

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### **Cost of sending remittances declines in first quarter of 2013**

Figures issued by the World Bank show that the global average total cost for sending remittance was 9.05% in the first quarter of 2013 compared to 8.96% in the third quarter of 2012 and 9.12% in the first quarter of 2012. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks, money transfer operators (MTOs) and post offices. The average cost of sending remittance from the Group 8 of industrialized countries was 8.53% in the first quarter of the year relative to 8.31% in the third quarter of 2012 and was unchanged from the first quarter last year. But significant disparities in the cost structure of sending remittances from G8 countries remain, as the cost of sending remittances from Russia is 2.43%, while the cost from Japan is 16.66%. Also, the average cost of sending remittances from the Group of 20 countries reached 9.12% in the first quarter of 2013. In parallel, the average cost of sending remittances to Sub-Saharan Africa (SSA) was 12.21% in the first quarter of the year, making SSA the most expensive region globally to send money to. It was followed by East Asia & Pacific with 8.97%, Europe & Central Asia excluding Russia (8.43%), the Middle East & North Africa (7.81%), Latin America & the Caribbean (7.77%), South Asia (7.16%) and Europe & Central Asia (6.77%). Further, the cost of sending remittances using a commercial bank is 13.54%, which is significantly higher than post offices and MTOs, which cost 6.30% and 6.92%, respectively.

*Source: World Bank*

##### **Bond and equity inflows at \$49bn in first quarter of 2013, AUM at \$1,268.4bn**

Capital flows to emerging market equity and bond funds posted net inflows of \$49bn in the first quarter of 2013, with bond inflows at \$16.9bn and equity inflows at \$32.1bn. Emerging Europe, the Middle East & Africa (EMEA) attracted \$6.2bn or 36.4% of inflows to bond funds; followed by Emerging Asia with \$5.4bn, or 32% of the total; and Latin America with \$5.3bn, or 31.5% of the total. Further, Emerging Asia attracted \$24.3bn in inflows to equity funds in the quarter and accounted for 75.6% of equity inflows to emerging markets, followed by Latin America with \$4.3bn (13.5%) and the EMEA region with \$3.5bn (10.9%). Mexico was the biggest recipient of bond inflows with \$1.6bn, or 9.7% of total inflows into emerging market bond funds; while China was the largest recipient of equity inflows with \$7.4bn or 22.9% of total inflows into equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$1,268.4bn at the end of March 2013, with bonds reaching \$327.9bn and equities totaling \$940.5bn. The EMEA region had \$129.8bn in bond-related AUM, followed by Latin America with \$118bn, and Emerging Asia with \$80.1bn. Further, Emerging Asia had \$614.4bn in equity-related AUM, followed by the EMEA region with \$170.2bn, and Latin America with \$155.8bn.

*Source: Barclays Capital*

#### MENA

##### **M&A deals at \$19bn in first quarter of 2013**

Figures released by financial information provider Zawya show that a total of 99 merger & acquisition deals were closed in the Middle East & North Africa region in the first quarter of 2013, constituting a decrease of 9.2% from 109 deals in the same quarter last year. Also, the aggregate value of M&A deals in the region totaled \$19.2bn in the first quarter of the year, up from \$6.6bn in the same quarter last year and constituting the highest total value reached in the first quarter since 2009. As such, the average deal value reached \$193.9m in the first quarter of 2013, up 222% from \$60.2m in the same period last year. The value of inbound deals in the region accounted for 54% of total M&A deal value in the covered quarter, followed by domestic deals with 36% and outbound deals with 9%. Further, the construction sector attracted \$5.7bn or 30% of total announced deal value. In parallel, targeted M&A deals in the MENA region reached 82 transactions or 82.8% of total M&A deals in the first quarter, and amounted to \$17.4bn or 90.6% of total M&A deal value. North Africa accounted for 78.1% of targeted M&A deal values in the first quarter, followed by GCC countries with 20.6%, other regional countries with 1.2% and the Levant region with 0.1%. Further, Egypt was the top targeted M&A countries by value with 12 transactions valued at \$11.9bn.

*Source: Zawya*

##### **Democracy in Arab world improves marginally**

The Economist Intelligence Unit's 2012 Democracy Index indicated that the level of democracy in the Arab world improved marginally, as the average score of the 20 Arab countries included in the index was 3.6 points, up from 3.5 points in 2011. The region's average democracy score came below the global average of 5.52 points in 2012, as well as below the average score of all other regions around the world. The index measures 60 indicators that are grouped in five categories that are Electoral Processes & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. Tunisia has the most democratic system in the region and ranked in 90th place globally, followed by Libya (95th) and Lebanon (99th); while Sudan (154th), Saudi Arabia (163rd) and Syria (164th) have the least democratic systems regionally. The rankings of seven Arab countries improved, 10 declined and three remained unchanged; while the scores of nine Arab countries improved, six regressed and five were unchanged from the 2011 survey. Libya showed the best improvement in the region as its rank jumped by 30 spots and its score rose by 1.6 points, or 45%, year-on-year; while Syria posted the worst regional decline, dropping by seven places and regressing by 0.36 points, or 18%, from the previous survey. Egypt, Libya, and Morocco moved from the "authoritarian" to the "hybrid" regimes category; Tunisia, Lebanon, Palestine, Mauritania and Iraq remained in the "hybrid" regimes category; while the remaining 12 countries fell in the "authoritarian" category, making the Arab world the most repressive region.

*Source: Economist Intelligence Unit, Byblos Research*

# OUTLOOK

## AFRICA

### WAEMU economies to grow by 6% in 2013

The International Monetary Fund projected real GDP growth in member countries of the West African Economic and Monetary Union (WAEMU) at 6% in 2013 due to a large increase in public investment and crowding-in effect of private investment in Côte d'Ivoire, continued mining and hydrocarbon sector growth in Burkina Faso and Niger, infrastructure investment in Senegal, and a further recovery in the Union's agricultural sector. It anticipated that growth would remain high in the medium-term provided the full implementation of growth-enhancing policies. It expected annual average consumer price inflation in WAEMU economies to remain unchanged at 2.4% in 2013.

In parallel, the Fund projected the region's overall fiscal deficit, including grants, to widen to 4.2% of GDP in 2013 from a deficit 3.8% of GDP in 2012. It noted that the Union's overall public debt level improved to 40.9% of GDP last year from 43.5% of GDP in 2011 due to the debt relief to Côte d'Ivoire. Further, it expected the Union's current account deficit to remain large at around 7.2% of GDP in 2013, but to gradually decline in the medium-term as Côte d'Ivoire's reconstruction needs subside. It indicated that the widening of the current account deficit led to a decline in foreign exchange reserves, excluding intra-WAEMU trade, to 5.2 months of imports at end-2012 from 5.9 months of imports at end-2011. But it noted that reserves remain adequate and expected them to cover 4.9 months of imports at end-2013.

In parallel, the IMF said that the region's outlook faces a number of internal and external downside risks. It pointed out that political instability and security issues would have a negative impact on public finances, risk perception by investors and growth levels. It added that failure to implement growth-supporting policies would significantly reduce the region's growth prospects and adversely affect fiscal sustainability. It also indicated that a potential intensification of the Eurozone crisis would negatively affect exports, remittance inflows, FDI, and official assistance. It added that WAEMU countries remain vulnerable to negative shocks to global food and fuel prices.

Source: *International Monetary Fund*

## ANGOLA

### Economy to grow by 8.3% in 2013

The Economist Intelligence Unit projected Angola's real GDP growth at 8.3% in 2013 compared to 7.9% in 2012, and to be mainly driven by the hydrocarbon sector. It forecast oil production to rise from 1.75 million barrels per day in 2012 to 1.9 million barrels per day in 2013 and to 2.1 million barrels per day by 2017. But it cautioned that the increase in oil production would be slower-than-anticipated due to technical delays and to potentially stricter quotas from the Organization of the Petroleum Exporting Countries. It anticipated economic performance to slow down after 2013 due to the fading of the one-off impact of a new \$10bn liquid natural gas plant, which is expected to start exports during the second quarter of 2013. It forecast real GDP growth to average 6.3% between 2013 and 2017, to be driven by a rise in oil output and investment. Further, it forecast the

average inflation rate at 9% in 2013 relative to 10.3% in 2012. It considered that the full implementation of the new foreign exchange law, which requires oil-related transactions to be carried out in Angolan kwanza, would exert upward pressure on prices starting in the third quarter of 2013 due to the injection of new liquidity in the market. But it expected the monetary policy committee (MPC) to be cautious in loosening monetary policy in order to avoid a significant rise in prices. It anticipated inflation rates to further decline during the 2013-17 period, but it noted that a single-digit forecast for inflation level between 2013 and 2017 is contingent on the ability of the MPC to resist political pressure for a more accommodative monetary policy.

In parallel, the EIU projected the fiscal surplus to narrow to 1.4% of GDP in 2013 from 5.7% of GDP in 2012. It also forecast the current account surplus at 6.2% of GDP in 2013 relative to 11.1% of GDP in 2012, and expected it to further narrow to 0.6% of GDP in 2017 due to rapid import growth driven by capital spending. It noted that foreign exchange reserves reached a record high of \$33.4bn at end-2012, covering more than seven months of imports.

Source: *Economist Intelligence Unit*

## MOROCCO

### Eurozone recession, rise in oil prices and delay in reforms are main risks to growth

The International Monetary Fund projected Morocco's real GDP growth at 4.5% in 2013 compared to an estimated growth of 3.2% in 2012, and forecast real non-agricultural GDP to remain relatively robust and to expand at a rate of 4.5% in 2013, unchanged from 2012. It forecast the average inflation rate at 2.4% this year compared to 1.3% last year, mainly because of an increase in administered domestic energy prices.

In parallel, the Fund projected the fiscal deficit at 4.7% of GDP this year compared to 6.1% of GDP in 2012. It expected the current account deficit to narrow to 6.3% of GDP in 2013 from 8.8% of GDP in 2012 due to a significant reduction in the fiscal deficit, lower global energy prices, a recovery in agriculture, and recent investments in export-oriented sectors. It forecast foreign currency reserves to stabilize at 4.1 months of imports after being on a downward trend since 2008. It expected the authorities' economic strategy of fiscal consolidation, structural reforms, and prudent monetary policy to promote growth and reduce the current account deficit over the medium-term. However, the IMF indicated that risks to the outlook have increased and are tilted to the downside. First, it said that a worsening of the recession in Europe over the short-term, or a period of prolonged stagnation in the medium- to long-term, would have a sizeable impact on growth and on the balance of payments. Second, it noted that Morocco is vulnerable to a large increase in global oil prices, which would further widen the fiscal and current account deficits. Third, it cautioned that political or social difficulties would slow the pace of reforms. In parallel, it considered that Morocco's main medium-term policy challenges are to ensure continued fiscal stability, strengthen competitiveness, promote higher and more inclusive growth and maintain the stability of the financial sector.

Source: *International Monetary Fund*



# ECONOMY & TRADE

## WORLD

### Insurance industry losses from natural and man-made disasters at \$77bn in 2012

Global re-insurer Swiss Re estimated insurers' losses from natural catastrophes and man-made disasters at \$77.2bn in 2012, constituting a decrease of 39% from \$126bn in 2011. It noted that the losses would rank as the third costliest year for the insurance industry since 1970. It said that insurers' losses from natural catastrophes totaled \$71bn in 2012 and accounted for 92.2% of the insurance industry total losses, while losses from claims from man-made disasters stood at \$6bn in 2012 and represented 7.8% of the total. Insurers' losses from natural catastrophes and man-made disasters in North America totaled \$64.6bn and accounted for 83.6% of the total, followed by Europe with \$5.5bn (7.1%), Asia with \$3.4bn (4.4%), Latin America & the Caribbean with \$0.9bn (1.2%), Oceania & Australia with \$0.3bn (0.4%) and Africa with \$0.2bn (0.3%). Also, insurers' losses from disasters in Seas & Space stood at \$2.4bn in 2012 and represented 3.1% of the total. In parallel, Swiss Re estimated global economic losses from natural catastrophes and man-made disasters at \$185.7bn in 2012 compared to the record high of \$403bn in 2011. Losses in North America totaled \$118.5bn and were equivalent to 0.7% of the region's GDP, followed by Asia with \$30.5bn and Europe with \$26.8bn, which were equivalent to 0.1% of each of the regions' GDP.

Source: Swiss Re

## MENA

### Tourism to account for 13% of North Africa's GDP by 2023

The World Travel & Tourism Council expected the tourism sector to account for 12.4% of North Africa's GDP in 2013 and to marginally rise to 12.6% of GDP in 2023. It forecast the broad tourism and travel economy to generate demand of \$80.8bn in 2013, and to grow to \$131.9bn in constant 2012 prices by 2023. It projected the sector's real growth rate at 2.6% in 2013 and to average a real expansion rate of 5% during the 2013-23 period. The WTTC expected business travel spending to reach \$11.3bn this year, and to grow by a real rate of 4.6% annually to \$17.8bn in constant prices in 2023. It also forecast leisure travel and tourism spending to total \$42.8bn in 2013 and to grow by a real yearly average rate of 5% to \$69.7bn in constant prices by 2023. It estimated capital investment in the travel and tourism economy at \$11.2bn in 2013 and at \$19.1bn in constant 2012 prices within 10 years. Further, it forecast the export of tourism services at \$23.7bn this year and at \$39.9bn in constant 2012 prices by 2023, which would account for about 11% of the region's total exports this year and for 11.7% of exports in 2023. It said the travel and tourism economy will provide jobs to 6.2 million people, or 12.5% of the region's total employment this year; with the figure rising to 7.9 million jobs or 12.6% of employment by 2023.

Source: World Travel & Tourism Council

## CHINA

### Local currency rating downgraded on risks to financial stability

Fitch Ratings affirmed China's long-term foreign currency Issuer Default Rating (IDR) at 'A+' and lowered the long-term local currency IDR to 'A+' from 'AA-'. It also affirmed the short-term foreign currency IDR at 'F1' and the country ceiling at 'A+' and the 'stable' outlook on all ratings. It attributed the downgrade of the local currency rating to growing risks over the country's financial stability, rising indebtedness of local governments, a relatively lower and more volatile fiscal revenue base, and a less favorable record of inflation management compared to peers. It noted that credit growth has significantly exceeded the economic growth rates since 2009. It added that China posted the second-fastest expansion of credit in real terms globally between end-2009 and end-June 2012; while the stock of private sector bank credit was equivalent to 135.7% of GDP at end-2012, the third-highest among rated emerging markets. Also, it said that total credit in the economy including "shadow activity" increased to 198% of GDP at end-2012 from 125% of GDP at end-2008. It considered that the proliferation of other forms of credit beyond bank lending is a source of growing risk to financial stability. In parallel, it said the foreign currency IDR is supported by China's official foreign currency reserves of \$3,387bn at end-2012, limited sovereign foreign currency-denominated debt of \$34bn, remote risk of payment stress on foreign currency-denominated liabilities, and political stability.

Source: Fitch Ratings

## ARMENIA

### Level of human development almost unchanged

The United Nations' 2012 Human Development Index (HDI) ranked Armenia in 87th place among 187 countries worldwide and in seventh place among the 12 economies that form the Commonwealth of Independent States (CIS). Armenia ranked in 86th place globally and in seventh place in the region in 2011. Also, Armenia ranked in 25th place among 31 countries in Europe & Central Asia (ECA), unchanged from the previous year. The HDI measures the average achievement in a country in three basic dimensions of human development that are health, education and income. Worldwide, Armenia was considered to have a 'high-level' of human development. Globally, Armenia had a higher level of human development than Saint Lucia, Ecuador and Turkey, and a lower level of development than Brazil, Jamaica and Oman. Regionally, it had a higher level of human development than Turkmenistan, Moldova, Uzbekistan, Kyrgyzstan and Tajikistan. Also, Armenia had a higher level of human development than Turkey, Turkmenistan, Moldova, Uzbekistan, Kyrgyzstan and Tajikistan among ECA countries. Armenia received a score of 0.729 points, up from 0.726 points in 2011 and above the global average of 0.694 points, but lower than the ECA average of 0.771 points. Figures on individual components of the index such as life expectancy and mean years of schooling show that Armenia's results per category continue to be higher than the corresponding global and ECA averages.

Source: UNDP, Byblos Research



# BANKING

## EGYPT

### Bank ratings downgraded, outlook negative

Capital Intelligence downgraded the long-term foreign currency ratings of National Bank of Egypt (NBE), Banque du Caire (BdC), Commercial International Bank (CIB), Bank of Alexandria (BoA), National Société Générale Bank (NSGB), Export Development Bank of Egypt (EDBE), Arab International Bank (AIB) and Arab African International Bank (AAIB) to 'B' from 'BB-', with a 'negative' outlook. It affirmed the eight banks' short-term foreign currency rating at 'B'. The agency attributed its rating actions to the earlier downgrade of Egypt's long-term foreign currency rating to 'B' from 'BB-'. It added that the 'negative' outlook reflects the banks' exposure to the sovereign debt, which links the banks' ratings to sovereign creditworthiness. It noted that a change in Egypt's creditworthiness would have a corresponding effect on the banks' ratings. Further, the agency lowered the Financial Strength Rating (FSR) of NBE, BdC, and EDBE to 'BB-' from 'BB+', that of CIB and NSGB to 'BBB-' from 'A-' and that of AIB, BoA, and AAIB to 'BB' from 'BBB-'. It maintained the 'negative' outlook on all the FSRs. It noted that the FSR of each of the eight banks is vulnerable to downward pressure given the ongoing difficult domestic operating environment, and that the current operating conditions are weighing on the banks' credit metrics. It pointed out that the risk of a balance-of-payments or currency crisis continues to place pressure on all Egyptian banks.

Source: *Capital Intelligence*

## KUWAIT

### Loan growth at 5% in February 2013, liquidity increases

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD48bn at the end of February 2013, constituting an increase of 1.5% from end-2012 and a growth of 7.6% from end-February 2012. Lending to the private sector reached KD27.1bn at end-February 2013, up by a marginal 0.7% from end-2012. Also, corporate lending increased by 4.8% year-on-year and were mainly driven by an 11.6% annual growth in retail lending that continued to be positively affected by wage increases in the public and private sectors. Further, the sector's aggregate deposits totaled KD34.2bn at end-February 2013, constituting an increase of 1.6% from the preceding month and a growth of 2.6% from the end of 2012. Total deposits grew by 9.4% year-on-year in February 2013 due to a 25% annual growth in public sector deposits. The loans-to-deposits ratio stood at 79.1% at the end of February 2013, down from 80.6% at end-2012 and 82.5% a year earlier, and posted its lowest level in 10 years.

Source: *Central Bank of Kuwait, EFG Hermes*

## QATAR

### Banking sector's outlook remains stable

Moody's Investors Service indicated that it will maintain its 'stable' outlook on Qatar's banking system for the next 12 to 18 months, reflecting the country's benign economic environment and the banks' strong financial metrics, including low levels of non-performing loans (NPLs), robust earnings and sound capitalization. It forecast lending growth to range between 20% and

25% in the next 12 to 18 months, and for banks' business opportunities to improve, due the government's extensive infrastructure investment program. It forecast the banking sector's NPL ratio at around 2% over the next 12 to 18 months, supported by the strong economic environment, the substantial government spending and the sizeable proportion of government-related loans. But it noted that banks' asset quality remains exposed to event risk given the high single-party exposures and lack of transparency of local conglomerates, rapid credit expansion, and the moral hazard created by past government interventions. It added that banks are vulnerable to market conditions given their high dependence on short-term foreign-market funding. Moody's forecast the banking sector's Tier-One capital ratio to decline to between 15% and 16% by the end of the year, as banks continue to finance their fast-growing balance sheets domestically and abroad. But it anticipated the banks' capitalization metrics to absorb losses and remain above the regulatory minimum of 10%, even under adverse scenario that factors the impact of a sustained drop in global oil and gas prices and a significant contraction in economic activity. It expected the sector's net interest margins to decline due to the regulator's imposition of interest-rate caps on retail lending and banks' increased exposure to lower-yielding project finance lending.

Source: *Moody's Investors Service*

## TURKEY

### Bank ratings raised on sovereign upgrade

Standard & Poor's raised its long-term counterparty credit ratings to 'BB+' from 'BB' on Türkiye İş Bankası (İsbank), Türkiye Garanti Bankası (Garanti), Yapi ve Kredi Bankası (YapıKredi), HSBC Bank, and Türkiye Vakıflar Bankası (VakıfBank). It said that all banks' rating have a 'stable' outlook. It also affirmed the short-term rating of İsbank, YapıKredi, HSBC Bank, and VakıfBank at 'B'. It attributed its rating action to its earlier upgrade of Turkey's long-term foreign currency sovereign credit rating to 'BB+' from 'BB' due to the steady and sustained decline in the country's still-sizeable net external financing requirements. S&P considered that sustainable levels of economic growth would create a stable environment for banks to grow their business. It added that regulatory measures that limit foreign currency lending and cap credit growth are enhancing the banking sector's stability. It expected medium-term policies to gradually address the country's low structural savings rate, which would limit risks in the financial sector. It anticipated that the banking sector will continue to post a strong level of profitability and to benefit from high margins and low credit losses. Also, it forecast the asset quality and capitalization of the banks to remain adequate. In parallel, the agency indicated that bank-specific factors that would lead to the revision of the ratings are limited. It expected Turkey's creditworthiness to continue to drive future rating actions on Turkish banks because of the banks' significant holdings of government securities and exposure to the domestic environment. It cautioned from the increasing use of cross-border borrowing to fund asset growth.

Source: *Standard & Poor's*



# ENERGY / COMMODITIES

## Natural gas market to remain oversupplied in 2013 and 2014

Global natural gas consumption is forecast to grow by an annual average rate of 3.3% during the 2013-14 period, mainly due to strong demand growth in Asia. China is projected to become the main consumer of natural gas during the 2013-14 period as its demand would account for about 23% of global gas consumption. The global gas market is expected to remain oversupplied during the 2013-14 period as demand growth remains restrained, while that of supply continues to expand. Further, the U.S. natural gas Henry Hub prices are forecast to grow by 18.6% year-on-year to \$3.3 per million British thermal units (Btu) on average in 2013, while European natural gas prices are projected to improve by 1.7% to \$11.7 per million Btu during the year. In parallel, the Dow Jones-UBS Energy Sub-Index rose by 6.3% in March 2013, while the Petroleum Sub-Index increased by 2.4% during the month. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index improved by 5.2% in March, the Brent Crude Sub-Index increased by 0.2%, while the Natural Gas Sub-Index rose by 14% last month.

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

## South Sudan's oil exports through Sudan to begin in May

South Sudan announced that its oil exports through Sudan would resume by the end of May 2013. Sudan and South Sudan agreed to resume cross-border oil flows in March 2013 after tensions eased between the two countries. South Sudan's oil production resumed in April 2013 and its initial output is projected at between 150,000 barrels a day (b/d) and 200,000 b/d. South Sudan produced about 350,000 b/d before it shut down its oil output in January 2012. Sudan and South Sudan are highly dependent on oil-related revenues and on the resulting foreign currency receipts to finance their imports. Sudan expects to collect up to \$1.2bn in oil transit fees this year.

Source: Thomson Reuters

## Iranian oil exports up 74% year-on-year in first quarter of 2013

Iran's oil exports reached 17.55 billion barrels in the first quarter of 2013, constituting an increase of 12.5% from the previous quarter, and a rise of about 74% from the same quarter in 2012. Iran was able to increase its oil exports despite Western-imposed sanctions through the use of ship-to-ship transfers, discharging and loading at remote ports, and by blending its oil with other fuels to hide its origin. In parallel, the average monthly Iranian oil exports through direct sales reached about 2.6 million barrels during the first quarter of 2013.

Source: Thomson Reuters

## Iraqi oil reserves up by 5% to 150 billion barrels

Iraq raised its crude oil proven reserves estimate to 150 billion barrels, constituting a rise of 5% from a previous estimate of 143.1 billion barrels. As such, Iraq would now hold the world's third-largest proven oil reserves. The Iraqi oil reserves figure excludes those of the KRG, which are estimated at about 45 billion barrels. In parallel, Iraq is expected to increase its oil production by about 6% to 3.35 million b/d by the end of 2013.

Source: Bloomberg, Dow Jones Newswires

COUNTRY RISK WEEKLY BULLETIN

## Base Metals: Steel prices to drop by 10% in 2013

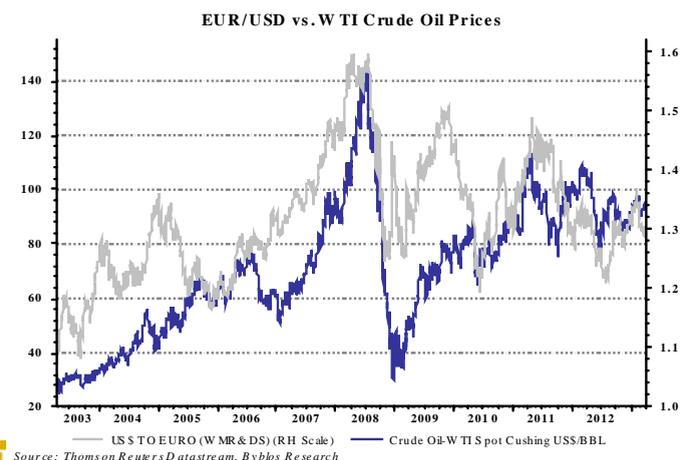
Global steel production is projected to reach 1,601 million metric tons in 2013, constituting an increase of 5.2% from 1,521.6 million metric tons in 2012. Chinese supply is forecast to reach 758 million metric tons in 2013, equivalent to 47.4% of global steel output. It would be followed by non-China Asian countries with 291.7 million metric tons (18.2%) and the EU with 169.5 million metric tons (10.6%). In parallel, global steel demand is anticipated to grow by 4.7% year-on-year to 1,599 million metric tons in 2013. The steel market is projected to shift to a surplus of 2,100 tons in 2013 from a deficit of 6,100 tons in 2012. Also, EU hot rolled coil steel prices are forecast to drop by 10% to \$598 a metric ton in 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index decreased by 4.5% in March 2013, while the Dow Jones-UBS Zinc Sub-Index regressed by 8.7% during the month. Further, the Dow Jones-UBS Copper Sub-Index declined by 4.1% in March 2013, and the Aluminum Sub-Index fell by 5.1% over the same month.

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

## Precious Metals: Gold prices to rise by 1% in second quarter of 2013

Global gold consumption is expected to improve in 2013 and 2014 due to a rise in gold jewelry demand as prices of the metal decline. India is projected to remain the top jewelry consumer during the 2013-14 period. In parallel, global gold supply is forecast to expand by 3.3% in 2013 as it recovers from the production disruptions endured during the 2011-12 period in some parts of the world. The official sector is forecast to remain a net buyer of gold in 2013 and 2014 as central banks continue to diversify their reserve holdings. Further, the pace of the global economic recovery, particularly in developed countries, would put pressure on gold prices. But gold prices are not expected to regain their 2011-12 peaks in coming years. Gold prices are forecast to average \$1,620 a troy ounce in the second quarter of 2013, constituting a rise of 0.7% from an average \$1,609 a troy ounce in the same period of 2012. In parallel, the Dow Jones-UBS Precious Metals Sub-Index rose by 0.6% in March 2013, while the Gold Sub-Index increased by 1%. Also, the Dow Jones-UBS Silver Sub-Index regressed by 0.4% and the Platinum Sub-Index declined by 0.8% last month.

Source: Economist Intelligence Unit, Dow Jones Indices, 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								
<b>Africa</b>													
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-	Caa1	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								
<b>Middle East</b>													
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	Positive	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								
<b>Asia</b>													
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								
<b>Central &amp; Eastern Europe</b>													
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	20-Mar-13	No change	01-May-13
Eurozone	Refi Rate	0.75	04-Apr-13	No change	02-May-13
UK	Bank Rate	0.50	04-Apr-13	No change	09-May-13
Japan	O/N Call Rate	0-0.10	07-Mar-13	No change	04-Apr-13
Australia	Cash Rate	3.00	02-Apr-13	No change	07-May-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
<b>Emerging Markets</b>					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	20-Mar-13	No change	01-May-13
Taiwan	Discount Rate	1.88	28-Mar-13	No change	20-Jun-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	03-Apr-13	No change	29-May-13
India	Reverse repo rate	7.50	19-Mar-13	Cut 25bps	03-May-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	26-Mar-13	No change	16-Apr-13
South Africa	Repo rate	5.00	20-Mar-13	No change	23-May-13
Kenya	Central Bank Rate	9.50	Apr-13	Cut 150bps	03-May-13
Nigeria	Monetary Policy Rate	12.00	19-Mar-13	No change	21-May-13
Ghana	Prime Rate	15.00	Feb-13	No change	15-Apr-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	08-Mar-13	Cut 50bps	26-Apr-13
Brazil	Selic Rate	7.25	06-Mar-13	No change	17-Apr-13
Armenia	Refi Rate	8.00	26-Mar-13	No change	N/A
Romania	Policy Rate	5.25	28-Mar-13	No change	02-May-13
Bulgaria	Base Interest	0.01	01-Apr-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	03-Apr-13	No change	May-13



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