

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Lending conditions continue to tighten in third quarter

The Emerging Markets Lending Conditions Index fell to 48.3 in the third quarter of 2013 from 49.5 in the previous quarter, constituting its lowest level since the fourth quarter of 2011. Also, the index remained below the 50 mark for the second consecutive quarter, reflecting an ongoing tightening in overall bank lending conditions. The Lending Conditions Index for Sub-Saharan Africa (SSA) was the highest globally at 53 in the third quarter, down from 53.4 in the preceding quarter. The index for the MENA region decreased to 51.5 from 52.7 in the second quarter of the year, that for Emerging Europe (EE) dropped to 49.4 from 51.6, that for Emerging Asia (EA) regressed to 44.1 from 45.7, while the index for Latin America (LA) remained unchanged at 47.6 compared to the preceding quarter. The fall in the index is mainly due to a steep decline in the Funding Conditions Index to 43.7 from 48.2 in the second quarter of the year, as international and domestic funding conditions further tightened given the continued retrenchment of capital flows to emerging markets. Further, the Trade Finance Index increased marginally to 52.3 in the third quarter of the year from 52 in the preceding quarter, as demand for trade finance continued to rise at a slow pace, while the supply for trade finance decelerated. Further, the Loans Demand Index regressed to 50.5 from 51.6 in the preceding quarter, as higher loan demand in EA was offset by lower demand in SSA, MENA, LA and EE.

Source: *Institute of International Finance*

MENA

Country risk level in Arab world increases in third quarter of 2013

Euromoney magazine's quarterly survey on global country risk shows that the risk level in the Arab world increased, as the average score of 19 Arab economies reached 42.03 points in the third quarter of 2013, compared to 42.40 points in the preceding quarter. The region's risks remain higher than the global risks level that averaged 43.08 points in the third quarter of the year. The GCC countries' average score regressed marginally to 66.73 points from 66.93 points in the preceding quarter, while the average score of non-GCC Arab countries declined to 30.63 points from 31.08 points in the second quarter of 2013. The Arab world's Political Risks level stood at 12.08 points, worse than the global average of 13.97 points in the third quarter of 2013; while the Economic Performance score was 13.76 points, slightly better than the global average of 13.58 points. Further, the region's Credit Ratings averaged 3.02 points relative to the global average of 3.18 points; while the Access to Bank Finance & Capital Markets score reached 3.75 points, well below the global average of 4.07 points. Qatar is the country with the best risk ratings in the Arab world and ranked in 18th place globally, followed by Kuwait (22nd), Oman (27th) and the UAE (28th); while the lowest-ranked countries in the region are Sudan that came in 154th place, followed by Mauritania (155th), Syria (160th) and Djibouti (178th).

Sources: *Euromoney, Byblos Research*

Gender gap continues to be the widest globally

The World Economic Forum's Global Gender Gap Index for 2013 shows that Arab countries continue to have the widest gender gap in the world, as their average score of about 0.6 points came below the averages of all other regions worldwide. The index included 14 Arab countries, with the UAE ranking in 109th place, highest in the region. It was followed by Bahrain in 112th place, Qatar (115th), Kuwait (116th), Jordan (119th), Oman (122nd), Lebanon (123rd), Algeria (124th), Egypt (125th), Saudi Arabia (127th), Morocco (129th), Mauritania (132nd), Syria (133rd) and Yemen (136th). The scores of seven Arab countries improved and those of the other seven countries regressed from the 2012 index. Also, the rankings of four countries improved and those of eight countries regressed, while the ranking of one country remained unchanged. The survey said that the highest-ranking economies of the region have invested large amounts of resources in increasing women's education levels in the last decades. But it noted that these countries had varying degrees of success at integrating women into the economy in order to reap the benefits of this investment.

Source: *World Economic Forum, Byblos Research*

Region's creditworthiness nearly unchanged

Institutional Investor magazine's semi-annual survey on global creditworthiness shows that creditworthiness in the Arab region increased marginally in the past six months as well as from a year earlier. The average rating score of 19 Arab countries reached 44.3 points in September 2013, constituting a marginal increase of 0.6% from 44.1 points posted in each of the March 2013 and September 2012 surveys. The region's average score came slightly below the global average of 44.6 points. The GCC countries' average credit score increased to 72.1 points in September from 71.5 points in March 2013, while the average score of non-GCC Arab countries was nearly unchanged at 31.5 points in September compared to 31.4 six months earlier. The rankings of 10 Arab countries improved, eight regressed and one remained unchanged; while the scores of 10 countries improved and nine declined from March 2013. Qatar remained the country with the best creditworthiness in the region and ranked in 23rd place worldwide, followed by Kuwait (25th), Saudi Arabia (26th) and the UAE (28th); while Yemen (145th), Mauritania (154th), Syria (165th) and Sudan (176th) had the highest probability of default regionally. Egypt posted the steepest decline in the region's ratings and rankings, as its score dropped by 4.2 points or 12%, and its rank fell by 17 spots from the previous survey. Yemen was the region's best performer in the past six months, as its score rose by 3.6 points, or 19.5%, from the previous survey and its rank improved by 11 spots.

Source: *Institutional Investor, Byblos Research*

OUTLOOK

MENA

Oil-importing economies to continue to struggle

The Institute of International Finance projected real GDP growth in the oil-importing Arab economies at 1.6% in 2013 and at 2.4% in 2014 relative to 0.6% in 2012 when including Syria, and at 2.6% in 2013 and at 2.9% in 2014 compared to 2.4% in 2012 when excluding Syria. It attributed the weak economic prospects of oil importers to social unrest, continued political uncertainties and heightened security concerns. It forecast the cumulative forgone economic output in Syria, Egypt, Tunisia, Lebanon and Jordan at \$143bn, or 10% of their cumulative GDP, between 2011 and 2013. It noted that Syria posted the highest cumulative output loss of \$67bn or 47% of the total during the 2011-13 period, followed by Egypt with \$50bn (35%), Tunisia with \$10bn (7%), Lebanon with \$8bn (6%), and Jordan with \$7bn (5%).

In parallel, the IIF expected the aggregate fiscal deficit of oil-importing economies to widen to 10.9% of GDP this year from 9.3% of GDP last year, due to a decrease in public revenues from a weak domestic demand, public wage increases and large subsidies. It said that the authorities have financed the widening fiscal deficit through domestic banks and partly through grants from GCC countries. It noted that the reliance on the banking sector to finance the deficit has raised the banks' concentration risk, has limited the extension of loans to the private sector and has put further upward pressure on domestic interest rates, mainly in Egypt.

The IIF indicated that adjusting the fiscal deficits in the region's oil-importing economies constitutes a challenge in the context of a tense sociopolitical environment and sluggish growth. It pointed out that authorities need to improve revenue collection through broadening the tax base, limiting tax exemptions and raising property taxes, as well as to prioritize spending away from universal subsidies towards infrastructure spending.

Source: Institute of International Finance

SYRIA

Economic activity to contract by 12% in 2013, cumulative output losses at \$67bn

The Institute of International Finance projected Syria's real GDP to contract by 12% in 2013 following contractions of 20% in 2012 and 6% in 2011. It attributed the contraction in activity to the ongoing violence and economic sanctions. It anticipated that the nominal size of the economy would drop to \$29bn in 2013 from \$33bn in 2012, \$47bn in 2011 and \$58bn in 2010 as a result of the fall in output and the sharp depreciation of the exchange rate. It projected the cumulative output loss from the conflict at \$67bn between 2011 and 2013. It noted that the ongoing conflict is degrading productive assets like land, factory capacity and capital goods. Further, it pointed out that the official exchange rate depreciated from 48 pounds against the US dollar at end-2010 to SYP130 to the dollar in September 2013, while the black market rate is around SYP170. It forecast the average official exchange rate at SYP108.8 to the dollar in 2013 relative to SYP64.7 in 2012, SYP48.2 in 2011 and SYP46.9 in 2010. The IIF pointed out that the spread between

the official and the black market rates has narrowed from 80% in July 2013 to 50% in September and 25% as of October 24th. It noted that the increase in the inflation rate has decelerated in recent weeks given the appreciation of the pound against the dollar on the black market. But it forecast the inflation rate to average 80.5% in 2013 relative to 35.6% in 2012 and 5.3% in 2011.

In parallel, the IIF projected Syria's fiscal deficit at 13% of GDP in 2013 compared to 16.3% of GDP in 2012 and 10.6% of GDP in 2011. It forecast the current account deficit at 12% of GDP in 2013 relative to 13.3% of GDP in 2012 and 14.1% of GDP in 2011. It noted that the government arranged deals with Russia, Iran and Iraq to meet its needs of petroleum products. The IIF forecast that official foreign currency reserves would decline to an estimated \$2.1bn at end-2013, equivalent to one month of import cover, from \$5.6bn at end-2012, in case the regime does not receive significant financial support from its allies.

Source: Institute of International Finance

DEM REP CONGO

Economic growth to average 8.4% in 2013-14, current account deficit at 15% of GDP

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth at 6.2% in 2013 and 10.6% in 2014 compared to a growth rate of 7.2% in 2012. In parallel, it forecast growth at 5% in 2013 and 6% in 2014 for Sub-Saharan Africa (SSA), and at 5.7% in 2013 and 6.6% in 2014 for the Common Market for Eastern & Southern Africa (COMESA), to which the DRC belongs. It forecast the country's annual average inflation rate at 4.4% in 2013, down from 2.1% a year earlier, and compared to an average inflation rate of 6.9% in SSA and 6.7% in the COMESA. It also expected the country's average inflation rate to rise to 6% in 2014 relative to 6.3% for SSA and 6.6% for COMESA. It projected the DRC's real per capita GDP to grow by 3.1% in 2013 and by 7.3% in 2014 relative to 4% in 2012. It forecast net FDI at 12% of GDP in 2013 and 14.9% of GDP in 2014 up from 11.5% of GDP in 2012. It added that claims on the non-financial private sector grew by 16.7% and by 25% in 2011 and 2012, respectively, relative to 23.6% and 22.6% for COMESA.

In parallel, the Fund projected the government's fiscal balance to post a deficit of 10.3% of GDP in 2013 and 8.8% of GDP in 2014, when excluding grants, relative to 8.3% of GDP in 2012; while it estimated deficits of 2.8% of GDP in 2013 and 3.4% of GDP in 2014, when including grants, relative to 0.1% of GDP in 2012. It projected public revenues, excluding grants, at 23.5% of GDP in 2013 and 24.3% of GDP in 2014 and total expenditures at 33.9% of GDP in 2013 and 33.1% of GDP in 2014. The IMF projected the country's external debt to official creditors at 20.8% of GDP in 2013 and 21% of GDP in 2014, up from 19.9% of GDP in 2012. Further, it expected the current account to post deficits of 12.9% of GDP in 2013 and 17% of GDP in 2014, compared to a deficit of 9.6% of GDP in 2012. The Fund estimated the country's gross official reserves at 1.8 months of imports of goods & services at end-2012 relative to 1.4 months of import cover at end-2011.

Source: International Monetary Fund



ECONOMY & TRADE

TUNISIA

Ratings downgraded on rising political uncertainties, outlook 'negative'

Fitch Ratings downgraded Tunisia's long-term foreign currency Issuer Default Rating (IDR) to 'BB-' from 'BB+' and its long-term local currency IDR to 'BB' from 'BBB-'. Also, it lowered the Country Ceiling to 'BB' from 'BBB-', while it affirmed the short-term rating at 'B'. It noted that the long-term IDRs have a 'negative' outlook. The agency attributed the downgrade to further delays in the political transition, uncertainty over the ultimate success of the political process, and the postponement of the presidential and parliamentary elections that were scheduled in 2013. It noted that the elections are not likely to take place before the second half of 2014. In parallel, the agency said that delays in the political transition are damaging the country's economic prospects for 2013 and 2014. It noted that the net external public debt level is rising, foreign currency reserves are under pressure and the dinar has started to depreciate. It said that the public finances are exposed to balance-of-payment shocks given that around 60% of the public debt stock is denominated in foreign currency. It noted that the authorities' budget and external financing flexibility has narrowed, as the official lending that has been the main source of financing since 2011 will gradually recede. Further, it said that the Tunisian banking sector is weak, with high exposure to impaired loans, and will require recapitalization in coming years. In parallel, Fitch indicated that it would downgrade the ratings in the event of an intensification in the political crisis, a failure to significantly reduce the budget and current account deficits and/or heightened uncertainty over deficit financing options

Source: Fitch Ratings

IRAQ

Construction sector to grow by 8% annually, barriers to its development persist

Business Monitor International projected the Iraqi construction sector to grow by 8.1% annually in real terms between 2013 and 2017, significantly lower than the annual average real growth rate of 22.4% during the 2008-12 period. It expected the construction sector to grow by 10.3% in real terms this year and by another 8.5% next year, compared to a growth rate of 20.3% last year. It attributed the slower growth rates to the fading effect of favorable statistical base and to the poor business environment. It noted that project delays, false starts, political divisions and deteriorating security condition continue to weigh on the construction sector. It added that project delays reflect the lack of institutional capacity, the absence of coordination between federal and provincial authorities, and widespread corruption. In parallel, BMI considered that uncertainty over the future of Iraq's oil resources constitute a challenge to the construction sector's outlook. It noted that the risk of a higher share of oil revenues going directly to the Kurdish regional government would negatively affect Baghdad's budget, mainly the large proportion directed towards infrastructure. Further, it said that several international oil companies operating in Iraq are planning for large infrastructure projects. But it noted that the current legal framework will keep investment in the sector subdued.

Source: Business Monitor International

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Turkey's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'F3' and the Country Ceiling at 'BBB'. It also affirmed the country's senior, unsecured foreign and local currency bonds at 'BBB-' and 'BBB', respectively. It said that the ratings are supported by the country's favorable medium-term growth prospects. It said that the sovereign creditworthiness has remained resilient to recent shocks, despite the economy's heavy reliance on net capital inflows instead of domestic savings that are low. It noted that such dependence leaves the economy vulnerable to shifts in global investor sentiment. But it considered that the country's strong fundamentals such as a strengthening sovereign debt profile, a robust banking system, a relatively deep domestic capital market and a dynamic private sector, would enhance Turkey's ability to weather a short period of financial uncertainty without weakening its sovereign creditworthiness. Further, the agency considered that the sharp slowdown in net capital inflows since May 2013 has led to a sharp depreciation of the exchange rate, a loss of foreign currency reserves and a re-pricing of Turkish risk. But it noted that these adverse developments remain within the range of Turkey's current sovereign rating. However, it pointed out that Turkey's non-bank private sector remains the most exposed to a change in interest rates and expected higher debt service costs to weigh on private investment and overall economic activity.

Source: Fitch Ratings

ARMENIA

Current account deficit to remain in single digit over the medium term

Business Monitor International projected Armenia's current account deficit at 9% of GDP in 2013 and to further narrow to 7.5% of GDP in 2014 and 6.4% of GDP in 2015, driven mainly by a rise in exports, a decrease in imports and a substantial improvement in remittance inflows. It expected Armenian exports to continue to perform well in the coming two years, mainly due to the government's decision to enter the Russia-Belarus-Kazakhstan customs union rather than to pursue a deeper integration with the European Union. It anticipated that Armenia's accession to the customs union would increase trade flows between Russia and Armenia in the coming years, and would mainly benefit mineral producers in Armenia as they would be able to export to Russia with no trade tariffs. In parallel, it pointed out that the foreign currency reserves are currently more than adequate to cover the current account deficit and to insulate the country from external shocks. It said that the sale of \$700m in Eurobonds in September 2013 increased the reserves from \$1.7bn in August to \$2.4bn, equivalent to 7.1 months of import cover in September. However, BMI cautioned that a substantial fall in gold exports would push the current account deficit back towards double digits, while a more-than-anticipated slowdown in Russia's economic growth would lead to a decrease in Armenian exports and a decline in employee compensation flows from Russia back to Armenia.

Source: Business Monitor International



BANKING

EMERGING MARKETS

Changing operating environment to affect banks in largest markets

Standard & Poor's anticipated that asset quality deterioration, a shortage of capital, and slowing credit growth would weaken the credit quality of banks in each of Brazil, Russia, India, China, Mexico and Turkey (BRICMT), due mainly to a slowdown in economic activity and to rising household debt. It noted that the deterioration in asset quality reflects specific factors to each country. It said that rising domestic economic imbalances due to a recently accelerating credit expansion by state-owned banks are affecting Brazilian banks' asset quality, while the rapid increase of high-risk unsecured lending is affecting the asset quality of Russian banks. It noted that the highly leveraged corporate sector is adversely impacting the asset quality of banks in India, while the subdued export growth, highly indebted local governments, and oversupply in the manufacturing sector are affecting the quality of Chinese banks' assets. It considered that problems in the construction sector and deteriorating consumer lending are affecting the asset quality of banks in Mexico, while the rapid credit card debt and consumer lending are affecting that of banks in Turkey. But S&P indicated that credit growth in BRICMT market will remain higher than the global average over the next two years. It forecast BRICMT banks' loan portfolios to grow on average by 15% during the covered period. However, it noted that BRICMT banks will require additional capital to support the still high lending growth, mainly with the expected implementation of new Basel III rules. It noted that banks in each of Russia, Brazil, India, and China will require more capital than those in Mexico and Turkey, given the formers' moderate capitalization. Also, it anticipated that banks operating in Turkey would be the most affected among BRICMT banks by the U.S. Federal Reserve reversal of its loose monetary policy.

Source: *Standard & Poor's*

EGYPT

Banks' exposure to government debt up 18.6% year-on-year in July 2013

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,590.5bn at the end of July 2013, constituting an increase of 10.4% from end-2012 and a rise of 16.5% from end-July 2012. The private sector's aggregate lending reached EGP510.1bn and rose by 6.8% from end-2012 and by 8.9% year-on-year. Banks' exposure to government securities totaled EGP592.9bn and rose by 7.7% from end-2012 and by 18.6% from a year earlier. Banks' exposure in local currency stood at EGP534.9bn and increased by 6.5% from end-2012 and by 15.5% year-on-year; while their exposure in foreign currency reached EGP58bn and grew by 21% from end-2012 and by 57.7% from a year earlier. Further, total deposits reached EGP1,210.7bn, constituting an increase of 11% from end-2012 and of 17.6% from a year earlier, with private sector deposits totaling EGP1,074bn at end-July 2013 and rising by 10.7% from end-2012 and by 17.7% year-on-year. Private sector deposits in foreign currency rose by 21.1% year-on-year to the equivalent of EGP230.2bn at the end of July 2013; while private sector deposits in local currency rose by

16.8% from end-July 2012 to EGP843.6bn. The dollarization rate of private sector deposits reached 21.4% at the end of July 2013 relative to 20.8% a year earlier. The private sector loans-to-deposits ratio was 47.5% at end-July 2013 relative to 51.3% a year earlier.

Source: *Central Bank of Egypt, Byblos Research*

QATAR

Private sector lending up 20% year-on-year in September

Figures issued by the Central Bank of Qatar show that total assets reached QAR883.8bn at the end of September 2013, constituting an increase of 7.7% from the end of 2012 and a rise of 11.9% from end-September 2012. Loans totaled QAR556bn and were flat month-on-month as the 0.6% increase in private sector lending was offset by a 0.6% decrease in public sector lending. Also, total loans grew by 9% from the end of 2012 and by 15.2% year-on-year in September 2013, driven by a 20% annual increase in private sector credit and a 10.3% rise in public sector lending. In parallel, aggregate deposits totaled QAR526bn at end-September 2013, constituting an increase of 3.2% from QAR509.5bn in the preceding month. They grew by 22% year-on-year and by 14.8% from the end of 2012, supported by rising public sector deposits. The loans-to-deposits ratio decreased to 105.7% at end-September 2013 from 111.3% at end-2012 and 112% a year earlier.

Source: *Central Bank of Qatar, EFG Hermes*

IRAN

Banking sector to continue facing challenges in coming quarters

Business Monitor International anticipated that the crisis in Iran's banking sector would continue in 2014 despite marginal improvements in the coming quarters. It noted that banks operating in Iran are not well-positioned to deal with an extended period of uncertainty and that they cannot raise capital from international bond markets due to Western-imposed sanctions. Further, it forecast client deposits to contract by 1% in real terms in the fiscal year ending in March 2014 and to grow by 2% in the fiscal year ending in March 2015. It attributed the improvement in banks' deposits to a modest decline in inflationary pressure during the covered period that would make Iranians more willing to deposit their money in banks rather than invest them in the real estate sector or other hard assets. In parallel, it expected economic activity to improve in the coming two years with real GDP growing by 2.4% in 2014 and by 3.6% in 2015 compared to a contraction of 1.6% in 2013. But it noted that the improvement in the microeconomic environment and the increase in consumers and investors' willingness to borrow would be partly reflected in loan activity, as banks would remain reluctant to lend due to the high NPL ratio of between 15% and 25%. As such, it forecast client loans to contract by 9% in FY2013/14 and by 1% in FY2014/15. Further, it said that a large number of Iranian banks are reportedly on the verge of defaulting, but are being supported by capital injections by the Central Bank of Iran (CBI). It considered that banks' defaults would weigh heavily on the CBI's balance sheet.

Source: *Business Monitor International*



ENERGY / COMMODITIES

LNG demand to grow by 3% in 2014

Global liquefied natural gas (LNG) consumption is expected to rise by 3.4% in 2014, up from an estimated growth rate of 0.3% in 2013, as additional LNG supply, particularly from Australia, begins to come on stream. Asia is projected to continue to dominate the global LNG import market in coming years, with South Korea and China posting strong growth. In addition, South-east Asia and Latin America are anticipated to emerge as growing LNG consumer markets, with several countries currently developing their import terminals. Japan's LNG consumption is forecast to reach 115.2 billion cubic meters (bcm) in 2013, equivalent to 35% of global demand. It would be followed by South Korea with 54.7 bcm (16.6%) and China with 23.4 bcm (7.1%). LNG prices remained low so far this year as Japanese demand remains weak. In parallel, Japanese LNG prices are forecast to average \$15.6 per million British thermal unit in the fourth quarter of 2013, up 2.4% from the same period last year. Overall, LNG spot prices are expected to decline by 3% to \$16 per million Btu on average in 2013.

Source: *Economist Intelligence Unit, Byblos Research*

Libya's oil exports at less than 10% of capacity

Libya's oil exports decreased to about 7.2% of the country's normal capacity, or to about 90,000 b/d on average in October, as protests continued to obstruct operations at Western ports and oilfields. Crude oil production averaged between 600,000 b/d and 700,000 b/d as at the end of October, down significantly from 1.48 million b/d in 2012 and compared to the pre-war level of 1.79 million b/d. Libya estimated the economic losses from the ongoing partial shutdown at about \$130m per day. Also, Libya's oil production is forecast to average 878,000 b/d this year as unplanned disruptions are set to continue.

Source: *Thomson Reuters, Business Monitor International, Byblos Research*

Iraqi oil exports at 19-month low in September

Iraq's crude oil exports reached 62.1 million barrels, or 2.07 million b/d on average in September 2013, constituting the lowest daily level since February 2012. The decline is mainly attributed to periodic maintenance and improvement projects at the country's southern ports. Also, proceeds from oil exports reached \$6.5bn in September, constituting a decrease of about 21.6% from \$8.3bn in the previous month. The government has set an oil production target of nine million b/d by 2017.

Source: *Agence France Presse, Byblos Research*

Jordan to suffer major rise in energy bill in 2013

Jordan indicated that the ongoing disruptions in Egyptian gas supply would cost the country an additional \$2bn in 2013. The significant decline in supply to Jordan is mainly attributed to technical delays in pipeline repairs and to a rise in Egypt's domestic energy demand. Egyptian gas supplies to Jordan averaged about 50 million cubic feet per day for most of 2013, down from the 240 million cubic feet per day stipulated in a joint agreement between the two countries. Jordan currently imports about 97% of its energy needs at an estimated cost of 20% of GDP. In parallel, Jordan indicated that it selected Russian state-owned company Rosatom to build the Kingdom's first two nuclear reactors by 2022. The project is expected to reduce Jordan's electricity production costs by over 70%.

Source: *The Jordan Times*

COUNTRY RISK WEEKLY BULLETIN

Base Metals: Copper prices to maintain on a downward trend in coming years

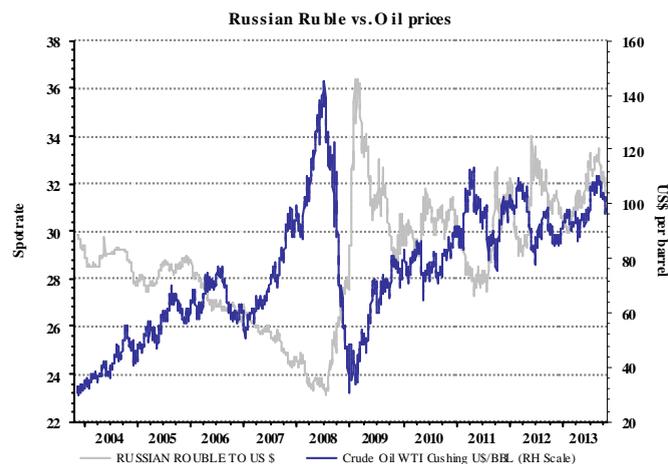
Copper prices are expected to trade within a range of \$7,100 per ton and \$7,300 per ton during the fourth quarter of 2013. But, downside risks, such as a sustained growth in mine and refined metal production would increase the market surplus and place downward pressures on prices. The copper market is projected to remain relatively weak in 2014 as Chinese demand weakens and the US dollar strengthens. As such, copper prices are forecast to average \$6,800 a ton in 2014. China is expected to consume about 50% of the world's copper supply in coming years, while global copper consumption growth is projected to moderate. In parallel, global copper supply is forecast to grow by an annual average rate of 3.3% during the 2013-14 period. The three largest copper producers, Chile, China, and Peru would likely remain the main drivers of output growth in coming years. Also, Zambia and the Democratic Republic of the Congo are expected to record some of the fastest growth rates as the copperbelt region in Central Africa becomes a key player in mining.

Source: *Business Monitor International, Byblos Research*

Precious Metals: Gold prices to remain weak in 2014 and 2015

Global gold supply is forecast to contract by 2.3% in 2013 due to a significant drop in gold-scrap sales as a result of lower gold prices. Gold mine production is expected to grow by 2.1% in 2013, mainly due to significant decreases in output from traditional producers such as Indonesia and South Africa. But strong supply growth in new and expanded mines in non-traditional producer countries, such as the Dominican Republic, would likely support supply this year. In parallel, global gold consumption is forecast to contract by 6.9% in 2013. But, demand would likely increase during the fourth quarter of the year as uncertainties over the U.S. fiscal policy and its public debt rise. The global gold market is expected to post a large surplus of 220 tons in 2013 relative to a surplus of 46 tons in 2012. Gold prices are projected to average \$1,325 a troy ounce in the fourth quarter of 2013, constituting a decrease of 23.1% from an average of \$1,722 a troy ounce in the same quarter last year. Overall, gold prices are expected to drop by 14.6% year-on-year to \$1,424 a troy ounce on average in 2013. Gold prices are forecast to further weaken during the 2014-15 period mainly due to a stronger global economic recovery.

Source: *Economist Intelligence Unit, Byblos Research*



October 31, 2013

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	-	Stable	-	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	Stable	Stable								
Iran	-	-	-	B	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	-	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	10-Oct-13	No change	07-Nov-13
Japan	O/N Call Rate	0-0.10	04-Oct-13	No change	31-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	23-Oct-13	No change	04-Dec-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	19-Dec-13
South Korea	Base Rate	2.50	10-Oct-13	No change	14-Nov-13
Malaysia	O/N Policy Rate	3.00	05-Sep-13	No change	07-Nov-13
Thailand	1D Repo	2.50	16-Oct-13	No change	27-Nov-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	23-Oct-13	No change	19-Nov-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	9.50	09-Oct-13	Raise 50bps	27-Nov-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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