

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets invested in ETFs and ETPs at \$2.1 trillion at end-April 2013

Assets invested globally in Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached a record high of \$2.13 trillion at end-April 2013, constituting an increase of 9.3% from \$1.95 trillion at end-2012. ETFs and ETPs attracted \$83bn year-to-April in net inflows, up 24% from \$67bn in the same period last year, and of which \$9.9bn were recorded in April 2013. ETFs are open-ended, index-based equity funds. Assets invested in ETFs stood at \$1.96 trillion at end-April, while assets invested in ETPs totaled \$170bn. Also, assets invested in ETFs grew by 11.5%, while those invested in ETPs fell by 11% from end-2012. The U.S ETF and ETP industry had assets of \$1.49 trillion and accounted for 70.1% of total assets invested in both ETFs and ETPs, followed by the European industry with \$385bn (18.1%), Asia-Pacific excluding Japan with \$88.8bn (4.2%), Japan with \$60.7bn (2.9%), the Canadian industry with \$58bn (2.7%), and the Latin American industry with \$13.6bn (0.6%). Also, assets invested in the U.S. ETF industry represented 70.6% of global ETFs, followed by those invested in the European ETF industry with 18%, the Asia-Pacific ex-Japan ETFs with 4.5%, Japan with 3.1%, Canada with 3%, and Latin America with 0.7% of the total. Further, the number of ETFs and ETPs totaled 4,827 at end-April 2013, with ETFs accounting for 70.3% of the total.

Source: *ETFGI*

Corporate default rate at 2.6% at end-April 2013

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.6% at the end of April 2013, down from 2.8% at end-2012 and from 2.7% at the end of April 2012. It said that 25 corporate issuers have defaulted so far this year, of which 15 companies from the U.S., eight firms from Europe and two corporates from Latin America. It forecast the global speculative-grade default rate at 2.9% at the end of 2013 and at 2.5% at the end of April 2014. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.4% at the end of April 2013, unchanged from the preceding month, and down from 1.7% a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 8% at the end of April 2013, down from 8.8% at end-March and from 17% a year earlier.

Source: *Moody's Investors Service*

EMERGING MARKETS

Bond and equity inflows at \$52bn in first four months of 2013, AUM at \$1,314bn

Capital flows to emerging market equity and bond funds posted net inflows of \$51.8bn in the first four months of 2013, with bond inflows at \$22.5bn and equity inflows at \$29.3bn. Emerging Europe, the Middle East & Africa (EMEA) attracted \$8.5bn or 37.9% of inflows to bond funds; followed by Latin

America with \$7.1bn, or 31.6% of the total; and Emerging Asia with \$6.9bn, or 30.5% of the total. Further, Emerging Asia attracted \$22.5bn in inflows to equity funds in the first four months and accounted for 76.8% of equity inflows to emerging markets, followed by Latin America with \$4.3bn (14.5%) and the EMEA region with \$2.5bn (8.7%). Mexico was the biggest recipient of bond inflows with \$2.3bn, or 10.3% of total inflows into emerging market bond funds; while China was the largest recipient of equity inflows with \$5.4bn or 18.3% of total inflows into equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$1,314.3bn at the end of April 2013, with bonds reaching \$352.3bn and equities totaling \$962bn. The EMEA region had \$135.3bn in bond-related AUM, followed by Latin America with \$132.4bn, and Emerging Asia with \$84.6bn. Further, Emerging Asia had \$631.2bn in equity-related AUM, followed by the EMEA region with \$170.6bn, and Latin America with \$160.2bn.

Source: *Barclays Capital*

AFRICA

Sub-Saharan Africa sovereigns to borrow \$70bn in 2013

Standard & Poor's anticipated that the 16 rated sovereigns in Sub-Saharan Africa will borrow the equivalent of \$69.5bn in 2013, constituting an increase of 18.4% from \$58.7bn in 2012. It expected rated sovereigns to issue the equivalent of \$56.5bn this year in long-term debt to commercial lenders, up 25.3% from \$45.1bn last year, and to borrow from official lenders the equivalent of \$13bn, down 4.6% from \$13.6bn in 2012. It noted that long-term issuance to commercial lenders by SSA sovereigns will primarily be in local currency in their domestic markets. It projected Nigeria's borrowing from commercial lenders to reach the equivalent of \$22.6bn or 40% of total commercial issuance this year, followed by South Africa with \$20bn (35.4%), Angola with \$5.6bn (9.9%), Ghana with \$2.4bn (4.2%) and Kenya with \$1.5bn (2.7%). Further, it estimated the amortization of long-term commercial debt at \$25bn in 2013, indicating that more than 40% of total borrowing from commercial sources this year will be used to refinance maturing debt. In parallel, S&P projected the total commercial and concessional debt stock of rated SSA sovereigns to be equivalent to \$355bn at the end of 2013, constituting an increase of 6.1% from \$334.6bn in 2012. It forecast the debt stock held by commercial lenders to grow by 3.6% and reach \$285.2bn in 2013; and for the debt stock held by official lenders to increase by 17.5% to \$69.8bn by the end of 2013. It expected the long-term debt stock to rise by 6.3% to \$299.6bn and for the short-term debt stock to grow by 4.9% to \$55.4bn this year. It projected South Africa's long-term debt outstanding to commercial lenders at \$163.5bn this year, or 57.3% of the region's overall long-term commercial debt stock, followed by Nigeria with \$70.8bn (24.8%), Angola with \$12.4bn (4.3%), Ghana with \$10bn (3.5%) and Kenya with \$9.8bn (3.4%).

Source: *Standard & Poor's*

OUTLOOK

GCC

Non-hydrocarbon sector to grow by 5.1% in 2013, fiscal surplus to narrow to 10% of GDP

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) at 3.8% in 2013 compared to 5.8% in 2012. It forecast growth in the region's non-hydrocarbon sector at 5.1% this year relative to 5.8% in 2012 due to higher government spending and further recovery of the private sector. It expected major GCC oil producers to restrain production levels in 2013 in order to keep global oil prices from falling below \$100 per barrel (p/b). Further, it forecast non-oil growth at 9.4% in Qatar, at 7.9% for Oman, at 7.1% in Saudi Arabia, at 4.5% for Bahrain, at 4.1% in the UAE and at 2% in Kuwait.

The IIF projected the consolidated fiscal surplus of the GCC countries to narrow from 14.8% of GDP in 2012 to 10.3% of GDP in 2013 under the assumption of an average oil price of \$108 p/b. It attributed the narrowing of the surplus to a decrease in oil production and prices. It projected the GCC's weighted average breakeven Brent oil price at \$75.1 p/b in 2013 relative to \$68.6 p/b in 2012 and \$48.9 p/b in 2007, as government spending grew by an average annual rate of 15% since 2007. It noted that persistent increases in government spending in recent years significantly raised the budget revenue requirements and, for some GCC countries, increased vulnerabilities to a sudden and sustained drop in hydrocarbon prices. It projected the region's overall current account balance to fall from \$389bn or 24.8% of GDP in 2012, to \$334bn or 20.7% of GDP in 2013; and for the region's net foreign assets to reach \$2.1 trillion, equivalent to 132.6% of GDP in 2013, compared to \$1.8 trillion or 117.8% of GDP in 2012.

The IIF considered that the main downside risk to the GCC outlook is lower oil prices for a sustained period of time, as it would limit governments' fiscal policy space. It warned that a \$23 drop in global oil prices to \$85 p/b starting in 2014 would gradually narrow the consolidated GCC fiscal surplus and shift it to a deficit of 1% of GDP by 2016 and 5% of GDP by 2020. It said that the UAE, Kuwait, and Qatar will be less affected by such a drop in oil prices than their GCC peers, given their lower breakeven oil prices and higher flexibility to reduce spending.

Source: Institute of International Finance

DEM REP CONGO

Economic growth to average 6.1% in 2013-14

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth at 6.4% in 2013 and 5.8% in 2014 compared to growth of 3.8% in 2012. In parallel, it forecast growth at 5.4% in 2013 and 5.7% in 2014 for Sub-Saharan Africa (SSA), and at 5.8% in 2013 and 6.1% in 2014 for the Common Market for Eastern & Southern Africa (COMESA), to which the DRC belongs. It forecast the country's annual average inflation rate at 4.5% in 2013, down from 5% a year earlier, and compared to average inflation of 7.2% in SSA and 7.1% in the COMESA. It also expected the country's average inflation rate to decline to 3% in 2014 relative to 6.3% for SSA and 6.8% for COMESA. It projected the DRC's real per capita GDP to grow

by 4.1% in 2013 and 3.5% in 2014 relative to 0.9% in 2012. Further, it anticipated broad money to grow by 33% this year and 21.1% next year relative to 46.8% last year. It added that claims on the non-financial private sector grew by 42.3% and 21.9% in 2011 and 2012, respectively, relative to 23.7% and 20.8% for COMESA.

In parallel, the Fund projected the government's fiscal balance to post a surplus of 9% of GDP in 2013 and 3.8% of GDP in 2014, when excluding grants, relative to 6% of GDP in 2012; while it estimated surpluses of 11% of GDP in 2013 and 5.4% of GDP in 2014, when including grants, relative to 6.1% of GDP in 2012. It projected public revenues, excluding grants, at 46% of GDP in 2013 and 40.9% of GDP in 2014 and total expenditures at 37% of GDP in 2013 and 37.2% of GDP in 2014. The IMF projected the country's external debt to official creditors at 21.8% of GDP in 2013 and 23.1% of GDP in 2014, up from 16.7% of GDP in 2012. Further, it expected the current account to post a surplus of 2.8% of GDP in 2013 and a deficit of 0.1% of GDP in 2014, compared to a surplus of 3.6% of GDP in 2012. The Fund forecast the country's gross official reserves to reach 12.7 months of imports of goods & services at end-2013 and 11.5 months of import cover at end-2014.

Source: International Monetary Fund

ANGOLA

Non-oil GDP growth to average 8% in 2013-14

The International Monetary Fund projected economic growth in Angola at 6.2% in 2013 and 7.3% in 2014 relative to growth of 8.4% in 2012 and compared to growth in Sub-Saharan Africa's oil-exporting countries of 6.6% in 2013 and 6.8% in 2014. It expected the country's real non-oil GDP to grow by 7.3% in 2013 and 8.6% in 2014, down from 9.1% in 2012, and compared to non-oil GDP growth of 7.2% in 2013 and 7.5% in 2014 in oil exporting countries. The Fund forecast Angola's annual average inflation rate at 9.4% in 2013 and 8.4% in 2014, compared to 10.3% in 2012 and to inflation rates of 9% and 7.3% in 2013 and 2014, respectively, for SSA's oil-exporting economies. It estimated total investment at 16% of GDP in 2013 and 14.4% of GDP in 2014, up from 13.6% of GDP in 2012. It also expected the growth of broad money at 23.3% this year and 20.2% next year, compared to 7.8% last year. It added that claims on the non-financial private sector grew by 30.4% and 22.4% in 2011 and 2012, respectively.

The Fund projected the central government's fiscal balance to shift to a deficit of 1.2% of GDP in 2013 and 1.9% of GDP in 2014 from a surplus of 8.5% of GDP in 2012 and compared to a deficit in oil-exporting peers of 0.1% of GDP in 2013 and 1.1% of GDP in 2014. It estimated public revenues at 40.4% of GDP this year and 38% of GDP in 2014, and total expenditures at 41.5% of GDP in 2013 and 39.9% of GDP in 2014. Further, it expected the current account to post surpluses of 3.5% of GDP in 2013 and 1.3% of GDP in 2014, down from a surplus of 9.6% of GDP in 2012. In comparison, it forecast oil-exporting countries in SSA to post current account surpluses of 3.8% of GDP this year and 2.7% of GDP next year. The Fund expected Angola gross official reserves to reach 7.1 months of imports of goods & services at the end of each of 2013 and 2014.

Source: International Monetary Fund



ECONOMY & TRADE

EGYPT

Rise in short-term debt issuance reflects deteriorating dynamics

Business Monitor International indicated that Egypt's decision to issue more short-term debt instruments than long-term ones reflects the country's deteriorating debt dynamics. It noted that Egypt will issue EGP79.8bn, or \$11.7bn, in three and six-month T-bills in the fourth quarter of the current fiscal year ending in June 2013, compared to issuance of EGP42.5bn in the third quarter and EGP36.4bn in the fourth quarter of FY2011/12. As such, three and six-month T-bills will together account for 44.5% of total debt sold in the fourth quarter compared to 26.3% in the same quarter last year, while T-bills with maturities of over one year will represent 8.2% of planned debt sales compared to 19.4% a year earlier. It anticipated that domestic banks will absorb the new issuance given that foreign investors have exited the market. But it noted that banks are rapidly approaching their limit in terms of their ability to continue absorbing new issuance. As such, it said that yields are not likely to significantly fall over the coming months due to the absence of more pronounced foreign portfolio inflows. It forecast Egypt's public debt to reach 91.5% of GDP by the end of FY2012/13 compared to 73.4% of GDP in FY2011/12, with most of the public debt denominated in local currency. But it expected the stock of external debt to rise to 17.6% of GDP in FY2012/13 from 13.3% in FY2011/12 due to regional and international bilateral financial aid. It cautioned from the surge in external debt and the increase in foreign exchange risks, mainly as the external liabilities are short-term in nature and given the ongoing risks of currency devaluation.

Source: *Business Monitor International*

SAUDI ARABIA

Optimism level unchanged in non-hydrocarbon sector

The D&B Business Optimism Index for Saudi Arabia indicated that the composite optimism index for the non-hydrocarbon sector reached 55 in the second quarter of 2013, unchanged from the previous quarter, but reflecting healthy optimism levels. The index for expected sales stood at 65, unchanged from the previous quarter, while the index for inventory levels increased to 34 from 33. Also, the index for expected profits index grew to 56 from 55 in the preceding quarter; the index for the number of employees rose to 54 from 53, and the index for the level of selling prices increased to 36 from 34 in the first quarter of 2013. In parallel, the index for expected new orders decreased to 62 from 66 in the previous quarter. The manufacturing index rose to 58 in the second quarter from 55 in the previous quarter and posted the largest improvement among all surveyed non-hydrocarbon sectors. It was followed by the construction index that rose to 65 from 63 in the first quarter and the finance, real estate & business services index which grew to 52 from 51 in the previous quarter. In parallel, the trade & hospitality index decreased to 49 from 57 in the first quarter of 2013, while the transport & communication index remained unchanged quarter-to-quarter.

Source: *Dun & Bradstreet*

QATAR

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Qatar's long-term foreign and local currency ratings at 'AA' and its short-term ratings at 'A-1+', with a 'stable' outlook. It said that the ratings reflect Qatar's high economic wealth and strong fiscal and external balance sheets. But it noted that they are constrained by limited monetary policy flexibility, still-nascent public institutions and limited disclosure in government assets. It anticipated that the fiscal surplus-to-GDP ratio would significantly narrow in coming years from recent double-digit levels, due to the implementation of the \$130bn national development strategy that is equivalent to 63% of the projected GDP for 2013. It noted that the 2013/14 budget includes an estimated 25% increase in capital spending. The agency considered that public and private investments, equivalent to almost 50% of this year's GDP, would widen financial institutions' net external liability positions, raise the banking sector's loan-to-deposit ratio and increase the concentration of banks' loan books in the public and real estate sectors. However, it expected Qatar's net external asset position to continue to grow to over 100% of current account receipts in the next two years despite the potential developments in the banking sector. It noted that large external assets counterbalance the concentration risk of the Qatari economy, where the oil & gas sector directly contributes to 60% of GDP, to over 90% of exports, and to more than 83% of government revenues. S&P indicated that it would lower the ratings in the event of sharp and sustained declines in global oil prices or if developments in the banking sector weaken the country's external or fiscal positions.

Source: *Standard & Poor's*

ARMENIA

Economic growth environment improves

Global investment bank Goldman Sachs ranked Armenia in 72nd place among 183 countries globally on its Growth Environment Scores index (GES) for 2012, improving from 88th place in 2011 and from 78th place in 1997. It also ranked Armenia in fourth place among 12 countries that form the Commonwealth of Independent States (CIS), unchanged from the previous year but down from first place in 1997. The GES consists of six broad categories of growth criteria that are Macroeconomic Stability that covers inflation, government deficits and public debt; Macroeconomic Conditions such as investment rates and openness of the economy; Political Conditions as reflected by political stability, the rule of law and corruption; Human Capital, Technological Capabilities and the Microeconomic Environment. Globally, Armenia ranked ahead of Mauritius, Brazil and Cape Verde and came behind Samoa, Azerbaijan and Vietnam; while it ranked behind Kazakhstan, Belarus and Azerbaijan in the CIS. Armenia received a score of 5.37 points in 2012, constituting an increase from 5.09 points in 2011 and 4.36 points in 1997. Armenia's score came above the global average of 5.18 points and the CIS average of 5.11 points.

Source: *Goldman Sachs, Byblos Research*



BANKING

JORDAN

Trade and construction account for 41% of overall lending at end-March 2013

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD18.1bn at the end of March 2013, constituting an increase of 1.7% from JD17.8bn at end-2012 and a rise of 9.1% from JD16.6bn at the end of March 2012. The resident private sector accounted for 86.2% of the total relative to 87.7% at end-March 2012, followed by the central government with 6.9%, the non-resident private sector with 4.9%, public entities with 1.9%, and financial institutions with 0.1%. Foreign currency lending accounted for 13.3% of total lending, up from 11.2% of aggregate lending at end-March 2012. The distribution of lending by sector shows that general trade represented JD3.74bn or 20.6% of the total, relative to 23.1% a year earlier; while construction represented JD3.71bn, or 20.5% of overall lending relative to 20.9% at end-March 2012. They were followed by industry with JD2.6bn, or 14.5% of overall lending; public services & utilities with JD2.2bn, or 11.9% of the total; transportation services with JD569.6m, or 3.1% of credit; financial services with JD575.9m, or 3.2% of credit; tourism, hotels & restaurants with JD502.9m, or 2.8% of the total; and agriculture with JD250.8m, or 1.4% of overall lending. Further, other lending accounted for JD3.9bn, or 21.5% of total credit, of which JD269.8m were extended to buy shares. In parallel, loans & advances totaled JD15.6bn of overall credit at end-March 2013, followed by overdrafts with JD2.3bn, and discounted bills with JD258.4m.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Bank ratings downgraded on sovereign risks

Standard & Poor's lowered its long-term counterparty credit ratings on National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB) to 'CCC+' from 'B-' and affirmed the banks' short-term counterparty credit ratings at 'C', with a 'stable' outlook on the long-term ratings. The new ratings are seven notches below investment grade. It also downgraded the public information rating on National Société Générale Bank (NSGB) to 'CCCpi' from 'Bpi'. Further, it assessed the stand-alone credit profile (SACP) of BM and NBDE in the 'ccc+' category, and that of CIB and NSGB in the 'b' category. It attributed the downgrades to its earlier decision to reduce Egypt's sovereign credit ratings due to the authorities' reduced ability to meet their fiscal targets, ease external pressures and strengthen the social contract. It pointed out that the four banks are significantly exposed to sovereign risk because they hold a large amount of government debt relative to their equity base and earnings capacity. It said that it did not factor any uplift for potential extraordinary government support for government-related entities NBE and BM, as their SACP's are equal to the long-term rating on the sovereign. It noted that the ratings of CIB and NSGB are capped at the level of the sovereign rating, as the banks are not likely to withstand a scenario where Egypt defaults on its obligations. The agency indicated that it would lower the ratings in case it downgrades the sovereign ratings.

Source: Standard & Poor's

NIGERIA

Capital adequacy ratio at 18%, NPLs at 4%

The risk-weighted capital adequacy ratio of banks operating in Nigeria reached 17.8% at the end of June 2012, constituting a decline from 18.4% at the end of 2011 and a rise from 2.2% at the end of 2010. The sector's liquid assets were equivalent to 39% of total assets at end-June 2012, increasing from 25.7% at end-2011 and 17.2% at end-2010; while they were equivalent to 56.5% of total deposits at the end of June, down from 58.9% at end-2011 but up from 39.2% at end-2010. Further, the sector's customer loans-to-deposits ratio increased to 56.5% at end-June from 52.8% at end-2011 but remained unchanged from the end of 2010. The sector's non-performing loans were equivalent to 4% of total loans at the end of June 2012, down from 4.8% at the end of 2011 and 15.7% at end-2010. Also, the sector's specific provisions-to-NPLs ratio increased to 68% at end-June 2012 from 55.5% at end-2011. In parallel, banks' annualized return on average assets reached 1.2% in June 2012, relative to -0.1% in 2011 and 3% in 2010; while their return on average equity reached 8.9% in June 2012 relative to -0.4% in 2011 and 39.4% in 2010. The sector's interest margin-to-gross income rose to 64.6% at end-June 2012 from 45.2% at end-2011 and 53.7% at end-2010; while the net interest margin regressed to 3.2% from 4.5% at the end of 2011 and 6% at the end of 2010.

Source: International Monetary Fund

CHINA

Shadow banking presents significant risks

Moody's Investors Service anticipated that the shadow banking market in China will continue to weigh on the credit profiles of formal banks, despite the authorities' latest regulatory measures to tighten controls on wealth management products (WMPs), which are part of the shadow banking market. It said the lack of transparency of shadow-banking products and the threat of loss and contagion outweigh their potential benefits of diverting riskier borrowers from the formal banking system. It noted that banks operating in China have significant exposure to shadow banking activities through their involvement in the structuring and marketing of WMPs, and through their lending to firms and individuals that are active in the shadow banking market. It pointed out that the impact of shadow banking on banks will depend on the amount, timing and allocation of potential losses, which are all difficult to assess given the lack of transparency and the fast-evolving nature of the Chinese shadow banking market. It estimated the size of core Chinese shadow banking products at RMB21 trillion at end-2012, or 39% of 2012 GDP, and the broad shadow banking products that also include the instruments that facilitate non-bank credit extension at RMB29 trillion, or 55% of GDP at end-2012. It estimated the growth rate of core and broad shadow banking activities in China to have exceeded a cumulative 75% and 67% over the past two years, respectively. It attributed the rapid growth partly to tighter credit conditions in the formal banking sector, and to banks' efforts to manage their loan-to-deposit and capital ratios. It noted that regulators have implemented several measures to tighten controls over shadow banking, but the sector's growth has so far persisted.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Global oil consumption to grow by 1% in 2013

Global oil consumption is expected to reach 90.6 million barrels per day (b/d) in 2013, constituting a rise of about 1% from 89.8 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' consumption is forecast to reach 45.4 million b/d in 2013, equivalent to 50.2% of global demand; while total non-OECD consumption is anticipated at 45.1 million b/d, equivalent to 49.8% of world-wide demand over the same year. The United States is projected to remain the main consumer in 2013 as its demand would account for about 20.5% of global oil consumption. Further, the U.S. is expected to surpass Russia as the world's largest non-OPEC producer as early as 2015. Also, a rise in the U.S. shale oil production would likely offset most of the world's new oil demand in the coming five years, even if global economic growth accelerates. The world's top 10 oil-consuming countries are anticipated to account for 59% of global oil demand in 2013. In parallel, Brent crude prices are forecast to average \$105 a barrel in the third quarter of 2013, while those of WTI crude oil to average \$90 a barrel during the same quarter.

Source: International Energy Agency, Citigroup, Byblos Research

Egypt to receive oil on credit from Libya and Iraq

Egypt will import crude oil from Libya and Iraq in June 2013 in an attempt to ease the country's fuel shortages. Libya agreed to supply Egypt with one million barrels of crude oil a month on a one-year credit term, while Iraq would supply Cairo with 4 million barrels of crude oil a month on a nine-month credit term. Egypt has been facing a fuel crisis since early 2012, which led to a rise in food costs, electricity blackouts and long queues at gas stations. Under the agreement, Libya's total oil supplies to Egypt would amount to \$1bn, while aggregate Iraqi oil supplies would be equivalent to about \$3.6bn, or \$400m a month, based on current market prices.

Source: Thomson Reuters

Middle East's solar potential among the world's highest

The Middle East region's average solar radiation is among the world's highest as it receives continuous radiation for about 80% of the year. Kuwait has the largest potential for solar power generation in the region with about 8000 Watt hour per square meter (Whr/m²), followed by the UAE with an average 7300 Whr/m² of solar radiation and Saudi Arabia with about 7200 Whr/m². Solar is the most abundant renewable source of energy in the Middle East and accounts for 85% to 90% of renewable energy investments in the region.

Source: Kuick Research, Byblos Research

Iran exports its crude oil via Indonesian port

Iran announced that it is using an Indonesian port to maintain crude oil export levels to its Asian buyers steady. The move comes in an attempt to bypass Western-imposed sanctions. In parallel, Iran signed Memorandums of Understanding with six African countries to establish oil refineries on their territories. The refineries are projected to have a capacity of 20,000 barrels per day each.

Source: Thomson Reuters, Trend News Agency

Base Metals: Copper prices to rise by 3.3% in third quarter and by 0.2% in 2013

Global copper production is forecast to reach 21 million metric tons in 2013, constituting an increase of 3.1% from 20.4 million metric tons in 2012. But downside risks such as disruptions to mine supplies through labor strikes, accidents and other unplanned factors remain substantial. China is projected to remain the metal's main producer during the 2013-14 period as its output would account for about 30% of global copper production. Copper mine production is forecast to continue its strong recovery due to new mine capacity additions and fewer mine disruptions. Chile would likely remain the world's largest producer of mined copper in 2013. In parallel, global copper consumption is anticipated to grow by 2.7% to 21 million metric tons in 2013. The global refined copper market is expected to post a small surplus of 86,000 tons in 2013 and to balance in 2014, as the metal's consumption would be largely offset by lower supply due to the emergence of unplanned disruptions. Further, copper prices are forecast to average \$7,959 a metric ton in the third quarter of 2013, constituting an increase of 3.3% from an average of \$7,705 a metric ton in the same quarter of 2012. Also, copper prices are projected to rise by 0.2% to \$7,963 a metric ton on average in 2013.

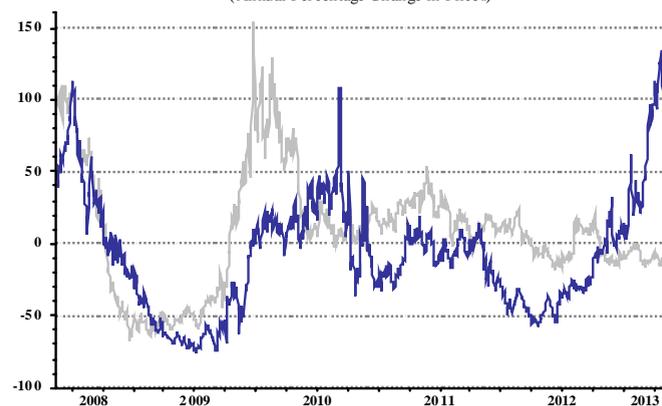
Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Platinum prices to increase by 2% in third quarter of 2013

Global platinum supply is projected to reach 7.2 million ounces in 2013, constituting an increase of 4.2% from 6.9 million ounces in 2012. South Africa's platinum mine production is expected to reach 4.6 million ounces in 2013, equivalent to 63.4% of global supply. It would be followed by Russia with 0.8 million ounces of output (11.1%), North America with 0.4 million ounces (5.3%) and the Rest of the World with 0.1 million ounces (1.7%). Further, total auto catalyst recycling output is anticipated to reach 1.3 million ounces in 2013, equivalent to 18.5% of global production. In parallel, global consumption is projected to grow by 2.8% to 7.3 million ounces this year. The platinum market is expected remain under-supplied in 2013, as the metal's demand outweighs supply. As such, global platinum prices are forecast to average \$1,523 a troy ounce in the third quarter of 2013, constituting a rise of 1.5% from \$1,500 a troy ounce on average in the same quarter of 2012.

Source: Citigroup, Byblos Research

WTI Crude Oil vs. Natural Gas
(Annual Percentage Change in Prices)



Source: Thomson Reuters Datastream, 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	Positive	-	Stable								
Egypt	CCC+	Caa1	B	B	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Stable	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 Negative	BB- Stable	- -	- -	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
China	AA- Stable	Aa3 Stable	A+ Stable	A Stable	BBB Stable	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
India	BBB- Negative	Baa2 Stable	BBB- Negative	BBB- Stable	BB Stable	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
Kazakhstan	BBB+ Stable	Baa2 -	BBB- Stable	- -	BB Stable	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
Central & Eastern Europe													
Bulgaria	BBB Stable	Baa3 Stable	BBB- Stable	- -	BB Stable	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
Romania	BB+ Stable	Baa3 -	BBB- Stable	BBB- Negative	B Stable	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
Russia	BBB Stable	Baa1 Positive	BBB Stable	- -	BBB Stable	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
Turkey	BB+ Stable	Ba1 Positive	BBB- Stable	BB+ Stable	B Stable	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
Ukraine	B Negative	B3 Negative	B Stable	- -	CC Stable	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9

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	09-May-13	No change	06-Jun-13
Japan	O/N Call Rate	0-0.10	26-Apr-13	No change	22-May-13
Australia	Cash Rate	3.00	07-May-13	No change	04-Jun-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	2.50	09-May-13	Cut 25 bps	13-Jun-13
Malaysia	O/N Policy Rate	3.00	09-May-13	No change	11-Jul-13
Thailand	1D Repo	2.75	03-Apr-13	No change	29-May-13
India	Reverse repo rate	7.25	03-May-13	Cut 25bps	17-Jun-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	8.50	07-May-13	Cut 100bps	July-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	7.50	17-Apr-13	Raise 25 bps	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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