

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Volume of commercial payments up 5.4% in first quarter of 2013

The aggregate volume of commercial payments sent through SWIFT totaled 168 million in the first quarter of 2013, constituting a 5.4% increase from the same quarter of the previous year. Commercial payments sent from the Non-Eurozone area stood at 51 million and accounted for 31% of the global volume, followed by the Eurozone with 45 million (27%), North America with 32 million (19%), Asia-Pacific with 24 million (14%), the Middle East with 6 million (4%), Africa with 5 million (3%), and Latin America with 4 million (2%). Also, the aggregate number of commercial payments sent from Non-Eurozone countries increased by 13% in the first quarter of 2013, followed by Africa with an 11% rise, Asia-Pacific (+9%), North America (+8%), Latin America (+1%); while commercial payments sent from the Middle East declined by 15% in the covered period, followed by the Eurozone with a 3% decrease. In parallel, the total number of bank-to-bank payments sent through SWIFT stood at 55 million in the first quarter of 2013, constituting a 2.2% increase from the same quarter of 2012. The volume of bank-to-bank payments in the Non-Eurozone area reached 17 million in the covered period and accounted for 31% of the global volume, followed by the Eurozone with 16 million (29%), Asia-Pacific with 10 million (19%), North America with 9 million (16%), Africa and the Middle East with 1 million each (2% each), and Latin America with 0.7 million (1%).

Source: Citigroup

MENA

Middle East accounts for 4% of global individual wealth, has 500,000 high net worth individuals

The financial wealth of high net worth individuals (HNWI) around the world reached a record high of \$46.2 trillion in 2012, constituting a 10% increase from \$42 trillion in 2011 and surpassing the 2007 pre-crisis peak of \$40.7 trillion as well as the previous record of \$42.7 trillion in 2010. HNWI are defined as individuals possessing assets of \$1m or more, excluding primary residence, collectibles, consumables, and consumer durables. The world's population of HNWI grew by 9.2% to 12 million in 2012 compared to a growth rate of 1% in 2011. North America's HNWI wealth totaled \$12.7 trillion in 2012 and accounted for 27.5% of global financial wealth. It was followed by Asia-Pacific with \$12 trillion (26%), Europe with \$10.9 trillion (23.6%), Latin America with \$7.5 trillion (16.2%), the Middle East with \$1.8 trillion (3.9%) and Africa with \$1.3 trillion (2.8%). The population of HNWI in each of North America and Asia-Pacific stood at 3.7 million individuals in 2012, followed by Europe with 3.4 million, Latin America and the Middle East with 0.5 million each and Africa with 0.1 million. In parallel, Ultra-HNWI accounted for 35.2% of global HNWI wealth and represented only 0.9% of the global HNWI population. Ultra-HNWI are defined as individuals having investable assets of \$30m or more.

Source: Capgemini, RBS Wealth Management

EMERGING MARKETS

Fixed income trading volume down 12% to \$1,399bn in first quarter of 2013

Trading in emerging markets debt instruments totaled \$1,399bn in the first quarter of 2013, constituting a decrease of 12% from \$1,582bn in the same quarter last year and a drop of 10% from \$1,269bn in the preceding quarter. Further, local instruments turnover reached \$939bn in the first quarter of 2013, down 10% from \$1,043bn in the same quarter last year, but up 16% from \$813bn in the fourth quarter of 2012. They accounted for 67% of total emerging market debt trades in the covered quarter. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$452bn in the first quarter of 2013, decreasing by 15% from \$531bn in the first quarter of 2012 but rising by 3% from \$437bn in the fourth quarter of 2012. Sovereign Eurobond volumes totaled \$249bn in the covered quarter, while the volume of traded corporate Eurobonds reached \$193bn. Sovereign Eurobonds accounted for 18% of total debt trading while corporate debt represented 14% of the total. The most frequently traded instruments in the first quarter of the year were Brazilian instruments with \$264bn or 19% of the total, followed by Russian assets with \$139bn (10%), Mexican debt securities with \$130bn (9%), Turkish assets with \$114bn (8.2%) and Polish instruments with \$82bn (5.9%).

Source: EMTA

Insurance premiums up 6% to \$723bn in 2012

Figures issued by global re-insurer Swiss Re indicate that total insurance premiums generated in emerging markets (EMs) reached \$722.7bn in 2012, constituting an increase of 6.2% from \$680.4bn in 2011, and compared to a rise in premiums of 0.1% in advanced economies last year. Life insurance premiums grew by 3.5% to \$378.5bn, while non-life premiums increased by 9.4% to \$344.1bn. Emerging market premiums accounted for 15.7% of global premiums in 2012, up from 14.9% in the previous year. Also, EM premiums rose by 6.8% in real terms year-on-year compared to a rise of 1.7% for industrialized countries. EM life premiums increased by 4.9% in real terms relative to a 1.8% growth in industrialized nations, while non-life business in EMs posted real growth of 8.6% compared to an increase of 1.5% in advanced economies. Insurance penetration in EMs, or premiums relative to the economy, was equivalent to 2.7% of GDP last year compared to 8.6% of GDP in advanced economies; while EMs' insurance density was \$120.2 per capita relative to \$3,677 per capita in industrialized countries. EM life premiums were equivalent to 1.4% of GDP, while non-life premiums reached 1.3% of GDP. Also, EM life premiums reached \$62.9 per capita and non-life premiums totaled \$57.2 per capita in 2012. Global insurance premiums reached \$4.6 trillion in 2012, rising by 1% nominally and by 2.4% in real terms year-on-year; with life premiums growing by 0.4% nominally and by 2.3% in real terms to \$2.6 trillion and non-life premiums increasing by 1.9% nominally and by 2.6% in real terms to \$2 trillion last year.

Source: Swiss Re, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to decrease by 3% to \$1,145bn in 2013

The Institute of International Finance projected net private capital inflows to emerging markets at \$1,145bn in 2013, constituting a decrease of 3.1% from an estimated \$1,181bn in 2012, and a rise of \$27bn from a January forecast. It revised upwards its January forecast for inflows to Emerging Europe by \$67.8bn to \$286bn; while it adjusted downwards its projections for flows to Emerging Asia by \$29.9bn to \$487bn, to Latin America by \$8.2bn to \$289bn and to the Middle East & Africa by \$3.1bn to \$82bn for 2013. It forecast net private capital inflows to emerging markets at \$1,112bn in 2014, down \$38bn from the January forecast. The IIF attributed the deceleration in net private capital inflows to market volatility, concerns about an exit from easy monetary conditions in mature economies mainly in the United States, and weaker growth prospects in emerging economies.

The IIF forecast net direct investment to emerging economies to fall to \$541bn in 2013 and \$523bn in 2014 from \$545bn in 2012. It attributed the sustained downward trend in foreign direct investment to a fall in investment in Emerging Asia. It estimated net portfolio investment at \$125bn last year and expected inflows to decrease to \$89bn in 2013 and \$110bn in 2014. It noted that the drop in portfolio equity this year reflects revised growth expectations. Also, it forecast net commercial bank lending to post net inflows of \$144bn in 2013 and \$154bn in 2014 relative to \$121bn in 2012. It estimated net non-bank private lending to drop from \$390bn in 2012 to \$369bn in 2013 and \$325bn in 2014, due to increased volatility and prospects of further increases in U.S. bond yields. Further, it projected net lending by official creditors to increase from \$31bn last year to \$43bn this year and \$55bn next year.

Source: *Institute of International Finance*

IRAN

Real GDP to contract by 0.8%, inflation to average 64.5% in current fiscal year

The Institute of International Finance projected Iran's real GDP to contract by 0.8% in fiscal year 2013/14 that ends in March 2014 relative to an estimated contraction of 3.6% in FY2012/13. It forecast hydrocarbon output to drop by 2.5% in FY2013/14 relative to a contraction of 18.6% in the preceding fiscal year, and for the non-hydrocarbon sector to shrink by 0.5% in the current fiscal year compared to a contraction of 1.4% in FY2012/13. It said that Iranian oil exports averaged 1.4 million barrels per day (b/d) in FY2012/13, down from 2.3 million b/d in FY2011/12. It noted that the sanctions on financial transactions have significantly raised the cost of international trade for Iranian firms, which has forced the authorities to seek alternative payment methods or to resort to barter trade. It added that Iranians are using Russian and Iraqi banks to conduct their financial operations. Further, it pointed out that the drop in oil exports to \$42bn in 2012 from \$75bn in 2011 has been partly offset by a 20% increase in non-oil exports due to the depreciation of the Iranian rial. It forecast the inflation level to average 64.5% in FY2013/14 compared to an estimated average rate of 61.3% in FY2012/13.

It projected the government's fiscal deficit to widen to 4.7% of GDP in FY2013/14 from 2.9% of GDP in the previous fiscal year. It noted that the budget breakeven oil price has significantly increased since the imposition of sanctions from \$107 per barrel (p/b) in 2010 to \$144.5 p/b in 2013, the highest such level among oil exporters globally. Also, it forecast the current account surplus at \$3.7bn or 0.9% of GDP in FY2013/14 relative to a surplus of \$12.9bn or 2.9% of GDP in FY2012/13. It anticipated that the contraction in economic output and the deterioration in external and fiscal imbalances would lead to a fall in gross official reserves to \$68.7bn in the current fiscal year from \$80.9bn in FY2012/13 and \$95.5bn in FY2011/12. It noted that official reserves would fall below \$50bn by end-2014 if oil prices continue to average \$108 p/b.

The IIF considered that Iran will continue to receive large foreign exchange inflows under the current set of sanctions as long as global oil prices remain above \$100 p/b. It said that a drop in global oil prices by \$23 to \$85 p/b starting in 2014 would shift the current account surplus to a deficit of around 6% of GDP and further widen the fiscal deficit to more than 8% of GDP. It noted that such deterioration, along with capital outflows, would lead to a decline in official reserves to around \$20bn, or less than three months of import cover by March 2015.

Source: *Institute of International Finance*

GHANA

Fiscal and external imbalances on the rise

The International Monetary Fund projected Ghana's real GDP growth at 8% in 2013, similar to the growth level posted last year. It noted that the rise in oil production is supporting economic activity, but added that energy disruptions and high interest rates are weighing on activity in the non-hydrocarbon sector. It forecast growth in the non-hydrocarbon sector to decelerate to 5.9% in 2013 from 7.8% in 2012. It expected the inflation level to average 10.3% this year compared to 9.2% in 2012.

The IMF estimated the fiscal deficit to have widened to 11.8% of GDP in 2012 due to the growing public-sector wage bill and costly energy subsidies. It forecast the fiscal deficit to narrow to 10% of GDP this year, but to remain higher than the government's target deficit of around 9% of GDP due to higher cost of energy subsidies. It noted that last year's fiscal expansion raised the public debt ratio to 50.2% of GDP in 2012 from 43.7% of GDP in 2011, and widened the current account deficit to 12.2% of GDP from 9.1% of GDP in 2011. It forecast the debt level to further rise to 51.4% of GDP this year, and for the current account deficit to marginally narrow to 11.9% of GDP in 2013 due to a weaker outlook for cocoa and gold exports and a moderation of import growth. In parallel, the IMF said that the reemergence of a large fiscal deficit, widening external imbalances and a rising domestic debt ratio expose the economy to weaker terms of trade or reduced capital inflows. It called on the authorities to rebuild fiscal and external buffers, reduce the public debt ratio and control the public wage bill. Further, it said that authorities need to maintain their tight monetary policy until inflationary pressure subsides and fiscal consolidation is established.

Source: *International Monetary Fund*



ECONOMY & TRADE

JORDAN

Sovereign ratings downgraded by two notches on deteriorating fiscal metrics

Moody's Investors Service downgraded Jordan's government bond rating by two notches to 'B1' from 'Ba2', and revised the outlook to 'stable' from 'negative'. It attributed the downgrade to the deterioration in the country's fiscal metrics, the rise in the public debt burden and the increase in external vulnerability. It said that Jordan's public finances significantly deteriorated since 2009 due to lower economic growth and external shocks. It noted that the fiscal deficit widened to an annual average of 7.3% of GDP between 2009 and 2012 from an annual average deficit of 4.6% of GDP during the 2005-08 period. It expected the fiscal deficit to narrow in 2013 and 2014, but to remain above 5% of GDP and to be highly dependent on the successful implementation of a fiscal consolidation strategy. It pointed out that the deterioration in public finances reversed the public debt dynamics following a decrease in the debt level from 99.7% of GDP in 2002 to 60.2% of GDP in 2008. It noted that the debt-to-GDP ratio increased by 10 percentage points in 2012 and expected it to further rise to 84% of GDP in 2013. Also, it noted that Jordan's foreign exchange reserves fell below \$8bn at the end of 2012 from \$12.8bn in 2010, which constitutes a key credit concern given the need to support the dinar's peg to the US dollar. In parallel, the agency indicated that it would downgrade the rating in the event of continued modest economic growth that would further increase the debt burden, or a rise in domestic tensions that would affect the main credit metrics.

Source: Moody's Investors Service

TUNISIA

Economic activity to pick up to 4% in 2013

The International Monetary Fund projected Tunisia's real GDP growth at 4% in 2013 compared to 3.6% in 2012 and expected activity to be supported by a return of industrial production to pre-crisis levels, especially in the mining sector, and a sustained recovery in the tourism sector. It noted that growth will also be driven by private and public consumption, which are benefiting from wage increases and a decline in unemployment rates, as well as the execution of public investment programs. It projected the average inflation level at 6% in 2013 compared to 5.6% in 2012, before decelerating to 4.7% in 2014 due to a prudent monetary policy. It forecast the current account deficit to narrow to 7.5% of GDP in 2013 from 8.1% of GDP in 2012 and to stabilize at around 5% of GDP by 2015 due to stronger exports, tourism receipts, remittance inflows, and lower commodity prices. It said that significant improvements in private capital inflows and FDI would maintain gross foreign currency reserves at above three months of import cover over the medium-term. It cautioned that an escalation of domestic social tensions, increasing political uncertainty ahead of the elections, or domestic and regional security concerns would hamper domestic and foreign investment. Further, it projected the fiscal deficit to widen to 7.3% of GDP in 2013 from 5.4% of GDP in 2012, but to narrow to 6.4% of GDP in 2014. It attributed the widening of the deficit to important banking recapitalization needs and repayment of arrears.

Source: International Monetary Fund

SAUDI ARABIA

Fiscal surplus to shift to deficit by 2014 with drop in oil prices

The Institute of International Finance anticipated that Saudi Arabia would weather short-lived volatility in global oil prices due to its large stock of foreign assets, but it cautioned from a sustained drop in global oil prices. It said that under a scenario where global oil prices would drop by \$23 to \$85 p/b starting in 2014, real GDP growth would decelerate to 3.6% in 2014 and 3.8% in 2015 from the baseline scenario of 4.5% and 4.3%, respectively. The IIF's baseline scenario assumes that global oil prices would continue to average \$108 p/b between 2014 and 2020. It noted that economic activity would readjust to the drop in global oil prices by 2016 and would revert towards the growth path under the baseline scenario. Further, it said that the projected fiscal surplus of 8.1% of GDP in 2013 would shift to a deficit of 0.7% of GDP by 2014 and gradually widen to 4.6% of GDP by 2020. In contrast, it noted that the fiscal balance would remain in surplus between 2014 and 2020 if global oil prices stabilize at \$108 p/b during the covered period, but would narrow from 6.8% of GDP in 2014 to 0.3% of GDP in 2020. Also, it forecast the current account surplus to gradually narrow and shift to a deficit of 0.2% of GDP by 2018 in case oil prices drop to \$85 p/b. In contrast, it expected the current account to remain in surplus by 2020 if global oil prices remain at \$108 p/b. It noted that under this scenario, the current account surplus would narrow from 16.4% of GDP in 2014 to 3.5% of GDP in 2020. In parallel, the IIF anticipated that SAMA's foreign assets would gradually drop from \$754bn in 2013, equivalent to 101% of GDP, to \$448bn in 2020, equivalent to 44% of GDP, in the event of a sustained drop in oil prices.

Source: Institute of International Finance

INDIA

Outlook revised to 'stable' on improved fiscal metrics

Fitch Ratings affirmed India's long-term foreign- and local-currency Issuer Default Ratings (IDRs) at 'BBB-' and revised the outlook to 'stable' from 'negative'. It also maintained the country ceiling at 'BBB-' and the short-term foreign-currency IDR at 'F3'. It attributed the outlook revision to the government's measures to contain the budget deficit and to address structural barriers to investment and economic growth. It noted that the central government's fiscal deficit narrowed to 4.9% of GDP in the fiscal year ending in March 2013 from 5.7% of GDP in FY2012, despite weaker-than-expected economic activity. It expected the government to meet its target deficit of 4.8% of GDP in FY2014 and to gradually reduce the high level of public debt of 64% of GDP in FY2013 over the medium-term. Further, it said that the government has started to address structural factors that have weakened the investment climate and growth prospects such as regulatory uncertainty, delays in government approvals of investment projects and supply bottlenecks. But it considered that the investment climate would benefit from further reforms. It added that addressing structural issues in the power and mining sectors would further improve investment confidence.

Source: Fitch Ratings



BANKING

EGYPT

Capital adequacy ratio at 16% at end-2012

The risk-weighted capital adequacy ratio of banks operating in Egypt reached 15.9% at the end of 2012 relative to 15.6% at the end of 2011, while the Tier One capital ratio stood at 13.5% at end-2012 compared to 13% at end-2011. Further, the sector's liquidity ratio in local currency was 59.1% at end-2012 relative to 55.4% at end-2011, while the same ratio in foreign currency stood at 57.2% at end-2012 compared to 51.1% at end-2011. Also, the sector's loans-to-deposits ratio reached 47.7% at end-2012 compared to 50% at the end of 2011. The foreign currency loans-to-deposits ratio stood at 56.2% at the end of 2012 compared to 63% at end-2011, while the local currency ratio reached 45% at end-2012 relative to 46% at end-2011. Also, the sector's aggregate deposits were equivalent to 75.8% of total liabilities at end-2012 compared to 75.4% at end-2011. Further, the sector's non-performing loans (NPLs) reached 10% of total loans at the end of 2012 compared to 10.9% at end-2011. Loan provisions were equivalent to 97.1% of NPLs at end-2012 relative to 94.6% at end-2011. In parallel, banks' annualized return on assets reached 0.8% in June 2012, the latest available data, unchanged from end-June 2011 but down from 1% at end-June 2010; while their annualized return on equity reached 11.7% in June 2012, unchanged from end-June 2011 but down from 14.3% at end-June 2010. There were 40 banks operating in Egypt with 3,643 branches at end-2012.

Source: Central Bank of Egypt

QATAR

Public sector drives lending growth in May 2013

Figures issued by the Central Bank of Qatar show that total assets reached QAR875.2bn at the end of May 2013, constituting an increase of 1.2% from the preceding month, a growth of 6.7% from end-2012 and a rise of 20.8% from end-May 2012. Loans totaled QAR538.2bn and increased by 1.2% month-on-month in May 2013, driven by a 4.9% month-on-month growth in public sector lending. Also, total loans grew by 5.5% from the end of 2012 with private- and public-sector lending rising by 5.3% and 6.8%, respectively. In parallel, aggregate deposits totaled QAR510.5bn at end-May 2013, down by 2.4% month-on-month, but up by 11.5% from end-2012. Also, total deposits expanded by 37.1% year-on-year in May 2013, driven by a 75% rise in public sector deposits. The loans-to-deposits ratio stood at 105.4% at end-May 2013 relative to 111.3% at end-2012 and 121.4% a year earlier.

Source: Central Bank of Qatar, Byblos Research

SAUDI ARABIA

Agency takes rating actions on eight banks

Capital Intelligence affirmed the Financial Strength Rating (FSR) of National Commercial Bank (NCB), Al Rahji Bank (ARB), Samba Financial Group (SAMBA) and Riyad Bank (RB), and at 'AA-', that of Banque Saudi Fransi (BSF) at 'A', that of Saudi Hollandi Bank (SHB) at 'a-' and that of Saudi Investment Bank (SIB) at 'A-', while it upgraded that of Saudi British Bank (SABB) to 'A+' from 'A'. It also affirmed the long-term foreign currency rating of ARB, RB, SAMBA and NCB at 'AA-', that of SABB and BSF at 'A+', that of SIB at 'A', and that

of SHB at 'a'. It maintained the short-term foreign currency rating of ARB, SAMBA, SABB and BSF at 'A1', that of RB and NCB at 'A1+', that of SHB at 'a2' and that of SIB at 'A2'. It revised upward the outlook on the ratings of SIB and SHB, while it maintained a 'stable' outlook on the remaining banks' ratings. It attributed the upgrade of SABB's FSR to its very sound asset quality and return on average asset, excellent cost control and improvement in net profit. But it noted that the ratings are constrained by low capital ratios and declining operating profitability. It said that the outlook revision reflects continuing improvement in their assets quality and profitability. It said that NCB's FSR is supported by very strong capital ratios, strong liquidity and improving asset quality, but is mainly constrained by a relatively weak operating profitability. Also, it indicated that ARB's FSR reflects its very sound liquidity level, more-than-adequate capital ratios, and the sustained growth in its customer deposits. But it noted that the FSR is constrained by the recent large increases in non-performing Islamic finance facilities and declining operating and net profitability.

Source: Capital Intelligence

AFRICA

Banking sector has significant growth potential

Moody's Investors Service anticipated that favorable macroeconomic, regulatory and financial trends in Sub-Saharan Africa (SSA) would provide growth potential for the region's banking sectors. But it cautioned from downside risks that include vulnerability to fluctuations in commodity prices, infrastructure bottlenecks in the transport and energy sectors, and significant risk management shortcomings. It said that robust economic growth supported by favorable commodity prices, improved public finances and strong investment and domestic demand would lead to double-digit balance sheet growth and new business opportunities, mainly in the corporate segment. But it considered that persistent infrastructure bottlenecks, corruption, and socio-political instability will test the banking systems' resilience and ability to maintain sound financial metrics. The agency pointed out that regulatory and supervisory practices in SSA are moving closer to international standards, which would support banks' risk management and corporate governance capabilities. But it noted that banking sectors in SSA continue to suffer from shortcomings in macro-prudential oversight. It added that authorities face challenges in enforcing micro-prudential regulations and in improving supervision of their banking systems. It considered that the potential for further banking penetration remains substantial given the low level of access to financial services across SSA. But it noted that such potential is contingent on the authorities' ability to strengthen creditors' rights and improve the flow and quality of credit information, as well as on financial institutions' capacity to develop alternative payment systems, such as through mobile phones, to reach potential clients. It noted that asset quality will remain a key risk, partly due to unseasoned loan books and the evolving nature of risk management processes.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Natural gas prices to significantly rise in 2013 partly due to limited production

The global natural gas market is forecast to post surpluses in each of 2013 and 2014 as demand growth remains restrained and supply continues to expand. The global gas market has shown systematic increases in surpluses since 2008. Global gas production is expected to grow at an average annual rate of 3.2% during the 2013-14 period, down from a growth rate of 3.9% in 2012; while global gas consumption is projected to increase by an annual average rate of 3% during the covered period, mainly due to strong demand growth in Asia. However, the Eurozone's demand for gas would likely remain limited due to member countries' weak economic performance. Overall, U.S. natural gas Henry Hub prices are expected to significantly rise in 2013, partly due to limited production capacity. U.S. natural gas prices are forecast to grow by 41% year-on-year to \$3.89 per million British thermal units (Btu) on average in 2013, while European natural gas prices are projected to rise by 2.4% to \$11.8 per million Btu on average this year.

Source: Economist Intelligence Unit, Byblos Research

Libya's oil licensing round to be held in early 2014

Libya is expected to announce the terms of its first post-war oil exploration and production agreements in early 2014 after it enacts a new oil law. Libya is currently collecting feedback from foreign oil firms in an attempt to improve the terms of the new contracts, as those currently in place in the established contracts were deemed by many to be too strict. However, the new terms will not replace those in existing contracts. Libya's oil production is currently about 1.6 million b/d on average and represents about 1.8% of the world's oil output. Oil revenues constitute Libya's principal source of foreign currency.

Source: Thomson Reuters, Byblos Research

Middle East accounts for 43% of world's proven natural gas reserves

The Middle East region's proven natural gas reserves were estimated at 2,843 trillion cubic feet (tcf) at end-2012, equivalent to 43% of the world's natural gas reserves. As such, Iran held the region's largest proven natural gas reserves with 1,187.3 tcf, or 41.8% of the region's total reserves. It was followed by Qatar with 885.1 tcf, equivalent to 31.1% of the region's total, Saudi Arabia with 290.8 tcf (10.2%), the UAE with 215.1 tcf (7.6%), Iraq with 126.7 tcf (4.5%) and Kuwait with 63 tcf (2.2%).

Source: BP, Byblos Research

Libya has fifth highest recoverable shale oil resources worldwide

Libya's technically recoverable shale oil resources are estimated at 26 billion barrels, equivalent to 7.5% of the world's recoverable shale oil resources. As such, Libya currently ranks in fifth place among 41 countries worldwide for its shale oil resources, behind Russia with 75 billion barrels, or 21.7% of the world's total; the U.S. with 58 billion barrels (16.8%), China with 32 billion barrels (9.3%) and Argentina with 27 billion barrels (7.8%). Libya currently holds Africa's largest oil proven reserves.

Source: U.S. Energy Information Administration, Byblos Research

Base Metals: Steel prices to ease in 2013

Steel prices are expected to moderately rise in the near-term as the economic recovery in the U.S. accelerates. But steel prices are unlikely to post substantial gains in 2013 as signs of a Chinese economic slowdown gather pace. Steel prices are forecast to decrease by 6.2% year-on-year to \$710 a ton on average in 2013 and to drop to \$700 in 2014. The global steel market is projected to remain oversupplied in the coming five years. However, the size of the surplus is anticipated to narrow systematically as the metal's demand growth outweighs that of supply. The global stocks-to-use ratio is expected to rise over the coming period before narrowing from 2016 onwards. Steel production growth is projected to remain weak in the second half of 2013 due to moderate demand and lower prices. As such, global steel production would grow by 2.4% in 2013, constituting a decline from the average annual growth rate of 5.6% over the past 10 years. Also, weak economic activity in major steel-consuming countries, such as Japan and Eurozone countries, indicates that a sustained downtrend in prices is almost inevitable. In parallel, the global economic uncertainty and widespread austerity measures are expected to lead the metal's consumption to recover only modestly in 2013.

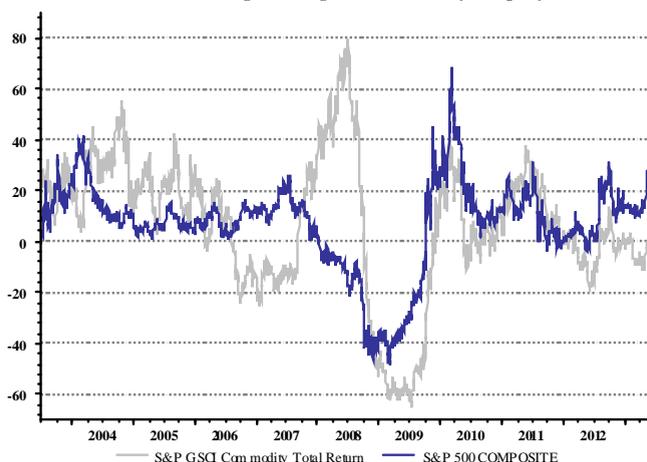
Source: Business Monitor International, Byblos Research

Precious Metals: Gold prices to decline in each of 2013 and 2014

Gold prices are expected to decline over the near-term due to the U.S. Federal Reserve's hints of an earlier-than-expected tightening of the Quantitative Easing program as well as a possible increase in the federal funds rate. In addition, gold prices are projected to decline in the medium-term as the U.S. economic activity improves and as the monetary policy stance becomes less accommodative. Gold prices are forecast to maintain a downward trend going into 2014 as ETF holdings continue to decrease at a faster-than-expected pace. As such, gold prices are forecast to drop by about 20% year-on-year to an average of \$1,300 a troy ounce in 2013 and to decrease to an average of \$1,050 a troy ounce in 2014. In parallel, Central Banks' gold purchases would likely not be sufficient to offset the decline in prices. But the decline in gold prices is expected to coincide with a rise in jewelry and retail demand, mainly due to the metal's lower prices.

Source: Goldman Sachs, Byblos Research

Annual Percentage Change in Commodity & Equity 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-	Ba2	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-	B1	-	BB	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Stable	-	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
	Positive	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	Negative	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
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	Stable	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+	Baa3	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Stable	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	19-Jun-13	No change	31-Jul-13
Eurozone	Refi Rate	0.50	06-Jun-13	No change	04-Jul-13
UK	Bank Rate	0.50	06-Jun-13	No change	04-Jul-13
Japan	O/N Call Rate	0-0.10	11-Jun-13	No change	11-Jul-13
Australia	Cash Rate	2.75	04-Jun-13	No change	02-Jul-13
New Zealand	Cash Rate	2.50	13-Jun-13	No change	25-Jul-13
Switzerland	3 month Libor target	0.00	20-Jun-13	No change	19-Sep-13
Canada	Overnight rate	1.00	29-May-13	No change	17-Jul-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	19-Jun-13	No change	31-Jul-13
Taiwan	Discount Rate	1.88	28-Mar-13	No change	27-Jun-13
South Korea	Base Rate	2.50	13-Jun-13	Cut 25 bps	11-Jul-13
Malaysia	O/N Policy Rate	3.00	09-May-13	No change	11-Jul-13
Thailand	1D Repo	2.50	29-May-13	Cut 25 bps	10-Jul-13
India	Reverse repo rate	7.25	17-Jun-13	No change	30-Jul-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	4.50	18-Jun-13	No change	23-Jul-13
South Africa	Repo rate	5.00	23-May-13	No change	18-Jul-13
Kenya	Central Bank Rate	8.50	07-May-13	Cut 100bps	July-13
Nigeria	Monetary Policy Rate	12.00	21-May-13	No change	23-Jul-13
Ghana	Prime Rate	16.00	21-Jun-13	No change	19-Jul-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	07-Jun-13	No change	12-Jul-13
Brazil	Selic Rate	8.00	29-May-13	No change	10-Jul-13
Armenia	Refi Rate	8.00	14-May-13	No change	N/A
Romania	Policy Rate	5.25	02-May-13	No change	01-Jul-13
Bulgaria	Base Interest	0.01	01-Jun-13	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.00	06-Jun-13	Cut 50bps	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	Jul-13



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