

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Ease of doing business varies among Arab countries

The World Bank/International Finance Corporation's Ease of Doing Business survey for 2014 indicated that nine out of 21 Arab economies implemented a total of 21 business reforms that make it easier to do business in the region. The UAE, Morocco and Djibouti implemented three reforms each, followed by Bahrain, Qatar, Kuwait, the West Bank & Gaza, the Comoro Islands and Mauritania with one reform each. The World Bank covered the reforms that were implemented between June 2012 and June 2013. The survey noted that the region's most popular area for reform was 'starting a business' with four reforms. In parallel, the UAE was the top ranked Arab economy, coming in 23rd place worldwide in the ease of doing business. It was followed by Saudi Arabia in 26th place, Bahrain (46th), Oman (47th) and Qatar (48th) as the top ranked Arab countries and the only ones to rank among the top 50 countries worldwide. The lowest ranked Arab economies were Algeria (153rd), Comoros (158th), Djibouti (160th), Syria (165th), Mauritania (173rd) and Libya (187th). The rankings of eight countries in the region improved, 12 declined and one remained unchanged year-on-year. The UAE's rank rose by 12 spots, constituting the highest improvement regionally, while Syria's rank regressed by 18 spots, posting the steepest decline in the region year-on-year.

Source: World Bank, International Finance Corporation, Byblos Research

Vast disparities in region's prosperity levels

The Legatum Institute's Prosperity Index for 2013 indicated that one Arab country has a high level of prosperity, eight states have an average prosperity level, and six countries have a weak level of prosperity. The UAE is the highest ranked Arab country and came in 28th place globally among 142 countries. It was followed by Kuwait (33rd), Saudi Arabia (50th), Morocco (82nd) and Jordan (88th) as the most prosperous Arab countries; while Sudan (128th), Iraq (130th) and Yemen (136th) were the least prosperous ones. The index uses a holistic definition of prosperity to include both material wealth and quality of life. The rankings of nine Arab countries regressed year-on-year with Lebanon and Tunisia posting the steepest decline of 13 spots each, followed by Jordan (-11 spots), Morocco and Tunisia (-9 spots each), Mauritania and Sudan (-3 each), and Egypt and Yemen (-2 each). Also, the rankings of six countries improved with Kuwait posting the largest improvement in rank (5 spots), followed by Saudi Arabia (2 spots) and Djibouti, Iraq, the UAE and Algeria (one spot each). The UAE ranked first on the Entrepreneurship & Opportunity, Governance, Education, Health and Safety & Security sub-indices; Kuwait ranked first on the Economy and Personal Freedom sub-indices; and Saudi Arabia came first on the Social Capital sub-index.

Source: Legatum Institute, Byblos Research

Equity markets up 15% in first 10 months of 2013

Arab stock markets increased by 15.4% and GCC markets rose by 18.9% in the first 10 months of 2013 compared to increases of 4.3% and 3.9%, respectively, in the same period last year. Arab stock markets and GCC markets rose by 15.3% and 19.5%, respectively in October 2013 from the same month last year. Activity on the Dubai financial market increased by 80.1% in the first 10 months of 2013 and posted the best performance among Arab markets during the period. It was followed by the Damascus financial market with a 61.9% improvement, the Abu Dhabi exchange with a 46.2% increase, the Kuwait bourse with a 33.7% rise, the Saudi Arabia equity market with an 18.3% advance, the Qatar financial market with a 17.7% growth, the Oman stock exchange with a 15.9% expansion, the Egyptian market with a 13.2% increase, the Bahrain bourse with a 12.8% rise and the Amman stock market with a 0.6% appreciation, while the Palestine equity market and the Casablanca bourse improved by a marginal 0.3% each. In parallel, activity on the Beirut stock exchange dropped by 15.4% in the first 10 months of 2013 and posted the weakest performance among Arab stock markets in the covered period. It was followed by the Libyan stock market with a decrease of 13.5%, the Iraqi bourse with a 7.7% drop, the Khartoum equity market with a 3.9% decline and the Tunis bourse with a 2% contraction. In comparison, global equities increased by 17.3% and emerging market equities declined by a marginal 0.5% in the first 10 months of the year; while global equity markets increased by 21.3% year-on-year in October, and emerging market equities rose by 5.3% over the covered month.

Source: Local stock markets, Dow Jones Indices, Byblos Research

GCC countries have least expensive mobile broadband in Arab world

Figures released by the International Telecommunication Union (ITU) show that the cost of mobile broadband services in the Arab world was equivalent to 1.9% of its gross national income (GNI) per capita in 2012. Qatar had the least expensive mobile-broadband services in the region at 0.4% of its GNI per capita, followed by Kuwait with 0.7% of GNI per capita, Bahrain (0.8% of GNI per capita), the UAE (1% of GNI per capita) and Saudi Arabia (1.5% of GNI per capita). The cost of mobile-broadband services covers prepaid and postpaid handset-based services as well as pre-paid and post-paid computer-based services. The cost of prepaid handset-based mobile-broadband for 500 MB in the region was equivalent to 1.8% of its GNI per capita, while the cost of postpaid computer-based mobile-broadband for one GB absorbed 1.9% of the region's GNI per capita. In parallel, the cost of fixed broadband services in the Arab region absorbed 6.9% of the region's GNI per capita in 2012 compared to a global average of 22.1% of GNI per capita and to developing economies' average of 31% of their GNI per capita. Kuwait had the cheapest service among Arab economies at 0.4% of GNI per capita. It was followed by Qatar with 0.8% of GNI per capita, the UAE (1.2% of GNI per capita), Oman (1.6% of GNI per capita) and Bahrain (2% of GNI per capita).

Source: International Telecommunication Union

POLITICAL RISK OVERVIEW - October 2013

EGYPT

The country's political transition moved forward as the 50-member constitutional committee began its final weeks of negotiations in drafting a constitution on October 22nd. The process continued with the exclusion of most Islamist political forces, while almost daily pro-Muslim Brotherhood (MB) rallies caused heavy casualties. Security forces arrested more than 400 MB-supporters across Egypt. Leaked audio files from an interview with Defense Minister General Abdel Fattah al-Sissi revealed that he may run for president. The MB indicated that it will continue to demand President Mohammed Morsi's reinstatement. The U.S. suspended deliveries of major military hardware and cash assistance to the Egyptian army in response to their crackdown on the MB. Also, it indicated that "credible progress" is needed towards fair elections and continued economic assistance.

IRAN

Iran discussed its nuclear program with the UN Security Council in Geneva. A U.S. negotiator referred to the meetings as the "first true negotiations" on the Iranian nuclear program. The International Atomic Energy Agency (IAEA) and Iranian representatives met to discuss the IAEA's investigation into the "possible military dimensions" of the Iranian nuclear program. The U.S. indicated that it is weighing a proposal to ease sanctions on Tehran by offering it access to billions of dollars in frozen funds, contingent that the Iranian government takes specific steps to limit its nuclear program. A group of 230 parliamentarians out of 290 signed a statement supportive of President Hassan Rouhani for presenting the image of a "powerful and peace-seeking Iran that seeks talks and interaction for the settlement of regional and international issues". The U.S. indicated that Iran could join the Geneva II peace conference on Syria if it publicly backs the Geneva I communiqué that called for a transitional government.

IRAQ

Iraq announced that parliamentary elections would be held on April 30, 2014, though lawmakers are currently approving rules governing the election. Prime Minister Nouri al-Maliki visited the U.S. and discussed the need for arms to fight an upsurge in sectarian violence and terrorism. Countrywide sectarian violence in October 2013 caused at least 980 deaths and over 1,600 injuries, constituting the deadliest month since April 2008.

DEM REP CONGO

Heavy fighting between government forces and M23 rebels in the east of the country resumed on October 25 after peace talks were suspended. The DRC government forces and the UN-backed intervention brigade took control of M23 strongholds such as the Kiwanja and Rutshuru territories. The UN special envoy for the Great Lakes region of Central Africa told the UN Security Council that Congolese and M23 negotiators reached an agreement on eight out of 12 articles in a draft peace agreement, including the release of political prisoners.

LIBYA

A group of gunmen kidnapped Prime Minister Ali Zeidan on October 10 for several hours, in an alleged retaliation for the PM's implied approval of a U.S.-led capture of former al-Qaeda operative Abu Anas al-Libi in early October. PM Zeidan blamed his political opponents for the abduction and claimed that they had been trying to take over the government. The security situation remained weak in Benghazi.

SOUTH SUDAN

South Sudan labeled the Jonglei-based rebel leader David Yau Yau a terrorist and requested the international community to charge him for war crimes. About 80 people were reportedly killed in a rebel-held attack in the Jonglei state. The government continued to encourage the return of the displaced ethnic group Ngok Dinka to the Abyei area. The Ngok Dinka people casted their votes in a unilateral and symbolic referendum organized by the community and voted to join South Sudan.

SUDAN

Protests against the government continued during the month despite the use of tear gas to disperse demonstrators. Sudanese authorities arrested seven university professors as part of an extended crackdown on opposition activists after the rise in fuel prices. The former adviser to president Omar al-Bashir and the ruling National Congress Party (NCP) and ex-majority leader in Parliament Ghazi Salah Al-Deen Al-Attabani declared his intention to leave the party and form a new one that would "bring new hope to Sudan". President al-Bashir met with South Sudanese President Salva Kiir in Juba to discuss bilateral issues. The African Union High-Level Implementation Panel's mandate was extended until December 2014. The African Union Peace and Security Council condemned the Sudanese government for preventing the Council's planned visit to the Abyei region. The U.S. extended for another year the economic sanctions it imposed on Sudan since 1997.

SYRIA

The Organization for the Prohibition of Chemical Weapons began destruction of Syria's chemical weapons (CW) arsenal on October 6th. Syria indicated that it destroyed all of its declared CW production/mixing facilities by the set deadline. The U.S. Secretary of State John Kerry and Russian Foreign Minister Sergey Lavrov agreed to put pressure on the UN to set a date for the Geneva II peace conference in November. The Arab League (AL) chief Nabil el-Araby said that peace talks will begin on November 23rd, but the UN/AL Special Envoy Lakhdar Brahimi said that talks are unlikely in the absence of a "credible" opposition. The "Friends of Syria" group urged the Syrian National Coalition (SNC) to participate in the Geneva II conference, while it called for a transitional government. The SNC said that it will not negotiate before the fall of the Assad regime and it will not attend the Geneva II peace conference.

TUNISIA

The National Dialogue (ND) began on October 25 based on a new political roadmap, following months of negotiations. The roadmap stipulates that the government needs to step down within three weeks from the start of the ND session, while the Constituent Assembly would finish drafting the constitution within four weeks. It also indicated that a new technocratic caretaker government would govern until the elections take place.

YEMEN

Political tensions within the National Dialogue grew more severe as Huthi and part of the Hiraak delegation boycotted the opening plenary session. Divisions continued within the Hiraak delegation over an acceptable compromise, while tensions between the head of the delegation and President Abd Rabbuh Mansur Hadi increased. State Minister Hassan Sharafuddin announced his resignation, stating that the national consensus government was not able to meet the demand of the people.

Source: International Crisis Group



OUTLOOK

IRAN

Real GDP to grow by 0.4%, inflation to average 57.5% in current fiscal year

The Institute of International Finance projected Iran's real GDP to grow by 0.4% in fiscal year 2013/14 that ends in March 2014 relative to an estimated contraction of 5.4% in FY2012/13. It forecast hydrocarbon output to drop by 3% in FY2013/14 relative to a contraction of 28.3% in the preceding fiscal year, and for the non-hydrocarbon sector to expand by 1.3% in the current fiscal year compared to a contraction of 0.8% in FY2012/13. It attributed the projected shift to positive growth this year to the potential improvement in Iran's political outlook. It considered that lifting or easing the international sanctions on Iran has become critical to the country's economic recovery and to contain the permanent damage to the country's productive capacity. It forecast the inflation rate to average 57.5% in FY2013/14 compared to an estimated average rate of 60.3% in FY2012/13.

In parallel, the IIF indicated that the Iranian authorities continue to face problems in repatriating their oil revenues, as international banks have refused to transfer funds in US dollars to the country. It estimated that about \$1.5bn per month in crude oil revenues are accumulating in restricted foreign accounts since the imposition of new sanctions in February 2013. It estimated Iran's oil exports at 1.3 million barrels per day (b/d) in 2013, down from 1.4 million b/d in FY2011/12. It projected the government's fiscal deficit at 4.5% of GDP in FY2013/14, almost unchanged from the previous fiscal year. It noted that hydrocarbon revenues, which accounted for about 50% of total revenues in years prior to the sanctions, have been cut in half. It estimated Iran's budget breakeven oil price at \$145 p/b in 2013, the highest such level among oil exporters globally. Also, it forecast the current account balance to shift to a deficit of 0.5% of GDP in FY2013/14 from a surplus of 2.4% of GDP in FY2012/13. It anticipated that the contraction in economic output and the deterioration in external and fiscal imbalances would lead to a fall in gross official reserves to \$60bn in the current fiscal year from \$77bn in FY2012/13 and \$96bn in FY2011/12. But it noted that the reserves would still cover 7.5 months of imports in FY2013/14 compared to 9.9 months in the previous fiscal year.
Source: Institute of International Finance

EGYPT

Long-term outlook remains uncertain

The Institute of International Finance projected Egypt's real GDP growth at 2.7% in the fiscal year ending in March 2014 compared to an estimated growth rate of 2.1% in FY2012/13. It said that "enforced stability" has improved business sentiment, while increased government spending would help sustain a modest gain in economic activity. The IIF indicated that Egypt's economic outlook through the transition period does not suggest a fundamental improvement in underlying conditions. On the positive side, it noted that the slow growth of domestic demand would keep imports from rising and, in turn, would help reduce the current account deficit from 3.9% of GDP in FY2011/12 to 2.1% of GDP in FY2012/13 and 2.4% of GDP in FY2013/14. It added that grants would slightly reduce the fiscal deficit, while subdued growth in global commodity prices would positively

affect the inflation rate and the cost of subsidies. But it noted that the impact of commodity prices on the fiscal deficit is superficial and temporary. It projected the fiscal deficit to narrow to 12.5% of GDP in the current year from 13.6% of GDP in the previous fiscal year. But it forecast the public debt level to rise from 97.7% of GDP in FY2012/13 to 104.8% of GDP in FY2013/14. On the negative side, it anticipated that the unemployment and inflation rates and the poverty level would remain high, and would lead to popular frustration and discontent in the absence of a clear and credible strategy to address them.

In parallel, the IIF said that Egypt's outlook beyond the transition period remains uncertain. It noted that the country's outlook would deteriorate if the 2014 elections fail to produce a broadly representative government with the required mandate and legitimacy to undertake much-needed reforms. It pointed out that the urgent need to address the economy's structural rigidities requires a more open, market-oriented policy framework that would promote entrepreneurship, investment and growth. It considered that fundamental reforms would be critical and should include the restructuring of the public sector, reforming the business environment, improving transparency and governance in public institutions, and addressing the subsidy system.

Source: Institute of International Finance

ANGOLA

Non-oil GDP growth to average 7.5% in 2013-14

The International Monetary Fund projected economic growth in Angola at 5.6% in 2013 and 6.3% in 2014 relative to a growth rate of 5.2% in 2012 and compared to growth in Sub-Saharan Africa's oil-exporting countries of 6.1% in 2013 and 7.7% in 2014. It expected the country's real non-oil GDP to grow by 7.1% in 2013 and 7.9% in 2014, up from 5.6% in 2012, and compared to non-oil GDP growth of 7.1% in 2013 and 7.2% in 2014 in oil exporting countries. The Fund forecast Angola's annual average inflation rate at 9.2% in 2013 and 8.6% in 2014, compared to 10.3% in 2012 and to inflation rates of 8.1% and 7.2% in 2013 and 2014, respectively, for SSA's oil-exporting economies. It estimated total investment at 13.8% of GDP in 2013 and 14.5% of GDP in 2014, down from 15.1% of GDP in 2012. It also expected the growth of broad money at 23.1% this year and 19.6% next year, compared to 7.8% last year. It added that claims on the non-financial private sector grew by 30.4% and 22.4% in 2011 and 2012, respectively.

The Fund projected the central government's fiscal surplus to narrow from 4.5% of GDP in 2012 to 1.2% of GDP in 2013 and to shift to a deficit of 0.8% of GDP in 2014, compared to a deficit in oil-exporting peers of 1% of GDP in both 2013 and 2014. It estimated public revenues at 41.1% of GDP this year and 39.8% of GDP in 2014, and total expenditures at 40% of GDP in 2013 and 40.6% of GDP in 2014. Further, it expected the current account to post surpluses of 7.1% of GDP in 2013 and 4.6% of GDP in 2014, down from a surplus of 9.2% of GDP in 2012. In comparison, it forecast oil-exporting countries in SSA to post current account surpluses of 2.9% of GDP this year and 3% of GDP next year. The Fund estimated Angola's gross official reserves at 7.7 months of imports at the end of 2012.

Source: International Monetary Fund



ECONOMY & TRADE

JORDAN

Sovereign ratings affirmed, outlook 'negative'

Standard & Poor's affirmed Jordan's long-term foreign and local currency sovereign credit ratings at 'BB-' and kept the 'negative' outlook on the ratings. It also affirmed the short-term sovereign credit ratings at 'B'. It attributed its decision to the stabilization of the country's fiscal and external balances due to a series of measures as well as to donor and external support. It added that the ratings are constrained by the vulnerability of the economy to regional economic and political shocks and by limited economic policy flexibility. It noted that the government has implemented a series of measures to manage the impact of external shocks since 2011, but added that the economy remains vulnerable to external developments. It indicated that these actions consist of a series of fiscal measures to increase revenues and lower subsidies, reforms in the energy sector, a Stand-By Agreement with the International Monetary Fund of more than 8% of 2013 GDP, an investment program with GCC economies equivalent to 15% of 2013 GDP, and an effective management of foreign currency reserves. But it considered that the measures will not reverse the deterioration in the external and fiscal balances. It expected external vulnerabilities to remain, as the risk of losing donor support persists and the country's terms of trade remain unfavorable. It forecast the net public debt to rise to 50% of GDP in 2014 from 44% of GDP in 2011 due to lower foreign grants. It estimated the country's gross financing needs to be equivalent to 104% and 102% of current account receipts plus usable reserves in 2013 and 2014, respectively.

Source: Standard & Poor's

BAHRAIN

Ratings lowered on weakening public finances, outlook 'stable'

Capital Intelligence lowered Bahrain's long-term foreign and local currency ratings to 'BBB' from 'BBB+', and revised the outlook to 'stable' from 'negative'. It affirmed the short-term foreign and local currency ratings at 'A2'. It attributed the downgrade mainly to the continued expansion in public spending and the consequent increase in public debt. It expected public finances and the government's capacity to absorb shocks to continue to weaken in the absence of serious fiscal reforms. It noted that the lack of fiscal corrective measures would place the government's budget deficit and debt metrics on an unsustainable trajectory, and would make the budget more vulnerable to a reduction in global oil prices. It said that the ratings are constrained by several factors, such as domestic and geopolitical risks, the lack of diversification of government revenue sources, and the country's more limited shock-absorption capacity compared to other Gulf sovereigns. In parallel, the agency indicated that Bahrain's investment-grade ratings remain supported by several factors, including an adequate external position, and the likelihood of support in times of distress from other members of the Gulf Cooperation Council, mainly from Saudi Arabia. It considered that the country's medium-term growth prospects and fiscal adjustment largely depend on the complete restoration of political stability, the implementation of adequate fiscal reforms and improved macroeconomic management.

Source: Capital Intelligence

ARMENIA

Moderate level of human capital development

The World Economic Forum's first Human Capital Index ranked Armenia in 73rd place among 122 countries included in the index and in fifth place among eight members of the Commonwealth of Independent States (CIS). The index measures 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. Globally, Armenia ranked ahead of Lebanon and Peru and came behind Colombia and Albania; while it ranked ahead of Georgia, Moldova and the Kyrgyz Republic in the CIS region. Armenia ranked in 60th place on the Education Pillar, which covers the access to education, the quality of education that would impact the future labor force, and the educational attainment of those in the labor force. It also ranked in 71st place on the Health & Wellness Pillar that captures how various socio-cultural, geographical, environmental and physiological health factors impact the development of human capital; while it came in 113th place on the Workforce & Employment Pillar, which combines labor force participation rates with indicators about the level or quality of the experience gained. Also, Armenia came in 64th place on the Enabling Environment Pillar, which captures if a country's human capital is effectively deployed.

Source: World Economic Forum, Byblos Research

MOROCCO

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Morocco's Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively. It also affirmed Morocco's senior, unsecured foreign and local currency bonds at 'BBB-' and 'BBB', respectively, the Country Ceiling at 'BBB', and the Short-term foreign currency IDR at 'F3'. It kept the outlook on the Long-term IDRs at 'stable'. It attributed its decision to the country's resilience amid the turmoil in other Arab economies since early 2011. It noted that political and social stability helped maintain high GDP growth rates and FDI inflows. But it added that the combination of accommodative policies and weak Eurozone economies led to a sharp deterioration in the current account and budget deficits and increased public and external debt since 2010. The agency expected these trends to reverse in the medium term, due to the implementation of reforms and a gradual Eurozone economic recovery. It forecast the fiscal deficit to narrow from 7.6% of GDP in 2012 to 4.4% of GDP by 2015 due to subsidy reforms, lower oil prices and higher grants from GCC countries. It projected the current account deficit to narrow from 10% in 2012 to 4.9% of GDP by 2015 due to lower commodity prices, fiscal tightening and stronger external demand and remittances from Europe. It noted that, following a sharp decline, foreign currency reserves have stabilized at 4.2 months of current account payments since end-2012 and forecast reserves to reach 4.3 months of current account payments by 2015. It expected the net external debt to rise from 26% of current account receipts in 2013 to 33% of such receipts in 2015 due to the erosion of the sovereign's net external creditor position.

Source: Fitch Ratings



BANKING

JORDAN

Private sector lending up 5.4% in first nine months of 2013

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD42.4bn at the end of September 2013, constituting a rise of 8% from the end of 2012 and an increase of 8.1% from end-September 2012. Resident private sector loans rose by 6.1% from end-2012 to JD16.9bn, while credit facilities to the non-resident private sector fell by 6.5% to JD798.1m, leading to an increase of 5.4% in overall private sector lending in the first nine months of 2013. Resident private-sector lending accounted for 39.8% of total assets at end-September 2013. In parallel, resident private sector deposits reached JD21.9bn, constituting an increase of 7.6% from the end of 2012 and a rise of 6.3% from a year earlier. Also, deposits of non-bank financial institutions rose by 17.4% from end-2012 to JD322.7m. The central government's deposits totaled JD733.1m, up 13.4% from end-2012, while those of public non-financial institutions increased by 27.5% to JD401.4m. Further, claims on the public sector increased by 16.5% to JD10.5bn in the first nine months of the year, with claims on the central government accounting for 95.6% of lending to the public sector. Claims on the public sector accounted for 24.8% of total assets at end-September 2013 compared to 21.7% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD5.3bn, up 32.4% from JD4bn at end-2012; while capital accounts and allowances rose by 3.2% to JD6bn. Deposits with foreign banks reached JD3.6bn at end-September 2013, down 19.5% from end-2012, while the sector's foreign liabilities increased by 19.7% to JD7bn.

Source: Central Bank of Jordan, Byblos Research

MOROCCO

Banks' asset quality deteriorates

Figures issued by Bank Al-Maghrib show that total assets of commercial banks operating in Morocco reached MAD1,144.4bn, or \$138.4bn at the end of September 2013, constituting an increase of 1.3% from the end of 2012 and a growth of 5.1% from end-August 2012. The sector's aggregate loans totaled MAD725.8bn, reflecting a rise of 0.9% from end-2012 and an increase of 3% from a year earlier. Also, working-capital lending fell by 2.4% annually; while equipment loans, mainly loans related to capital spending, were flat year-on-year. In contrast, retail loans rose by 6% annually, driven by residential mortgage loans that rose by 6.2% year-on-year and by consumer loans that increased by 4.3% annually. Loans to real estate developers contracted by 7% annually. Deposits totaled MAD731bn at end-September 2013, up by 2% from end-2012 and by 6.3% annually, and were mainly driven by corporate deposits that posted a 14.6% year-on-year increase and by retail deposits that increased by 6% annually. The loans-to-deposits ratio stood at 99.4% in September 2013. Also, nominal non-performing loans increased by 13.8% annually due to higher NPLs in both the corporate and household sectors. The NPL ratio stood at 5.6% in September 2013, up from 5.5% in August 2013 and from 4.9% at end-2012.

Sources: Bank Al-Maghrib, EFG Hermes

SAUDI ARABIA

Private sector lending up 15% year-on-year in September 2013

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks reached SAR1,835.6bn at the end of September 2013, constituting a growth of 5.9% from end-2012 and a rise of 11.3% from September 2012. Private sector loans totaled SAR1,105.8bn at the end of September 2013 and increased by a marginal 0.7% from the previous month, by 10.7% from end-2012 and by 14.6% year-on-year. In parallel, aggregate deposits reached SAR1,346.2bn at the end of September 2013, constituting an increase of 1.6% from the preceding month, a rise of 6.8% from end-2012 and a growth of 14.1% from September 2012. Demand deposits regressed by 0.9% month-on-month and accounted for 61.3% of total deposits in September 2013 compared to 59.8% in December 2012 and 58.7% in September 2012. The loans-to-deposits ratio stood at 82.1% in September 2013 compared to 82.9% in August 2013, 79.3% at end-2012 and 81.8% in September 2012. Also, the sector's aggregate profits totaled SAR28.2bn in the first nine months of 2013 and rose by 8.3% from the same period last year.

Source: Saudi Arabia Monetary Agency, EFG Hermes

TURKEY

Bank ratings affirmed due to sound financial metrics

Fitch Ratings affirmed the long-term IDRs of the largest private sector banks *Turkiye Is Bankasi*, *Turkiye Garanti Bankasi*, *Akbank* and *Yapi ve Kredi Bankasi* at 'BBB'. It also upgraded *Turkiye Sinai Kalkinma Bankasi*'s Long-term local currency rating to 'BBB' from 'BBB-'. It said that all the ratings have a 'stable' outlook. It attributed its ratings actions to the banks' sound financial metrics and to expectations of limited asset quality deterioration as loan books season following recent rapid credit growth. It attributed the likely moderate deterioration in asset quality to still positive GDP growth; the relatively broad-based nature of the economy and the diversified banks' lending; still moderate corporate and household leverage; and the absence of foreign currency retail lending. It noted that the banks' Viability Ratings and Long-term IDRs remain one notch higher than Turkey's Long-term foreign currency IDR of 'BBB-'. It attributed the ratings differential to the banks' strong credit profiles, particularly the depth and stability of their deposit franchises. Fitch expected the banks to maintain their ability to service their obligations even during macroeconomic turmoil, including a potential sovereign default. It warned that sustained strong lending growth would likely make it downgrade the banks' ratings by one notch to the level of the Turkish sovereign. It indicated that a further weakening of the Turkish lira, higher interest rates and/or weaker economic growth would likely place greater pressure on asset quality and would negatively affect the banks' credit profiles.

Source: Fitch Ratings



ENERGY / COMMODITIES

Natural gas to account for 25% of world energy demand by 2035

Natural gas demand is expected to grow in coming years, with the fastest consumption growth coming from China, the Middle East and India. Further, natural gas is projected to rise steadily as a percentage of the global fuel mix over the next 20 years to account for about 25% of the world's energy demand by 2035. Also, non-Organisation for Economic Cooperation and Development (OECD) countries' natural gas demand is anticipated to grow three times greater than in OECD economies. In parallel, U.S. Henry Hub natural gas prices traded between \$3.5 per million British thermal unit (Btu) and \$3.7 per million Btu in recent weeks, and exceeded the \$3.75 per million Btu level for the first time since July 2013. The rise in prices was attributed to the tropical storm in the U.S. Gulf of Mexico and to expectations of cold weather. The NYMEX gas prices are forecast to average \$4.25 per million Btu over the next 12 months. In parallel, Brent prices increased by 0.2% to \$109.1 a barrel in October 2013, WTI prices regressed by 5.9% to \$96.3 a barrel, while prices of U.S. Henry Hub natural gas rose by 2.3% to \$3.6 per million Btu last month.

Source: Goldman Sachs, Ernst & Young, Byblos Research

GCC oil output down by 2% in October 2013

Crude oil production in the Gulf Cooperation Council (GCC) countries', excluding Oman and Bahrain, totaled 16.38 million barrels per day (b/d) on average in October 2013, down by 1.5% from 16.62 million b/d in the previous month. Saudi Arabia's oil production reached 10 million b/d in October, equivalent to about 61.1% of total GCC oil production. It was followed by Kuwait with 2.85 million b/d, or 17.4% of the total, the UAE with 2.8 million b/d (17.1%) and Qatar with 0.73 million b/d (4.5%). In parallel, the Organization of the Petroleum Exporting Countries' total oil production reached 30.62 million b/d in October, nearly unchanged from a month earlier.

Source: Bloomberg, Emirates NBD, Byblos Research

KRG oil production to increase by end-2013

The Kurdistan Regional Government's (KRG) crude oil production is expected to reach 400,000 b/d by the end of 2013 as six new oil wells started operations. Also, the KRG announced plans to build a second oil export pipeline to Turkey within the coming two years with a minimum capacity of one million b/d. In parallel, a major oil company operating in the KRG announced the discovery of vast quantities of oil in the region, with average flow rates of between 3,200 b/d and 3,900 b/d, in addition to average flows between 20 and 30 million cubic feet of gas daily. The KRG currently holds an estimated 45 billion barrels of oil reserves.

Source: Aswat al-Iraq, Byblos Research

Iraqi oil exports up 13% in October 2013

Iraq's crude oil exports reached 69.84 million barrels in October 2013, or 2.32 million b/d, up by 12.5% from 62.1 million barrels in the previous month. Also, proceeds from oil exports reached \$7.17bn in October, constituting an increase of about 10.1% from \$6.51bn in the previous month. In parallel, crude oil production reached 3.08 million b/d on average in October, up by about 10% from a month earlier. Iraq is the second-largest crude oil producer among OPEC countries.

Source: Aswat al-Iraq, Bloomberg, Byblos Research

Base Metals: Copper market to shift to a surplus

Prices of base metals rose moderately in recent months, mainly due to an increase in global manufacturing activity and stronger Chinese macroeconomic data, particularly as property sales grew stronger. In parallel, the copper market is projected to shift to a surplus in coming months as the metal's mine supply growth outweighs that of demand. As such, copper prices are forecast to drop to \$6,200 a ton on average over the next 12-months. Downside risks are expected to originate from highly leveraged corporate balance sheets and weak new project starts in China, in addition to the prospect of weaker demand from the Eurozone over the coming six to 12 months. In parallel, LME Aluminium High grade 3-month future prices increased by 1.4% in October to \$1,850 a metric ton, Copper Grade A 3-month future prices declined by 0.7%, Nickel 3-month futures prices improved by 4.7%, while prices of Zinc futures increased by 1.8% to \$1,952 a ton in October 2013.

Source: Goldman Sachs, Byblos Research

Precious Metals: Gold prices to trade near \$1,300 a troy ounce for rest of 2013

Gold prices are currently trading at levels similar to the beginning of October when the U.S. government shutdown started, as market optimism was erased when the U.S. was unable to reach a lasting resolution for its fiscal problems and extended the debt ceiling debates into early next year. Gold prices are forecast to trade near \$1,300 a troy ounce on average in coming months due to the uncertainty generated by the U.S. political stalemate as well as the likely negative economic impact of the U.S. government shutdown. Also, the growing probability of a delay in narrowing the U.S. Quantitative Easing program presents an upside to gold prices in the near-term. However, an acceleration in the U.S. economic recovery in 2014 would lead to a less accommodative monetary policy and would push gold prices lower throughout the year. In parallel, the price of gold decreased by 0.6% in October to \$1,323.6 a troy ounce, while that of silver rose by 2.4% to \$22.2 an ounce over the same month. Also, platinum prices improved by 2.8% to \$1,450 a troy ounce, while palladium prices increased by 2.2% to \$742 a troy ounce in October 2013.

Source: Goldman Sachs, Byblos Research

Japanese Official Reserves vs. Gold prices
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Positive	-	Stable								
Egypt	CCC+	Caa1	B-	B-	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Stable	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	-	B	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Stable	-	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	30-Oct-13	No change	18-Dec-13
Eurozone	Refi Rate	0.25	07-Nov-13	Cut 25bps	Dec-13
UK	Bank Rate	0.50	07-Nov-13	No change	Dec-13
Japan	O/N Call Rate	0-0.10	31-Oct-13	No change	21-Nov-13
Australia	Cash Rate	2.50	01-Oct-13	Cut 25bps	05-Nov-13
New Zealand	Cash Rate	2.50	31-Oct-13	No change	12-Dec-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	30-Oct-13	No change	18-Dec-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	7.75	29-Oct-13	Raise 25bps	18-Dec-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	3.50	25-Oct-13	Cut 25bps	06-Dec-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	4.00	06-Nov-13	Cut 25bps	N/A
Bulgaria	Base Interest	0.02	01-Nov-13	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	No change	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605
Riad El Solh - Beirut 1107 2811 - Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14
Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807
(+ 964) 780 9133031/2
(+ 964) 1 7177493
E-mail: baghdadbranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street
Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House - Suite 5
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 207 493 3537
Fax: (+ 44) 207 493 1233
E-mail: byblos.europe@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

