

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Sovereign and corporate debt issuance at \$385bn in first 10 months of 2013

Merrill Lynch indicated that the aggregate sovereign and corporate bond issuance in non-G10 emerging markets reached \$384.9bn in the first 10 months of 2013, compared to \$398.5bn in all of 2012. Issuance in Asia reached \$134.7bn, or 35% of the total, followed by Emerging Europe, the Middle East & Africa (EEMEA) with \$119.6bn (31.1%), Latin America with \$106.1bn (27.6%) and Gulf Cooperation Council (GCC) countries with \$24.4bn (6.3%). Further, corporate bond issuance in non-G10 emerging markets reached \$313.8bn in the first 10 months of 2013 relative to \$334bn in all of 2012. Issuance in Asia reached \$128.2bn, or 40.8% of the total, followed by Latin America with \$85.9bn (27.4%), the EEMEA with \$78.6bn (25%) and GCC countries with \$21.2bn (6.8%). In parallel, sovereign issuance totaled \$71bn in the covered period, compared to \$86.9bn for all of 2012. Sovereign issuance in the EEMEA region reached \$41bn, or 57.7% of total sovereign issuance, followed by Latin America with \$20.3bn (28.6%), Asia with \$6.5bn (9.1%) and GCC economies with \$3.3bn (4.6%). Merrill Lynch projected sovereign bond issuance in non-G10 emerging markets at \$82.6bn in 2013, and expected the EEMEA region to issue \$48.8bn, followed by Latin America with \$23.1bn, Asia with \$7bn and GCC countries with \$3.7bn.

Source: Merrill Lynch

Trading in Credit Default Swaps up 7% to \$297bn in third quarter of 2013

Trading in emerging markets Credit Default Swaps (CDS) reached \$297bn in the third quarter of 2013, constituting a rise of 7% from \$279bn in the second quarter of 2013 and an increase of 39% from \$213bn in the third quarter of 2012. The increase in emerging markets CDS trading volume was uneven globally in the third quarter, as non-traditional emerging market hedge funds in Europe, the Middle East & Africa (EMEA) are shifting towards the CDS that are not subject to restrictions in each of the European Union, Russia, Turkey and South Africa. In contrast, Latin American CDS volume increased to the levels posted prior to the start of market volatility this year. The most frequently-traded sovereign CDS contracts in the third quarter of 2013 were those of Brazil at \$51bn, followed by Turkey at \$34bn and Russia at \$31bn; while the most frequently-traded corporate CDS contracts were those on Gazprom at \$7.5bn, Pemex at \$1.7bn and Petrobras at \$1.3bn. The survey covered data on CDS contracts for 19 emerging economies and nine emerging market corporate issuers from 13 major international banks and broker-dealers.

Source: EMTA

MENA

Ease of paying taxes differs sharply across Arab world

The PricewaterhouseCoopers/World Bank Paying Taxes survey for 2014 included 19 Arab countries, with six countries ranking among the top 15 worldwide. The UAE ranked in first place globally, followed by Qatar (2nd), Saudi Arabia (3rd), Bahrain (7th), Oman (9th) and Kuwait (11th) as the top ranked Arab countries; while Egypt (148th), Algeria (174th) and Mauritania (181st) ranked last. The average number of tax payments per year in non-GCC Arab countries is 1.6 times for corporate taxes, 11.5 times for labor taxes and 11.8 times for other mandatory taxes, compared to averages of 0.5, 6.5 and 1.3, respectively in GCC economies and to global averages of 3.4 times, 10.4 times and 13 times, respectively. Also, it takes a standard firm in non-GCC Arab countries 129.5 hours to prepare, file and pay its corporate taxes, 103.5 hours for its labor taxes and 97.2 hours for its consumption taxes, compared to global averages of 70.9 hours, 95.7 hours and 101.2 hours, respectively, and to averages of 15.5 hours and 39 hours, respectively, in GCC countries. In parallel, the tax rate as a percentage of commercial profits at a standard firm in non-GCC Arab countries is 14.3% for corporate tax, 19.3% for labor tax and 9.5% for non-corporate tax, compared to averages of 2%, 12.6% and 0.2%, respectively, for firms in GCC countries and to global averages of 16.1%, 16.3% and 10.6%, respectively.

Source: PricewaterhouseCoopers, Byblos Research

IRAN

Tehran urged to address its anti-money laundering deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), declared that it remains "particularly and exceptionally" concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF and its recent submission of information. It reiterated its call to all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. It also repeated its call to its members and other jurisdictions to apply counter measures to protect their financial sectors and the international financial system from the money laundering and terrorist financing (ML/FT) risks originating from Iran. The FATF also urged jurisdictions to protect against correspondent relationships being used to bypass or evade counter measures and risk mitigation practices, and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. The FATF warned that, if Iran fails to take concrete steps to improve its AML/CFT regime, it will consider calling on all countries and jurisdictions to strengthen counter measures in February 2014.

Source: Financial Action Task Force

OUTLOOK

IRAQ

Non-oil GDP growth to average 4.5% in 2013-14

The International Monetary Fund projected economic growth in Iraq at 3.7% in 2013 and 6.3% in 2014, down from 8.4% in 2012, and compared to growth in Middle Eastern oil exporting countries of 1.9% in 2013 and 4% in 2014. It forecast the country's real non-oil GDP to grow by 4% in 2013 and 5% in 2014, down from 6.3% in 2012. It expected Iraq's annual average inflation rate at 2.3% in 2013 and 5% in 2014, compared to inflation rates of 15.1% and 11.3% in oil-exporting countries for 2013 and 2014, respectively. Also, it expected broad money to grow by 10.3% this year and by 7.7% next year, down from 4.1% in 2012. The Fund projected the government's fiscal balance to post deficits of 0.7% of GDP in 2013 and 0.3% of GDP in 2014, compared to a surplus of 4.1% of GDP in 2012. It forecast the fiscal breakeven oil price at \$106.1 per barrel in 2013 and \$102.2 per barrel in 2014 relative to \$102.1 per barrel in 2012. It also forecast the government's non-oil fiscal deficit at 72.2% of non-oil GDP this year and 66.8% of non-oil GDP next year, relative to 72.2% of non-oil GDP last year. It estimated overall government revenues at 45.3% of GDP in 2013 and non-oil revenues at 4.3% of non-oil GDP, compared to 48.2% of GDP and 8.7% of non-oil GDP, respectively, in 2012; and total expenditures at 53.2% of GDP this year relative to 44.1% of GDP last year.

The IMF projected Iraq's public debt to reach 17.5% of GDP at end-2013 and 14.9% of GDP at end-2014, down from 34.1% of GDP at end-2012. It also forecast total gross external debt at 12.5% of GDP this year and 10.7% of GDP next year, relative to 28.3% of GDP last year. Further, the Fund estimated Iraq's exports of goods & services at \$96.1bn in 2013 and \$101bn in 2014, and imports of goods & services at \$90.4bn in 2013 and \$94.1bn in 2014. It forecast the country's current account to post surpluses of \$1.5bn, or 0.7% of GDP, in 2013 and \$2bn, or 0.8% of GDP, in 2014. It expected the country's gross official reserves to grow from \$62.4bn at end-2012 to \$77.8bn at end-2013 and \$83.5bn by end-2014. The Fund anticipated Iraq's oil production to increase from 2.95 million barrels per day in 2012 to 3.05 million b/d this year, and for oil exports to rise from 2.28 million b/d last year to 2.45 million b/d in 2013.

Source: International Monetary Fund

ALGERIA

Growth to slow down, external position to weaken

The International Monetary Fund projected real GDP growth in Algeria at 2.7% in 2013 relative to a growth rate of 3.3% in 2012. It attributed the slowdown in economic activity to the continued decline in hydrocarbon sector production and to the impact of fiscal consolidation. It noted that private demand and investments by public sector enterprises constitute key growth engines. It pointed out that the economy continues to perform below its potential. It considered that accelerating private-sector-led growth is critical to reduce the economy's dependence on the hydrocarbon sector and to create new jobs. It called on authorities to improve the business climate, remove constraints on foreign investment, and promote international trade integration.

In parallel, the IMF indicated that Algeria's external position has started to weaken. It forecast the current account surplus to narrow to 1.1% of GDP this year from 5.9% of GDP in 2012, due to lower hydrocarbon exports as a result of the decline in hydrocarbon production and the strong domestic consumption of hydrocarbons, and due to the continued strong growth in imports. The Fund called on authorities to reverse the decline in hydrocarbon exports through higher investment to increase hydrocarbon production, measures to reduce hydrocarbon consumption, and efforts to diversify the export base. Further, the IMF expected the implementation of fiscal consolidation this year to result in a balanced budget compared to a fiscal deficit last year, but it expressed concerns about long-term fiscal sustainability. As such, it called on authorities to continue with fiscal consolidation plans in order to strengthen non-hydrocarbon revenues, contain current spending and maintain public investment.

Source: International Monetary Fund

CÔTE d'IVOIRE

Economic growth to average 8% in 2013-14, net FDI at 3% of GDP

The International Monetary Fund projected Côte d'Ivoire's real GDP growth at 8% in each of 2013 and 2014 compared to a growth rate of 9.8% in 2012. In parallel, it forecast growth at 5% in 2013 and 6% in 2014 for Sub-Saharan Africa (SSA), and at 6% in 2013 and 6.4% in 2014 for the West African Economic and Monetary Union (WAEMU), to which Côte d'Ivoire belongs. It forecast the country's annual average inflation rate at 2.9% in 2013, relative to 1.3% a year earlier, and compared to an average inflation rate of 6.9% in SSA and 2% in the WAEMU. It also expected the country's average inflation rate to drop to 2.5% in 2014 relative to 6.3% for SSA and 2.1% for WAEMU. It projected Côte d'Ivoire's real per capita GDP to grow by 4.9% in 2013 and 2014 relative to 6.6% in 2012. It forecast net FDI at 3% of GDP in 2013 and 2014 up from 1.8% of GDP in 2012. It added that claims on the non-financial private sector grew by 4.8% and by 8.6% in 2011 and 2012, respectively, relative to 16.6% and 13% for WAEMU.

In parallel, the Fund projected the government's fiscal balance to post deficits of 4.8% of GDP in 2013 and 5.7% of GDP in 2014, when excluding grants, relative to 4.1% of GDP in 2012; while it estimated deficits of 3.1% of GDP in 2013 and 3.5% of GDP in 2014, when including grants, relative to 3.4% of GDP in 2012. It forecast public revenues, excluding grants, at 19.9% of GDP in 2013 and 19.7% of GDP in 2014 and total expenditures at 24.7% of GDP in 2013 and 25.4% of GDP in 2014. The IMF projected the country's external debt to official creditors at 17.3% of GDP in 2013 and 14.2% of GDP in 2014 down from 21% of GDP in 2012. Further, it expected the current account to post deficits of 2.9% of GDP in 2013 and 2.5% of GDP in 2014, compared to a deficit of 1.3% of GDP in 2012. The Fund estimated the country's gross official reserves at 3.4 months of imports of goods & services at end-2012 relative to 4.2 months of import cover at end-2011.

Source: International Monetary Fund



ECONOMY & TRADE

QATAR

Non-hydrocarbon sector's optimism on the rise

The D&B Business Optimism Index in Qatar shows that the level of optimism in the non-hydrocarbon sector reached 59 in the fourth quarter of 2013 compared to 39 in the third quarter of the year and 38 in the same quarter last year. The index for expected new orders improved to 67 from 47 in the previous quarter, as 70% of firms in the non-hydrocarbon sector are anticipating an increase in their order book status, while 3% are expecting a decline. The index for expected sales increased to 65 from 50 in the preceding quarter, as 71% of firms expect an increase in their sales, while 6% are expecting a decline. Also, the index for the level of selling prices rose to 27 from 17 in the third quarter, as 34% of the respondents anticipate their selling price to increase, while 7% expect a decline. As such, the index for expected profits rose to 60 from 48 in the third quarter, that for the number of employees grew to 44 from 34 in the previous quarter, and the index for inventory levels increased to 55 from 34 in the preceding quarter. On a sector basis, the transport & communications index rose to 50 from 43 in the preceding quarter and was the sector with the least optimistic outlook in the covered quarter. The construction index increased to 53 from 36 in the third quarter of the year; the finance, real estate & business services index improved to 53 from 46 in the previous quarter; the manufacturing index rose to 53 from 35 in the third quarter of the year; and the trade & hospitality index rose to 52 from 34 in the preceding quarter. In parallel, 72% of respondents do not anticipate any negative factors to impact their business operations in the covered quarter, compared to 58% who had the same opinion in the preceding quarter.

Source: *Dun & Bradstreet*

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Turkey's long-term foreign currency sovereign credit rating at 'BB+' and its short-term foreign currency rating at 'B'. It also maintained the local currency sovereign credit ratings at 'BBB/A-2', and the long- and short-term national scale ratings at 'trAAA/trA-1'. It said that all the ratings have a 'stable' outlook. It pointed out that the ratings are constrained by Turkey's high external risks, moderate income level, large grey economy and continued dependence on rapid credit growth as a driver of economic expansion. It noted that Turkey is vulnerable to changes in global markets given its heavy dependence on external financing. It forecast the country's net external liabilities at 210.5% of its current account receipts (CARs) this year and 233.3% of CARs next year, compared to 198% of CARs in 2012; and its net external debt at 127.1% of CARs in 2013 and 146.4% of CARs in 2014, relative to 107.7% of CARs in 2012. It said that external liquidity risks remain significant as Turkey's current account deficits will remain above 25% of CARs between 2013 and 2014, and its debt rollover needs will remain high at 78% of CARs of external short-term debt by remaining maturity every year during the covered period. However, it considered that risks from persistent current account deficits and more expensive external financing are balanced by strong economic growth prospects.

Source: *Standard & Poor's*

GHANA

Fiscal targets unlikely to be met

Information provider IHS Global Insight anticipated that the Ghanaian government would not be able to narrow its budget deficit to 9% of GDP, reduce the inflation level to single digits, and limit the depreciation of the Ghanaian cedi. It attributed the widening deficit to higher-than-budgeted spending on wages, interest costs and debt arrears, as well as due to weak export revenues and declining tax receipts. It expected the government's challenging financial situation to continue into the first half of 2014 as global commodity prices stagnate. It pointed out that weak public revenues create the risks of delayed payments; tax increases in various sectors, including banking, telecommunications, mining, hotels, and oil & gas; freezing of public sector salary increases; and the removal of fuel subsidies. It said that the need to reduce the budget deficit and finance capital-intensive infrastructure projects has led to calls for higher tax rates, lower recurrent expenditures, and the intensification of tax collection. It noted that the government re-introduced in July 2013 a 5% fiscal stabilization levy for 18 months on the profits of companies in the banking, insurance, breweries, mining, and communications sectors; imposed a 20% import tax on the sale of mobile telephones; and re-introduced an extra 8% tax on rental income. It anticipated that the stabilization levy would be extended beyond the 18-month period, and expected taxes on oil firms to increase. Further, it expected the authorities to impose strict measures to restrict profit repatriation and transactions in hard currency in order to limit the pressure on the cedi.

Source: *IHS Global Insight*

DEM REP CONGO

Fiscal deficit to widen on lower revenues and rising capital spending

Business Monitor International anticipated that the fiscal deficit in the Democratic Republic of Congo (DRC) would deteriorate over the coming years due to lower global copper prices that will negatively affect public revenues, and to higher spending on capital projects. It projected the fiscal deficit to widen from an estimated 4.3% of GDP in 2013 to 5.2% of GDP in 2014 and to reach 6.9% of GDP in 2017. It considered that the military defeat of the M23 rebels will allow authorities to shift public spending from military components to capital projects. It anticipated that public spending on investment projects will rise by 61.5% between 2014 and 2017. It forecast the share of public spending directed towards capital expenditures to rise from 48.3% in 2014 to 52.2% in 2017. It expected capital spending to be equivalent to 17.4% of GDP in 2014 and 20.7% of GDP in 2017 relative to 7.8% of GDP in 2009. It forecast current spending to remain stagnant around 19% of GDP during the 2014-17 period. It projected public revenues to decrease from 31.3% of GDP in 2013 to 30.9% of GDP in each of 2014 and 2015, and to rise to 31.9% of GDP in 2016 and 32.8% of GDP in 2017. In parallel, BMI considered that budget implementation remains weak. It said that the presidential elections scheduled for 2017 constitutes a medium-term risk to the DRC's public finances as fiscal consolidation would be interrupted in the lead up to the elections.

Source: *Business Monitor International*



BANKING

UAE

New mortgage caps aim to reduce risks

Standard & Poor's anticipated that the UAE Central Bank's new residential mortgage regulations would support the credit risk profiles of domestic banks and property developers over the long-term. It noted that the regulations place various limits on the amount that home buyers can borrow relative to the value of a property. It pointed out that the regulations would force banks to adopt more conservative lending practices in residential real estate lending. It added that mortgage caps would reduce market volatility and loan losses, and would prevent another boom-and-bust cycle in the domestic property market. It expected the newly introduced regulations to have a limited impact on the banking sector's aggregate lending, as residential mortgages account for less than 10% of the sector's total loans. But it considered that the recent hike in Dubai's property transfer fee from 2% to 4% as well as the new regulations would have an adverse impact on volume and price growth. Further, S&P considered that a stable evolution of the UAE property markets is positive for the credit profiles of property developers. It anticipated that the mortgage regulation would reduce the risk of mortgage defaults. But it noted that the cap on off-plan lending would reduce the demand for off-plan developments. It added that this cap would be negative for property developers as they use off-plan sales for risk-mitigation.

Source: Standard & Poor's

SUDAN

Anti-money laundering deficiencies remain

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that certain strategic AML/CFT deficiencies remain in Sudan despite the country's high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its AML/CFT deficiencies. The FATF encouraged Sudan to address its remaining deficiencies, including by adequately criminalizing money laundering and terrorist financing (ML/FT); implementing adequate procedures for identifying and freezing terrorist assets; ensuring a fully operational and effectively functioning Financial Intelligence Unit; ensuring an effective supervisory program for AML/CFT compliance; improving customer due diligence measures; ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML/FT; and ensuring that appropriate laws and procedures are in place with regard to international cooperation and mutual legal assistance. It called on authorities to continue the process of implementing their action plan.

Source: Financial Action Task Force

NIGERIA

Banking sector faces high level of economic risks

Standard & Poor's classified Nigeria's Banking Industry Country Assessment (BICRA) at Group '8', its industry risk score at '7', and its economic risk score at '8'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. The agency noted that other countries in BICRA's Group '8' include Bolivia, Kazakhstan, Tunisia and Sri Lanka. It indicated that Nigeria's economic risk score reflects its "very high risks" in economic resilience, "intermediate risks" in economic imbalances, and "extremely high risks" related to credit risks in the economy. It said that Nigeria's economic risks balance its substantial natural resources and improving economic diversification with its low wealth levels, persistent political risks, and large infrastructure deficiencies. It noted that the economy depends on oil proceeds and has a strong potential for future asset and equity price bubbles. It considered that the country's weak payment culture and rule of law, poor underwriting standards, and high credit concentrations and foreign currency lending constitute the main source of economic risks. It indicated that the trend for Nigeria's economic risks is 'stable'. In parallel, it said that its industry score indicates that the country faces "very high risks" in its institutional framework and in its competitive dynamics, and "intermediate risks" in its system-wide funding. It indicated that the trend for Nigeria's economic risks is 'negative' as rising competition would stimulate the appetite for credit risk, and in turn would lead to loosening underwriting standards.

Source: Standard & Poor's

INDIA

Negative outlook on banking sector to persist

Moody's Investors Service maintained its 'negative' outlook on the Indian banking system due to slow economic growth, high inflation rate, and currency volatility. It noted that the operating environment continues to weigh on the ratings of many state-owned banks and has negatively affected their asset quality. It expected the asset quality at state-owned banks to continue to deteriorate due to increased non-performing and restructured loans. It forecast state-owned banks' profitability to remain weak due to higher provisioning needs, although their reserves for loan losses are low. It noted that low profit levels would affect the internal capital generation at state-owned banks. It pointed out that the asset quality at privately-owned banks remains broadly stable. In parallel, the agency indicated that Indian banks benefit from sound liquidity metrics given their substantial domestic deposit base and minimal reliance on wholesale funding. It noted that the credit profiles of Indian banks is contingent on the rebound in economic activity next year. It added that the pursuit of infrastructure reforms would positively affect banks' balance sheets. It expected the government to continue to provide support to the banking system, regardless of the 2014 elections' outcome.

Source: Moody's Investors Service



Oil prices unaffected by Iran deal

The global oil market was not significantly impacted by the announcement of the six-months interim agreement between Iran and the P5+1 countries in Geneva on November 24, 2013. Also, the impact of the agreement on international oil markets is projected to be limited in the near term. Iranian crude and petroleum product exports are expected to remain at current levels of about one million barrels per day (b/d), or 60% lower than two years ago. The country's crude oil exports are anticipated to increase by a maximum of 400,000 b/d in coming months, mainly due to the impact of the remaining sanctions and to technical challenges in restarting production shut-ins. Also, the ban of Iranian oil exports to the European Union remains in place, which would limit Iran's oil sales. As such, Iranian oil exports' return to pre-sanction levels of around 2.5 million b/d is far from reach. In parallel, the easing of tensions between Iran and the West would likely lead oil prices to decline in the medium term as the political risk premium for oil prices decreases. But a rise in geopolitical tensions in the Middle East would place upward pressure on oil prices. Brent oil prices are forecast to average \$105 a barrel in the fourth quarter of 2013, down by 4.6% from the same quarter last year, while WTI oil prices are expected to rise by 14.8% to \$101 a barrel.

Source: Atlantic Council, Barclays Capital, Byblos Research

KRG to export oil via Turkey by end-2013

The Kurdistan Regional Government (KRG) announced that it will start exporting oil through Turkey via its recently built pipeline by the end of 2013, without an agreement with the Iraqi government. The pipeline is projected to carry up to 300,000 b/d, or about 13% of Iraq's current oil exports. In parallel, Turkey proposed that payments for the KRG's crude oil exports would be deposited in an escrow account at a Turkish bank until the outstanding problems with Baghdad are resolved. The KRG currently holds an estimated 45 billion barrels in oil reserves.

Source: Agence France Presse, Argus Media, Byblos Research

OPEC's oil output nearly unchanged in October

The Organization of Petroleum Exporting Countries' (OPEC) total oil output reached 29.89 million b/d in October 2013, nearly unchanged from a month earlier. Crude oil production in the top five Arab producers totaled 19.52 million barrels per day (b/d) on average in October, down by 0.4% from the preceding month. Saudi Arabia's oil output reached 9.8 million b/d in October, equivalent to about 32.9% of total OPEC oil production. It was followed by Iraq with 2.9 million b/d, or 9.7% of the total and Kuwait with 2.83 million b/d (9.5%).

Source: Organization of Petroleum Exporting Countries

GCC petrochemicals output at \$97bn in 2012

The Gulf Cooperation Council's (GCC) petrochemicals output reached \$97.3bn in 2012, constituting an increase of 3.4% from \$94.1bn in 2011. GCC petrochemicals' output increased by an annual average of 19% during the last five years, posting the world's highest growth rate among petrochemicals-producing regions. Also, the GCC's petrochemicals industry earned \$52.7bn in export revenues in 2012. In parallel, the GCC petrochemicals sector evolved from a chemical importing industry to one that exports the majority of its goods to global markets.

Source: Gulf Petrochemicals & Chemicals Association

Base Metals: Industry outlook changed to 'stable' as price declines reach bottom

Moody's Investors Service changed its global base metals industry outlook to 'stable' from 'negative' as market prices reached a bottom. Base metals' prices are expected to trade at current low levels due to a weak global economic recovery. Also, China's deceleration of metal purchases appears to have eased, which would support prices. China consumes at least 40% of global base metals' supply, making it a dominant driver of both demand and prices. In parallel, global copper demand is projected to remain stable in the near term and is expected to continue to benefit from copper-intensive investments in infrastructure and housing in Asia. Also, higher operating costs for major producers are projected to continue, as lower grades require higher energy and labor costs and as environmental requirements become severe. Global copper prices are forecast to decline by 7.8% year-on-year to \$7,326 a metric ton on average in 2013 and to drop to an average of \$6,750 a metric ton in 2014.

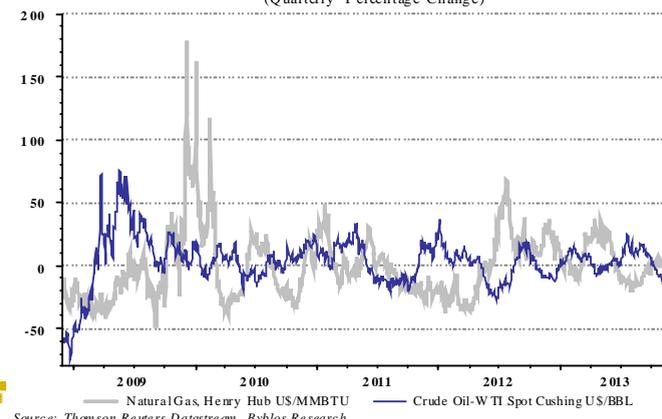
Source: Moody's Investors Service, Barclays Capital, Standard & Poor's, Byblos Research

Precious Metals: Platinum prices to rebound in 2014 and 2015

Platinum prices are expected to rise in 2014 and 2015, mainly due to rising auto-catalyst demand, which is driven by expectations of a recovery in European car sales and by the continued introduction of Euro VI emission standards in light duty diesel cars. Global platinum production is expected to grow by 4% year-on-year to 7 million ounces this year, with South Africa's platinum mine output projected to reach 4.1 million ounces in 2013, equivalent to 57.5% of global supply. Downside pressure on prices remains, such as a deterioration in the South African Rand that would entice South African producers to produce more and oversupply the market. Global platinum prices are forecast to average \$1,523 a troy ounce in 2013, constituting a decrease of 2.3% from \$1,558 a troy ounce on average. In parallel, the Dow Jones-UBS Precious Metals Sub-Index was flat in October 2013 and decreased by 23.3% in the first 10 months of the year, while the Gold Sub-Index was nearly unchanged during the month and regressed by 21.4% from end-2012. Also, the Dow Jones-UBS Silver Sub-Index increased by 0.7% last month and regressed by 28.3% in the first 10 months of 2013, and the Platinum Sub-Index rose by 2.6% in October and decreased by 6.8% from end-2012.

Source: Deutsche Bank, Dow Jones Indices, Byblos Research

Natural Gas Prices vs. WTI Oil Prices
(Quarterly Percentage Change)



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	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								
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	-	-	-	-	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								
Asia													
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								
Central & Eastern Europe													
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	21-Nov-13	No change	20-Dec-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
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	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	19-Nov-13	No change	17-Dec-13
South Africa	Repo rate	5.00	21-Nov-13	No change	03-Dec-13
Kenya	Central Bank Rate	8.50	05-Nov-13	Cut 100bps	05-Dec-13
Nigeria	Monetary Policy Rate	12.00	19-Nov-13	No change	13-Jan-14
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



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