

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade to grow by 3.3% in 2013

The World Trade Organization revised downward its projection for world trade growth in 2013 to 3.3% in real terms from its September forecast of 4.5%, which is below the annual average of 5.3% for the past 20 years. It attributed the change to the adverse impact of the European economic slowdown on global import demand, which will be partly offset by improved economic prospects for the United States. It expected world trade growth to accelerate to 5% in real terms in 2014 assuming a strong recovery in global output. On the export side, the WTO anticipated a 1.4% increase in developed economies' exports, down from an earlier forecast of 3.3%; and a 5.3% rise in exports from developing countries and Commonwealth of Independent States (CIS) relative to a previous projection of 5.7%. On the import side, it forecast imports to developed economies to grow by 1.4% in 2013, down from an earlier forecast of 3.4%, and imports to developing countries and the CIS to rise by 5.9% relative to an earlier forecast of 6.1%. In parallel, the WTO expected exports from developed economies to increase by 2.6% in 2014 and imports to these countries to grow by 3.2%; while it forecast exports from developing economies including CIS countries to increase by 7.5% in 2014 and imports to these economies to rise by 7.4%.

Source: World Trade Organization

MENA

Press freedom unchanged in the region

In its annual survey of press freedoms in 197 countries, think tank Freedom House indicated that press freedom was almost unchanged in the Arab world in 2013, as the average score of the 20 Arab countries included in the survey deteriorated marginally to 68.8 points from 68.75 points in 2012. The ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2012. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. The rankings of six Arab countries improved, ten regressed and four remained unchanged; while the scores of seven countries improved, eight regressed and five remained unchanged from the previous survey. Egypt posted the worst decline in the regional rankings and scores, as its ranks fell by 17 spots and its score regressed by five points. Mauritania had the highest level of press freedom among Arab countries and ranked in 93rd place globally, while Syria had the lowest level of press freedom and ranked in 189th place worldwide. Five Arab countries came in the 'Partly Free' category, while the rest fell in the 'Not Free' segment. Freedom House downgraded the level of freedom in Egypt to 'Not Free' from 'Partly Free' due to a number of cases brought against the press in 2012. It noted that 8% of the MENA region's population live in states with a 'Partly Free' media and 92% live in countries or territories with a media that is 'Not Free'.

Source: Freedom House

EMERGING MARKETS

Private equity investments down 35% to \$3bn in first quarter of 2013

Private equity funds dedicated to emerging markets raised \$6bn in the first quarter of 2013, constituting a decrease of 55.2% from \$13.4bn in the same quarter last year. Emerging Asia funds raised \$4.8bn, with China accounting for \$1.9bn and India for \$375m, followed by Latin America & the Caribbean funds with \$558m and CEE & CIS funds with \$365m. Also, MENA funds raised \$104m, followed by multi-regional funds with \$100m and Sub-Saharan Africa funds with \$38m. In parallel, private equity investments in emerging markets totaled \$3.2bn in the first quarter of 2013, constituting a decline of 34.7% from \$4.9bn in the same quarter last year. Also, the number of transactions reached 178 deals in the first quarter of the year compared to 227 deals in the first quarter of 2012. The average deal was worth \$17.9m in the first quarter of 2013 relative to \$21.6m in the same quarter last year. Emerging Asia attracted 84.5% of private equity investments by value, followed by Latin America & the Caribbean with 7.6%, Sub-Saharan Africa and the CEE & CIS with 3.1% each, and the MENA region with 1.7%. India attracted 22.5% of emerging markets private equity investments, followed by China with 14.5%, Brazil with 3.8%, and Russia with 1.8%.

Source: Emerging Markets Private Equity Association

Trading in Credit Default Swaps down 10% to \$212bn in first quarter of 2013

Trading in emerging markets Credit Default Swaps (CDS) reached \$212bn in the first quarter of 2013, constituting a decrease of 10% from \$235bn in the first quarter of 2012 but an increase of 49% from \$142bn in the fourth quarter of 2012. The sharp quarter-on-quarter increase in CDS trading during the first three months of 2013 was mainly due to unusually low trading levels in the fourth quarter of 2012, as the reduction in risk limits and the exit from the market by some dealers resulted in a low level of activity. As such, the increase in CDS volumes in the first quarter reflects a correction in the activity level rather than an upward trend. The most frequently-traded sovereign CDS contracts in the first quarter of 2013 were those of Brazil at \$48bn, followed by Mexico at \$28bn and Russia at \$17bn; while the most frequently-traded corporate CDS contracts were those on Petrobras at \$2.6bn and Gazprom, PDVSA and Pemex at over \$1bn each. The survey covered data on CDS contracts for 19 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

OUTLOOK

MENA

Youth unemployment rate to reach 29% in Middle East and 24% in North Africa in 2013

The International Labor Organization projected the youth unemployment rate in the Middle East at 29.1% in 2013, with a rate of 43.5% for females and 25.2% for males. It also projected the youth unemployment rate in North Africa at 23.9% in 2013, with a rate of 36.7% for females and 18.6% for males. It said that the youth unemployment rates in each of the Middle East and North Africa regions would be by far the highest worldwide this year, compared to a global rate of 12.6%. It expected the unemployment rate for youth in the Middle East to increase to 30% by 2018, and that in North Africa to remain unchanged in the same year. It noted that the youth unemployment rate in North Africa increased by 3.4 percentage points between 2008 and 2012, while that in Middle Eastern countries rose by three percentage points, constituting the second and third largest increases worldwide, behind only Developed Economies and the European Union with an increase of 4.8 percentage points during the covered period. It said that economies in North Africa suffer from a mismatch between the supply and demand of skills and education, as higher levels of education do not facilitate nor guarantee easier access to jobs. It added that young people in the Middle East face joblessness despite the low labor force participation rate of youth.

The ILO projected the youth labor force participation rate in the Middle East at 30.2% in 2013 with a rate of 13.2% for females and 46.3% for males, and that in North Africa at 33.2% with a rate of 19.7% for females and 46.5% for males. It noted that labor force participation rates of youth in each of North Africa and the Middle East are the lowest and second lowest globally, respectively, compared to the global rate of 48.3%. It forecast the youth labor force participation rate in the Middle East at 29.7% and that in North Africa at 32.8% by 2018.

Source: International Labor Organization

IRAQ

Disruption in oil production is key risk from escalation of violence

Citigroup anticipated that a significant disruption in Iraq's current and prospective oil production from an escalation of sectarian violence and/or a war between Iraq and the Kurdistan region constitute the main risk to the Iraqi economy. It noted that Iraq is almost entirely dependent on the hydrocarbon sector, as revenues from oil sales account for 95% of government receipts, 98% of exports and almost 80% of economic activity. It considered that the rise in violence would not spread across the country and would be contained to the North and West of the country. It noted that the southern region, where 90% of oil production is based, would not be affected by the increase in violence. It estimated oil production in conflict areas at a maximum of 300,000 barrels per day (b/d), equivalent to 10% of Iraq's total oil output. It said that around half of oil production in the conflict zone would be disrupted in the event of increased violence. As such, it forecast Iraq's overall oil output to drop by 5%, equivalent to a fall of 150,000 b/d, if sectarian violence escalates and/or a war between Iraq and Kurdistan erupts.

Under such scenario, Citigroup expected real GDP growth to drop by five percentage points in 2013 from a current projection of 11.4%. But it considered that the fall in growth would be a one-off effect, as the rise in oil production levels from the South would later drive overall economic growth to pre-conflict levels. It also forecast the fiscal deficit to widen to over 4% of GDP in 2013 compared to a current deficit forecast of 1.1% of GDP. Further, it expected the current account surplus to narrow by around 2% of GDP in the near-term relative to a projected surplus of 11% of GDP for 2013, and for the current account balance to shift to a deficit by 2015. Citigroup considered that the macroeconomic and fiscal impacts of an increase in violence in Iraq would be manageable, as the fall in oil output in conflict areas would be offset by an increase in oil production in the South.

Source: Citigroup

ALGERIA

End of public spending program to limit growth, economic diversification is key challenge

The Institute of International Finance projected Algeria's economic growth at 2.7% in 2013 and 3.2% in 2014 relative to 2.4% in 2012. It attributed the modest increase in economic activity in the next two years to the expiration of the government's Public Investment Program that drove growth in recent years, as 90% of planned investment have already been completed or initiated. It added that the expected tightening of fiscal policy would contribute to the economic slowdown. As such, it forecast the non-hydrocarbon sector to grow by 5% in 2013 and 5.1% in 2014 relative to growth of 5.4% in 2012. Also, it expected the contraction in hydrocarbon output to decelerate to 2% in 2013 and 1% in 2014 compared to a contraction of 3% in 2012. It anticipated oil production to remain stable over the coming years, and for natural gas output to significantly increase by 2015 as three main gas fields in the southwest are expected to come online. Further, it forecast the average inflation rate to decrease to 5.4% in 2013 and 3.1% in 2014 compared to 8.9% in 2012 as food price pressures would gradually subside. But it noted that the average inflation level remains above the 3.4% annual level between 2000 and 2011. Also, it forecast the fiscal deficit to narrow to 3% of GDP in 2013 and 1.6% of GDP in 2014 from 4.2% of GDP in 2012.

In parallel, the IIF considered that Algeria's key medium-term challenge is to increase economic diversification through stronger support of the private sector. It added that the start of fiscal consolidation this year increases the need for private sector-led growth. It said that the country needs to significantly improve its business environment and to partially or totally remove current restrictions on foreign investments. But it noted that Algeria is slowly opening its economy through a new energy draft law that is expected to improve the hydrocarbon regulatory environment, a more flexible attitude towards foreign investments, and an increase in its engagement in the international economic community. It forecast private investment to increase by 7% in 2013 and 7.5% in 2014 compared to a 1% growth in 2012.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

High oil prices insulating region from political uncertainties

Standard & Poor's indicated that high global oil prices are promoting growth in the countries of the Gulf Cooperation Council (GCC) and are insulating their economies and credit quality from global and regional economic and political uncertainties. However, it warned from longer-term risks to the favorable developments in GCC countries. It said that insufficient economic diversification and slow progress on political reforms would make Gulf countries vulnerable to a sudden drop in global oil prices. It added that the rise in public spending increased Gulf economies' vulnerability to a collapse in global oil prices, given that the majority of public revenues comes directly from oil receipts. It added that fiscal breakeven oil prices have increased significantly since 2009. It estimated that a number of regional oil exporters have posted fiscal deficits last year, despite an average annual record high for Brent crude oil of \$112 per barrel in 2012. It added that the gap between market prices and breakeven oil prices has narrowed substantially compared to 2008. In parallel, it said that the region's increased vulnerabilities reflect two main structural weaknesses. First, it noted that the region's underdeveloped policy-making framework limits the effectiveness, stability and predictability of decision-making. Second, it added that monetary policy is inflexible due to the fixed exchange rate regimes and shallow local capital markets, particularly in local currency terms.

Source: Standard & Poor's

AFRICA

Low economic and fiscal diversification limits sovereign ratings

Standard & Poor's indicated that the lack of economic and fiscal diversification, low political and institutional predictability, and low per capita GDP weigh on the ratings of sovereigns in Sub-Saharan Africa (SSA), despite high economic growth levels. It pointed out that positive economic growth among SSA sovereigns has not translated into a broad improvement in their creditworthiness over the past 12 months. It said that the reliance of countries on commodity exports makes them dependent on favorable terms of trade, but keeps them vulnerable to a sudden drop in global prices. It noted that a decline in global commodity prices constitutes a key risk for SSA countries where commodity extraction and exports support GDP growth and current account and fiscal balances. It added that strong Chinese demand for African commodities in recent years has provided SSA sovereigns with a buffer against weaker demand from Europe and the United States. But it noted that a slowdown in China's economic growth or a shift in its growth model would adversely affect SSA's metal exporters. In parallel, S&P indicated that high global oil prices weigh on the current account balances of oil-importing countries, while they contribute to growing fiscal deficits and debt for some oil exporters because of fuel subsidies. It also noted that most oil exporters in SSA post current account deficits due to high imports of basic consumer products, underdeveloped export sectors and high investment spending.

Source: Standard & Poor's

EGYPT

Sovereign ratings downgraded due to pressure on foreign reserves

Standard & Poor's lowered Egypt's long-term sovereign credit ratings to 'CCC+' from 'B-' and its short-term sovereign credit ratings to 'C' from 'B' with a 'stable' outlook. It also downgraded the country's transfer and convertibility assessment to 'CCC+' from 'B-'. It attributed the downgrade to Egypt's lack of a sustainable medium-term strategy to manage its fiscal and external financing needs. It added that the authorities' ability to meet their fiscal targets, ease external pressures, and strengthen the social contract has deteriorated. It expected financing pressures to remain elevated and for comprehensive donor support, including from the IMF, to remain uncertain. It considered Egypt's capacity to meet its financial commitments to be dependent on favorable financial and economic conditions. It said that ad hoc bilateral loans and deposits are supporting Egypt's foreign exchange reserves at current low levels of around two months of imports cover, which would allow authorities to avoid a balance-of-payments crisis. But it cautioned from further depletion in foreign currency reserves due to the ongoing political turmoil, expected double-digit inflation, or large trade deficits. It added that arrears on trade credits and to energy companies have increased to almost 2% of GDP. Further, it considered that the government's ability to raise sufficient funds will be further constrained in the absence of reforms to reduce the fiscal deficit.

Source: Standard & Poor's

ANGOLA

Sovereign ratings affirmed, outlook 'positive'

Fitch Ratings affirmed Angola's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-' with a 'positive' outlook. It also maintained the country ceiling at 'BB-' and the short-term IDR at 'B'. It attributed its rating action to a reduction in Angola's external vulnerability, strong economic growth, a decrease in inflation, an improved fiscal position, progress in the budgeting and debt management process, a more dynamic oil sector compared to regional peers, and the government's renewed commitment to policy reforms. It noted that Angola's commitment to macroeconomic reforms and prudent policies helped rebuild its external buffers and reduce its vulnerability to an oil price shock. It added that current account surpluses supported the accumulation of foreign exchange reserves, which are currently equivalent to 6.8 months of current external payments compared to 3.7 months in 2008. Further, it pointed out that the inflation level fell to single digits for the first time in decades, reflecting exchange rate stability and improved monetary policy. It expected the public debt level to continue on its downward trend this year after falling to 22% of GDP in 2012 from 36% of GDP in 2010 due to strong nominal GDP growth and despite the expected Eurobond issue. However, the agency indicated that poor governance levels, a weak business environment and low level of human development constitute the major constraints on the ratings. It said that it would upgrade the ratings in the event of further improvements in economic management and the strengthening of external and fiscal buffers.

Source: Fitch Ratings



BANKING

WORLD

Emerging markets dominate top 10 currencies that appreciated the most in past six years

Standard & Poor's indicated that the real effective exchange rate (REER), which measures the inflation-adjusted value of a country's currency relative to the basket of the country's trading partners, appreciated by 29% in China between March 2007 and March 2013, making the Chinese renminbi the currency that appreciated the most during the covered period. It was followed by Singapore with a 26% appreciation of its REER, the Philippines (+25%), Australia (+23%), Brazil (+22%), Colombia (+21%), Peru (+19%), Russia (+18%), and Saudi Arabia and Venezuela (+15% each). As such, it said that nine emerging market currencies came among the top 10 currencies around the world that appreciated the most during the covered period. In parallel, S&P indicated that financial sector shocks have weakened currencies in many member countries of the OECD. As such, it said that the REER in Iceland depreciated by 29% between March 2007 and March 2013, making the Icelandic krona the currency that depreciated the most during the past six years. It was followed by the United Kingdom with a 22% depreciation of its REER, South Korea (-20%), Ireland (-10%), the U.S. (-9%), Hungary and Romania (-9% each), Germany (-8%), France (-7%) and Finland (-6%). Further, it noted that there is a minimal link between the strength of the REER and the current account performance, as four countries among those with the top 10 strongest exchange rates posted current account deficits between 2007 and 2012, while six sovereigns among those with the top 10 weakest exchange rates posted current account deficits during the covered period.

Source: Standard & Poor's

JORDAN

Private sector lending up 2% in first quarter of 2013

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD40.5bn at the end of March 2013, constituting a rise of 3.1% from end-2012 and an increase of 6.4% from end-March 2012. Resident private sector loans rose by 1.8% from end-2012 to JD16.2bn, while credit facilities to the non-resident private sector increased by 4.9% to JD895.3m, leading to an increase of 1.9% in overall private sector lending in the first quarter of 2013. Resident private-sector lending accounted for 40.1% of total assets at end-March 2013, up marginally from a 40% share a year earlier. In parallel, resident private sector deposits reached JD20.8bn, an increase of 2.2% from the end of 2012 and of 3.6% from a year earlier. Also, deposits of non-bank financial institutions rose by 7.6% from end-2012 to JD295.7m. The central government's deposits totaled JD696.9m, up 7.8% from end-2012, while those of public non-financial institutions decreased by 6.5% to JD294.5m. Further, claims on the public sector increased by 4.7% to JD9.4bn in the first quarter of the year, with claims on the central government accounting for 94.7% of lending to the public sector. Claims on the public sector accounted for 23.3% of total assets at end-March 2013 compared to 20.9% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD4.4bn, up 10% from JD4.4bn at end-2012; while capital accounts and

allowances rose by 3.3% to JD6bn. Deposits with foreign banks reached JD4.4bn at end-March 2013, down 0.8% from end-2012, while the sector's foreign liabilities increased by 14.2% to JD6.7bn.

Source: Central Bank of Jordan, Byblos Research

KUWAIT

Annual lending growth at 5% in March 2013

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD48.8bn at the end of March 2013, constituting an increase of 3.2% from end-2012 and a growth of 7.7% from end-March 2012. Lending to the private sector reached KD27.3bn at end-March 2013, up by 1.8% from end-2012 and by 5.2% from a year earlier, mainly driven by a 12.4% year-on-year growth in retail lending and a 4.6% annual increase in corporate credit. Further, the sector's aggregate deposits totaled KD34.5bn at end-March 2013, constituting a growth of 3.3% from the end of 2012 and an increase of 8.2% annually, driven by a 22.6% year-on-year growth in public sector deposits, as private sector deposits grew by only 6.1%. The loans-to-deposits ratio stood at 79.3% at the end of March 2013 relative to 80.5% at end-2012 and 81.5% at end-March 2012.

Source: Central Bank of Kuwait, EFG Hermes

QATAR

Bank ratings affirmed on strong government support

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Qatar National Bank (QNB) at 'A+', that of Al Khalij Commercial Bank (Al Khaliji), Ahli Bank (ABQ) and Qatar International Islamic Bank (QIIB) at 'A-', and that of Commercial Bank of Qatar (CBQ), Qatar Islamic Bank (QIB) and Doha Bank (DB) at 'A'. It noted that all the long-term IDRs have a 'stable' outlook. It also maintained the short-term IDR of QNB, CBQ, QIB and DB at 'F1' and that of ABQ, Al Khaliji and QIIB at 'F2'. Also, it affirmed the viability rating (VR) of QNB at 'a'; that of CBQ, QIB and DB at 'bbb'; ABQ at 'bbb-'; and Al Khaliji and QIIB at 'bb+'. Fitch indicated that the ratings on the seven banks reflect the extremely high probability of support from the Qatari authorities if needed. It added that the government owns stakes in all the banks following capital injections into the banking system between 2009 and the first quarter of 2011. The agency noted that the ratings are sensitive to a change in the authorities' perceived willingness and ability to support the banking sector. But it considered that downside pressure on the ratings is low given Qatar's robust economy and the authorities' strong track record of support for local banks. In parallel, Fitch pointed out that the VRs on the seven banks reflect their strong capital base and healthy performance, their stable core funding and liquidity, as well as the strong economic environment supported by public sector initiatives. But it noted that these strengths are counterbalanced by concentrations on both sides of the banks' balance sheets, the deteriorating restructured and past due loans at some banks, rapid credit growth, dependence on government-related spending, and an undiversified economy.

Source: Fitch Ratings



ENERGY / COMMODITIES

Natural gas prices to rise by 41% in 2013

Global natural gas consumption is forecast to grow by an annual average rate of 3.4% during the 2013-14 period, mainly due to stronger demand growth from Asia. North America is projected to remain the main consumer of natural gas during the 2013-14 period as its demand would account for about 26% of global gas consumption. In parallel, global natural gas production is anticipated to grow by an annual average rate of 3% during the 2013-14 period. The global gas market is expected to remain in surplus in each of 2013 and 2014, as demand growth remains restrained and supply continues to expand. The U.S. natural gas Henry Hub prices are forecast to grow by 41% year-on-year to \$3.9 per million British thermal units (Btu) on average, while European natural gas prices are projected to improve by 1.4% to \$11.65 per million Btu on average in 2013.

Source: Economist Intelligence Unit, Byblos Research

Syria's oil output down 82% by April 2013

The Syrian Ministry of Petroleum & Mineral Resources indicated that Syria's crude oil output reached 70,000 barrels per day (b/d) in April 2013, constituting a decline of about 81.6% from the start of the civil uprising in March 2011. It attributed the significant drop in production to Western-imposed sanctions and to ongoing domestic violence. It considered that the EU's recent decision to allow the imports of Syrian oil and petroleum products from oil wells under the control of the opposition is not feasible due to oil fields' distant location from international borders, the government's control of transport routes, and the lack of technical expertise to extract and refine the crude oil.

Source: British Broadcasting Corporation, Byblos Research

South Sudan's oil exports resume via Sudan

South Sudan's oil exports resumed through Sudan on May 7, 2013, after a deal was brokered between the two countries in March 2013 to resume cross-border oil flows. South Sudan's crude oil production is forecast to average 35,000 b/d in the coming six months, significantly below the government's target of 180,000 b/d. South Sudan is set to receive the shipment's proceeds in June of this year, while Sudan expects to secure \$2bn in oil transit fees by the end of 2014. The oil deal between the two countries is set to expire in 2017 as South Sudan plans to build a pipeline of its own and bypass that of Sudan. South Sudan became independent from Sudan in July 2011.

Source: Thomson Reuters, Byblos Research

Iraq launches largest flare reduction project

Iraq launched the Basrah Gas Company (BGC), the world's largest flares reduction project, in an attempt to minimize its gas flaring losses from the Rumaila, West Qurna 1 and Zubair's oil fields in the south. BGC is a 25-year incorporated joint venture between Iraq's South Gas Company holding 51% of its shares, Royal Dutch Shell with a 44% stake, and Japan's Mitsubishi Corporation with 5%. The project's total investment is estimated at \$13bn, with a possible additional \$4bn to build an LNG export plant. Under the agreement, BGC would sell processed gas to South Gas Company, restore and upgrade current Iraqi facilities and build new assets to increase the country's production capacity to 2 billion cubic feet per day from a current 400 million cubic feet per day. Iraq holds the world's 10th largest natural gas reserves with an estimated 112.6 trillion cubic feet.

Source: Financial Times, Shell press release

Base Metals: Steel market shifts to surplus in 2013

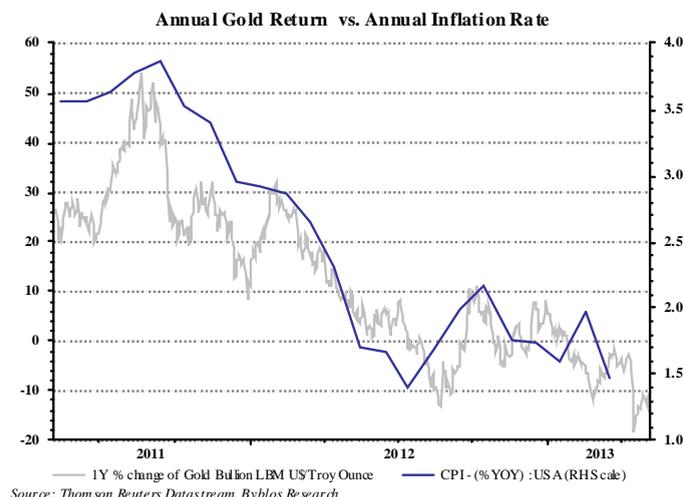
Global steel demand is expected to grow by 4.2% in 2013 compared to 2.4% in 2012 due to stronger global economic growth. Also, the Middle East and Africa region and Brazil's consumption growth rates are projected to recover in 2013 and to partly offset the drop in demand from EU countries. China is anticipated to remain the metal's main consumer during the 2013-14 period as its demand would account for about 44% of global steel consumption. In parallel, global steel production is forecast to grow by 4.8% in 2013, up from 1.1% in 2012. The steel market is expected to shift to a surplus of 2,400 tons in 2013 from a deficit of 6,100 tons in 2012. As such, steel prices are projected to trend lower during the 2013-14 period. EU hot rolled coil steel prices are anticipated to average \$637 a metric ton in the second quarter of 2013, constituting a decrease of 8.6% from an average \$697 a metric ton in the same quarter of 2012. Further, EU hot rolled coil steel prices are forecast to drop by 10.2% to \$596 a metric ton in 2013.

Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Gold prices to drop by 9.3% in second quarter and by 9% in 2013

Global gold demand is forecast to reach 3,691 tons in 2013, constituting a decline of 4.7% from 3,871 tons in 2012. Gold investment demand is projected to weaken in 2013 as the global economic outlook improves. Gold jewelry consumption is anticipated to rise this year due to the metal's relatively lower prices. India is expected to remain the main gold jewelry consumer during the 2013-14 period as its demand would account for about 30% of global jewelry consumption. The gold market is forecast to remain oversupplied in each of 2013 and 2014. Central banks are expected to remain net buyers of gold during the 2013-14 period, but at a slightly slower pace than that of 2012. As such, the official sector's gold holdings are anticipated to rise by 1.5% to 31,212 tons in 2013. The pace of the global recovery, especially in developed countries, is projected to continue to weigh on gold prices. Gold prices are forecast to average \$1,460 a troy ounce in the second quarter of 2013, constituting a decline of 9.3% from an average of \$1,609 a troy ounce in the same quarter of 2012. Also, gold prices are expected to drop by 9% year-on-year to average \$1,518 a troy ounce in 2013.

Source: Economist Intelligence Unit, 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
Angola	BB- Stable	Ba3 Stable	BB- Positive	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
Egypt	CCC+ Stable	Caa1 Negative	B Negative	B Negative	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
Ghana	B Stable	-	B+ Negative	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
Libya	-	-	B Stable	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
Mauritania	-	-	-	-	-	-2.4	85.1	84.6	91.9	2.8	560.0	-23.6	0.01
Morocco	BBB- Negative	Ba1 Negative	BBB- Stable	BBB- Stable	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
Nigeria	BB- Stable	Ba3 Stable	BB- Stable	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
Tunisia	BB- Negative	Ba1 Negative	BB+ Negative	BBB Stable	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
Middle East													
Bahrain	BBB Stable	Baa1 Negative	BBB Stable	BBB+ Negative	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
Iran	-	-	B+ Stable	BB- Negative	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
Jordan	BB Negative	Ba2 Negative	-	BB Negative	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
Lebanon	B Negative	B1 Stable	B Stable	B Stable	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
Oman	A Negative	A2 -	-	A Stable	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
Qatar	AA Stable	Aa2 Stable	-	AA- Stable	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Positive	AA- Stable	A	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
UAE	-	Aa2 -	-	AA- Stable	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
Yemen	-	-	-	B- Negative	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	-



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	01-May-13	No change	19-Jun-13
Eurozone	Refi Rate	0.50	16-May-13	Cut 25bps	06-Jun-13
UK	Bank Rate	0.50	04-Apr-13	No change	09-May-13
Japan	O/N Call Rate	0-0.10	26-Apr-13	No change	22-May-13
Australia	Cash Rate	3.00	02-Apr-13	No change	07-May-13
New Zealand	Cash Rate	2.50	24-Apr-13	No change	13-Jun-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	01-May-13	No change	19-Jun-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	06-May-13
Nigeria	Monetary Policy Rate	12.00	19-Mar-13	No change	21-May-13
Ghana	Prime Rate	15.00	26-Apr-13	No change	May-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	26-Apr-13	Cut 50bps	07-Jun-13
Brazil	Selic Rate	7.25	17-Apr-13	No change	29-May-13
Armenia	Refi Rate	8.00	08-May-13	No change	N/A
Romania	Policy Rate	5.25	02-May-13	No change	01-Jul-13
Bulgaria	Base Interest	0.02	01-May-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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