

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Investment funds' assets at €23 trillion at the end of June 2013

Figures released by the European Fund and Asset Management Association indicate that the aggregate assets of investment funds worldwide stood at €2.9 trillion at the end of June 2013, constituting a decrease of 3.5% from €3.8 trillion at the end of March 2013, an increase of 3.5% from €2.2 trillion at end-2012 and a rise of 7.1% from €1.4 trillion at end-June 2012. The assets of equity funds totaled €8.7 trillion at end-June 2013 and accounted for 38% of total assets, followed by those of bond funds with €5.4 trillion (23%), assets of money market funds with €3.4 trillion (15%), those of balanced/mixed funds with €2.5 trillion (11%), and those of other/unclassified funds with €2.9 trillion (13%). The assets of equity funds decreased by 3.6% from end-March 2013, assets of bond funds fell by 4.8%, those of money market funds dropped by 5.6%, and assets of balanced/mixed funds declined by 0.6%. In parallel, net cash flows to all funds totaled €109bn in the second quarter of the year, down 65.9% from €20bn in the preceding quarter. Long-term funds posted net inflows of €193bn in the second quarter, followed by balanced/mixed funds with €7bn, bond funds with €1bn and equity funds with €8bn; while money market funds posted outflows of €4bn.

Source: European Fund and Asset Management Association

EMERGING MARKETS

Capital markets equivalent to 188% of GDP

Figures released by the International Monetary Fund indicate that the total size of capital markets in emerging market (EM) economies stood at \$50,666bn at end-2012, with bank assets accounting for 56.4%, equities for 22.1%, and debt securities for 21.5% of the total. EM capital markets were equivalent to 187.8% of the region's GDP. Asia accounted for \$31,220bn or 61.6% of total bonds, equities and bank assets in EM economies; followed by Latin America & the Caribbean (LAC) with \$9,839bn (19.4%), Emerging Europe (EE) with \$5,323bn (10.5%), the Middle East & North Africa with \$2,818bn (5.6%), and Sub-Saharan Africa (SSA) with \$1,467bn (2.9%). Further, bank assets in Asia totaled \$19,837bn and accounted for 69.4% of EM bank assets, followed by LAC with \$3,774bn (13.2%), EE with \$2,683bn (9.4%), the MENA region with \$1,705bn (6%), and SSA with \$601bn (2.1%). Also, the stock market capitalization in Asia stood at \$5,853bn and accounted for 52.3% of EM market capitalization, followed by LAC with \$2,476bn (22.1%), EE with \$1,367bn (12.2%), MENA with \$895bn (8%) and SSA with \$606bn (5.4%). Also, debt securities in Asia reached \$5,530bn and accounted for 51% of total debt securities in EM economies, followed by LAC with \$3,590bn (33%), EE with \$1,274bn (11.7%), SSA with \$260bn (2.4%) and MENA with \$218bn (2%). The size of capital markets in emerging economies represented 18.9% of global capital markets. EM accounted for 24.5% of global bank assets, 21.3% of global stock market capitalization, and 11% of fixed income markets in the world.

Source: International Monetary Fund, Byblos Research

MENA

Public governance in Arab world regresses in 2012

The World Bank's annual World Governance Indicators for 2012 show that the scores of 20 Arab countries regressed on five out of six governance indicators included in the survey and improved on just one. The indicators cover 215 countries and territories worldwide and are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries received a score of -0.41 points on the Government Effectiveness indicator down from -0.35 points in 2011. This indicator evaluates the quality of public services and the degree of their independence from political pressures, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's score was worse than that of North America (1.42), Europe & Central Asia (0.62), Latin America & Caribbean (0.21) and East Asia & Pacific (-0.01), but better than that of South Asia (SA) (-0.51) and Sub-Saharan Africa (SSA) (-0.77). The UAE had the most effective government among Arab countries with a score of 1.14 points, followed by Qatar (0.95) and Bahrain (0.54), while Yemen, Sudan and Libya came last. In parallel, Arab countries received a score of -0.41 points on the Control of Corruption indicator, marginally down from -0.40 points in 2011. The region's average score was only better than that of SA (-0.57) and SSA (-0.64). Qatar, the UAE and Bahrain were the least corrupt countries, while Yemen, Sudan and Libya were the most corrupt in the region.

Sources: World Bank, Byblos Research

MENA economies trail most of the world in level of human capital

The World Economic Forum included 15 countries from the Middle East & North Africa region in its first Human Capital Index for 2013. The index is a new measure that captures and tracks the state of human capital development around the world. It is based on 51 indicators grouped in four pillars that are Health & Wellness, Education, Workforce & Employment, and the Enabling Environment. Qatar came in 18th place globally and was the region's top-ranked country, followed by the UAE in 24th place, Israel (25th), Saudi Arabia (39th), Bahrain (40th) and Oman (41st), as the six most competitive Arab economies and the only ones to rank among the top 50 globally. In contrast, Algeria (115th), Mauritania (121st) and Yemen (122nd) had the lowest level of human capital in the region. In parallel, the region's average score stood at -0.52 point, lower than the global average of -0.04 point. It was lower than that of North America (0.93 point), Europe & Central Asia (0.38 point), Asia & the Pacific (-0.05 point), and Latin America & the Caribbean (-0.14 point); and was better than only Sub-Saharan Africa's average score of -0.75 point. Also, the average score of GCC countries was 0.59 point, while that of non-GCC Arab countries stood at -0.75 point.

Source: World Economic Forum, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to decrease by 12.6% to \$1,062bn in 2013

The Institute of International Finance projected net private capital inflows to emerging markets at \$1,062bn in 2013, constituting a decrease of 12.6% from \$1,215bn in 2012 and a drop of \$83bn from a June forecast. It revised downwards its June forecast for inflows to Emerging Europe by \$35bn to \$251bn, to Emerging Asia by \$27bn to \$460bn, to Latin America by \$21bn to \$268bn; while it revised upwards its projections for inflows to the Middle East & Africa by \$1bn to \$83bn for 2013. It forecast net private capital inflows to emerging markets at \$1,029bn in 2014, down \$83bn from the June forecast. The IIF attributed the deceleration in net private capital inflows this year to the deterioration in emerging markets' fundamentals that has made them less attractive to foreign investors as well as to the rising global interest rates in anticipation of the U.S. Federal Reserve tapering.

The IIF forecast net direct investment to emerging economies at \$574bn in 2013 and \$529bn in 2014 compared to \$536bn in 2012. It estimated net portfolio investment at \$124bn last year and expected inflows to decrease to \$51bn in 2013 and \$93bn in 2014. Also, it forecast net commercial bank lending to rise from \$105bn in 2012 to \$127bn in 2013 and \$140bn in 2014. It estimated net non-bank private lending to drop from \$450bn in 2012 to \$310bn in 2013 and \$267bn in 2014. Further, it projected net lending by official creditors to decrease from \$35bn last year to \$29bn this year but to rise to \$64bn next year.

Source: Institute of International Finance

Economic growth revised downward to 4.5% for 2013, risks of slower growth on the rise

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 4.5% in 2013 from a July forecast of 5%, and compared to a growth rate of 4.9% in 2012. It noted that external funding conditions have tightened and supply-side constraints are increasing. It considered that risks to growth for many emerging and developing economies are on the downside. It also reduced its forecast growth in emerging markets and developing economies to 5.1% in 2014 from 5.5% previously. It expected fiscal policies to stay broadly neutral and for real interest rates to remain relatively low.

The Fund revised downwards its growth projections for Developing Asia to 6.3% from a July forecast of 6.9%; it lowered its estimate to 5% from 5.2% for Sub-Saharan Africa; reduced its forecast to 2.7% from 3% for Latin America & the Caribbean; revised its forecast to 2.3% from 3% for the MENA region; and lowered its projection to 2.1% from 2.8% for the Commonwealth of Independent States. It revised upward its growth forecast for Central & Eastern Europe to 2.3% from 2.1% previously.

In parallel, the Fund considered that many emerging and developing economies share five policy priorities. First, it said that policymakers should allow exchange rates to respond to chang-

ing fundamentals, but they would need to protect the rates against risks of disorderly adjustment. Second, it noted that countries with a less credible monetary policy framework need to focus on providing a strong nominal anchor. Third, it considered that authorities need to take prudential actions in order to safeguard financial stability, given legacy risks from recent credit booms and new risks from capital flows. Fourth, it called on authorities to proceed with fiscal consolidation, except in countries where such measures would negatively affect activity. Fifth, it said that many economies need to implement new structural reforms, including higher investment in infrastructure.

Source: International Monetary Fund

SUDAN

Non-hydrocarbon GDP to grow by 2.3% in 2013, current account deficit to widen to 11.9% of GDP

The International Monetary Fund projected real GDP in Sudan to grow by 4.1% in 2013 relative to a contraction of 2.6% in 2012. It forecast hydrocarbon output to expand by 46.9% in 2013 relative to a contraction of 62.4% last year, and for the non-hydrocarbon sector to grow by 2.3% in 2013 compared to growth of 4.6% in 2012. It anticipated Sudan's outlook for this year and for the medium-term to remain unfavorable in the absence of a new package of corrective measures. It considered that risks to the outlook are tilted to the downside, given uncertainties related to the 2015 presidential election and the ongoing regional conflicts that would both result in weaker growth and higher inflation rates. It expected non-hydrocarbon growth to remain below potential at about 3% over the medium-term. It forecast the annual average inflation rate at 32.1% in 2013 relative to 35.1% in 2012. It expected the average inflation level to decelerate over the medium-term, but to remain in double-digits, reflecting the monetization of the fiscal deficit and the continued depreciation of the Sudanese pound.

In parallel, it projected the fiscal deficit to narrow to 2% of GDP in 2013 from 3.8% in 2012, and to further narrow in 2014 due to the impact of oil transit fees and the transitional financial arrangement with South Sudan. But it expected the fiscal deficit to widen again by 2015 as the impact of these sources of revenue fades. It called on authorities to strengthen current economic policies in order to reestablish macroeconomic stability and protect the economy against downside risks. It urged the authorities to address fiscal imbalances, by reducing transfers to states, gradually phasing out subsidies, reforming tax exemptions, reducing tax incentives and taxing gold activities, among other measures. Further, it projected the current account deficit at 11.9% of GDP in 2013 relative to 10.8% of GDP in 2012. It forecast gross official reserves to cover 2 months of imports this year compared to 1.9 months of imports last year. It said that the immediate unification of the exchange rates and greater exchange rate flexibility is crucial to facilitate the required external adjustment and to rebuild foreign currency reserves.

In parallel, it said that Sudan's large debt arrears continues to deter its access to external financing. It forecast total external debt to increase to 87.6% of GDP this year from 82.2% of GDP last year. It encouraged the authorities to work closely with South Sudan on a comprehensive debt relief plan.

Source: International Monetary Fund

ECONOMY & TRADE

GCC

Growth at 3.7% in 2013, reforms needed

The International Monetary Fund projected real GDP growth in the economies of the Gulf Cooperation Council at 3.7% in 2013, lower than the exceptionally strong annual average growth of 6.4% between 2010 and 2012. But it considered that the performance of GCC economies remains favorable by global standards. It expected economic growth to accelerate to 4.1% in 2014, supported by an increase in oil production and the implementation of large infrastructure projects. The IMF pointed out that GCC economies remain a pillar of stability in the global oil market in the context of rising uncertainties. It noted that remittance outflows from expatriates working in the Gulf and financial support provided by GCC countries are important sources of income for other countries, mainly regional ones. Further, it said that the GCC economies are well-positioned to respond to the challenges related to the ongoing uncertainty in the global environment due to their substantial fiscal buffers. But the Fund indicated that authorities need to achieve fiscal consolidation over the medium-term, and added that most GCC countries implemented measures to support fiscal consolidation this year. It considered that authorities can use macro-prudential policies to prevent any build up of risks in the financial system. In parallel, the Fund indicated that the creation of jobs for the young and growing population in GCC countries remains a key challenge. It said that additional reforms would help contain the growth of jobs in the public sector and strengthen the quality of education to create a high-skilled workforce. It encouraged authorities to further expand employment opportunities for women.

Source: International Monetary Fund

AFRICA

SSA region less vulnerable to global financial upheavals

Fitch Ratings indicated that the Sub-Saharan Africa (SSA) region is more resilient than other emerging markets to changes in investor sentiments from the U.S. Federal Reserve tapering and eventual monetary tightening. It attributed SSA's resilience to its better growth prospects, lower external financing requirements, strong foreign direct investment inflows, adequate foreign currency reserve cover and low financial integration, as well as to the largely concessional nature of its foreign debt stock. Further, it said that the eventual tapering is not likely to place serious pressure on the domestic and external financing capacity of countries in SSA due to the region's improved credit fundamentals over the past decade. It noted that the improving level of foreign currency reserves in most SSA countries provides them with a better cushion against market volatility. It added that domestic financial institutions are a stable source of demand for local debt instruments. On a country level, Fitch pointed out that SSA's countries with budget and current account deficits are the most vulnerable to the current global environment. In terms of fiscal deficits, it said that Ghana is the most vulnerable given its large fiscal deficit that is funded by foreign investors. It noted that Ghana's reliance on foreign purchases of domestic debt exposes it to the risk of higher interest rates or reduced market access. It added that South Africa and

Nigeria face moderate risks due to their favorable yield differentials and inclusion in global bond indices. In terms of current account deficits, it noted that countries that are dependent on short-term capital flows to fund these deficits, such as Kenya and South Africa, are at risk.

Source: Fitch Ratings

IRAQ

Escalation of violence and infrastructure bottlenecks to affect oil production and growth

Barclays Capital revised downward its projection for Iraq's real GDP growth to 9.1% in 2013 from a previous forecast of 10.1%, and to 9.3% in 2014 from 10.2% previously. It said that the change reflects the revision in Iraq's oil production forecast to 3.3 million barrels per day (b/d) in 2013 from 3.5 million b/d previously, and to 3.6 million b/d from 3.9 million b/d in 2014. It noted that the fragile domestic security situation has negatively affected oil production and exports. It expected security disruptions, infrastructure constraints and red tape to challenge the government's plan to raise oil production from a current level of 3.2 million b/d to 4.5 million b/d by 2014. It cautioned that risks to the outlook are tilted to the downside, mainly in the event of a further deterioration in the domestic security situation. It considered that the launch of recent oil projects would improve production and reverse the downward trend, but only over the medium-term. In parallel, it forecast Iraq's fiscal surplus to narrow from 4% of GDP in 2012 to 1.8% of GDP in 2013 and 2% of GDP in 2014. It projected the current account surplus at 4% of GDP in 2013 and 3.8% of GDP in 2014 relative to 7% of GDP in 2012.

Source: Barclays Capital

ARMENIA

Economic competitiveness improves

The World Economic Forum's Global Competitiveness Index for 2013-14 ranked Armenia in 79th place among 148 countries included in the index, up from 82nd place in the previous survey. It also ranked in fifth place among eight members of the Commonwealth of Independent States (CIS), compared to sixth place in the previous survey. Globally, Armenia ranked ahead of the Seychelles and Laos and came behind the Slovak Republic and Morocco; while it ranked ahead of Ukraine, Moldova and the Kyrgyz Republic in the CIS region. It received a score 4.10 in the 2013-14 survey, up from 4.02 points in the previous survey and 3.89 points in the 2011-12 survey, and compared to the global average of 4.18 points and the CIS average of 4.12 points. Armenia ranked in 73rd place on the Basic Requirements Sub-Index, which covers institutions, infrastructure, the macroeconomic environment and health & primary education. It also ranked in 85th place on the Efficiency Sub-Index that covers higher education, the market efficiency of goods and labor, technological readiness and market size; while it came in 88th place on the Innovation & Sophistication Sub-Index. The survey indicated that corruption is the most problematic factor for doing business in Armenia, followed by low access to finance, inefficient government bureaucracy, tax regulations, tax rates, inadequate supply of infrastructure and an inadequately educated workforce.

Source: World Economic Forum, Byblos Research



BANKING

WORLD

Global consensus on Basel III weakens

Standard & Poor's indicated that the global consensus about the extent and pace of banks' capital strengthening as per Basel III proposals started to weaken among regulators in major banking systems. It said that some regulators consider that the increasingly demanding capital requirements would backfire and lead to a reduction in lending to the real economy. It noted that other regulators believe that banks need to first address investors' concerns regarding banks' financial soundness. It added that for these regulators, banks would become more active in financing the economy once they are healthy enough to regain full access to the wholesale funding markets. It expected the differences about capital standards to widen in the coming quarters. It noted that different capital regulations would lead to greater differentiation in banks' ratings than in the past few years. In parallel, S&P indicated that some banks are increasingly relying on weaker forms of capital such as hybrid capital, minority interests or differed tax assets in order to minimize equity issuance. It noted that banks have been reluctant to use rights issues to recapitalize, as it would dilute the equity of existing shareholders. It added that banks have chosen a variety of other forms of deleveraging to reduce the need for capital such as asset sales, earnings retention and liability management.

Source: *Standard & Poor's*

MOROCCO

Capital adequacy ratio at 12.3%, NPLs at 5%

The risk-weighted capital adequacy ratio of banks operating in Morocco reached 12.3% at the end of 2012, relative to 11.7% at the end of 2011 and 12.3% at the end of 2010. Also, the Tier-One capital ratio increased to 10.1% at end-2012 from 9.6% at end-2011 and 9.7% at end-2010. Banks' aggregate capital-to-assets ratio was 8.5% at end-2012, up from 8.1% at end-2011 and from 8.3% at end-2010. The sector's liquid assets were equivalent to 10.5% of total assets at end-2012, down from 11.7% at the end of 2011 and 12% at the end of 2010; while they represented 14.7% of total short-term liabilities at the end of 2012, down from 16.1% at end-2011 and 16% at end-2010. Loans to the private sector accounted for 91% of total loans compared to 92% in 2011 and 91% in 2010. Foreign currency loans accounted for 2.9% of total loans at end-2012 relative to 3.5% in 2011 and 2.5% in 2010. The sector's deposits-to-loans ratio was 96.5% last year relative to 99% in 2011 and 104% in 2010. The sector's non-performing loans were equivalent to 5% of total loans at the end of 2012, marginally up from 4.8% in each of 2010 and 2011. Further, the sector's specific provisions-to-NPLs ratio regressed to 67.8% at the end of 2012 from 68.7% at end-2011 and 70.1% at end-2010. In parallel, banks' return on assets was 1% in 2012, relative to 1.1% in 2011 and 1.2% in 2010; while their return on equity was 11.9% in 2012 compared to 13.4% in 2011 and 14.2% in 2010. The sector's average interest spread decreased marginally to 3.2% in 2012 from 3.3% in each of 2010 and 2011.

Source: *International Monetary Fund*

SAUDI ARABIA

Stable outlook for banking sector

Moody's Investors Service indicated that the outlook for Saudi Arabia's banking system remains 'stable' due to a benign operating environment, low problem loan levels, strong loss-absorption capacity and a low-cost deposit base. It forecast the NPL ratio at 2% over the next 12 months, supported by the expected decline in the formation of problem loans and the continued growth in loans. But it noted that banks' asset quality will remain exposed to event risks due to persistently high single-party exposures in loan books and to some vulnerabilities in the corporate segment, such as the low level of financial transparency in family-owned businesses. Further, Moody's expected Saudi banks to sustain their strong pre-provision profitability over the next 12 to 18 months, supported by low-cost funding, strong operational efficiency, lower loan-loss provisioning expenses, and continued growth in business activity. It anticipated that the banks' high profitability will continue to drive internal capital generation and substantial loss-absorption capacity. But it noted that margin pressures caused by increasing competition and the low interest rate environment would constrain further improvements in banks' profitability. It expected the sector's Tier One capital ratio to slightly decline in the next 12 to 18 months from around 16% at the end of June 2013, but to remain strong compared to similarly-rated banking systems. In parallel, it expected the banking system to maintain a solid deposit base. But it noted that high deposit concentrations, mainly from the public-sector, as well as the asset and liability maturity mismatches will remain the sector's main structural challenges.

Source: *Moody's Investors Service*

KUWAIT

Lending up 5.7% year-on-year in August 2013, liquidity level increases

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD49.5bn at the end of August 2013, constituting an increase of 4.9% from the end of 2012 and a growth of 5.9% from end-August 2012. Lending to the private sector reached KD28.2bn at end-August 2013, up by 5.1% from end-2012 and by 5.7% from a year earlier. Lending to the private sector grew by 0.8% month-on-month in August compared to flat growth in July. Retail lending remained the main driver of loan growth as corporate lending continued to grow in single digits and loans to financial institutions maintained their downward trend. Further, the sector's aggregate deposits totaled KD34.6bn at end-August 2013, constituting a growth of 3.8% from the end of 2012. Total deposits slowed to 5.4% year-on-year in August 2013 due to slower growth in public sector deposits. The loans-to-deposits ratio stood at 81.3% at the end of August 2013, up from 80.3% at end-2012 and 81% a year earlier.

Source: *Central Bank of Kuwait, EFG Hermes*



Natural gas prices to rise by 38% in 2013

Global natural gas consumption is projected to grow by an annual average of 2.7% during the 2014-15 period, mainly due to strong growth in Chinese demand and a recovery in European consumption. China is expected to remain one of the world's main drivers of global natural gas demand with an annual average consumption growth rate of 11% over the 2013-15 period. In parallel, global natural gas production is forecast to grow by an annual average rate of 2.3% during the 2014-15 period, nearly unchanged from the average growth rate in the previous three years. Further, the U.S. natural gas Henry Hub prices are projected to reach \$4 per million British thermal units (Btu) on average in the fourth quarter of 2013, while European natural gas prices are projected to average \$11.94 per million Btu during the same quarter this year. Overall, the U.S. natural gas Henry Hub prices are anticipated to rise by 37.6% year-on-year to \$3.8 per million Btu on average in 2013. In parallel, the Dow Jones-UBS Energy Sub-Index regressed by 4.3% in September 2013, while the Petroleum Sub-Index decreased by 4.8% during the month. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index declined by 4.4% in September, the Brent Crude Sub-Index decreased by 3.2%, while that of Natural Gas regressed by 3.4% last month.

Source: *Economist Intelligence Unit, Dow Jones Indices*

Iran to import million of liters of gasoline daily

Iran is currently taking measures to import several million liters a day of gasoline to bridge the gap between domestic supply and consumption. Iran is expected to raise its domestic gasoline production by 6 to 7 million liters a day by March 20, 2014. International sanctions imposed in 2011 have restricted the country's ability to import necessary amounts of gasoline in order to meet domestic demand. In response, Iran attempted to expand its refining capacity to meet growing domestic gasoline demand. Iran's average gasoline consumption is currently at 75 million liters a day and it is growing by 9% annually. It is expected to continue to import gasoline in the medium term.

Source: *Business Monitor International*

U.S. to become world's largest energy producer in 2013

The United States is expected to become be the world's largest producer of petroleum and natural gas hydrocarbons in 2013, surpassing Russia and Saudi Arabia. Petroleum production in the U.S. increased by 7 quadrillion Btu since 2008, while the country's natural gas output rose by 3 quadrillion Btu over the same period. In comparison, Russia and Saudi Arabia raised their combined hydrocarbon output by about one quadrillion Btu over the past five years.

Source: *U.S. Energy Information Administration*

Libya's hydrocarbon exports to drop by 2% in 2013

Libya's net hydrocarbon exports are forecast to decline by 2.2% and 5.7% in real terms in 2013 and 2014, respectively. Libya's oil output reached 620,000 barrels a day (b/d) on September 20, 2013 after its major western oil fields produced 370,000 b/d. The fields had been non-functional since the end of August 2013 following an armed group's switch-off of pipeline valves that connect to the ports.

Source: *Business Monitor International*
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Base Metals: Copper prices to regress by 2014

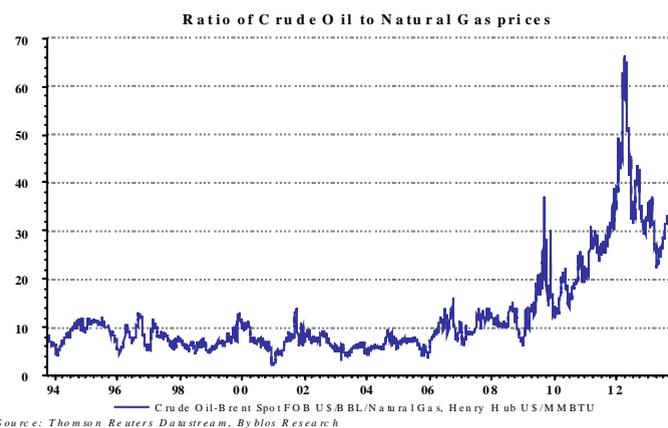
Global copper consumption is expected to remain moderate in coming quarters as the metal's main demand sectors, such as property, power generating equipment, and Air Conditioning generators, recover. Also, consumption growth in these sectors remains modest compared to previous years. In parallel, the metal's investment momentum, prior to and after the global financial crisis, is projected to lead to a strong supply growth and surpluses in the copper market during the 2013-14 period. As such, copper prices are forecast to significantly decrease to \$6,800 a metric ton on average by the end of 2014 as build-up inventories weigh on prices. Global copper inventories decreased by about 20% over 2013. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 1.6%, while the Dow Jones-UBS Aluminium Sub-Index improved by 0.9% in September 2013. The Dow Jones-UBS Copper Sub-Index rose by 2.8% in September, while the Nickel Sub-Index increased by 1% during the covered month.

Source: *Deutsche Bank, Dow Jones Indices, Byblos Research*

Precious Metals: Gold sector's contribution to global economy above \$210bn in 2012

The global gold industry contributed more than \$210bn to global output in 2012, with the world's top 15 gold-producing countries' contributing \$78.4bn last year. The six largest gold producers, namely China, Australia, the United States, Russia, Peru and South Africa extracted more than 50% of the gold mined globally in 2012. Also, the gross value-added of gold recycling to the global economy was estimated at between \$23.4bn and \$27.6bn last year. The economic contribution of recycled gold reached about \$16m per ton compared to a contribution of \$36m per ton for gold produced from mines. Global gold supply reached 4,477 tons in 2012 with about 75% coming from mining and the remaining 25% from gold recycling. Gold mining was a significant source of economic growth and wealth creation in some developing countries in 2012, with the greatest impact occurring in Papua New Guinea (15% of GDP), followed by Ghana (8% of GDP) and Tanzania (6% of GDP). In parallel, the Dow Jones-UBS Precious Metals Sub-Index decreased by 5.6% in September 2013, while the Gold Sub-Index regressed by 5% during the month. Also, the Dow Jones-UBS Silver Sub-Index decreased by 7.7%, and the Platinum Sub-Index declined by 7.7% in September 2013.

Source: *World Gold Council, Dow Jones 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	02-Oct-13	No change	07-Nov-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	01-Oct-13	Cut 25bps	05-Nov-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	26-Sep-13	No change	Dec-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	7.50	20-Sep-13	Raise 25bps	29-Oct-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	8.75	22-Sep-13	Cut 50bps	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	24-Sep-13	No change	18-Nov-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	4.25	01-Oct-13	Cut 25bps	N/A
Bulgaria	Base Interest	0.03	01-Oct-13	Raise 1bps	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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