

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

IPOs up 1.1% to \$18.2bn at mid-March

Global initial public offerings (IPOs) raised \$18.2bn in the year-to-mid March 2013 period, constituting a decline of 51.1% from \$37.2bn in the fourth quarter of 2012 and an increase of 1.1% from \$18bn in the first quarter of 2012. There were 118 IPOs in the covered period relative to 200 IPOs in the preceding quarter and 204 IPOs in the same quarter last year. Emerging markets represented 51% of the global number of deals and 39% of capital raised in the covered period. The average deal size reached \$154m, up 75% from \$88.2m in the same period last year. Further, the largest 20 IPOs accounted for 77% of the global capital raised in the covered period, while five of the top 10 IPOs were from emerging markets. There were five deals that raised more than \$1bn each in the covered period, compared to nine deals in the fourth quarter of last year and one deal in the first quarter of 2012. In parallel, North America accounted for 39.4% of capital raised through IPOs, followed by Asia Pacific with 29.1%, Europe, Middle East & Africa (EMEA) with 23.8% and Central & South America with 7.7%. In addition, Asia Pacific accounted for 56.8% of the number of IPO deals, followed by North America with 26.3%, the EMEA region with 13.5% and Central & South America with 3.5%. Also, IPOs in the real estate sector raised \$6.2bn and accounted for 34.1% of the total, followed by the healthcare sector with \$2.8bn (15.4%) and the industrial sector with \$1.6bn (8.8%).

Source: Ernst & Young

Corporate bond issuance at \$853bn in first quarter of 2013

Standard & Poor's indicated that global corporate bond issuance totaled \$853bn in the first quarter of 2013, constituting a decrease of 8.2% from \$929bn in the first quarter of 2012 and a rise of 7.7% from \$792bn in the fourth quarter of last year. Global corporate bond issuance totaled \$355bn in January, \$218bn in February and \$280bn in March 2013. It included \$486bn in investment grade, \$154bn in speculative grade, and \$214bn in unrated bonds. Bond issuance in Europe totaled \$300bn in the covered quarter and accounted for 35.2% of global bond issues, followed by the U.S. with \$292bn (34.2%), emerging markets with \$175bn (20.5%), and other developed markets with \$87bn (10.2%). Speculative grade issuance in the U.S. reached \$79bn and represented 51.3% of global speculative grade issues, followed by Europe with \$47bn (30.5%), emerging markets with \$23bn (14.9%) and other developed markets with \$4bn (2.6%). Issuance by financial institutions totaled \$427bn and accounted for 50.1% of global corporate bond issuance, while issuance by non-financial firms represented the remaining \$426bn (49.9%). Investment-grade issuance in the non-financial sector totaled \$192bn and accounted for 39.5% of global investment grade issues, while speculative grade issuance in the non-financial sector reached \$123bn and represented 79.9% of global speculative grade issues.

Source: Standard & Poor's

EMERGING MARKETS

Remittance inflows to increase by 7% to \$427bn in 2013

The World Bank revised downwards its estimate for remittance inflows to developing economies to \$401bn in 2012 from a November forecast of \$406bn, which would constitute an increase of 5.5% from \$380bn in 2011 and would account for 78% of global remittance flows. It also projected remittance inflows to developing economies to rise by 6.7% to \$427bn in 2013 and to grow by 9.5% to \$468bn in 2014. It said the inflows will account for 80.7% and 83.7% of global remittance flows in 2013 and 2014, respectively. It expected inflows to each of East Asia & Pacific and South Asia to reach \$117bn in 2013 and to each account for 27.4% of remittances to developing economies, followed by Latin America & the Caribbean with \$67bn (15.7%), Middle East & North Africa with \$52bn (12.2%), Europe & Central Asia with \$43bn (10.1%), and Sub-Saharan Africa with \$33bn (7.7%). Also, it forecast the growth rate of remittance inflows to each of East Asia & Pacific and Latin America & Caribbean at 7.1%, followed by Europe & Central Asia and South Asia at 6.9% each, Sub-Saharan Africa at 5.6%, and the Middle-East & North Africa at 5.1%. In parallel, the World Bank projected remittance inflows to middle-income countries at \$368bn and to low-income countries at \$33bn in 2013, compared to \$352bn and \$28bn in 2012, respectively. Inflows to middle-income countries would account for 86.2% of remittances to developing economies in 2013.

Source: World Bank, Byblos Research

Cross-border M&A up 5% to \$123bn in 2012

Cross-border mergers and acquisitions by companies in developing and transition economies totaled \$123.3bn in 2012, constituting an increase of 5.2% from \$117.1bn in 2011. Cross-border M&A purchases by firms in developing economies increased by 10.7% year-on-year to \$114.7bn, while those by companies in transition economies dropped by 36.2% to \$8.6bn in 2012. The distribution of cross-border M&A purchases among developing economies shows that purchases by firms based in East Asia reached \$58bn and accounted for 50.5% of total; followed by Latin America & the Caribbean with \$28.1bn (24.6%), South-East Asia with \$16.4bn (14.3%), West Asia with \$8.9bn (7.7%), South Asia with \$2.7bn (2.3%), and Africa with \$592m (0.5%). Also, cross-border M&A purchases by firms based in Latin America & the Caribbean increased by 50.9% year-on-year, followed by West Asia with 44.3%, and East Asia with 15%; while those by Africa dropped by 87.7%, followed by South Asia (-56.3%) and South-East Asia (-6.6%). In parallel, cross-border M&A purchases by Russia reached \$7.8bn, increasing by 53.2% year-on-year and accounting for 90.4% of total M&A purchases by transition economies. Cross-border M&A by developing and transition economies accounted for 39.7% of global M&A in 2012, up from 22.3% in the preceding year.

Source: UNCTAD

OUTLOOK

EMERGING MARKETS

Economic growth revised downward to 5.3% for 2013, Developing Asia to be fastest-growing region at 7.1%

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 5.3% in 2013 from a January forecast of 5.5%. It said that the projected growth for 2013 constitutes an increase from 5.1% in 2012, but it remains below the high growth rates posted in 2010 and 2011. The Fund expected growth in emerging markets and developing economies to become broad-based and to accelerate steadily to 5.7% in 2014. It noted that easy macroeconomic conditions and recovering demand from advanced economies constitute the main drivers of economic growth. The Fund also revised downwards its growth projections in Sub-Saharan Africa to 5.6% from a January forecast of 5.8%, lowered its estimate to 3.4% from 3.7% for Latin America & the Caribbean, reduced its forecast to 3.4% from 3.8% for the Commonwealth of Independent States, lowered its projection to 3.1% from 3.4% for the MENA region and reduced its estimate to 2.2% from 2.5% for Central & Eastern Europe. It maintained its growth forecast at 7.1% for Developing Asia.

In parallel, the IMF indicated that emerging market economies face the challenge of handling capital inflows, as the attractive prospects in emerging markets and low interest rates in advanced economies would lead to continuing net capital inflows and exchange rate pressure in many emerging market economies. It noted that recipient countries will have to reduce the flows' volatility through prudential and capital flow management measures. Further, it said that the main macroeconomic policy challenge in emerging market and developing economies is to recalibrate policy settings to avoid over-stimulation, to rebuild macroeconomic policy buffers, and to protect against financial vulnerabilities.

Source: International Monetary Fund

AFRICA

Eurozone crisis, slowdown in China and uncertain U.S. fiscal policy are key risks for growth

The World Bank projected economic growth in Sub-Saharan Africa (SSA) at 4.9% in 2013 relative to an estimated growth of 4.7% in 2012 and compared to growth of 5.4% for developing nations and 2.4% for the global economy. It forecast SSA's growth level to average 5% annually between 2013 and 2015 with growth rates of 5.1% in 2014 and 5.2% in 2015. It said that, excluding South Africa, growth is projected at 6.1% in 2013 compared to an estimated growth of 5.8% in 2012, and at 6% in 2014 and 6.1% in 2015. It considered that the region's medium-term growth prospects remain strong, supported by a pick-up in the global economy, high commodity prices, resilient domestic demand and increased investment. It expected foreign direct investment to the region to increase to a record high of \$54bn by 2015. It anticipated that cuts in the region's interest rates last year would support domestic private investment in the near term, while the improving inflation outlook will maintain strong consumer spending. However, the Bank pointed out that risks to the outlook are to the downside.

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The World Bank estimated that external risks include a marked escalation in the Eurozone crisis that would lower SSA's real GDP growth by about 3.5 percentage points in 2013; as well as increased uncertainty in the U.S. fiscal policy that would reduce growth in SSA by 0.6 percentage points in 2013, mainly through the trade channel. Also, it noted that a sharper-than-expected slowdown in China's economic performance would lead to a fall in global commodity prices, which would negatively affect countries that are reliant on oil, metals and other minerals in SSA. The Bank considered that domestic risks include unsustainable debt levels and fiscal deficits in some countries in SSA that would disrupt economic activity in the region; as well as political, civil and labor unrest that would weigh on economic activity as key economic drivers such as investment, trade and tourism would all be negatively affected.

Source: World Bank

SUDAN

Benefits from resumption of oil production to materialize over the medium and long terms

Business Monitor International projected Sudan's real GDP growth at 1.5% in 2013 relative to contractions of 6.7% in 2012 and 19% in 2011, and compared an average growth of 6.6% per year between 2000 and 2010. It said that Sudan will significantly benefit from the resumption of oil production in the South and from the corresponding use of its pipeline over the medium-term. But it noted that growth will remain subdued this year as the high inflation will constrain private consumption, and as government revenues will continue to be restrained. It pointed out that private consumption in Sudan has a significant impact on headline GDP as it constitutes an estimated 84% of GDP, significantly higher than the global average of 64.1% of GDP and Sub-Saharan Africa's average of 69.5% of GDP. It forecast the inflation level at 21.4% at end-2013 despite gradually declining from 46% in February 2013. It added that the reduction of fuel subsidies has worsened the problem of rising prices, but it noted that the authorities lack other alternatives. As such, it projected private consumption to expand by 1.5% in real terms this year, as inflation will erode consumers' purchasing power and as domestic unrest will continue to disrupt normal income generation.

In parallel, it forecast government consumption to rise by only 2% this year due to extremely limited government resources, given that oil transit fees would only help government finances over the medium- and long terms. It anticipated that the government's austerity measures will continue over the coming months due to a large current account deficit, which weighs on the Sudanese pound, and due to the high cost of borrowing. Further, BMI said that Sudan has significant opportunities in mining, agriculture, and other industries that will attract interest from foreign investors, despite that the latter's sentiment will be adversely affected by the tension with the South and by the persistent internal unrest. It added that net inward investment to Sudan reached \$1.7bn in the fourth quarter of 2012, constituting one of its highest quarterly levels. In parallel, it said that domestic investment will be constrained by high inflation levels and the associated high cost of borrowing.

Source: Business Monitor International

April 25, 2013

ECONOMY & TRADE

TUNISIA

IMF deal to reduce pressure on financing needs

Fitch Ratings anticipated that the \$1.75bn Stand-By Arrangement (SBA) between the IMF and Tunisia would be an important catalyst for further international support to the country, and would increase the country's ability to face its external financing needs over the coming years. It noted that the agreement will help the country face another year of political transition, a challenging economic environment and large fiscal and current account deficits. Further, it said that the agreement and the formation of a new government would ease the pressure on the sovereign ratings. The agency warned that a sudden threat to political stability constitutes the main risk to a delay in the approval of the agreement by the IMF's board. In parallel, HSBC Bank considered that the IMF deal will help increase confidence, but it noted that economic growth will remain constrained by political development. It anticipated that a further deterioration in the policy-making environment, or a failure to bring under control popular unrest and security risks, would weigh heavily on the fragile recovery. The International Monetary Fund reached a staff-level agreement on a 24-month SBA with Tunisia to support its economic reform agenda aimed to preserve fiscal and external stability, promote higher and more inclusive growth, and address critical vulnerabilities of the banking sector. It added that the authorities' reform program will promote private investment, encourage sustainable job-creation, reduce economic and social regional disparities, and strengthen social policies.

Source: Fitch Ratings, HSBC, International Monetary Fund

QATAR

Expansionary budget for FY2013/14 to stimulate consumption and investment

Merrill Lynch indicated that Qatar's announced budget for the fiscal year 2013/14 ending in March 2014 would provide a robust stimulus to consumption and investment growth. It said the budget forecast a surplus of QAR7.5bn for FY2013/14 compared to a surplus of QAR27bn in the initial budget of FY2012/13, with budgeted expenditures rising by 18% year-on-year to QAR210.6bn, and revenues projected at QAR218.1bn, up 5.7% year-on-year. It noted that the budget included a conservative oil price assumption of \$65 per barrel, unchanged from the previous year. It indicated that the rise in budgeted expenditures reflects a 16% increase in current spending to QAR135.7bn, with salaries & wages rising by 24% to QAR45bn; as well as a 20.6% rise in capital spending to QAR74.9bn. It noted that the increase in capital spending reflects the government's decision to meet its large medium-term infrastructure plans, as capital spending in FY2012/13 was below the level projected in the budget. However, Merrill Lynch forecast the fiscal surplus at QAR52bn, or 7.3% of GDP, in FY2013/14 relative to an estimated surplus of QAR79.8bn, or 11.8% of GDP in the preceding year. It noted that its projected fiscal surplus for FY2013/14 is based on the full execution of the budget and higher oil and LNG export prices. It attributed the higher-than-budgeted surplus in FY2012/13 to higher-than-projected hydrocarbon revenues and lower-than-expected capital expenditures. It noted that total revenues exceeded the bud-

geted level by 16% to QAR239.4bn, with oil & gas revenues rising by 50% to QAR137bn. It added that overall spending stood at QAR159bn and was below the budgeted level, as capital spending was 31.5% lower than the FY2012/13 budget.

Source: Merrill Lynch

ARMENIA

Country risk level lower than most regional peers, ranks 84th globally

Euromoney magazine's quarterly survey on global country risk ranked Armenia in 84th place among 184 countries worldwide and in fourth place among the 12 countries that form the Commonwealth of Independent States (CIS) in the first quarter of 2013. Armenia ranked in 79th place globally and in third place regionally in the fourth quarter of 2012. Armenia's overall score reached 41.47 points, down from its score of 43.61 points in the preceding survey and compared to the global average of 42.97 points, and to the average score of 33.11 points for the CIS. Globally, Armenia had a lower country risk level than that of Georgia, Seychelles and Vietnam, and a higher risk level than that of Nigeria, Azerbaijan and Guyana. Also, Armenia had a higher risk level than only Azerbaijan, Kazakhstan and Russia among the CIS. Armenia's Political Risk score was 15.38 points, better than the global average of 13.85 points and the CIS average of 10.8 points; while its Economic Performance received 14.51 points, above the global average of 13.41 points and the CIS average of 12.28 points. Further, its Credit Ratings score was 2.81 points compared to the global average of 3.16 points and the CIS average of 1.89 points; while its score on Access to Bank Finance & Capital Markets was 1.25 points relative the global average of 4.36 points and the CIS average of 2.49 points. Also, Armenia's score on Debt Indicators reached 2.63 points relative to the global average of 4.19 points and the CIS average of 2.28 points.

Source: *Euromoney*, *Byblos Research*

CHINA

Outlook revised to 'stable' on rising contingent liabilities

Moody's Investors Service amended its outlook on China's sovereign rating from 'positive' to 'stable' and affirmed the government bond rating at 'Aa3'. It also maintained China's short-term foreign currency rating at 'P-1' and its bond and deposit ceilings at 'Aa3'. It attributed the outlook revision to large contingent liabilities and uncertainty over the finances of the country's local governments. It said that progress has been slower than expected in raising the transparency of local government contingent liabilities and in slowing down the rapid credit growth. It cautioned that contingent liabilities would weigh on the central government's balance sheet and derail the transition to a more balanced economic model. It added that the persistently elevated credit growth has been driven by lending by the "shadow" banking system, and noted that the control of non-bank lending is beyond the scope of the People's Bank of China's policy instruments. As such, it considered that macro-prudential regulations and the advancement of financial sector reforms would help ensure that the "shadow" system does not destabilize the financial system in the future.

Source: *Moody's Investors Service*



BANKING

LIBYA

Lending grows by 22% year-on-year at end-February 2013

Figures issued by the Central Bank of Libya show that total assets of commercial banks reached LYD84.6bn, or \$68.5bn, at the end of February 2013, constituting an increase of 2.3% from end-2012 and a rise of 16.7% from end-February 2012. Commercial banks' lending reached LYD15.9bn, or \$12.8bn at end-February 2013, up by a marginal 0.8% from end-2012 and compared to a growth of 21.9% from end-February 2012. Loans and overdrafts accounted for 94.9% of total loans, followed by other loans for 3.4%, and discounted & negotiated bills for 1.6% of the total at end-February 2013. Liquid assets reached LYD54.4bn, or \$43.9bn at end-February 2013, constituting an increase of 2.1% from end-2012 and a rise of 11.4% from end-February 2012; while they accounted for 64.3% of total assets. Also, fixed assets reached LYD1.05bn at end-February 2013, equivalent to 1.2% of total assets; while other assets totaled LYD9.1bn, or 10.6% of the total. In parallel, commercial banks' aggregate deposits totaled LYD68bn, or \$54.8bn at end-February 2013, constituting an increase of 1.7% from end-2012 and a growth of 15.8% from end-February 2012. Demand deposits accounted for 81.9% of total deposits at end-February 2013, followed by time deposits for 17.1%, and saving deposits for 1% of the total. Also, total deposits accounted for 80.3% of total liabilities at end-February 2013. Further, commercial banks' capital & reserves represented 5.3% of total liabilities, and other liabilities accounted for 14.1% of the total at end-February 2013. Commercial banks' assets were equivalent to about 80.1% of GDP, loans were equivalent to 15.3% of GDP, and deposits were equivalent to 64.7% of GDP in 2012.

Source: Central Bank of Libya, Byblos Research

QATAR

Private sector drives lending growth in first quarter

Figures issued by the Central Bank of Qatar show that total assets reached QAR848.3bn at the end of March 2013, constituting an increase of 2.6% from the previous month, a growth of 3.4% from end-2012 and a rise of 20% from end-March 2012. Loans totaled QAR517.7bn and increased by 2.4% month-on-month in March 2013, driven by a 5% month-on-month growth in private sector lending. But total loans grew by 1.5% from the end of 2012 as a 6.5% increase in private sector lending was partly offset by a 5% contraction in public sector loans in the first quarter of the year. In parallel, aggregate deposits totaled QAR486.7bn at end-March 2013, up by 1% month-on-month and by 6.2% from end-2012. Also, total deposits expanded by 39.7% year-on-year in March 2013, driven by an 85% rise in public sector deposits. The loans-to-deposits ratio stood at 106.4% at end-March 2013, relative to 111.3% at end-2012 and 118.3% a year earlier, and remained below the 122% peak reached in June 2012. The banking sector's liquidity has been improving since June 2012 due to the acceleration in public sector deposit growth, which led to a decline in the cost of funding since the end of last year.

Source: Central Bank of Qatar, EFG Hermes

MOROCCO

Capital adequacy ratio at 12%, NPLs at 5%

The risk-weighted capital adequacy ratio of banks operating in Morocco reached 12.2% at the end of June 2012, relative to 11.7% at the end of 2011 and 12.3% at the end of 2010. Also, the Tier-One capital ratio increased to 10% at end-June 2012 from 9.6% at end-2011 and 9.7% at end-2010. Banks' aggregate capital-to-assets ratio was 8.1% at end-June 2012 unchanged from end-2011 but marginally down from 8.3% at end-2010. The sector's liquid assets were equivalent to 10.3% of total assets at end-June 2012, down from 11.7% at the end of 2011 and 12% at the end of 2010; while they represented 14.4% of total short-term liabilities at the end of June 2012, down from 16.1% at end-2011 and 16% at end-2010. The sector's non-performing loans were equivalent to 5% of total loans at the end of June 2012, up marginally from 4.8% in each of 2010 and 2011. Further, the sector's specific provisions-to-NPLs ratio regressed to 67% at the end of June 2012 from 68.7% at end-2011 and 70.1% at end-2010. Foreign currency loans accounted for 2.8% of total loans at end-June 2012, relative to 3.5% in 2011 and 2.5% in 2010. In parallel, banks' annualized return on assets was 1.2% at the end of June 2012, relative to 1.1% in 2011 and 1.2% in 2010; while their return on equity was 14% at end-June 2012, compared to 13.4% in 2011 and 14.2% in 2010.

Source: International Monetary Fund

IRAN

Banking sector facing mounting uncertainties

Business Monitor International indicated that Iran's banking sector is poorly-positioned to deal with an extended period of uncertainty. It expected the authorities to continue injecting capital in the sector, but it considered that forcing banks to provide cheap loans to the economy would only worsen the crisis. It said that the sector's aggregate assets contracted by 7.7% in real terms in 2012. It considered that the Central Bank of Iran's monetary policy transmission mechanisms will remain ineffective, and projected the rial to trade at IRR39,000 against the US dollar in the black market over the coming quarters, well below the IRR18,000 per dollar in January 2012. Further, it said that bank deposits fell by 3.6% in real terms in 2012 as Iranians withdrew cash from banks in order to exchange it for gold or foreign currency, or invest it in the real estate sector. It forecast consumer deposits to increase by 1% in real terms in FY2013/14 due to base effects. It added that loans contracted by 9.8% in real terms in 2012, as banks have been increasingly reluctant to extend credit given that the value of repayments has been eroded by high inflation levels. It noted that some creditors have not been able to repay their debt, which has added to banks' reluctance to increase lending. It expected loans to contract by 6% in real terms in FY2013/14 as the economy continues to shrink and inflationary pressure remains elevated. It noted that the decline in loans will continue to hamper banks' profitability over the coming quarters.

Source: Business Monitor International



ENERGY / COMMODITIES

Natural gas prices to rise by 59% in second quarter and by 30% in 2013

Global natural gas production is forecast to grow by an annual average rate of 3% during the 2013-14 period, mainly due to stronger supply growth from Qatar and Saudi Arabia, among others. North America is projected to remain the main producer of natural gas during the 2013-14 period as its supply would account for about 26% of global gas production. The global gas market is expected to post surpluses of 78 billion cubic meters and 62 billion cubic meters in 2013 and 2014, respectively, as demand growth remains restrained, while supply continues to expand. Natural gas prices are projected to rise in 2013 as production grows at a slower pace. Further, the U.S. natural gas Henry Hub prices are anticipated to rise by 58.8% year-on-year to \$3.62 per million British thermal units (Btu) on average in the second quarter of 2013, while European natural gas prices are estimated at \$11.65 per million Btu during the same quarter of the year. Overall, the U.S. natural gas Henry Hub prices are forecast to grow by 29.7% year-on-year to \$3.58 per million Btu on average in 2013, while European natural gas prices are projected to rise by 1.6% to \$11.67 per million Btu during the year.

Source: Economist Intelligence Unit, Byblos Research

EU eases oil embargo on Syria to help opposition

The Council of the European Union announced on April 22, 2013 that it eased the oil embargo imposed on Syria to help the civilian population and support the opposition in that country. As such, EU countries would be able to import Syrian oil and petroleum products, export key equipments and technology to the oil and gas industry in that country, and invest in the Syrian oil sector. But EU authorities would first need to consult with the Syrian National Coalition for Opposition and Revolutionary Forces on a case-by-case basis before granting approval to any such transaction. The EU's import ban on Syrian oil and petroleum products was initially imposed in September 2011.

Source: Council of the European Union

KRG's oil exports double since the start of 2013

The Kurdistan Regional Government's (KRG) oil exports to global markets have doubled since the start of 2013 and are forecast to further increase over the year. The KRG's oil exports are forecast to rise to 70,000 barrels per day (b/d) in May 2013, up from a current level of 60,000 b/d. The KRG currently uses trucks to transport its crude oil across the border to Turkey, bypassing the Iraqi federal pipeline system.

Source: Thomson Reuters

Launch of Africa's largest solar PV plant

Masdar, the UAE state-owned renewable energy company, inaugurated in Mauritania Africa's largest utility-scale 15-megawatt (MW) solar photovoltaic (PV) power plant. The AED117.5m, or \$32m, Sheikh Zayed solar power plant would contribute to about 10% of Mauritania's electricity needs and will displace about 21,225 tons of carbon dioxide per year. Also, the plant would allow the country to meet its future energy shortages as it currently relies on a power grid of just 144 MW of installed capacity, and as the country's energy demand is forecast to rise by 12% per year. The new plant would provide renewable electricity to 10,000 homes.

Source: Masdar, Energy Matters

Base Metals: Aluminium prices to decrease in 2013 and 2014

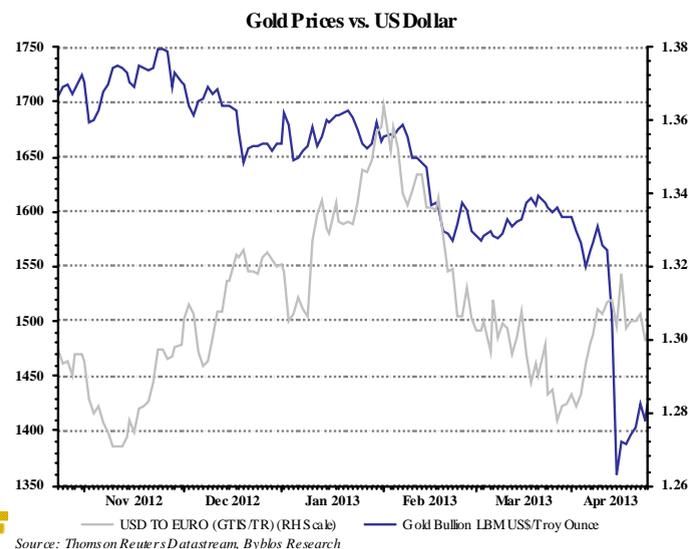
Global aluminium production is forecast to reach 49.5 million tons in 2013, constituting an increase of 4% from 47.6 million tons in 2012. In parallel, global aluminium demand is expected to reach 48.9 million tons in 2013, constituting a rise of 5.2% from 46.5 million tons in 2012. The aluminium market is anticipated to post its sixth consecutive annual surplus of 1.3 million tons this year as the metal's supply outweighs demand. The metal's accumulated volume since 2008 is estimated at over 9 million tons this year. Aluminium's high level of inventory, equivalent to about 33.3% of global consumption, is projected to place downward pressure on prices. Also, aluminium prices are not expected to rise in coming years, mainly due to growing inventory levels that would limit any upside potential. As such, global aluminium prices are forecast to average \$1,935 per metric ton in the second quarter of 2013, constituting a decrease of 4.2% from \$2,019 per metric ton on average in the same quarter last year. Overall, aluminium prices are projected to average \$1,975 per metric ton in 2013, constituting a decline of 3.6% from \$2,049 per metric ton in 2012, and are forecast to drop further to \$1,930 per metric ton in 2014.

Source: Citigroup, Byblos Research

Precious Metals: Gold prices to ease in second quarter and to rise slightly in third quarter of 2013

Gold prices are forecast to average \$1,350 a troy ounce in the second quarter of 2013 and to rise to \$1,400 a troy ounce on average in the third quarter of the year. Overall, gold prices are projected to reach an average \$1,481 a troy ounce in 2013 and to rise by 1.3% to \$1,500 a troy ounce on average in 2014. Gold is expected to trade in a range of \$1,300 a troy ounce and \$1,650 a troy ounce in the coming two years. In parallel, the world's central banks are projected to continue to purchase gold in the coming period. Also, Asia's physical gold demand is expected to remain strong due to the metal's lower prices. In parallel, the Central Bank of Japan's launch of an aggressive Quantitative Easing program is expected to provide some support to gold prices. However, the possibility that long-term investors lose their confidence in the value of gold relative to other asset classes would likely place downside pressure on prices.

Source: Standard Chartered, 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-	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	-	Stable								
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	Stable								
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-	A	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
	-	-	-	-	Stable								
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	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-	-	BB	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	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	B	-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	-	CC	-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	04-Apr-13	No change	26-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	17-Apr-13	No change	29-May-13
Emerging Markets					
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	11-Apr-13	No change	09-May-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	5.00	16-Apr-13	Cut 50bps	16-May-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	15-Apr-13	No change	26-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	17-Apr-13	No change	29-May-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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