

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Corporate default rate at 2.8% at end-October 2013**

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.8% at the end of October 2013, unchanged from the preceding month, but down from 3.1% at the end of 2012 and 3.2% at end-October 2012. It noted that the credit markets have weathered the recent U.S. government shutdown and debt ceiling issue as demand for high yield debt recovered. It expected the current low levels of corporate defaults to continue over the near-term, supported by high liquidity levels. It said that 53 corporate issuers have defaulted in the first 10 months of the year, including two companies in October 2013. It forecast the global speculative-grade default rate at 2.8% at the end of 2013 and at 2.4% at the end of October 2014. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at the end of October 2013, unchanged from the previous month, and down from 2% a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 8.3% at the end of October 2013, down from 8.6% at end-September 2013 and from 14.7% a year earlier.

*Source: Moody's Investors Service*

#### EMERGING MARKETS

##### **Bond and equity inflows at \$5.3bn in first 10 months of 2013, AUM at \$1,316bn**

Capital flows to emerging market equity and bond funds posted net inflows of \$5.3bn in the first 10 months of 2013, with bond outflows at \$2.5bn and equity inflows at \$7.9bn. Emerging Asia attracted \$927m in inflows to bond funds; while Latin America posted outflows of \$2.7bn and Emerging Europe, the Middle East & Africa (EMEA) posted outflows of \$755m in the first 10 months of the year. Emerging Asia attracted \$9.4bn in inflows to equity funds, and the EMEA region attracted inflows of \$507m; while Latin America posted \$2bn in outflows from equity funds in the first 10 months of the year. China was the biggest recipient of bond inflows with \$1.3bn, while South Korea was the largest recipient of equity inflows with \$5.8bn in the covered period. Further, Brazil was the largest source of bond outflows at \$2.9bn. It was also the largest source of equity outflows at \$4.6bn, followed by Russia with \$2.4bn and China with \$1.7bn in the first 10 months of the year. In parallel, assets under management (AUM) in emerging markets totaled \$1,316bn at the end of October 2013, with bonds reaching \$341.7bn and equities totaling \$974.4bn. The EMEA region had \$134.6bn in bond-related AUM, followed by Latin America with \$126.4bn and Emerging Asia with \$80.7bn. Further, Emerging Asia had \$655.7bn in equity-related AUM, followed by the EMEA region with \$170.9bn and Latin America with \$147.8bn.

*Source: Barclays Capital*

#### MENA

##### **Inter-Arab investments at \$3.4bn in 2012, Morocco is main destination**

Figures released by the Arab Investment & Export Credit Guarantee Corporation (AIECGC) show that inter-Arab direct investments totaled \$3.4bn in 2012. The data covers only eight Arab countries that submitted data about capital inflows in 2012. The UAE was the largest source of inter-Arab investments in 2012 with \$1.3bn or 39% of the total, followed by Qatar with \$663.5m (19.7%), Saudi Arabia with \$360m (10.7%), Bahrain with \$140.6m (4.2%) and Syria with \$105.4m (3.1%) as the top five largest sources of investments. Further, Morocco was the largest destination of Arab investments with \$1.1bn or 33.3% of total investments, followed by Egypt with \$983.6m (29.2%), Tunisia with \$622.6m (18.5%), Kuwait with \$392.9m (11.7%) and Jordan with \$197.3m (5.9%), while Bahrain, Algeria and Yemen accounted for the remaining \$47.4m (1.4%). Inter-Arab investments would reach \$1.8bn and fall by 73.3% from \$6.8bn in 2011 when using data for the five Arab countries that submitted figures for 2011 and 2012. In parallel, aggregate inter-Arab investments totaled \$182bn during the 1995-2012 period. Saudi Arabia was the largest source of inter-Arab investments during the covered period with \$69.9bn (38.4%), followed by Sudan with \$23.3bn (12.8%), Egypt with \$16.8bn (9.2%), Lebanon with \$14.8bn (8.1%), Algeria with \$13.8bn (7.6%) and the UAE with \$11.2bn (6.2%) as top six sources of inter-Arab investments.

*Source: AIECGC, Byblos Research*

##### **One third of employees are "actively disengaged" at work**

A survey conducted by opinion polling and consulting firm Gallup on the state of the workplace in 93 countries shows that 10% of employees in the Middle East & North Africa acknowledged that they are "engaged" at their work, compared to 13% of employees worldwide, 10% of employees in emerging markets and 19% of employees in developed economies who shared a similar view about their job. Gallup defined employees who are "engaged" at work as those who are emotionally invested in and focused on creating value for their organizations every day. The share of employees in the MENA region who are "engaged" at their work is the second lowest among all regions globally, better than in East Asia (6%) and similar to that in Sub-Saharan Africa and South Asia. In parallel, the survey showed that 55% of employees in the region are "not engaged" at their work, compared to 63% of employees worldwide, 65% of employees in emerging markets and 61% of employees in developed economies who shared similar views about their job. However, the survey showed that 35% of employees in the MENA region are "actively disengaged" at their work, the second highest share globally behind only Sub-Saharan Africa (37%). In comparison, 24% of employees worldwide, 25% of employees in emerging markets and 20% of employees in developed economies are "actively disengaged" at work.

*Source: Gallup*

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# OUTLOOK

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## SUDAN

### **Current account deficit to widen to 12% of GDP, public debt to reach 100% of GDP in 2013**

The International Monetary Fund projected real GDP in Sudan to grow by 3.9% in 2013 and by 2.5% in 2014, relative to a contraction of 3.3% in 2012, and compared to growth rates of 2.1% and 3.8% in 2013 and 2014, respectively, for oil importers in the MENA region. It estimated the country's nominal GDP at \$52.5bn in 2013 and at \$56.6bn in 2014, relative to \$60.5bn in 2012. It forecast Sudan's annual average inflation rate at 32.1% in 2013 and 27.4% in 2014, relative to 35.5% in 2012. Also, it forecast broad money to grow by 17.6% this year and by 18.6% next year, relative to a growth rate of 40.3% in 2012.

In parallel, the Fund projected the fiscal deficit at 2% of GDP in 2013 and at 0.9% of GDP in 2014, relative to a deficit of 3.8% of GDP in 2012. It estimated public revenues to reach 9.9% of GDP in 2013 and 10.6% of GDP in 2014, compared to 9.5% of GDP in 2012, and for total expenditures to amount to 13.2% of GDP this year and 13.9% of GDP next year, relative to 13.8% of GDP in 2012. The IMF expected Sudan's public debt level to rise to 100% of GDP at end-2013 and 99.2% of GDP at end-2014 from 95.7% at end-2012. It also forecast total gross external debt to increase to 85.8% of GDP in 2013 and 82.5% of GDP in 2014, from 71.4% of GDP in 2012. Further, the Fund estimated Sudan's exports of goods & services at \$5.7bn in 2013 and \$6.6bn in 2014 compared to \$5.6bn in 2012; and its imports of goods & services at \$10.7bn in 2013 and \$9.8bn in 2014 relative to \$10.6bn in 2012. It forecast the country's current account balance to post a deficit of \$6.3bn in 2013 and \$3.9bn in 2014, equivalent to 11.9% of GDP and 7% of GDP, respectively, and relative to a deficit of \$6.5bn or 10.8% of GDP in 2012. The Fund expected gross official reserves to reach \$1.6bn at end-2013 and \$1.9bn at end-2014 relative to \$1.7bn at end-2012.

*Source: International Monetary Fund*

## LIBYA

### **Economy to contract by 4.3%, fiscal balance to shift to deficit in 2013**

The Institute of International Finance projected Libya's real GDP growth to contract by 4.3% in 2013 compared to a growth rate of 88.2% in 2012, with hydrocarbon output shrinking by 18.2% relative to growth of 193% in 2012 and non-hydrocarbon sector activity expanding by 9% compared to a growth rate of 40% last year. It attributed the contraction in real GDP growth to a significant decline in oil production. It said that last year's strong rebound in hydrocarbon production has been reversed this year. It noted that claims for autonomy in the eastern part of the country and labor strikes in the western oil facilities have led to a sharp reduction in oil & gas exports in the third quarter of 2013. It forecast crude oil production to average 1.14 million barrels per day this year, constituting a decrease of 18% from 1.45 million barrels per day last year.

It forecast the fiscal balance to shift to a deficit of 4.5% of GDP this year from a surplus of 13.5% of GDP last year due to a decline in the oil & gas sector's revenues that account for 95%

of total public revenues. Also, it forecast the current account surplus to narrow to 6.3% of GDP in 2013 from 29.8% of GDP in 2012. But it noted that Libya's overall financial position remains very solid. It estimated the country's foreign assets at \$158bn at the end of 2013, equivalent to six years of import cover and more than twice the country's nominal GDP. It pointed out that the country's large foreign exchange holdings are more than adequate to finance the reconstruction and development of the economy in the coming years.

However, the IIF indicated that the pace of economic recovery in Libya depends on political and security developments, despite the substantial foreign assets and hydrocarbon revenues. It noted that Libya lacks the institutional capacity to support a smooth transition and to ultimately build a new political order. It considered that the authorities' main challenge is to disarm the militias, rebuild the army and police forces and reestablish internal security. It noted that political uncertainty and security concerns are keeping investors away.

*Source: Institute of International Finance*

## ARMENIA

### **Real GDP to grow by 4.6%, current account deficit at 10% of GDP in 2013**

The International Monetary Fund projected economic growth in Armenia at 4.6% for 2013 and 4.8% for 2014 compared to growth in oil-importing countries in Caucasia & Central Asia (CCA) of 4.9% in 2013 and 5.4% in 2014, and to growth in all CCA countries of 5.8% in 2013 and 6.1% in 2014. It forecast Armenia's annual average inflation rate at 7% in 2013 and 3.5% in 2014 relative to 2.5% in 2012, and compared to 5% and 5.2% for the region's oil-importing countries in 2013 and 2014, respectively. Also, it expected broad money to grow by 15.9% this year and by 13% next year compared to a growth rate of 19.6% in 2012. The Fund projected the fiscal deficit to widen to 2.2% of GDP in 2013 and 2.3% of GDP in 2014 from 1.6% of GDP in 2012. It estimated public revenues at 22.8% of GDP in 2013 and 23.5% of GDP in 2014 relative to 22% of GDP in 2012, and total expenditures at 25.9% of GDP this year and 26.7% of GDP next year, compared to 24.6% of GDP last year.

The IMF expected Armenia's public debt level to increase to 41.7% of GDP at end-2013 and 44.7% of GDP at end-2014 from 38.9% of GDP at end-2012. It also forecast total gross external debt at 75.5% of GDP at end-2013 and 78.1% of GDP at end-2014 relative to 77% of GDP in 2012, and compared to external debt in CCA countries of 44.3% of GDP in 2013 and 41.3% of GDP in 2014. Further, the Fund estimated Armenia's exports of goods & services to rise to \$2.7bn in 2013 and \$2.9bn in 2014 from \$2.4bn in 2012, and for imports of goods & services to grow to \$5.1bn in 2013 and \$5.2bn in 2014 from \$4.9bn in 2012. It projected the country's current account deficit at \$1bn or 10% of GDP in 2013 and at \$0.9bn or 8.6% of GDP in 2014, relative to \$1.1bn or 11.3% of GDP in 2012. The Fund expected the country's gross official reserves to reach \$1.5bn at the end of 2013 and \$1.6bn at end-2014, down from \$1.8bn at end-2012.

*Source: International Monetary Fund*



# ECONOMY & TRADE

## EGYPT

### Sovereign ratings upgraded on donor support

Standard & Poor's upgraded Egypt's long-term foreign and local currency sovereign credit ratings to 'B-' from 'CCC+' with a 'stable' outlook, and raised the short-term ratings to 'B' from 'C'. It attributed the upgrades to the fact that the Egyptian authorities have secured sufficient foreign currency funding to manage the country's short-term fiscal and external financing needs. It noted that the \$12bn in pledged support from Kuwait, Saudi Arabia and the UAE reduces the likelihood of a balance-of-payments crisis. It added that the three countries have disbursed 75% of the pledged funds and that the UAE has promised additional support equivalent to 1.1% of 2013 GDP, bringing total support to 5.5% of 2013 GDP since June 2013. It anticipated that financial support from bilateral lenders would continue over the medium-term. S&P expected Egypt's political tensions to persist, its policies to have a short-term span, and the structural weaknesses in its fiscal and external positions to continue over the short-term. It anticipated that the Central Bank of Egypt will continue to monetize much of the government's local currency debt, which would lead to an average inflation rate of 10% in the coming years. It noted that the public debt stock is relatively high and expensive as debt servicing would absorb more than 35% of revenues in 2013 from 27% in 2012. It forecast the net public debt level at 76% of GDP this year and to peak at 78% in 2014 compared to 69% of GDP in 2012.

Source: Standard & Poor's

## SAUDI ARABIA

### Optimism of non-hydrocarbon sector improves

The D&B Business Optimism Index for Saudi Arabia indicated that the composite optimism index for the non-hydrocarbon sector reached 54 in the fourth quarter of 2013, constituting an improvement of seven points from the same quarter last year and an increase of five points from the previous quarter. The quarter-on-quarter improvement is mainly due to stronger expectations for operating conditions, including higher sales volumes, new projects, increased demand and better market conditions. The index for expected new orders improved to 67 from 53 in the previous quarter; the index for expected sales stood at 63 in the fourth quarter of the year, up from 52 in the preceding quarter; and the index for expected profits rose to 60 from 51 in the previous quarter. The index for the number of employees stood at 47, unchanged from the third quarter of the year; while the index for inventory levels decreased to 44 from 45 and that for the level of selling prices fell to 32 from 44 in the third quarter of 2013. Further, the transportation index declined to 44 in the fourth quarter of 2013 from 57 in the preceding quarter and was the sector with the least optimistic outlook in the covered period. The construction index increased to 70 from 56 in the third quarter of the year; the trade & hospitality index rose to 55 from 46 in the preceding quarter; the finance, real estate & business services index improved to 54 from 46 in the previous quarter, and the manufacturing index remained flat at 49.

Source: Dun & Bradstreet

## MOROCCO

### Local currency ratings downgraded, outlook 'negative'

Standard & Poor's affirmed Morocco's long- and short-term foreign currency sovereign credit ratings at 'BBB-/A-3', and reduced the long- and short-term local currency ratings to 'BBB-/A-3' from 'BBB/A-2'. It maintained the 'negative' outlook on the ratings. It pointed out that it has equalized the long-term local currency rating with the long-term foreign currency one, due to the expected slow progress towards a more flexible exchange rate regime. It noted that a significant change to the currency peg is not likely in the short-term due to concerns about currency depreciation and higher imported inflation. Further, it said that Morocco's recent fiscal, external and economic growth performance has been significantly lower-than-expected. But it considered that the economy has reached the bottom of the cycle. It noted that the recent and imminent policy measures as well as the gradual improvement in the external environment would lead to significantly better performance during the 2013-16 period. The agency indicated that the ratings are mainly constrained by a moderately high net external liability position, and large fiscal and current account deficits. It expected the gross external financing needs to remain at just over 100% of current account receipts plus usable reserves between 2013 and 2016. It considered that the country's immediate refinancing risks are mitigated by a precautionary liquidity line with the IMF as well as by grants from GCC countries.

Source: Standard & Poor's

## ANGOLA

### Sovereign ratings affirmed, outlook 'positive'

Fitch Ratings affirmed Angola's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-' with a 'positive' outlook. It also maintained the country ceiling at 'BB-' and the short-term IDR at 'B'. It attributed its rating action mainly to the steady decline in the public debt level since 2010, improved external buffers, and higher potential of the oil sector compared to regional peers. It noted that Angola's commitment to macroeconomic reforms and prudent policies helped rebuild its external buffers and reduce its vulnerability to an oil price shock. It added that current account surpluses have supported the accumulation of foreign exchange reserves, which are expected to cover 8.1 months of imports this year compared to a low level of 3.3 months in 2009. Further, it anticipated that the inflation rate would remain in single digits for the second consecutive year, reflecting a stable exchange rate and improving monetary policy. It expected the public debt level to continue its downward trend over the next two years and to reach less than 20% of GDP in 2015. It considered that the under-execution of planned public investment would lead to a balanced budget by 2015. It added that the \$8.6bn sovereign wealth fund, which is expected to start operating in 2014, would support investment if global oil prices fall sharply. However, the agency indicated that the economy's high dependence on oil, poor governance levels and weak business environment constitute the major constraints on the ratings. It said that it would upgrade the ratings if external and fiscal buffers improve.

Source: Fitch Ratings



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# BANKING

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## SUDAN

### Central Bank devalues currency by 23%

The Economist Intelligence Unit considered that the recent devaluation of the official exchange rate in Sudan from 4.4 pounds to 5.7 pounds against the US dollar or by around 23%, will have little impact on markets given the limited usage of the official rate. The devaluation was implemented in the last week of September 2013. But the EIU noted that the exchange rate remains under pressure even after the devaluation, given the shortage in hard currency and the prevailing exchange controls. It noted that the Sudanese pound would still be trading at between SDG7 and SDG8 per dollar on the black market. In August 2012, the Central Bank of Sudan (CBoS) devalued the specific exchange rate for both commercial banks and foreign exchange bureaus in order to narrow the gap between the official and black market rates. Prior to the September 2013 devaluation, Sudan had four main exchange rates, which are the official rate of SDG4.4 per dollar that applies mainly to the import of fuel products and the payment of government obligations; a subsidized rate of SDG2.9 per dollar that is used for buying wheat; a gold exchange rate that is used by the CBoS in its gold transactions; and a commercial banks' rate of SDG5.7 per dollar. As such, the recent devaluation equalizes the official exchange rate with the one specific to commercial banks and exchange bureaus.

Source: *Economist Intelligence Unit*

## UAE

### Outlook for banking sector revised to 'stable' on improving operating environment

Moody's Investors Service revised the outlook on the UAE's banking system to 'stable' from 'negative', mainly due to the continued improvement in the operating environment and the ongoing recovery of the local real estate market. It considered that the recovery in the real estate sector would lead to a decline in the banking sector's NPL ratio to between 8% and 9% in the next 12 to 18 months from ratios of 9.5% at end-June 2013 and 10.5% at end-2012. Also, it expected the stock of problem loans to decline due to the increasing volume of settlements, recoveries and commercial restructurings, and the expected growth in loans. It forecast credit growth to range between 7% and 10% next year, supported by improving economic activity and rising confidence. It considered that the improvement in banks' asset quality would result in lower loan-loss provisions and higher net income. In parallel, the agency expected UAE banks to maintain their high liquidity and capital buffers. It said that the increase in net income would provide UAE banks with the internal capital generation capacity necessary to support asset growth and to maintain their strong Tier One capital ratio that reached around 16% as of June 2013. However, Moody's indicated that banks' exposure to large corporate restructurings and government-related issuers will continue to pose asset-quality risks, mainly for Dubai-based banks. It noted that other persistent structural weaknesses, such as limited transparency, substantial related-party lending and high loan and deposit concentrations, would leave UAE banks susceptible to single-borrower or sector-specific risks over the next 12 to 18 months.

Source: *Moody's Investors Service*

## JORDAN

### Trade and construction account for 41.7% of overall lending at end-September 2013

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD18.6bn at the end of September 2013, constituting an increase of 4.4% from JD17.8bn at end-2012 and a rise of 7% from JD17.4bn at end-September 2012. The resident private sector accounted for 87.3% of total credit relative to 87% at end-September 2012, followed by the central government with 6.7%, up from 5.5% a year earlier; the non-resident private sector with 4.3% relative to 5.4% at end-September 2012; public entities with 1.7% down from 2% a year earlier; and financial institutions with 0.1%. Foreign currency lending accounted for 13.8% of total lending, up from 11.2% at end-September 2012. The distribution of lending by sector shows that construction represented JD3.9bn or 21.1% of overall lending and remained unchanged from the same period last year, while general trade represented JD3.8bn or 20.6% of the total relative to 21.4% a year earlier. They were followed by industry with JD2.6bn, or 13.9% of overall lending; public services & utilities with JD2.2bn, or 11.7% of the total; transportation services with JD546m, or 2.9% of credit; tourism, hotels & restaurants with JD514.4m, or 2.8% of the total; financial services with JD509m, or 2.7% of credit; agriculture with JD237m, or 1.3% of overall lending; and mining with JD189.2m or 1% of the total. Further, other lending accounted for JD4.1bn, or 21.9% of total credit, of which JD263m were extended to buy shares. In parallel, loans & advances totaled JD16.1bn of overall credit at end-September 2013, followed by overdrafts with JD2.2bn, and discounted bills with JD300.2m.

Source: *Central Bank of Jordan, Byblos Research*

## EGYPT

### Bank ratings upgraded on sovereign action

Standard & Poor's raised its long-term counterparty credit ratings on National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB) to 'B-' from 'CCC+' and affirmed the banks' short-term counterparty credit ratings at 'C', with a 'stable' outlook on the long-term ratings. It also upgraded the public information rating on National Société Générale Bank (NSGB) to 'Bpi' from 'CCCpi'. Further, it assessed the stand-alone credit profile (SACP) of BM and NBE in the 'b-' category, and that of CIB and NSGB in the 'b' category. It attributed the upgrades to its earlier decision to raise Egypt's sovereign credit ratings. It noted that the 'stable' outlook on the ratings mirrors that on the sovereign rating. It pointed out that the four banks are significantly exposed to sovereign risks because they hold a large amount of government debt relative to their equity base and earnings capacity. It said that it did not factor any uplift for potential extraordinary government support for government-related entities NBE and BM, as their SACP's are equal to the long-term rating on the sovereign. It noted that the ratings of CIB and NSGB are capped at the level of the sovereign rating, given their substantial on-balance-sheet exposure to the sovereign. The agency indicated that it would lower the banks' ratings in case it downgrades the sovereign.

Source: *Standard & Poor's*



# ENERGY / COMMODITIES

## Brent prices to drop by 2% in fourth quarter

Brent prices are forecast to average \$108 a barrel in the fourth quarter of 2013, down by 2.2% from the same quarter last year, while WTI oil prices are expected to rise by 17.6% to \$103.7 a barrel on average in the fourth quarter of this year. As such, the WTI-Brent price spread is projected to average \$4.3 a barrel in the fourth quarter of 2013, down from an average spread of \$22.3 a barrel in the same quarter last year. The global oil market is expected to post a deficit in 2013 as demand outweighs supply, but it is projected to shift to a surplus in 2014. The stocks-to-consumption ratio is anticipated to decline from 8.25 weeks in 2012 to 8.06 weeks in 2013, and to rebound to 8.15 weeks in 2014. Brent oil prices are forecast to drop by 3.5% year-on-year to \$104.8 a barrel on average in 2014. But a rise in geopolitical tensions in the Middle East & North Africa region would likely place upward pressure on oil prices in the medium term. In parallel, the Dow Jones-UBS Energy Sub-Index regressed by 2.6% in October 2013 and by 1.9% in the first 10 months of the year. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index declined by 5% in October and increased by 5% from end-2012, that of the Natural Gas regressed by 3.8% last month and by 9% in the first 10 months of 2013, while the Brent Crude Sub-Index increased by 2% last month and by 4.8% during the period.

Source: Economist Intelligence Unit, Dow Jones Indices

## Sudan to auction five oil blocks in December 2013

Sudan plans to auction five oil blocks in December 2013 as part of a plan to increase oil exploration within its borders. The bidding process will include three offshore and two onshore blocks. Last year, Sudan awarded nine licenses for exploration to consortiums formed by Canadian, Brazilian and Middle Eastern companies. Sudan expects to double its oil production to 300,000 barrels per day (b/d) by 2014 from an output level of about 120,000 b/d in 2012. Sudan lost about 75% of its oil reserves following South Sudan's independence in July 2011.

Source: Thomson Reuters

## Libya's cumulative oil revenue losses at \$6.43bn

Libya crude oil production is currently at about 200,000 b/d, down significantly from an average of 1.4 million b/d at the start of 2013. The decline is attributed to the closure of about 60% of the country's energy facilities by protesters. Libya estimated the cumulative oil revenue losses from the ongoing partial shut-down at about \$6.43bn. In parallel, a Libyan autonomy movement in the East has unilaterally formed a regional oil firm in an attempt to challenge the government and to start selling oil on the international market after taking control of several ports.

Source: Thomson Reuters, Financial Times, Byblos Research

## Saudi Arabia to become third largest petrochemical exporter by 2015

Saudi Arabia is expected to become the world's third largest exporter of petrochemical products with a market share of 10% by 2015. Saudi Arabia's plastics and petrochemical exports reached about \$22bn in 2011, up significantly from less than \$500m in 1985. Also, the Kingdom's domestic plastics and petrochemicals outlook is highly favorable as it shifts its focus from raising its oil production capacity to expanding its natural gas, refining and petrochemicals industries.

Source: Thomson Reuters

## Base Metals: Aluminium prices to ease in the near term as LME rule takes effect

The London Metal Exchange's (LME) unveiled a plan to accelerate deliveries of its traded base metals, particularly aluminium, starting in April 2014. The rule stipulates that LME-registered warehouses with outgoing-delivery delays of over 50 days would be required to ship out more metals than they receive. The LME's decision is expected to place downward pressures on aluminium prices, but the scale and longevity of the price declines would depend on how quickly outstanding inventories are unwound. Global demand growth is expected to be sustained in coming periods as China's per capita consumption rises. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 0.4% in October and regressed by 13.5% in the first 10 months of 2013, while the Dow Jones-UBS Aluminium Sub-Index decreased by 0.1% last month and by 16.8% from end-2012. The Dow Jones-UBS Copper Sub-Index regressed by 0.7% in October and by 11.1% in the first 10 months of the year, while the Nickel Sub-Index increased by 4.6% last month and declined by 15.7% in the covered period.

Source: Fitch ratings, Dow Jones Indices, Byblos Research

## Precious Metals: Gold demand down by 21% in third quarter of 2013

Global gold consumption reached 868.5 tons in the third quarter of 2013, equivalent to \$37bn and constituting a decrease of 21.2% from 1,101.4 tons in the same quarter last year. The decline was mainly attributed to investors' divestures from gold Exchange Traded Funds (ETFs), but at a much slower pace than the preceding quarter. ETF outflows reached 118.7 tons, equivalent to \$5.1bn, during the third quarter relative to net inflows of 137.8 tons, or \$7.3bn in the same quarter last year. Global jewelry demand grew by 5.4% year-on-year to 486.7 tons, equivalent to \$20.8bn in the third quarter of this year, while total gold bar and coin investments' consumption rose by 5.8% year-on-year to 304.2 tons, or \$13bn in the covered quarter. Central Banks' net purchases of gold dropped by 16.8% year-on-year to 93.4 tons, or \$4bn in the third quarter of 2013. In parallel, global gold supply declined by about 3% to 1,145.5 tons in the third quarter due to lower levels of gold recycling activity. Gold prices averaged \$1,326.3 a troy ounce in the third quarter of 2013 relative to averages of \$1,631.8 a troy ounce and \$1,414.8 a troy ounce in the first and second quarters, respectively.

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								
<b>Africa</b>													
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	B-	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-	-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	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-	-	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	Negative	Negative	Negative	-	Stable								
<b>Middle East</b>													
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	-	-	-	-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	-	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								
<b>Asia</b>													
Armenia	-	Ba2	BB-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	-	B	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	-	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Negative	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	30-Oct-13	No change	18-Dec-13
Eurozone	Refi Rate	0.25	07-Nov-13	Cut 25bps	5-Dec-13
UK	Bank Rate	0.50	07-Nov-13	No change	5-Dec-13
Japan	O/N Call Rate	0-0.10	31-Oct-13	No change	21-Nov-13
Australia	Cash Rate	2.50	05-Nov-13	Cut 25bps	03-Dec-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
<b>Emerging Markets</b>					
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	14-Nov-13	No change	12-Dec-13
Malaysia	O/N Policy Rate	3.00	07-Nov-13	No change	29-Jan-14
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	05-Nov-13	Cut 100bps	05-Dec-13
Nigeria	Monetary Policy Rate	12.00	24-Sep-13	No change	19-Nov-13
Ghana	Prime Rate	16.00	20-Nov-13	No change	27-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	8.00	12-Nov-13	Cut 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](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

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# 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

