

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets managed by top 100 alternative asset management firms at \$3 trillion

The aggregate assets managed by the world's largest 100 alternative asset management firms reached \$3,108bn in 2012, constituting a decline of 1% from \$3,137bn in 2011. Direct real estate funds managed \$1,042bn and accounted for 34% of total managed assets last year, followed by direct private equity funds with \$716.8bn (23%), direct hedge funds with \$612.3bn (20%), private equity fund of funds with \$315.1bn (10%), funds of hedge funds with \$176.4bn (6%), direct infrastructure funds with \$127.6bn (4%) and direct commodities funds with \$118.2bn (3.8%). The distribution of the top 100 asset managers shows that 29 were direct real estate funds, 25 were direct hedge funds, 21 were direct private equity funds, 12 were private equity fund of funds, seven were funds of hedge funds, three were direct infrastructure funds and three were direct commodities funds. Pension funds were the largest investors in alternative assets with \$1,130bn or 36% of total assets managed in 2012, followed by wealth managers with \$579.9bn (19%), insurance companies with \$277.9bn (9%), sovereign wealth funds with \$185.8bn (6%), banks with \$144.7bn (5%), fund of funds with \$108.5bn (3%) and endowments and foundations with \$76.1bn (2%), while other investors represented \$605.2bn (19%). In parallel, 46% of assets were invested in North America, followed by Europe with 37% and Asia-Pacific with 10%, while other regions accounted for the remaining 7%.

Source: *Towers Watson*

Corporate default rate at 2.8% at end-June 2013

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.8% at the end of June 2013, up from 2.5% at the end of March but down from 3.1% at the end of each of 2012 and June 2012. It said that 40 corporate issuers have defaulted in the first half of the year, of which 19 companies in the second quarter. It said that the number of defaults has remained stable so far this year, but it expected it to slightly increase by the end of the year in the event of tighter liquidity conditions. It forecast the global speculative-grade default rate at 3.2% at the end of 2013 and at 2.7% at the end of June 2014. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.8% at the end of June 2013, up from 1.4% from March 2013, but down from 2.1% 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 9.1% at the end of June 2013, up from 8.8% at end-March and down from 19.5% a year earlier.

Source: *Moody's Investors Service*

MENA

IPOs up 52% to \$2.1bn in first half of 2013

Ernst & Young indicated that initial public offerings (IPOs) in the Middle East & North Africa region raised \$2.1bn in the first half of the year, constituting an increase of 52% from \$1.4bn in the same period last year. It noted that regional companies raised a total of \$1.6bn in the first quarter of 2013, up from \$82.8m in the same quarter last year, driven by Qtel's \$1.3bn Asiacell Communications IPO. It added that companies in the MENA region raised \$482.6m in the second quarter of 2013 relative to \$1.3bn in the same quarter last year. It pointed out that total capital raised through IPOs in the first half of the year was the highest on a semi-annual basis in five years, while the capital raised in the first quarter of the year was the highest on a quarterly basis since 2008. Also, it noted that there were 12 IPOs in the first half of the year, of which three IPOs in the first quarter and a five-year high of nine IPOs in the second quarter of the year. It said that the outbound listing by UAE healthcare company Al Noor Hospital that raised \$342.7m on the London Stock Exchange was the largest in the region; followed by One Tech Holding with \$51.4m raised on the Tunisian stock exchange, and Aljazira Takaful in Saudi Arabia that raised \$28m on the Tadawul market. E&Y expected total capital raised to remain relatively low in the third quarter of the year as activity typically slows down during the summer period.

Source: *Ernst & Young*

M&A deals at \$6.7bn in first half of 2013

The value of deals targeting Arab countries totaled \$6.7bn in the first half of 2013, constituting a decline of 59.8% from \$16.7bn in the same period last year. Targeted M&A deals in the region decreased to 182 transactions in the first half of 2013 down from 198 transactions in the same period last year. Each of the value and number of deals targeting the region accounted for less than 1% of the global value and volume, constituting the lowest such shares among regions worldwide. Qatar was the top targeted M&A country by value with \$1.9bn or 28.1% of the region's aggregate value, followed by the UAE with \$1.7bn (25.9%), Kuwait with \$1.2bn (18%), Jordan with \$0.9bn (13%) and Oman with \$0.6bn (8.5%). Also, Jordan was the top targeted M&A country by volume with 86 transactions, followed by the UAE with 43 deals, Saudi Arabia with 14 transactions, Oman with 13 deals and Kuwait with 12 transactions. Targeted M&A deals in the banking sector totaled \$4.6bn or 67.9% of the region's total, followed by wholesale & retail trade with \$1bn (14.6%), and insurance with \$0.7bn (9.8%). In parallel, there were 18 private equity deals in the region worth \$248m in the first half of the year, up from three deals with undisclosed values in the same period last year.

Source: *Zephyr, Bureau van Dijk*

OUTLOOK

EGYPT

Economic recovery prospects face daunting challenges

The Institute of International Finance considered that risks to Egypt's economic outlook are enormous given the uncertain and fragile domestic political situation. It noted that the country's economic condition have worsened in almost every aspect since the first political transition started nearly two and a half years ago, and that the formation of an acceptable government is just the first step towards addressing Egypt's economic problems. It noted that the newly-formed interim government will give priority to reestablishing security, containing the economic deterioration and easing the daily hardship of citizens. But it considered that, given the steep slide of the economy since 2011, authorities will have to look beyond the transition and put together a credible program of macroeconomic stabilization focused primarily on reducing the fiscal deficit and setting out a clear plan to rationalize the large and costly subsidy system. It added that, once presidential and legislative elections take place, authorities will need to implement structural reforms such as reducing the bloated state bureaucracy, reforming the business environment to promote market-driven investment and risk-taking, improving economic competitiveness, reforming the educational system, and investing in infrastructure. It anticipated that setbacks or delays in the implementation of reforms would lead to further unrest.

The IIF projected real GDP growth at 2% in 2013 compared to 3.3% in 2012. It forecast the fiscal deficit to widen to 12.5% of GDP in 2013 from 11.2% of GDP in 2012, and for the government's debt level to rise to 90% of GDP this year from 83.8% in 2012. It anticipated the external debt to rise to 25% of GDP this year up from 14.4% of GDP in 2012. But it expected Egypt's foreign exchange position to improve with the receipt of \$12bn in pledged support from GCC countries, which would ease the pressure on the pound. It added that aid inflows would allow Egypt to get through the political transition without the need for an IMF program. It considered that an arrangement with the IMF would pose serious difficulties to the interim government because of its conditions regarding economic reforms.

Source: Institute of International Finance

IRAQ

Economic growth to average 10.3% annually between 2013 and 2017

Business Monitor International revised downward Iraq's real GDP growth to 10.5% in 2013 and 10.7% in 2014, from previous forecasts of 11.2% and 14.5%, respectively, due to lower oil export growth over the coming quarters. It anticipated that oil exports will remain a key growth driver of the economy, along with private consumption. It expected economic output to average 10.3% between 2013 and 2017, making Iraq the fastest-growing economy in the MENA region in the covered period. It forecast private consumption to expand by 9.5% in 2013 and 10% in 2014, supported by increases in public-sector salaries and pensions as well as lower inflation rates. It projected the average inflation level at 4% in 2013 relative to 6.2% in 2012, which would stimulate consumption. However, it considered

that private consumption growth will be lower than overall economic growth mainly due to a high unemployment rate of around 15%. It noted that the slow political process and an opaque business environment will continue to hamper the development of the non-oil sector. It expected public spending to rise by 9.5% in 2013 and 9% in 2014 due to elevated spending on education, healthcare and public services.

In parallel, it expected gross fixed capital formation to grow by 9.5% in both 2013 and 2014, as the construction sector would continue to benefit from a large investment plan and an inflated budget. But it noted that the performance of the construction sector will remain below potential due to low completion rates and frequent delays in the approval of projects and in the transfer of funds by the central government. It added that the country's uncertain business environment and elevated security risks could deter private sector developers from fully tapping in the sector's potential. It forecast the construction sector to grow by 8.1% in 2013 and 8% in 2014, and to post an annual average growth of 7.4% during the 2013-17 period, significantly down from an annual expansion rate of 24% between 2008 and 2012.

Source: Business Monitor International

SUDAN

Economic activity to remain subdued

Business Monitor International revised downward its projection for economic growth in Sudan to 1.3% in 2013 from a previous forecast of 1.5%, relative to a contraction of 6.7% in 2012. It attributed the revision to worse-than-expected trade performance so far this year. It expected economic activity to remain subdued over the medium-term with growth reaching around 4.8% by 2015, due to high inflation levels, declining gold prices and persistent political risks. It anticipated that private consumption growth will be relatively subdued over the medium-term, as high inflation and unemployment rates will continue to depress household purchasing power and constrain private consumption. It noted that the inflation level remains high and reached 37.1% in May 2013, partly due to the impact of a weakening Sudanese pound on the import bill and the disruption of some supply chains along Sudan's southern border.

Further, it expected government consumption to decrease over the medium-term as revenues will remain constrained by shrinking resources. But it considered that the pace of the decline will be moderate due to rising spending needs aimed at maintaining stability. It anticipated that weak public revenues would also constrain government spending on investment. But it considered that the government has taken a proactive approach towards encouraging private investment. However, it said that the current weak political situation and significant uncertainties are discouraging many foreign investors; while the activity of western firms is already limited by international sanctions against the regime. In parallel, it expected the mining sector to expand over the long-term, and for the production of gold and other minerals to increase in coming years. But it considered that net exports will continue to negatively affect headline growth, as Sudan will not be able to replace the loss of oil exports over the foreseeable future.

Source: Business Monitor International



ECONOMY & TRADE

JORDAN

Mixed impact of Syrian crisis on economy

The World Bank indicated that the impact of the Syrian conflict on certain sectors in Jordan has been significant. First, it pointed out that the closure of Syrian transit routes in 2012 and the rise in imports related to Syrian refugees have negatively affected Jordan's trade balance. It added that the increase in transport costs due to the use of more expensive alternative routes have damaged the price competitiveness of Jordanian exports. Second, it noted that the cost of providing public services to the large and rapidly growing number of refugees is adding pressure on the country's already weak finances. It anticipated that the fiscal costs associated with the provision of public services to Syrian refugees would increase with the rise in the number of refugees. Third, it indicated that the growing number of Syrian refugees has negatively affected employment opportunities in Jordan's informal sector. In contrast, it considered that the conflict in Syria is positively affecting the tourism sector. It noted that GCC and non-GCC Arab tourists who usually choose Lebanon and Syria as vacation destinations have selected Jordan as an alternative. It noted that the higher purchasing power of these tourists has offset the decline in the number of Syrian tourists. As a result, revenues from the tourism sector rose by 15% last year to near their level in 2010. Further, it said the sustained inflow of refugees and the increase in tourism activity have supported activity in relevant services sectors, including wholesale & retail trade, restaurants & hotels, and transport & communications. It added that this contributed to a marginal decline in the unemployment rate to 12.2% in 2012 from 12.9% in 2011 as all these sectors are labor intensive.

Source: World Bank

EGYPT

Ratings affirmed on strong donor support

Standard & Poor's affirmed Egypt's long- and short-term sovereign credit ratings at 'CCC+' and 'C', respectively, with a 'stable' outlook. It said that the ratings reflect Egypt's high political, external, fiscal and other economic risks. It noted that these risks are partially mitigated by the country's moderate foreign currency debt servicing obligations, and by expectations that the recently-announced external financial support, equivalent to 4.4% of GDP, would be sufficient and timely to avoid a sovereign default. The agency did not expect authorities to be able to address the country's weak external position and wide fiscal deficit without bilateral donor flows. It considered that the \$12bn in cash, interest-free loans, and oil from Kuwait, Saudi Arabia and the UAE will reduce the likelihood of a balance-of-payments crisis. It estimated Egypt's net external liability position at 2% of GDP this year, and the external debt service at 11% of current account receipts. It added that Egypt's ability to obtain the needed external funding to meet its obligations is vulnerable and depends on donor support. Further, it anticipated that the subsidy system will continue to absorb a high share of public expenditures over the medium-term. It noted that the government's stock of debt is relatively high and expensive, with debt servicing absorbing almost 30% of revenues. It added that monetary policy flexibility is low due to the Central Bank of Egypt's heavy management of the Egyptian pound.

Source: Standard & Poor's

KUWAIT

Sovereign ratings affirmed on strong balance sheet and improving economic activity

Fitch Ratings affirmed Kuwait's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA' with a 'stable' outlook. It also affirmed the Country Ceiling at 'AA+' and the short-term foreign currency IDR at 'F1+'. It said that the ratings are supported by expectations of further strengthening of Kuwait's exceptionally strong sovereign balance sheet, a stabilizing domestic political environment, a gradual pick up in the non-oil sector's growth, and an improving banking system. It forecast Kuwait's sovereign net foreign assets to rise to the equivalent to 279% of GDP by 2015 from 209% of GDP or \$371bn at end-2012. Further, it expected that a better cooperation between the legislative and executive branches would be more supportive of reforms and projects. But it considered that the execution of the large scale infrastructure plan will remain slow due to low government effectiveness. In parallel, it pointed out that banks' exposure to investment companies, which have been a major source of vulnerabilities in recent years, has declined to 8% of total loans in 2012 from 15% in 2011. It said that non-performing loans have declined and were equivalent to 4.9% of total loans at end-2012. However, it said that the ratings are constrained by structural weaknesses that include a high dependence on the oil sector; low governance and development levels compared to similarly-rated peers; weaknesses in the economic policy framework such as the lack of monetary autonomy and weak fiscal framework; and regional political risks.

Source: Fitch Ratings

ARMENIA

Innovation capacity improves significantly

INSEAD's Global Innovation Index for 2013 ranked Armenia in 59th place among 142 countries around the world, up from 69th place in 2012 and 2011 and from 82nd place in 2010. It also ranked Armenia in second place among 11 countries in the Commonwealth of Independent States (CIS). The index is a composite of 84 variables grouped in two sub-indices that reflect a country's innovation environment as well as its creative output. Globally, Armenia ranked ahead of Colombia, Jordan and Russia, and came behind Thailand, Argentina and Greece. Armenia received a score of 37.6 points, up from 34.5 points in 2012 and 33 points in 2011. Its score was higher than the global average of 37.4 points and the CIS average of 33.1 points. Armenia ranked in 71st place globally and in fourth place regionally on the Innovation Input Sub-Index, which covers the elements of the national economy that enable innovative activities, such as institutions, human capital and research, infrastructure, and market and business sophistication. It received a score of 40.4 points on this sub-index, lower than the global average of 42.1 points, but higher than the CIS average score of 37.8 points. It also ranked in 47th place worldwide and in second place regionally on the Innovation Output Sub-Index, which reflects the results of innovative activities within the economy such as technology, knowledge and creativity. It received a score of 34.8 points on this sub-index, higher than the global average of 32.7 points and the CIS average score of 28.4 points.

Source: INSEAD, Byblos Research



BANKING

EGYPT

Bank ratings affected by action on the sovereign

Fitch Ratings downgraded the long-term foreign currency Issuer Default Ratings (IDR) of National Bank of Egypt (NBE), its subsidiary National Bank of Egypt (UK), and Commercial International Bank (CIB) to 'B-' from 'B', and kept the outlook on the ratings at 'negative'. It also lowered NBE's viability rating (VR) to 'b-' from 'b' and that of CIB to 'b' from 'b+'. It attributed its actions to the earlier downgrade of Egypt's sovereign ratings due to increased political uncertainties. It pointed out that the downgrade of the banks' VRs takes into account the likely impact of the heightened political uncertainty on the domestic operating environment and the resulting adverse impact on the banks' performance and asset quality. It said that the banks' VRs reflect their significant holdings of sovereign debt. In parallel, the agency affirmed Crédit Agricole Egypt's (CAE) support rating at '4', its national long-term rating at 'AA+(egy)' and its national short-term rating at 'F1+(egy)' with a 'stable' outlook. It noted that its action on CAE reflects the willingness of Crédit Agricole to support its Egyptian subsidiary.

Source: Fitch Ratings

QATAR

Credit risks elevated due to lending concentration

Standard & Poor's maintained Qatar's Banking Industry Country Assessment (BICRA) in 'Group 4', as well as its economic risk score at '4' and industry risk score at '5'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. S&P noted that other countries in BICRA's 'Group 4' include Brazil, Kuwait, Mexico, Oman and South Africa. Further, it indicated that Qatar's economic risk score reflects its "low risks" in economic resilience, "intermediate risks" in economic imbalances, and "high risks" in credit risk in the economy. It expected the real estate market to recover from its sharp decline since 2009, but it noted that the commercial segment will remain more vulnerable than the housing segment. It considered that such vulnerabilities constitute one of the main risks faced by the banking sector, given its high concentration in lending to cyclical sectors like real estate and construction. In parallel, it said that its industry score indicates that the country faces "intermediate risks" in its institutional framework, "high risks" in its competitive dynamics, and "intermediate risks" in system-wide funding. It noted that Qatar's banking industry has an adequate share of core deposits, strong efficiency, and increasingly strict lending practices. However, it indicated that risk appetite remains elevated with high exposure to real estate lending and ambitious expansion abroad. It forecast lending growth to decelerate to 15% in 2013, but to remain supported by lending to the government, government-related entities, and major local groups involved in government-backed projects.

Source: Standard & Poor's

TURKEY

Central Bank likely to raise rates and allow currency to weaken

Deutsche Bank indicated that Turkey is vulnerable to a general exit of investors from emerging markets due to its high current account deficit, heavy reliance on shorter-term flows to finance the deficit, and a relatively low level of foreign exchange reserves. It said that the Central Bank of Turkey (CBT) has so far resorted to foreign exchange market interventions, interest rates adjustments and reserve requirements management in response to changing external conditions. It pointed out that the CBT has sold \$6.3bn of foreign currency reserves since June 11th, of which \$3.6bn in the week prior to July 11th, compared to an overall intervention of \$16bn between August 2011 and January 2012. It considered that the CBT's ability to continue supplying foreign currency to the market of this magnitude is quite limited, given its modest net foreign currency reserves of \$39bn. It said that the CBT will need to further tighten domestic liquidity conditions and increase interest rates in order to continue supporting the currency in the context of weak capital inflows. However, it noted that the CBT has lower margins to significantly tighten domestic liquidity conditions, given the benign inflation outlook and the slowdown in economic growth. As such, it considered that the CBT will have a greater tolerance for a weaker lira and less tolerance for higher interest rates. Overall, it expected the CBT to respond to further sustained weakness in capital flows with a combination of moderately higher rates and a weaker currency.

Source: Deutsche Bank

NIGERIA

Agency takes ratings action on large banks

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDR) of First Bank of Nigeria (FBN), Zenith Bank, United Bank for Africa (UBA) and Guaranty Trust Bank (GTB) at 'B+' and that of Access Bank, Diamond Bank and Fidelity Bank at 'B'. It downgraded the long-term IDR of Union Bank (Union) to 'B' from 'B+' and its national ratings to 'BBB+(nga)' from 'A+(nga)', due to its perceived lower systemic importance following its restructuring, while it affirmed the long-term National Ratings of Stanbic IBTC Bank (SIBTC) at 'AAA(nga)' and its short-term rating at 'F1+(nga)'. It affirmed all banks' short-term IDR at 'B' and said that their long-term IDRs have a 'stable' outlook. It also maintained the long-term and short-term IDRs of FBN Holding at 'B' and its viability rating (VR) at 'b'. It said that the long-term IDRs of FBN, UBA, Diamond, Fidelity and Union are driven by the level of support from the Nigerian authorities in case of need. It noted that the long-term IDRs of Zenith, GTB and Access are driven by their intrinsic strengths. In parallel, it affirmed the VR of Zenith and GTB at 'b+', FBN at 'b' and that of UBA, Diamond and Fidelity at 'b-', while it upgraded that of Union to 'b-' from 'ccc' and that of Access to 'b' from 'b-'. It pointed out that the VRs of Nigerian banks indicate a highly speculative fundamental credit quality, mainly due to an extremely challenging domestic operating environment, highly concentrated loan books, and weak corporate governance and transparency requirements.

Source: Fitch Ratings



ENERGY / COMMODITIES

Global oil prices to trade above the \$100 level in the second half of 2013

Brent oil prices are forecast to trade between \$105 a barrel and \$115 a barrel in the second half of 2013. Brent prices are projected to drop by 2.7% to \$107 a barrel on average in the third quarter of 2013, while WTI crude prices are forecast to decline by 3.8% to average \$102 a barrel in the covered quarter. The WTI-Brent spread is expected to average about \$4 a barrel in the third quarter of 2013. Global oil markets are projected to be driven by supply-side factors in the coming period, such as producer outages, growth in North American production and a change in geopolitical risks. Oil markets have generally ignored the negative impact associated with rising concerns of slower economic growth in China. This is partly due to the relative inelasticity of oil demand to GDP and given that China accounts for only 11% of global oil consumption.

Source: Standard Chartered, Byblos Research

Middle East accounts for 16% of world's natural gas production

The Middle East region's aggregate natural gas output was estimated at 548.4 billion cubic meters (bcm) in 2012, equivalent to 16.3% of the world's natural gas supply. As such, Iran's production reached 160.5 bcm, or 29.3% of the region's total output. It was followed by Qatar with 157 bcm (28.6%), Saudi Arabia with 102.8 bcm (18.7%), the UAE with 51.7 bcm (9.4%), Oman with 29 bcm (5.3%), Kuwait with 14.5 bcm (2.6%), Bahrain with 14.2 bcm (2.6%), Syrian and Yemen with 7.6 bcm each (1.4% each) and Iraq with 0.8 bcm (0.1%).

Source: BP, Byblos Research

South Sudan reduces oil output by 20%

South Sudan reduced its oil output by 20% to 160,000 b/d from 200,000 b/d and plans to shut it off entirely as Sudan has insisted that production must be discontinued by August 7th due to the South's alleged support for rebels operating across their shared border. South Sudan previously shut down its entire output of about 300,000 barrels per day in January 2012 due to a dispute over oil pipeline fees and border security with Khartoum. But in March 2013 both sides agreed to resume the flow of oil. Sudan and South Sudan are highly dependent on oil-related revenues and on the resulting foreign currency receipts to finance their imports.

Source: Thomson Reuters, Byblos Research

Middle East accounts for 9% of world's oil consumption

The Middle East region's aggregate oil consumption was estimated at 8.4 million barrels per day (b/d) in 2012, equivalent to 9.3% of the world's oil demand. Saudi Arabia's consumption reached 2.9 million b/d, or 35.1% of the region's total demand. It was followed by Iran with 2 million b/d, equivalent to 23.6% of the region's total, the UAE with 0.7 million b/d (8.6%), Kuwait with 0.5 million b/d (5.7%), Israel with 0.29 million b/d (3.5%) and Qatar with 0.25 million b/d (3%); while other Middle Eastern countries' oil demand reached 1.7 million b/d (20.5%).

Source: BP, Byblos Research

Base Metals: Copper prices to decrease by 7% in 2013

Global refined copper production is forecast to reach 20.5 million tons in 2013, constituting an increase of 3.2% from 19.9 million tons in 2012. In parallel, global refined copper demand is projected to reach 20.45 million tons in 2013, constituting an increase of 3.3% from 19.8 million tons in 2012. The copper market is expected to post a surplus of 50,000 tons in 2013, as the metal's supply outweighs demand. The stocks-to-consumption ratio is projected to decline to 6.3 weeks in 2013 from 6.4 weeks in 2012. Global copper prices are forecast to average \$7,437 a metric ton in 2013, constituting a drop of 7% from \$7,948 a metric ton 2012. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index decreased by 7.1% in June 2013, while the Copper Sub-Index regressed by 7.6%. Also, the Dow Jones-UBS Aluminum Sub-Index declined by 7.7%, Zinc Sub-Index decreased by 4.3%, and the Dow Jones-UBS Nickel Sub-Index regressed by 7.7% in June 2013.

Source: Standard Chartered, Dow Jones Indices, Byblos Research

Precious Metals: Platinum prices to ease in 2013

Global platinum consumption is expected to reach 7.6 million ounces in 2013, constituting an increase of 6.7% from 7.2 million ounces in 2012. Total auto-catalysts' demand is anticipated at 3.2 million ounces in 2013, equivalent to 42.1% of global platinum consumption. It would be followed by platinum jewelry demand with 2 million ounces, or 26.2% of the total, industrial consumption with 1.8 million ounces (23.7%) and investments with 0.6 million ounces (8%). Net inflows into platinum's Exchange Traded Funds grew by 3.5% in the first two weeks of July to 60 tons. In parallel, global platinum production is projected to grow by 1.7% to 6.9 million ounces this year. South Africa's platinum mine production is projected to reach 4.4 million ounces in 2013, equivalent to 63.6% of global supply. It would be followed by Russia with 0.8 million ounces (11.6%) and North America with 0.4 million ounces (5.5%). Further, total auto-catalyst recycling output is anticipated to reach 1.2 million ounces in 2013, equivalent to 17.6% of global production. The platinum market is expected to remain under-supplied in 2013. Global platinum prices are forecast to average \$1,474 a troy ounce in 2013, constituting a decrease of 4.5% from \$1,544 a troy ounce on average a year earlier. Also, Platinum prices are projected to outperform those of gold in the near-term due to existing supply-side risks from South Africa.

Source: Citigroup, 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	04-Jul-13	No change	01-Aug-13
UK	Bank Rate	0.50	04-Jul-13	No change	01-Aug-13
Japan	O/N Call Rate	0-0.10	11-Jul-13	No change	08-Aug-13
Australia	Cash Rate	2.75	02-Jul-13	No change	06-Aug-13
New Zealand	Cash Rate	2.50	13-Jun-13	No change	25-Jul-13
Switzerland	3 month Libor target	0.00-0.25	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	27-Jun-13	No change	18-Sep-13
South Korea	Base Rate	2.50	11-Jul-13	No change	08-Aug-13
Malaysia	O/N Policy Rate	3.00	11-Jul-13	No change	05-Sep-13
Thailand	1D Repo	2.50	10-Jul-13	No change	21-Aug-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	09-Jul-13	Cut 100bps	01-Sep-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	8.50	10-Jul-13	Raise 50bps	28-Aug-13
Armenia	Refi Rate	8.00	25-Jun-13	No change	N/A
Romania	Policy Rate	5.00	02-Jul-13	Cut 25bps	05-Aug-13
Bulgaria	Base Interest	0.02	01-Jul-13	Raise 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	N/A



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