

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2.9% at end-August 2013

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.9% at the end of August 2013, down from 3.1% at the end of 2012 and relative to 3% at end-August 2012. It expected the current low levels of corporate defaults to continue over the near term unless a sudden change in monetary policy occurs. It said that 47 corporate issuers have defaulted in the first eight months of the year, of which two companies in August 2013, and relative to 46 defaults in the first eight months of 2012. It forecast the global speculative-grade default rate at 3.1% at the end of 2013 and at 2.7% at the end of August 2014. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at the end of August 2013, down from 1.9% from July 2013, and from 2.2% 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 8.5% at the end of August 2013, down from 8.8% at end-July and from 17.5% a year earlier.

Source: Moody's Investors Service

Volume of letters of credit up 3% in first half of 2013

The aggregate volume of letters of credit sent through SWIFT totaled 2,399,470 in the first half of 2013, constituting an increase of 3% from the same period last year. The number of letters of credit sent from the Asia-Pacific region stood at 1,630,494 and accounted for 68% of the global volume, followed by the Eurozone with 192,022 (8%), Africa with 175,032 (7.3%), the Middle East with 170,930 (7.1%), Non-Eurozone European economies with 109,838 (4.6%), Latin America with 63,183 (2.6%) and North America with 57,971 (2.4%). Also, the aggregate number of L/Cs sent from Asia-Pacific increased by 7.8% in the first half of the year, followed by Africa with a 0.1% rise; while L/Cs sent from the Middle East dropped by 11.6%, followed by North America with an 8.2% decrease, the Eurozone with a 7.4% decline, Latin America with a 3% drop, and the Non-Eurozone European economies with a 2.2% drop. In parallel, the total number of reimbursement authorizations stood at 291,848 in the first half of 2013, constituting a 10.9% decrease from the same period of 2012. The volume of authorizations in the Asia-Pacific region reached 162,404 in the covered period and accounted for 55.6% of the global aggregate volume, followed by the Middle East with 54,856 (18.8%), Africa with 36,949 (12.7%), Latin America with 25,042 (8.6%), Non-Eurozone European countries with 6,968 (2.4%), the Eurozone with 3,939 (1.3%), and North America with 1,690 (0.6%).

Source: Citigroup

Middle East accounts for 2.8% of global individual wealth, has 4,600 UHNWIs

The financial wealth of ultra high net worth individuals (UHNWIs) around the world reached \$25.8 trillion in 2012, constituting a decrease of 1.8% from \$26.3 trillion in 2011. UHNWIs are defined as individuals possessing assets of \$30m or more. The world's population of UHNWIs grew by 0.6% to a record high of 187,380 in 2012. North America's UHNWIs wealth totaled \$8.9 trillion in 2012 and accounted for 34.5% of global financial wealth. It was followed by Europe with \$7 trillion (27%), Asia with \$6.2 trillion (24.3%), Latin America with \$2.2 trillion (8.5%), the Middle East with \$710bn (2.8%), Oceania with \$475bn (1.8%) and Africa with \$325bn (1.3%). The population of UHNWIs in North America stood at 65,295 individuals in 2012, followed by Europe with 53,440, Asia with 42,895, Latin America with 14,750, the Middle East with 4,595, Oceania with 3,870 and Africa with 2,535. In parallel, the number of individuals possessing assets of \$1bn or more exceed 2,000 individuals globally, while their net worth totaled \$6.5 trillion and accounted for 23% UHNWIs' aggregate wealth.

Source: UBS, *Wealth-X*

MENA

Reinsurance sector has solid fundamentals, faces strong competition and political instability

The MENA Reinsurance Barometer, a survey of 38 regional and international reinsurance companies and intermediaries, indicated that reinsurers continue to view the MENA region as an attractive market with limited exposure to natural catastrophes. The survey noted that reinsurers cited the region's robust GDP and insurance market growth as the most relevant strengths for their industry, followed by low natural catastrophe exposure and a strong pipeline of infrastructure and construction projects. It added that 53% of respondents expect reinsurance premiums to grow faster than the region's GDP growth over the next 12 months. Further, reinsurers identified low insurance penetration in the region, planned infrastructure and construction projects, and new insurable risks as the region's top three market opportunities. In contrast, reinsurers cited excess capacity, which is creating strong competition, and the unsustainable levels of pricing as the most relevant weaknesses of the MENA reinsurance industry, followed by regulatory deficiencies and the lack of local expertise. Also, reinsurers considered that a further erosion of market discipline is the most serious threat facing their industry, followed by political risk and the lack of regulatory enforcement. In parallel, 89% of reinsurers consider that current reinsurance rates in the MENA region are below the five-year average price trend. It noted that most survey participants agree that prices are below technical levels, which does not allow the market to absorb a major loss. But it noted that reinsurers still consider prices to be acceptable in light of the region's low natural catastrophe exposure and the reinsurance sector's tightening terms and conditions.

Source: Qatar Financial Center

OUTLOOK

TURKEY

Lira to underperform most emerging market currencies

The Royal Bank of Scotland anticipated that the Turkish lira will remain under pressure given the lack of necessary measures by the Central Bank of Turkey (CBT) to support the currency and increase interest rates. It pointed out that the CBT and the government have prioritized economic growth over their previous target of rebalancing the economy and narrowing the current account deficit. It noted that the higher-than-expected real GDP growth in the second quarter of the year has not reversed the weakening of the currency, as investors are focusing on the country's vulnerabilities, mainly its wide current account deficit that is financed through portfolio inflows, rather than on its economic performance. As such, it considered that a widening of the current account deficit this year due to subdued export growth and rising imports will increase pressure on the lira.

Further, it said that the CBT continues to fall behind other emerging markets' Central Banks in terms of implementing proactive measures to defend the currency in the current environment. It noted that the CBT remains reluctant to take the required measures to support the lira. It considered that hiking interest rates constitutes the CBT's only available option given its low level of foreign currency reserves. It estimated that the CBT needs to increase real interest rates by 400 basis points in order to significantly attract portfolio inflows. It considered that the CBT is unlikely to achieve its target exchange rate of TL1.92 to the US dollar for the end of 2013. Overall, it expected the lira to be one of the main underperformers among emerging market currencies this year given the continuous low real interest rates, the country's large external financing requirements, heightened domestic political uncertainty and geopolitical risks, and the surge in non-resident holdings of local bonds.

Source: Royal Bank of Scotland

ARMENIA

Economic growth at less than 4% in 2013

The International Monetary Fund projected Armenia's real GDP growth at less than 4% in 2013, reflecting weaker external demand, a tighter-than-expected fiscal position and slower credit growth. It added that the increase in gas and electricity prices that was implemented in July 2013 has negatively affected overall economic activity. The IMF expected Armenia's real GDP growth to gradually increase to 5% over the medium-term supported by strong structural reforms, enhanced regional integration, and improving public, private and foreign investments. Further, it said that the inflation level exceeded the Central Bank of Armenia's (CBA) target inflation rate due to higher food and energy prices. It forecast the inflation rate to remain elevated in coming months, but to return to the target range in 2014, mainly reflecting the CBA's recent policy rate increase.

In parallel, the IMF projected the fiscal deficit at less than 2% of GDP in 2013 compared to the government's target deficit of 2.6% of GDP. It anticipated that total public revenues would meet the budget target, but it noted that spending will be lower-than-budgeted. It called on authorities to keep the fiscal deficit

near the debt-stabilizing level of 2% of GDP in the 2014 budget, and to further strengthen tax collection in order to provide funding for additional capital and social spending. The Fund considered that the public sector's wage and pension increases need to be consistent with fiscal sustainability and to take into account the effects on inflation rates, private sector wages, and unemployment levels.

Further, the IMF indicated that the country's external position improved, due to the sustained growth of exports, resilient remittance inflows, and a modest rise in imports. It added that this allowed the CBA to accumulate foreign exchange reserves and to limit the pressure on the dram. It expected the current account deficit to further narrow between 2014 and 2016, reflecting lower gas prices and continued strong export growth. In parallel, the Fund called on authorities to further improve the business climate, as well as the openness, competitiveness and diversification of the economy.

Source: International Monetary Fund

DEM REP CONGO

Economic growth to decelerate on slow activity in mining sector

Business Monitor International projected real GDP growth in the Democratic Republic of Congo (DRC) at 7.9% in 2013 and 6% in 2014 compared to 7.1% in 2012. It attributed the slowdown in economic activity in 2014 to lower global commodity prices and a weak business environment that will deter investment in the mining sector, a key growth driver. It added that the weak business environment and the structural dependence on imports will weigh on overall economic growth. It forecast economic growth to average between 5.5% and 6.5% during the 2013-17 period, significantly lower than the government's expectations of continuously accelerating growth during the covered period.

BMI forecast private consumption to grow by 5.6% in real terms this year and by 5% next year, relative to an estimated growth of 4.5% in 2012. But it expected incomes to remain low and for domestic demand to be dependent on a small number of wealthier consumers based in larger cities. It considered that the country's poorly-managed and unproductive agricultural industry is preventing rural incomes from rising faster. Further, it expected investment spending to grow by 4.2% annually between 2013 and 2017 compared to 6.4% during the 2007-12 period due to a decline in mining-related investments. As such, it forecast the contribution of investment expenditures to headline GDP to decline to 0.8 percentage point in 2013 from 3.6 percentage points during the 2005-08 period.

In parallel, BMI expected growth in government spending to stabilize at 7% annually during the 2013-17 period compared to an average annual rate of 17% between 2004 and 2010. It forecast the fiscal deficit to narrow to 3% of GDP in 2013 from 5.1% of GDP in 2012, and to widen to 6.3% of GDP in 2014. It attributed the expected widening of the fiscal deficit next year to lower revenues due to weak public institutions and administrative capacity.

Source: Business Monitor International



ECONOMY & TRADE

BAHRAIN

Sovereign ratings downgraded on weaker fiscal position and growth prospects

Moody's Investors Service downgraded Bahrain's government issuer rating by one notch to 'Baa2' from 'Baa1' with a 'negative' outlook. It also lowered the Country Ceiling to 'A3' from 'A1', the long-term foreign currency bond ceiling to 'A3' from 'A2' and the long-term foreign currency deposit ceiling to 'Baa2' from 'Baa1'. It affirmed the short-term foreign currency bond and deposit ceilings at 'Prime-2'. It attributed the downgrade to a weak fiscal position as a result of the high and rising fiscal breakeven oil price, and to weaker medium-term economic growth prospects. It considered that Bahrain's public finances are less flexible and its shock-absorption capacity is lower than that of similarly-rated peers. Further, it anticipated that continued political and social tensions would dampen confidence and investments in the economy, and would ultimately weaken long-term growth prospects. It noted that Bahrain's economy remains dependent on the oil and financial sectors, both of which suffer from uncertain growth prospects. Also, it said that low growth prospects and a weak fiscal position over a prolonged period of time would significantly increase the public debt and put the government's debt sustainability at risk. Moody's pointed out that the ratings remain supported by a strong positive net international investment position, continued current account surpluses and large external financial assistance from GCC economies. The agency indicated that it would downgrade the ratings in case social tensions escalate and/or if oil prices significantly decrease

Source: Moody's Investors Service

SOUTH SUDAN

Economic outlook improving

The International Monetary Fund indicated that South Sudan's economic outlook is improving as oil production is rising and inflation rates are declining. It noted that the budget proposal for fiscal year 2013/14 intends to increase spending on priority areas while simultaneously maintaining economic stability. It welcomed the authorities' plans to gradually lift the fiscal austerity measures in place as the flow of oil revenues becomes more certain. It encouraged the government to pursue other key reforms such as the ratification of the Petroleum Revenue Management Act. It considered that the implementation of sound fiscal and foreign exchange policies, improving transparency in government and oil operations, and strengthening public expenditure management constitute key near-term priorities. It pointed out that a careful and transparent management of domestic natural resources as well as investment in health care, education and public infrastructure would put the country on a path of sustained growth and poverty reduction over the long-term. It called on authorities to adopt sound project selection and prudent debt management in the context of rising public investment. In parallel, the IMF indicated that it is concluding discussions with South Sudan on a possible financial support under the Rapid Credit Facility and on a government program that would be monitored by the Fund.

Source: International Monetary Fund

ARMENIA

Foreign currency bond ceiling downgraded

Moody's Investors Service downgraded Armenia's foreign currency bond ceiling by one notch to 'Ba1' from 'Baa3' due to the country's low institutional strength, and its limited financial and trade openness. As such, the ratings on foreign-currency bonds to be issued by domestic issuers will be limited to the 'Ba1' ceiling. Also, the agency lowered the country's short-term foreign currency bond ceiling to 'Not-Prime' from 'Prime-3' following the recent adjustment of the local currency ceilings to 'Baa3' from 'Baa1'. As a result, Armenia's local-currency bond and bank deposit ceilings stand at 'Baa3', the foreign currency bond ceiling is at 'Ba1', the foreign currency bank deposit ceiling is at 'Ba3' and the short-term foreign-currency ceilings stands at 'Non-Prime'. Moody's considered that the one-notch gap between the foreign currency bond ceiling and the government bond rating reflects the significant dollarization of the economy. It pointed out that it would reassess the country's ceilings in the event of a change in the government's bond rating.

Source: Moody's Investors Service

ANGOLA

Current account to remain in surplus in coming years

Business Monitor International projected Angola's current account surplus to remain at 8% of GDP in 2013 and to narrow to 6.1% of GDP in 2014, as lower global oil prices and higher imports weigh on the trade balance. It expected lower global oil prices to adversely affect the growth of export revenues in coming years. But it anticipated the positive outlook for domestic oil production to partly offset the drop in global oil prices. It forecast the growth in imports to outpace that of exports due to major public investments in the energy and transport sectors, as well as due to investments related to the exploitation of the country's vast sub-salt reserves. It expected capital goods that constitute a major component of the import basket to grow over the medium-term given the economy's high dependence on imports. In parallel, it said that the economy's structural dependence on imports and oil exports will leave it vulnerable to external shocks. But it considered that the country's ability to weather such shocks has significantly improved due to the sustained accumulation of foreign exchange reserves and the implementation of public financial management reforms. It estimated gross foreign exchange reserves at \$35.9bn at the end of July 2013, equivalent to nine months of import cover. It expected the authorities to maintain an adequate fiscal buffer in coming years despite the planned surge in public spending. Also, it forecast the financial account to increasingly benefit from robust financial inflows, mainly from foreign direct investments in the oil & gas sector. It noted that the hydrocarbon sector, which accounted for over 75% of FDI to Angola since 2003, will remain the primary driver of FDI inflows due to the expected increase in interest from foreign companies over the coming years.

Source: Business Monitor International



BANKING

UAE

Dubai banks' exposure to public sector at highest level in more than 40 years

Merrill Lynch indicated that the credit exposure of banks operating in Dubai to the local government and non-financial public enterprises is currently equivalent to 104% of their aggregate capital, constituting the highest level since the late 1970s. It said that this exposure has been on an upward trend since mid-2010, reflecting the \$42bn in credits to government-related entities (GREs) for restructuring and refinancing purposes since the start of the 2008 global financial crisis. It added that banks' exposure to the public sector as a percentage of capital rose by 26 percentage points since the 2008 crisis. Further, it considered that the Central Bank of the UAE's circular that introduced new limits for loans extended to local governments and their entities is a tool for coordination rather than a measure to force a disorderly GRE deleveraging process. It noted that a proposition to exclude bonds from the assessment of credit exposure would reduce banks' exposure to the public sector by 20 percentage points. But it noted that deleveraging and asset sales would still be needed to contain the banking sector's exposure to GREs and address refinancing challenges in the next two years, even if this proposition was adopted. In parallel, Merrill Lynch pointed out that Dubai banks are currently in a more solid position than they were in 2008 due to strategic official support during the global financial crisis, deleveraging progress, and reduced vulnerability to foreign bank funding. As such, it considered that this would provide Dubai banks some cushion given the GREs' refinancing challenges in 2014 and 2015.

Source: Merrill Lynch

LIBYA

Banking sector's profits up 15.6% in first half of 2013

Figures issued by the Central Bank of Libya show that the total assets of commercial banks reached LYD83.8bn, or \$65.1bn, at the end of June 2013, constituting an increase of 1.2% from end-2012 and a rise of 7.4% from end-June 2012. Commercial banks' lending reached LYD16.8bn, or \$13.1bn at end-June 2013, up by 6.3% from end-2012 and compared to a growth rate of 24.5% from end-June 2012. Total loans accounted for 20% of total assets at end-June 2013, up from 17.3% from a year earlier. In parallel, commercial banks' aggregate deposits totaled LYD68.5bn, or \$53.2bn at end-June 2013, constituting an increase of 2.4% from the end of 2012 and a growth of 13.5% from end-June 2012. Demand deposits accounted for 82.2% of total deposits at end-June 2013, followed by time deposits (16.8%), and saving deposits (1%). Total deposits accounted for 81.7% of total liabilities at end-June relative to 80.8% at end-2012 and 77.3% at end-June 2012. The loans-to-deposits ratio reached 24.5% at end-June 2013 compared to 23.6% at the end of 2012 and 22.3% at end-June 2012. In parallel, commercial banks' net profits reached LYD304m, or \$236.2m, in the first half of 2013, constituting a rise of 15.6% from LYD263m in the same period last year, and relative to net earnings of LYD572.3m in 2012.

Source: Central Bank of Libya, Byblos Research

JORDAN

Banking industry risks increase

Standard & Poor's maintained Jordan's Banking Industry Country Assessment (BICRA) at Group '7' and its economic risk score at '7', but reduced its industry risk score to '7' from '6'. 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. The agency noted that other countries in BICRA's Group '7' include El Salvador and Morocco. Further, the agency indicated that Jordan's economic risk score reflects the downgrade of its assessment of economic imbalances to "intermediate risks" from "low risks" as well as its assessment of the country's economic resilience and credit risk at "very high risks". It noted that economic risks in Jordan are rising mainly due to the potential economic impact of the volatile and uncertain geopolitical environment. It forecast credit losses in the banking system to reach at least 1% of total loans during the 2013-14 period due to uncertain operating conditions and rising loan-loss reserve coverage. It cautioned that it would lower the economic risk assessment if the banking sector's credit growth remains above 10% and housing prices continue to increase. In parallel, it said that Jordan's industry risk score reflects the downgrade of its assessment of the system-wide funding to "high risks" from "intermediate risks" as well as to the "high risks" in the institutional framework and competitive dynamics. It attributed the rise in the overall industry risk to the government's increasing reliance on the banking sector for financing.

Source: Standard & Poor's

MOROCCO

Asset quality to further deteriorate in 2013

Fitch Ratings anticipated that the asset quality of banks operating in Morocco will continue to deteriorate in 2013, mainly due to weaker economic prospects. It said that banks' international expansion, mainly in Sub-Saharan Africa, has diversified their assets and revenue sources but it has added additional credit, operational and political risks. It pointed out that the classification of impaired loans and provisioning rules at some banks is not as tight as expected given the vulnerable economic environment and the fact that the current economic downturn followed a period of domestic expansion and aggressive growth. Further, it expected loan impairment charges to remain high this year given the current operating environment. But it anticipated that banks would continue to generate sufficient revenues to absorb loan impairment charges and limit the decline in their profitability. It cautioned that banks' credit-loss absorption capacity would come under pressure due to the fact that banks could prioritize bottom-line results at the expense of prudent loan-loss provisioning. In parallel, it anticipated that banks' reliance on lending to generate revenues would weigh on their profitability in 2013, in line with falling demand for credit. It expected liquidity pressure to ease in coming quarters, mainly due to the continuous and significant deceleration of credit activity, higher FDI and the issuance of subordinated debt.

Source: Fitch Ratings



ENERGY / COMMODITIES

OPEC's basket price to drop by 2% in 2013

Global oil production is expected to grow by a modest 0.8% in 2013, mainly due to supply disruptions in Libya, as well as in the North Sea, Nigeria and Iraq. The Organization of the Petroleum Exporting Countries' (OPEC) output is anticipated to account for 40.6% of global production in 2013; while total non-OPEC output would represent 57% of global oil supply during the same year. The global oil market tightened in the middle of 2013 as unexpected disruptions reduced production. The global oil market is projected to balance in 2013 and to post surpluses during the 2014-15 period. Brent crude oil prices are forecast to average \$111 a barrel in the third quarter of 2013, while those of WTI crude oil are expected to reach \$103.7 a barrel during the same quarter. Overall, Brent crude prices are projected to decline by 3% year-on-year to \$109 a barrel on average in 2013; while those of WTI are anticipated to rise by 4.2% to average \$98.2 a barrel this year. Also, the OPEC reference basket price is forecast to drop by 1.7% year-on-year to \$106.4 a barrel on average in 2013.

Source: Economist Intelligence Unit, Byblos Research

Sudan cuts subsidies on oil products

The government of Sudan announced that it partially lifted subsidies on its fuel products on September 23, 2013. It attributed the decision to its inability to bring its budget deficit under control during the ongoing economic crisis. As such, gasoline prices increased by 66.4% to SDG21 per gallon, equivalent to \$4.7 per gallon. Also, diesel prices reached SDG14 per gallon, up 64.7% from SDG8.5 per gallon, while prices of cooking gas rose by 66.7% to SDG25 per cylinder. Sudan's Treasury spent a cumulative \$15.5bn on fuel subsidies in recent years. Sudan lost about 75% of its oil reserves following South Sudan's independence in July 2011.

Source: Thomson Reuters, Agence France Presse

Iranian oil exports decrease by 42% in FY2012

Iranian oil exports dropped by 42.4% year-on-year to \$68.1bn in fiscal year 2012 ending in March, constituting its lowest level since 2006. The significant decline in oil exports was mainly attributed to the impact of Western-imposed sanctions on Iran's ability to sell its oil. Also, Iran's crude oil production dropped to an average of 2.8 million b/d in FY2012, down by 20% from a year earlier. Prior to the sanctions, Iran's oil & gas sector accounted for about 80% of export earnings and for 50% of government revenues.

Source: IHS Global Insight, Byblos Research

Libya's oil supply partly recovers in September

Libya's oil production averaged about 700,000 b/d at the end of September, equivalent to about 50% of the country's normal output level, and relative to an average supply of 240,000 b/d in recent weeks. The partial recovery in oil supply was due to the resumption of production in one of the the biggest Western oilfields and to the government's tentative agreement with strikers. Libya's oil output decreased in recent weeks following labor strikes at major petroleum facilities that led to the closure of many oilfields. Libyan authorities forecast crude oil production to rise to 2 million b/d by 2017. In parallel, Libya plans to invest about \$60bn over the coming six years in refining and petrochemicals and it intends to raise its refined product capacity from 380,000 b/d to one million b/d.

Source: Thomson Reuters, Zawya DowJones Newswires

Base Metals: Copper prices to decline by 17% in 2013 partly due to new mine production

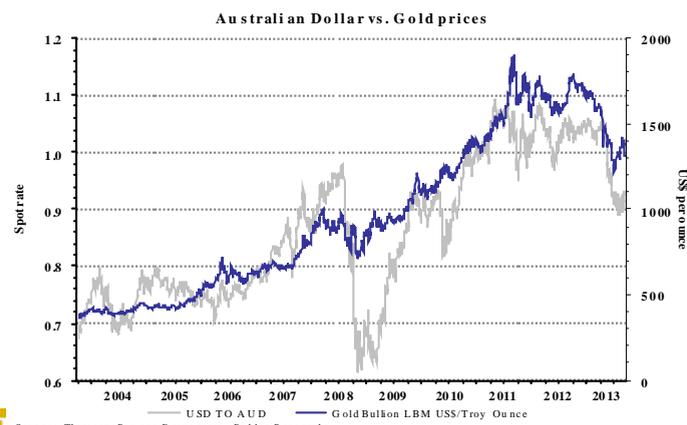
Copper prices are expected to decline by 16.7% year-on-year to \$7,250 a metric ton on average in 2013 from \$8,700 a metric ton in 2012, and to drop to an average of \$7,000 a metric ton in 2014. The metal's lower forward price outlook this year reflects a decline in Chinese consumption growth and a rise in new mine supply. Lower prices are forecast to lead to lower build-up inventories and an improvement in the flow of investments in copper. In parallel, the majority of mine suppliers are projected to still consider copper prices to be at favorable price levels over the coming two years. Copper's long-term real price is projected at an average of \$6,000 a metric ton. Also, growth in new mine production is expected to exceed the rate of copper consumption by an annual average of 1.5% during the 2012-17 period. Chinese demand growth is forecast to remain the key driver of the metal's overall consumption, but it is projected to moderate to an annual average growth rate of 5.5% in the medium term. The majority of new mine production is expected to come from Peru, Chile, Zambia and Mongolia.

Source: Fitch Ratings, Byblos Research

Precious Metals: Gold prices to decline by 25% year-on-year in fourth quarter of 2013

Global gold supply is forecast to expand by 1.9% in 2013, partly due to some recovery in mine production following a series of supply-led disruptions during the 2011-12 period. The official sector is projected to remain a net buyer of gold during the 2013-14 period as Central Banks around the world continue to diversify their reserve holdings. However, the recent drop in gold prices would likely lead gold miners to withdraw their expansion plans due to their perspectives of lower profitability. The global gold market is forecast to post a large surplus of 710 tons in 2013 relative to a surplus of 46 tons in 2012. Gold prices are projected to average \$1,300 a troy ounce in the fourth quarter of 2013, constituting a decrease of 24.5% from an average of \$1,722 a troy ounce in the same quarter last year. Overall, gold prices are expected to drop by 15.7% year-on-year to \$1,407 a troy ounce on average in 2013. In parallel, the Dow Jones-UBS Precious Metals Sub-Index increased by 9.3% in August 2013, while the Gold Sub-Index improved by 6.3% during the month. Also, the Dow Jones-UBS Silver Sub-Index rose by 3.2%, and the Platinum Sub-Index increased by 6.9% in August 2013.

Source: Economist Intelligence Unit, S&P DowJones indices, 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								
Dem Rep Congo	-	B3	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
	-	Stable	-	-	-								
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	B	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	Baa2	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 Stable	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- Stable	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	Baa3 Stable	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 Negative	- -	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	18-Sep-13	No change	30-Oct-13
Eurozone	Refi Rate	0.50	05-Sep-13	No change	02-Oct-13
UK	Bank Rate	0.50	05-Sep-13	No change	10-Oct-13
Japan	O/N Call Rate	0-0.10	05-Sep-13	No change	04-Oct-13
Australia	Cash Rate	2.50	03-Sep-13	Cut 25bps	01-Oct-13
New Zealand	Cash Rate	2.50	12-Sep-13	No change	31-Oct-13
Switzerland	3 month Libor target	0.00-0.25	19-Sep-13	No change	12-Dec-13
Canada	Overnight rate	1.00	04-Sep-13	No change	23-Oct-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	18-Sep-13	No change	30-Oct-13
Taiwan	Discount Rate	1.88	27-Jun-13	No change	26-Sep-13
South Korea	Base Rate	2.50	12-Sep-13	No change	10-Oct-13
Malaysia	O/N Policy Rate	3.00	05-Sep-13	No change	07-Nov-13
Thailand	1D Repo	2.50	21-Aug-13	No change	16-Oct-13
India	Reverse repo rate	7.25	30-Jul-13	No change	20-Sep-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	17-Sep-13	No change	23-Oct-13
South Africa	Repo rate	5.00	19-Sep-13	No change	21-Nov-13
Kenya	Central Bank Rate	8.50	01-Sep-13	Cut 100bps	05-Nov-13
Nigeria	Monetary Policy Rate	12.00	23-Jul-13	No change	24-Sep-13
Ghana	Prime Rate	16.00	13-Sep-13	No change	20-Nov-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	3.75	06-Sep-13	Cut 25bps	25-Oct-13
Brazil	Selic Rate	9.00	28-Aug-13	Raise 50bps	09-Oct-13
Armenia	Refi Rate	8.50	13-Aug-13	Raise 50bps	N/A
Romania	Policy Rate	4.50	06-Aug-13	Cut 50bps	N/A
Bulgaria	Base Interest	0.02	01-Aug-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	Cut 50bps	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A



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