urged the authorities to consider measures to strengthen banks' balance sheet resilience and risk management, and prevent the build-up of excessive sectoral exposures.

Source: International Monetary Fund

TURKEY

Widening of current account deficit to increase external financing needs

The Institute of International Finance projected Turkey's current account deficit to widen to 6.9% of GDP in 2013 and 7.9% of GDP in 2014, following a significant narrowing to 6.1% of GDP in 2012 from 10% of GDP in 2011. It attributed the expected widening of the deficit to an increase in imports from consumer demand and from industries that heavily rely on imported inputs, to a decrease in gold exports to Iran, and to the rise in other variables that affect the current account balance. The IIF indicated that Turkey's reliance on imported energy and intermediate goods, as well as its low domestic savings, contributed to the chronically high current account deficit in recent years. It said that the government introduced a number of measures to address the large deficit, but noted that Turkey will only benefit from these measures in the medium- to long-term.

In parallel, the IIF anticipated that Turkey's external financing needs would increase as a result of the widening of the current account deficit. It pointed out that the heavy reliance of exter-

nal financing on short-term capital and portfolio inflows constitutes the main risk associated with a wider current account deficit. It added that Turkey financed 92% of its deficit last year through inflows of portfolio capital and short-term borrowing, both of which are highly sensitive to shifts in global market sentiment. It cautioned that the increasing reliance on these sources of financing would exacerbate risks for the Turkish lira and, in turn, for businesses with large unhedged net open foreign exchange positions. The IIF forecast non-resident purchases of lira-denominated government securities to continue at a strong pace and to remain the main instrument for attracting foreign capital, given ample global liquidity and much higher nominal yields on Turkish government bonds than in mature and in many of emerging economies. But it warned from risks of a sudden stop or reversal of short-term capital inflows over the medium-term, as capital flows to high-yield emerging markets such as Turkey are likely to slow sharply or reverse once the ongoing monetary easing in mature markets starts to unwind.

Source: Institute of International Finance

NIGERIA

Strong economic growth and political stability to support banking sector outlook

Standard & Poor's considered the prospects of the Nigerian banking sector to be positive this year due to strong economic growth and broad political stability. It expected Nigerian banks to enter an expansionary phase in 2013, driven by increasing competition and relatively clean balance sheets. It attributed the increase in competition to domestic banks' focus on balance sheet growth and profit maximization. It expected banks to compete to attract low-cost retail deposits, as well as large corporates, their staff, third-party suppliers and distributors. It added that foreign banks will enter the sector more aggressively in 2013, but noted that barriers to entry remain high for banks without significant capital or scale.

In parallel, S&P projected lending growth to range between 20% and 30% in 2013, supported by economic growth, renewed confidence in the banking sector and increased competition. It cautioned, however, that a faster-than-anticipated expansion in lending would challenge the underwriting capabilities of banks and mask the growth in non-performing loans. Further, it forecast banks' earnings to increase, as solid lending growth and increased business volumes would result in a strong rise in non-interest revenues. It noted that shifting the earnings mix away from interest revenues would be positive for banks that focus on high-end corporate lending, given the increased competition and rising domestic pressure to loosen monetary policy. It considered that the cost of funds and operating costs will be key earnings differentiators in 2013 among the top-tier banks. It estimated that the cost of risk will increase, but that it will remain below the banking sector's five-year average of about 4%. In parallel, S&P pointed out that capital adequacy would fall due to the rapid accumulation of assets and to shareholders' pursuit of a more aggressive dividend policy after years of relatively low payouts. It expected asset quality to be stable in 2013, but it warned from an increase in credit risks in the next two years, which would exacerbate the risk of foreign currency lending.

Source: Standard & Poor's



ECONOMY & TRADE

EGYPT

Sovereign ratings downgraded on rising uncertainties

Capital Intelligence lowered Egypt's long-term foreign and local currency sovereign ratings to 'B' from 'BB-' and maintained the short-term foreign and local currency ratings at 'B', with a 'negative' outlook on all the ratings. It attributed the downgrade to rising domestic political uncertainties and the continuing deterioration of public finances. It noted that the decline in foreign exchange reserves reflects the continued increase in the levels of dollarization and capital flight, despite the imposition of controls on foreign currency transfers and the placement of large deposits by several Gulf states at the Central Bank of Egypt. It added that reserves covered less than three months of imports in February 2013, compared to an annual coverage of six- to-seven months between 2005 and 2010. It estimated the reserves to cover around 90% of the country's gross external financing needs for fiscal year 2013 compared to 300% two years ago. It noted that the level of reserve coverage is below prudent levels, given the vulnerability of the economy to exogenous shocks. Further, it said that the adverse political environment severely constrains the ability and willingness of the government to implement measures aimed at reducing economic and financial vulnerabilities. It considered that Egypt is less likely to receive sufficient and timely financial assistance from official creditors due to the unsettled political climate and the lack of reforms.

Source: Capital Intelligence

JORDAN

Output loss from regional unrest at \$1bn in 2011 and \$3bn in 2012

The Institute of International Finance estimated output losses of the Jordanian economy from regional unrest at \$1bn in 2011 and \$3bn in 2012, equivalent to 3.4% of GDP in 2011 and 9.5% of GDP in 2012. It noted that under a non-turmoil scenario, Jordan's real GDP would have grown by 4.5% in 2011 and 5.5% in 2012 compared to an actual growth rate of less than 3% in each year. It said that regional turmoil led to a sharp slowdown in economic activity, mainly due to a decline in investment inflows and tourism receipts. Further, it estimated that the non-turmoil current account deficit would have been narrower by around \$1.7bn in 2011 and \$2.9bn in 2012. As such, it said that under a non-turmoil scenario, the current account deficit would have reached 6% of GDP in 2011 and 6.2% of GDP in 2012, instead of actual deficits of 12% of GDP and 16% of GDP, respectively. It noted that regional unrest led to a disruption of Egyptian gas supply, which significantly increased the import bill. It added that tourism was negatively affected as both foreigners and expatriates refrained from visiting Jordan, leading to lower tourism receipts. In parallel, it pointed out that Jordan's non-turmoil fiscal deficit would have reached 3.2% of GDP in 2011 and 3.6% of GDP in 2012, compared to actual deficits of 6.8% of GDP and 9.5% of GDP, respectively. It said that excluding grants, the non-turmoil fiscal deficit would have reached 5.4% of GDP in 2011 and 5.6% of GDP in 2012, compared to actual fiscal deficits excluding grants of 12.7% of GDP and 9.9% of GDP, respectively.

Source: Institute of International Finance

ARMENIA

Travel and tourism competitiveness improves

The World Economic Forum ranked Armenia in 79th place among 140 countries on its Travel & Tourism Competitiveness Index for 2013 and in fifth place among nine Commonwealth of Independent States (CIS) included in the survey. Armenia ranked in 90th place and in fifth place among nine CIS countries in the 2011 survey. The Index measures the competitiveness of the travel and tourism (T&T) industry in countries around the world by assessing the corresponding regulatory framework; the sector's business environment and infrastructure; and the industry's human, cultural, and natural resources. Globally, Armenia's tourism sector was more competitive than Vietnam and Ecuador and less competitive than that of Azerbaijan and Albania. It was also less competitive than that of Russia, Georgia, Ukraine and Azerbaijan among CIS economies. Armenia received a score of 3.96 points, up from 3.77 points in the 2011 survey and above the CIS average of 3.83 points, but below the global average of 4.09 points. Globally, Armenia ranked in 51st place on the T&T Regulatory Framework sub-index, which covers policy-related elements, while it ranked third in the CIS behind Georgia and Azerbaijan. It also ranked in 88th place globally and in sixth place in the CIS on the T&T Business Environment & Infrastructure sub-index, which captures elements of the business environment and the hard infrastructure of an economy. Also, Armenia came in 94th place worldwide and in third place regionally behind Russia and Georgia on the T&T Human, Cultural, and Natural Resources sub-index.

Source: World Economic Forum, Byblos Research

CHINA

Capital account liberalization to accelerate in next five years

Citigroup anticipated that Chinese authorities will accelerate the liberalization of the country's capital account in the next five years through the reduction of restrictions in several areas. It said that the liberalization of the capital account reflects China's ambition to transform the renminbi into a global reserve currency. It noted that China will face difficulties in maintaining its capital account closed, as the increasing openness to international trade creates opportunities to avoid restrictions through under- and over-invoicing of trade transactions. It added that the large size of errors and omissions in China's balance of payments reflects the limitation of capital account controls. It considered that the liberalization plan would stimulate reforms to liberalize interest and exchange rates, and to deepen domestic financial markets. Citigroup indicated that capital account controls are still extensive in China compared to most major emerging economies, despite recent steps at opening up the account. It expected the speed of liberalization to depend on perceived risks from removing restrictions in each area. It said that China would first eliminate restrictions on outbound FDI and ease restrictions on FDI inflows in service industries. However, it expected the growth in outflows to exceed that of inflows in the event of a liberalization of the capital account, which would reduce the overall capital account surplus, slow down reserve accumulation and ease appreciation pressures.

Source: Citigroup



BANKING

GCC

Banking sector's recovery to pick up

Standard & Poor's anticipated that the recovery of GCC banks from the 2008 global financial crisis would continue this year, despite adverse conditions in international banking markets and in the Eurozone. It expected demand for bank credit to remain high and for banks' earnings to expand due to healthy economic growth prospects and high global oil prices. But it indicated that credit and profitability growth will vary across GCC countries, given that the global economic volatility and regional political unrest between 2008 and 2011 affected them to different degrees. It expected that strong bank lending in Saudi Arabia and Qatar would constitute the main driver of the banks' income growth. It noted that banks in both countries will benefit from healthy domestic conditions to reorganize their assets towards lending, mainly to corporate and infrastructure projects. It expected the lending recovery in Kuwait and the UAE to be slower, given the severe effect of the financial crisis on both countries and the less pronounced rebound in economic growth compared to other GCC countries. But it noted that loan losses are gradually declining at both countries' banks, which would support a recovery in profitability. But it cautioned from the restructuring of investment companies in Kuwait and the fragile state of government-related entities in Dubai. In parallel, S&P anticipated that GCC banks' strong capitalization and healthy funding and liquidity would also continue to support their recovery.

Source: Standard & Poor's

KUWAIT

Loan growth at 5% in January 2013, liquidity at comfortable levels

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD47.5bn at the end of January 2013, constituting a marginal increase of 0.4% from end-2012 and a rise of 7.9% from end-January 2012. Lending to the private sector reached KD27bn at end-January 2013, up 0.2% from end-2012. Also, corporate lending increased by 5.3% year-on-year, up from a 5% annual rise in the preceding month, mainly driven by a 12.6% year-on-year growth in retail lending. Further, the sector's aggregate deposits totaled KD33.7bn at end-January 2013, constituting an increase of 1% from end-2012 and a growth of 8.7% from the end of January 2013. Deposit growth was mainly driven by government deposits that posted a 25% year-on-year growth, compared to a 7% rise in private sector deposits. The loans-to-deposits ratio fell to 80% at the end of January 2013 from 80.6% at end-2012 and 82.5% a year earlier.

Source: Central Bank of Kuwait, EFG Hermes

EGYPT

Private sector lending up 6% in 2012

Figures issued by the Central Bank of Egypt show that total assets reached EGP1,441.2bn at the end of 2012, down 1% from the preceding month, but constituting an increase of 10.2% from end-2011. Loans totaled EGP512.8bn at end-2012 and increased by 5.4% from a year earlier. The private sector's aggregate lending reached EGP477.7bn and rose by 6.3% from

end-2011; while public sector lending amounted to EGP35.1bn and fell by 5.6% from end-2011. Public-sector lending in foreign currency grew by 10.7%, while public sector credit in local currency fell by 25.3% in 2012. Further, total deposits reached EGP1,091bn and increased by 10.3% from end-2011, with private sector deposits totaling EGP969.6bn at end-2012 and rising by 11.6% from end-2011. Private sector deposits in foreign currency rose by 13.7% year-on-year to the equivalent of EGP210bn at end-2012; while private sector deposits in local currency rose by 11% from end-2011 to EGP759.7bn. Public sector deposits totaled EGP121.2bn at end-2012, up by 0.6% from end-2011. The dollarization rate of private sector deposits reached 21.7% at end-2012 relative to 21.2% a year earlier. The private sector loans-to-deposits ratio was 49.3% at end-2012 relative to 51.7% at the end of 2011.

Source: Central Bank of Egypt, Byblos Research

INDIA

Banks face capital shortfall of \$3bn to \$4bn to meet Basel III requirements

Standard & Poor's expected the capital requirements of Indian banks to accelerate with the introduction of Basel III requirements on April 1, 2013. It estimated the banks' capital shortfall at between \$3bn and \$4bn if they immediately try to achieve an 8% common equity Tier 1 ratio. It anticipated that banks would retain their preference for equity over hybrid instruments, which would significantly increase the capital shortfall. It said that government-owned banks would receive capital directly from the government, which would help them manage the capital shortfall without cutting their exposure to riskier assets. The agency indicated that higher capital adequacy would improve the banks' credit profiles, but it would depress their returns on equity. It added that delays in raising capital would limit loan growth.

In parallel, S&P anticipated that Indian banks' asset quality and earnings would remain stressed in fiscal year ending March 2014. It said that slow domestic economic growth and the sluggish pace of fiscal reforms would weigh on the performance of the banking sector. It forecast non-performing assets to exceed 4% in FY2014 and for banks' return on assets to remain at around 0.9%. It said that the corporate sector's financial performance deteriorated over the past 18 months, which resulted in higher loan restructuring and corporate defaults. But it expected the credit profiles of Indian corporates to gradually recover in the second half of FY2014, which would positively affect the performance of the banking sector and help improve the banks' asset quality in FY2015. Further, it forecast Indian banks' strong core customer deposit base to continue to provide them with access to stable funds, but it cautioned from the slowdown in deposit growth in recent years due to falling real interest rates on deposits and rising inflation levels.

Source: Standard & Poor's

ENERGY / COMMODITIES

Global natural gas prices to rise by 19% in 2013

The global gas market is projected to remain in surplus during the 2013-14 period as demand remains restrained and supply continues to expand. Global gas output is expected to grow by an average annual rate of about 3% during the 2013-14 period. The rise in output is mainly attributed to increases in production in North America and the Middle East & Africa region, especially in Qatar and Saudi Arabia, as Iran's gas field development plans would remain constrained by the impact of Western-imposed sanctions. In parallel, global natural gas consumption is expected to grow by an annual average of 3.3% during the 2013-14 period, mainly due to strong demand growth in Asia. Further, the U.S. natural gas Henry Hub prices are forecast to reach \$3.1 per million British thermal units (Btu) on average in the second quarter of 2013, while European natural gas prices are projected to average \$11.45 per million Btu during the same quarter this year. Overall, the U.S. natural gas Henry Hub prices are anticipated to rise by 18.9% year-on-year to average \$3.27 per million Btu in 2013.

Source: Economic Intelligence Unit, Byblos Research

Syria signs long-term oil import contracts

Syria announced on March 15, 2013 that it signed long-term oil import contracts with foreign companies. It did not provide details on the nationality of these companies nor on the volume of the contracts, but said that the deals would secure the country's energy needs. The contracts indicate that the government still has the ability to fund its imports. However, oil import deals in 2012 between Syria and other countries such as Iran, Russia and Venezuela were made on a barter basis. Syria used to import refined oil products even before the start of the uprising in 2011 as its two refineries were unable to meet local demand.

Source: The Syria Report

UAE diversifies its energy sources

The United Arab Emirates launched on March 17, 2013 the world's largest concentrated solar power (CSP) plant, Shams 1, located in the western region of Abu Dhabi. The \$600m power plant incorporates the latest parabolic trough technology and is projected to generate 100 megawatt of clean energy to power 20,000 homes in the UAE. The CSP project is expected to reduce the UAE's carbon emissions by about 175,000 tons of CO2 per year. Further, Shams 1 was designed and developed by Shams Power Company, a joint venture between Masdar with a 60% stake, Total (20%) and Abengoa Solar (20%). The UAE is the first country in the Middle East to produce renewable energy, and it plans to generate 7% of its energy needs from renewable sources by 2020.

Source: Masdar Press Release, The Saudi Gazette

Iraq to hold fifth exploration licensing round

Iraq announced that it would hold its fifth oil exploration licensing round from 10 oil blocks in the next few months, but would mainly focus on gas. Iraq's fourth energy auction last year had few foreign investors tendering bids, which led Baghdad to ease tough contract terms. Iraq is seeking to develop its oil industry that was devastated by years of war. International oil companies entering into new deals with Iraq are weighing the risks of the continued political instability on potential gas and crude oil developments. Iraq holds the world's fifth largest oil reserves.

Source: Thomson Reuters

COUNTRY RISK WEEKLY BULLETIN

Base Metals: Zinc output to grow by 4% in 2013

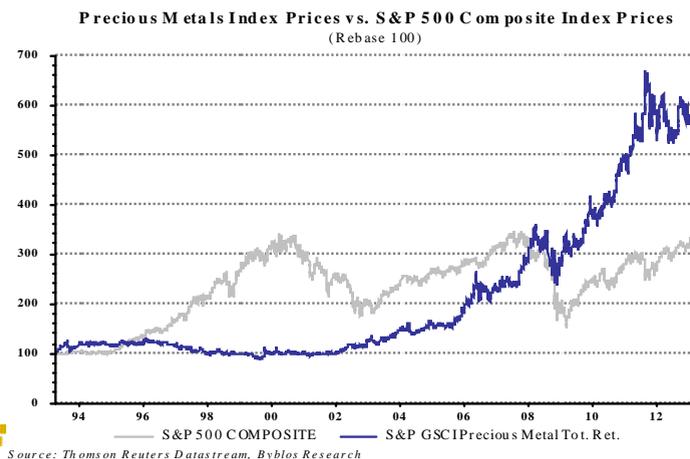
Global zinc production is anticipated to reach 13.1 million tons in 2013, constituting an increase of 3.6% from 12.7 million tons in 2012. China's zinc production is forecast to reach 5.1 million tons in 2013, equivalent to 39.2% of global supply. It would be followed by European countries with 2.4 million tons (18.5%), North America with 0.9 million tons (7%) and the Rest of the World with 4.6 million tons (35.4%). In parallel, global zinc demand is projected to grow by 4.2% year-on-year to 12.8 million tons in 2013. China's zinc consumption is forecast to reach 5.5 million tons in 2013, equivalent to 43% of global demand. It would be followed by European countries with 2.4 million tons (18.5%), North America with one million tons (8%) and the Rest of the World with 3.9 million tons (30%). The zinc market is anticipated to remain in surplus in 2013. Also, the stock-to-consumption ratio is expected to rise to 9.4% in 2013 from 8.3% in 2012. In parallel, global zinc prices are forecast to grow by 6.3% year-on-year to an average \$2,050 per metric ton in the second quarter of 2013.

Source: Barclays, Byblos Research

Precious Metals: Platinum jewelry consumption to increase by 6% in 2013

Global platinum jewelry consumption, excluding recycled jewelry, is expected to rise by 5.9% year-on-year to 1.8 million ounces in 2013. But China, the world's top platinum jewelry consumer, is anticipated to reduce its consumption by 5% year-on-year to 1.68 million ounces in 2013. The fall in China's jewelry demand is mainly attributed to a rise in the metal's price, as global consumption outweighs production. Also, Chinese jewelry demand is highly elastic, where a 10% increase in platinum prices would lead to an 18% decline in demand. As such, platinum jewelry demand would be affected by the metal's price movements as the Chinese jewelry market accounts for about 92.2% of total platinum jewelry consumption. Global platinum demand is projected to reach 7.3 million ounces in 2013, while global production is anticipated at 7.2 million ounces this year. The platinum market is expected to post a deficit of 94,000 ounces in 2013, but to balance during the 2014-15 period. Global platinum prices are anticipated to remain on an upward trend in 2013, before stabilizing during the 2014-15 period. As such, global platinum prices are forecast to average \$1,700 a troy ounce in the second quarter of 2013, constituting a rise of 13% from \$1,505 a troy ounce in the same period of 2012.

Source: Citigroup, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross 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	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Stable	-	Stable								
Egypt	B-	B3	B	B	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Stable	-	Negative	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-2.4	85.1	84.6	91.9	2.8	560.0	-23.6	0.01
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	Stable	Stable	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
	Stable	Stable	Stable	-	Positive								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	BB-	Ba1	BB+	BBB	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	Negative	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Negative	Stable								
Iran	-	-	B+	BB-	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	Stable	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Negative	-	Negative	Positive								
Kuwait	AA	Aa2	AA	AA-	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	Negative	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross 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-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	-	Stable	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Negative	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BBB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Positive								
Romania	BB+	Baa3	BBB-	BBB-	BB	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba1	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Positive	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CCC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Stable	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012



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	14-Mar-13	No change	24-Apr-13
Switzerland	3 month Libor target	0.00	14-Mar-13	No change	20-Jun-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	28-Mar-13
South Korea	Base Rate	2.75	14-Mar-13	No change	11-Apr-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	12-Mar-13	Cut 150bps	Apr-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	08-Mar-13	No change	26-Apr-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	15-Mar-13	No change	Apr-13



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