

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Post-tax energy subsidies at \$1,900bn, equivalent to 2.5% of global GDP

The International Monetary Fund estimated global pre-tax energy subsidies at \$480bn in 2011, equivalent to 0.7% of global GDP and 2% of total government revenues, and post-tax energy subsidies at \$1.9 trillion in 2011, or about 2.5% of global GDP and 8% of total government receipts. It said that global pre-tax-petroleum subsidies totaled \$212bn in 2011 and accounted for 44.2% of global energy subsidies, followed by electricity subsidies with \$150bn (31.3%), natural gas subsidies with \$112bn (23.3%) and coal subsidies with \$6bn (1.3%). Further, it noted that the Middle East & North Africa (MENA) region accounted for about 50% of global pre-tax energy subsidies, followed by Emerging & Developing Asia (EDA) with over 20%, Central & Eastern Europe (CEE) & the Commonwealth of Independent States (CIS) countries with 15%, Latin America & the Caribbean (LAC) with 7.5% and Sub-Saharan Africa (SSA) with around 4%. Also, it said that pre-tax energy subsidies in the MENA region were equivalent to 8.5% of the region's GDP, followed by CEE & CIS countries with over 1.5% of their GDP, SSA with 1.5% of regional GDP, EDA economies with nearly 1% of their GDP, and LAC with around 0.5% of GDP. It pointed out that pre-tax energy subsidies in the MENA region were equivalent to 22% of total government revenues in the region, followed by SSA with 5.5%, CEE & CIS countries with 4.5%, EDA economies with 4% and LAC with 2%.

Source: International Monetary Fund

Trade growth slows down to 2.2% in 2012

Citigroup indicated that the volume of international trade grew by 2.2% in 2012, down from 5.8% in 2011 and 15% in 2010, constituting the third lowest growth rate since 1990. It said that the growth of global trade last year was slightly more than one-third of the long-term annual averages of 5.8% between 1991 and 2012 and of 6% during the 2001-07 period. It attributed the subdued growth to weaknesses in advanced economies (AE) and to a slowdown in trade growth in emerging markets (EM). It noted that trade was the weakest in AE, as Eurozone imports fell by 3.4% last year, exports contracted in Japan, and U.S. imports came below their long-term average. Further, it said that growth in EM trade exceeded that of AE. But it noted that EM imports grew by 5.3% last year and represented only half of the long-term average growth rate of EM imports, while exports rose by 3.4%, or one-third of the long-term average growth rate of EM exports. Also, it pointed out that EM's share in both world imports and exports continued to increase last year. It added that the share of intra-EM trade is growing rapidly, but that trade volume between EM and AE remains the largest component of global trade. It said the surplus in EM trade balances is declining as the slowdown in EM exports is exceeding that of imports, while the trade deficit in AE is narrowing due to a slowdown in domestic demand and an improvement in competitiveness. It projected global trade to grow by 3% in 2013.

Source: Citigroup

EMERGING MARKETS

Fixed income trading volume down 15% to \$5,560bn in 2012

Trading in emerging markets debt instruments totaled \$5,560bn in 2012, constituting a decrease of 14.5% from \$6,506bn in 2011 and a drop of 17.8% from \$6,765bn in 2010. Further, local instruments turnover reached \$3,726bn in 2012, down 19.7% from \$4,641bn in 2011, and accounted for 67% of total emerging market debt trades in 2012. In parallel, the volume of traded debt instruments reached \$1,269bn in the fourth quarter of 2012, down by 2.1% from \$1,296bn in the third quarter of 2012 and by 2.5% from \$1,302bn in the fourth quarter of 2011, and constituted the lowest quarterly volume since the third quarter of 2009. Local instruments turnover totaled \$813bn, or 64.1% of overall trading volumes in the fourth quarter of 2012, constituting a 7.8% decrease from \$882bn in the third quarter of 2012 and a 15.8% drop from \$965bn in the fourth quarter of 2011. Eurobonds' trading volume stood at \$437bn in the fourth quarter of 2012, increasing by 7.4% from \$407bn in the third quarter of 2012 and rising by 43.8% from \$304bn in the fourth quarter of 2011. Sovereign Eurobond volumes totaled \$232bn in the fourth quarter of 2012, while the volume of traded corporate Eurobonds reached \$197bn. Sovereign Eurobonds accounted for 18.3% of total debt trading while corporate debt represented 15.5% of the total. The most frequently traded instruments in the fourth quarter of 2012 were Mexican instruments with 13.7% of the total, followed by Russian assets with 11.9%, Brazilian debt securities with 11.3%, Polish instruments with 7.3%, and Turkish assets with 6.7%.

Source: EMTA

Corporate default rate at 1.4% in 2012, speculative-grade default rate at 2.6%

Standard & Poor's indicated that a total of 25 corporate debt issuers in emerging markets defaulted in 2012 relative to four issuers in 2011 and nine issuers in 2010. It said that defaults in emerging markets accounted for around 30% of global defaulters by issuer count last year, constituting the highest such share in 16 years. It noted that the Latin America and the Caribbean accounted for 11 corporate defaults or 44% of the total last year, followed by Emerging Europe, the Middle East & Africa with nine defaults (36%), and Emerging Asia with five defaults (20%). Further, it said that the defaulting corporate issuers had \$22bn of rated debt last year, up significantly from only \$182m in 2011. It added that such debt represented 25% of global affected debt, constituting the highest share in the past 16 years. It said that missed interest or principal payment were the main reason for the default of 48% of corporate issuers last year, followed by distressed exchanges with 28%. In parallel, it pointed out that the emerging markets' corporate default rate for all rated entities rose to 1.43% in 2012 from 0.33% in 2011. It added that the emerging markets' corporate speculative-grade default rate increased to 2.56% in 2012 from 0.59% in 2011 relative to a global rate of 2.47%.

Source: Standard & Poor's

OUTLOOK

EGYPT

Fiscal deficit to widen to 11.3% of GDP, refinancing and debt sustainability risks on the rise

Global bank JPMorgan Chase projected Egypt's fiscal deficit at 11.3% of GDP in fiscal year 2012/13, the widest deficit since the late 1980s, relative to a government target deficit of 7.6% of GDP and a deficit of 10.8% in FY2011/12. It noted that domestic political and security uncertainties have taken their toll on public finances during FY2012/13, and that social pressure has pushed current spending to an all-time high. It forecast revenues at 21.6% of GDP in FY2012/13 relative to a government target of 22.1% of GDP and to revenues of 19.7% of GDP in FY2011/12. It projected spending at 32.9% of GDP in FY2012/13 compared to a government target of 30% of GDP and to expenditures of 30.5% of GDP in FY2011/12. It anticipated subsidies and social benefits to increase to 12.2% of GDP from 9.7% of GDP in FY2011/12 and relative to a government target of 8.2% of GDP for the current fiscal year. It noted that reforming the subsidy system is challenging, while risks related to the implementation of policy reforms will remain elevated even under a benign scenario of smooth parliamentary elections.

In parallel, it indicated that the widening of the deficit would increase refinancing risks and medium-term debt sustainability. It estimated Egypt's fiscal financing needs at 11.8% of GDP for FY2012/13 relative to a government target of 8.7% of GDP and to fiscal financing needs of 12% of GDP in FY2011/12. It anticipated that the public debt level would approach 100% of GDP by mid-2016, in the absence of reforms, from 85% of GDP currently. Further, it pointed out that the absence of fiscal consolidation and the exit of foreign investors placed the burden of financing on domestic banks, which exposes them to sovereign risk. It noted that T-bills account for around 33% of total debt, which poses rollover risks, mainly in foreign currency-denominated securities. It added that banks' ability to continue financing the budget deficit without an increase in interest rate premium would be limited.

Source: JPMorgan Chase

LIBYA

Non-oil economy to grow by 25% in 2013 and 20% in 2014

The International Monetary Fund projected real GDP in Libya to grow by 20.2% in 2013 and 10.1% in 2014 compared to a growth rate of 104.5% in 2012. It forecast hydrocarbon output to expand by 16.7% in 2013 and 2% in 2014 compared to growth of 211.4% last year, and for the non-hydrocarbon sector to grow by 24.5% in 2013 and 19.5% in 2014 relative to growth of 43.7% in 2012. It noted that the high growth rates for 2012 were driven by low-base effects following the 2011 war. It expected Libya's nominal GDP to reach \$93.5bn in 2013 and \$98.6bn in 2014, relative to \$81.7bn in 2012. It expected oil production to increase from 1.45 million barrels per day in 2012 to 1.7 million b/d in 2013 and 1.73 million b/d in 2014; and for crude oil exports to increase from 1.28 million b/d last year to 1.36 million b/d this year and 1.38 million b/d next year. It forecast the annual average inflation rate at 2% in 2013 and 5.2% in 2014, down from 6.1% in 2012.

The Fund projected the government's fiscal balance to post surpluses of 19.1% of GDP in 2013 and 12.9% of GDP in 2014, relative to 24% of GDP in 2012. It estimated public revenues at 74% of GDP in 2013 and 71.3% of GDP in 2014, and total expenditures at 54.9% of GDP this year and 58.4% of GDP next year. It anticipated capital expenditures to increase from 5.3% of GDP in 2012 to 11.1% of GDP in 2013 and 13.7% of GDP in 2014. The Fund estimated Libya's exports of goods & services to increase from \$62.2bn in 2012 to \$64.8bn in 2013 and \$63.2bn in 2014; and for imports of goods & services to grow from \$25.7bn in 2012 to \$30.5bn in 2013 and \$34.3bn in 2014. It forecast the country's current account balance to post surpluses of \$24.9bn in 2013 and \$18.4bn in 2014, equivalent to 26.7% of GDP in 2013 and 18.7% of GDP in 2014, respectively. The Fund expected gross official reserves to reach \$142.3bn at end-2013 and \$155bn at end-2014, equivalent to 39.7 and 37.3 of months of imports in 2013 and 2014, respectively.

Source: International Monetary Fund

IRAQ

Economy to grow by 9% in 2013, medium-term challenges persist

The International Monetary Fund estimated Iraq's real GDP growth at about 8% last year due to rising oil production and robust non-oil activity. It projected growth to accelerate to 9% in 2013, to be driven by an increase in oil production from nearly 3 million barrels per day in 2012 to 3.3 million b/d this year. It estimated the inflation rate at 6% in 2012 and anticipated it to slightly decline this year. It also estimated the budget surplus at around 4% of GDP last year, mainly due to higher-than-expected oil revenues. It considered that the execution of the 2013 budget should be aligned with available financing, and encouraged authorities to target a budget surplus this year to support the accumulation of adequate fiscal buffers in the Development Fund of Iraq. It estimated Iraq's foreign exchange reserves at \$70bn and the assets of the Development Fund for Iraq at \$18bn at the end of 2012 due to strong oil proceeds. It called for the strengthening of public financial management, mainly through the gradual elimination of off-budgetary spending and of relying on state-owned bank financing to support public enterprises. It also cautioned from approving additional spending commitments this year.

In parallel, the Fund called on the authorities to address serious medium-term challenges in order to create the conditions for high and sustainable growth. It said that the economy continues to suffer from severe structural weaknesses such as a small non-oil sector, high unemployment rate, public sector dominance of the economy, and a weak business environment. It anticipated the growth of the oil sector to remain elevated over the coming years, but it considered that enhancing non-oil private sector growth requires a long-term government strategy centered on improving the business environment and providing opportunities for the private sector. Further, it encouraged authorities to carefully manage the budget in order to maintain macroeconomic stability, meet the country's large social and investment needs, further accumulate buffers to address oil market volatility, and ensure medium-term fiscal sustainability.

Source: International Monetary Fund



ECONOMY & TRADE

EGYPT

Sovereign ratings downgraded on continuing political instability

Moody's Investors Service downgraded Egypt's government bond ratings by one notch to 'Caa1' from 'B3' and assigned a 'negative' outlook to the ratings. It also lowered the country ceiling for foreign currency bank deposits to 'Caa2' from 'Caa1', the country ceiling for foreign currency bonds to 'B3' from 'B1', and the local-currency bond and deposit ceilings to 'Ba3' from 'Ba2'. It attributed the downgrades to the adverse impact of continuing political instability on the economy, the further weakening in Egypt's external payments position and government finances, and unpredictable economic and fiscal policies, as reflected by the uncertainty surrounding the government's ability to secure financial support from the IMF. It noted that political polarization is reducing the government's ability to govern effectively, restore social stability and prevent a further worsening of the economic situation. It cautioned from a significant drop in Egypt's \$13.5bn gross foreign currency reserves in the event of capital flight or in the absence of external financial support. It added that such cushion would only cover debt maturing this year. It pointed out that a decrease in financial support from Gulf countries would put at risk the stability of the country's external payments position. It noted that timely exceptional financial support from Gulf countries is uncertain in case of need. Further, it considered that failure to reach an agreement with the IMF would keep Egypt's budget deficit and debt servicing costs at high levels.

Source: Moody's Investors Service

SAUDI ARABIA

Sovereign ratings affirmed, outlook revised to 'positive'

Fitch Ratings affirmed Saudi Arabia's long-term local and foreign currency Issuer Default Ratings (IDR) at 'AA-', and revised the outlook to 'positive' from 'stable'. It also maintained the Country Ceiling at 'AA' and the short-term foreign currency IDR at 'F1+'. It attributed the outlook revision to the strengthening of fiscal and external buffers, the strong growth of the real non-oil private sector, the significant progress in addressing important potential sources of social stress, and the success in addressing domestic political challenges. It said that the real non-oil private sector grew by 7.5% in 2012, reflecting an improvement in economic diversification and resilience. It forecast growth of the real non-oil private sector to exceed that of the oil sector in 2013 and 2014, and for the fiscal and external buffers to further increase despite lower oil prices and production levels. In parallel, it pointed out that the ratings reflect the country's strong fiscal and external balance sheets, and sound banking sector. It said that high oil revenues led to a 10% increase in sovereign net foreign assets and reduced government debt in 2012. But it considered that the continuous increase in the fiscal breakeven oil price, estimated at \$76 per barrel in 2012, constitutes a challenge over the medium-term. It anticipated that a significant drop in global oil prices over an extended period of time would weaken the public and external financial positions despite substantial buffers.

Source: Fitch Ratings

ARMENIA

Yerevan ranks 97th globally, fifth among CIS in credit ratings

In its semi-annual survey on the creditworthiness of 179 countries, *Institutional Investor* magazine ranked Armenia in 97th place worldwide and in fifth place among the 12 economies that form the Commonwealth of Independent States (CIS) in the March 2013 survey. Armenia ranked in 92nd place globally and in sixth place among CIS economies in September 2012, as well as in 92nd place globally and in fourth place in the CIS in the March 2012 report. The survey rates the creditworthiness of countries on a scale of zero to 100, with 100 representing countries with the lowest chance of debt default. The ratings are based on input provided by senior economists and sovereign risk analysts at leading global banks and money management and securities firms. On a global basis, Armenia ranked ahead of Zambia, Uganda and Papua New Guinea, and came behind Egypt, Venezuela and Senegal. Armenia's ranking dropped by five spots from the September 2012 survey as well as from the March 2012 survey, constituting the 22nd steepest decline globally and the fourth steepest drop among CIS countries. Armenia received a score of 34.5 points in March 2013 compared to 37.5 points in September 2012 and 35.9 points in March 2012. Its score was below the global average of 43.9 points and the CIS average of 36.7 points. Also, Armenia's score decreased by 3 points, or 8% from September 2012, constituting the third steepest drop among the CIS numerically and the fourth smallest decrease in percentage terms.

Source: Institutional Investor, Byblos Research

CÔTE d'IVOIRE

Economic performance exceeds expectations in 2012

The International Monetary Fund indicated that Côte d'Ivoire's macroeconomic performance was better than expected in 2012, with a real GDP growth rate of 9.8%, an average inflation rate of 1.3%, and a better-than-anticipated budget execution. It said that Côte d'Ivoire achieved the full regularization of its external debt for the first time in around 30 years, following the completion of the Heavily Indebted Poor Countries Initiative and agreements with its commercial creditors. It considered the country's macroeconomic prospects for 2013 to be positive, with a solid growth rate and a low inflation level. It forecast public investment to exceed 7% of GDP and to be supported by substantial external financing, in line with the 2012-15 National Development Plan. The Fund pointed out that Côte d'Ivoire made significant progress in the implementation of structural reforms, mainly in improving the business climate and strengthening the energy sector. But it noted that some reforms were delayed, such as formulating a medium-term wage bill strategy, restructuring the public sector, regularizing the domestic debt, and adopting a new electricity code. It expected the government to proceed with the implementation of reforms that were delayed last year and to focus on value-added tax reform, further improvement of the business climate and the preparation of a Competition Law.

Source: International Monetary Fund



BANKING

GCC

Banks' bond issuance up 166% to \$15bn in 2012

Standard & Poor's indicated that the issuance of debt instruments by GCC banks totaled \$15bn in 2012, constituting an increase of 166% from 2011. It attributed the significant rise to investors' increased appetite for long-term debt in regional and international debt capital markets and to the low level of nominal interest rates. It anticipated that the issuance level of GCC banks will remain high this year, given interest from institutional investors, the banks' rapid growth and the supportive environment for issuing long-term debt instruments at low cost. It noted that GCC banks issued \$6.7bn in sukuk bonds last year, up 136% from 2011. It added that sukuk issuance accounted for 45% of total bank issuance in 2012 relative to around 50% in 2011, while the share of five-year bonds and notes with longer-term maturities was considerable. It said that conventional banks are increasing their participation in the sukuk market as a strategy to diversify their funding base with longer-term instruments, as reflected by their issuance of \$2.7bn in sukuk, or about 41% of total issuance last year. It pointed out that banks in the UAE were the largest issuers last year with a total of \$8bn, or 54% of total issuance by GCC banks, followed by Qatar with \$4.5bn in bonds and sukuk, or 30% of the total.

Source: Standard & Poor's

JORDAN

Bank ratings affirmed, outlook revised to 'negative'

Capital Intelligence affirmed the long- and short-term foreign currency ratings of Arab Bank (AB) at 'bb' and 'b' respectively, and those of the Housing Bank for Trade & Finance (HBTF), Jordan Ahli Bank (JAB), Cairo Amman Bank (CAB), Arab Banking Corporation Jordan (ABCJ), Jordan Islamic Bank (JIB), Capital Bank of Jordan (CBJ) and Jordan Kuwait Bank (JKB) at 'BB' and 'B', respectively. It also revised the outlook on all foreign currency ratings to 'negative' from 'stable'. The agency attributed the outlook revision to its earlier change to 'negative' of the outlook on Jordan's long- and short-term local currency sovereign ratings. It said that the 'negative' outlook reflects banks' exposure to the sovereign debt, which makes the banks' ratings highly linked to the sovereign's creditworthiness. It noted that a change in Jordan's creditworthiness would have a corresponding effect on the banks' ratings. Further, the agency maintained the Financial Strength Rating (FSR) of AB at 'a-', HBTF at 'BBB+', that of CAB, CBJ and JIB at 'BBB-', that of JKB and ABCJ at 'BBB', and JAB at 'BB'. It has a 'stable' outlook on all the FSR ratings. It indicated that the FSR ratings mainly reflect the banks' high levels of liquidity, sound profitability, and solid capital adequacy. It noted that the domestic and regional challenging economic conditions constitute the main constraint for the banks' FSR.

Source: Capital Intelligence

BAHRAIN

Banking sector outlook remains negative

Moody's Investors Service indicated that it will maintain its 'negative' outlook on the Bahraini banking system for the next 12 to 18 months due to the challenging domestic operating envi-

ronment, as reflected by social unrest, fragile consumer confidence and a troubled real estate sector. It expected the operating environment to weigh on local banks' asset quality and profitability over the 12 to 18 months through elevated levels of non-performing loans. It projected the NPL ratio for the eight largest retail banks at around 8% in 2013 compared to an estimated 7.5% in 2012. It noted that NPL levels exclude recently restructured loans estimated at 3% of gross loans. It pointed out that NPL expectations largely reflect the ongoing weakness of the real-estate sector and continued domestic political uncertainty, which will delay a robust economic recovery and affect private-sector investment decisions. However, Moody's expected the government's high spending, as well as banks' healthy funding and capital profiles, to partly mitigate asset quality and profitability pressures, and to support the banking sector's financial stability. It forecast banks' profitability metrics to remain close to the current moderate levels, reflecting depressed net interest margins due to the low interest-rate environment as well as high domestic competition and elevated provisioning.

Source: Moody's Investors Service

SAUDI ARABIA

Lending up 16% year-on-year in February 2013

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks reached SAR1,753.6bn at the end of February 2013, constituting a marginal increase of 0.6% from the previous month, a growth of 1.1% from end-2012, and a rise of 9.3% from end-February 2012. Private sector loans totaled SAR1,022.4bn and grew by 1.1% month-on-month, by 2.3% from end-2012 and by 15.6% year-on-year, mainly driven by consumer and corporate lending. In parallel, aggregate deposits reached SAR1,262.6bn at end-February, unchanged from end-2012, and rising by 12.1% from February 2012. The loans-to-deposits ratio increased to 81% in February 2013 from 79.3% at end-2012 and from 78.5% a year earlier, but remained below the levels reached in the second half of 2012. The sector's aggregate profits reached SAR3bn in February 2013, down 8.2% month-on-month.

Source: Saudi Arabian Monetary Agency

ANGOLA

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 it has detected additional strategic deficiencies in Angola's action plan to improve its AML/CFT framework. It noted that Angolan authorities have included these deficiencies in their revised action plan and have expressed a renewed political commitment to implement it. It said that the action plan includes adequately criminalizing money laundering and terrorist financing; establishing and implementing an adequate legal framework to confiscate funds related to money laundering and to identify and freeze terrorist assets without delay; ensuring an effectively functioning Financial Intelligence Unit; and ensuring that appropriate laws and procedures are in place to provide mutual legal assistance.

Source: Financial Action Task Force

ENERGY / COMMODITIES

Global Brent oil prices to fall by 5% in 2013

The global oil market is likely to remain volatile in 2013 due to ongoing concerns over weak economic activity in the Eurozone, the risk of a political stand-off over U.S. fiscal policy and the uncertainty surrounding China's economic growth. The oil market is expected to remain oversupplied during the 2013-14 period. As such, oil prices would come under downward pressure. But political risk premiums linked to the conflict in the Middle East would support oil prices during 2013. Brent crude prices are forecast to average \$103.5 a barrel in the second quarter of 2013, while those of WTI crude oil are projected to average \$88 a barrel during the same quarter. Overall, Brent crude prices are expected to fall by 4.8% to an average of \$106.6 a barrel in 2013, while those of WTI crude oil are forecast to decrease by 3.3% annually to an average of \$91 a barrel this year. The Brent-WTI spread is projected to narrow during the 2013-14 period. As such, the Brent-WTI price differential is anticipated to contract to \$15.6 in 2013 from a spread of \$17.8 in 2012. In parallel, ICE Brent futures trading activity exceeded that of NYMEX WTI futures in 2012, constituting the first such occurrence ever in the oil market.

Source: Economic Intelligence Unit, Byblos Research

South Sudan's oil exports through Sudan to begin in April

South Sudan announced that its oil exports through Sudan would resume between April 15th and April 20th. Sudan and South Sudan agreed to resume cross-border oil flows in March 2013 after tensions eased between the two countries. South Sudan produced about 350,000 barrels a day before it shut down its oil output in January 2012. Sudan and South Sudan are highly dependent on oil-related revenues and on the resulting foreign currency receipts to finance their imports. South Sudan became independent from Sudan in July 2011. In parallel, South Sudan signed an export agreement on March 7th with Switzerland-based oil trader Trafigura. The deal stipulates that Trafigura would purchase Dar Blend crude oil from South Sudan, which would be then delivered via the Sudanese pipeline for export.

Source: Thomson Reuters, The Guardian

Iraqi oil exports up 7.6% in February 2013

Iraq's crude oil exports reached an average of 2.54 million b/d in February 2013, constituting an increase of 7.6% from 2.36 million b/d in the previous month. As such, Iraqi oil exports totaled 71 million barrels in February, equivalent to about \$7.64bn in proceeds. Iraq holds the world's second-largest oil reserves, with about 143.1 billion barrels of proven reserves.

Source: Agence France Press, Byblos Research

Egypt to import oil from Libya

Egypt is expected to import about one million barrels of oil per month from Libya starting in April 2013, equivalent to about 5% of its oil needs, in an attempt to ease the country's fuel shortages. The deal was reach based on standard commercial terms, but the length of the credit period under which Libya would supply the oil has yet to be finalized. In parallel, Libya plans to refine some of its crude oil in Egyptian refineries in an attempt to support the Egyptian economy.

Source: Dow Jones Newswire

Base Metals: Copper prices to remain flat in 2013

Global copper production is forecast to reach 20.8 million tons in 2013, constituting an increase of 3.1% from 20.1 million tons in 2012. China's copper production is projected to reach 6.6 million tons in 2013, equivalent to 31.7% of global supply. It would be followed by Chile with 3 million tons of output (14.3%) and the U.S. with 1.1 million tons (5.1%). In parallel, global copper demand is expected to reach 20.7 million tons in 2013, constituting an increase of 3.4% from 20 million tons in 2012. China's copper consumption is anticipated at 8.7 million tons in 2013, equivalent to 42.1% of global demand. It would be followed by European countries with 3.6 million tons (17.3%), North America with 2.3 million tons (11%), Japan with one million tons (4.9%) and the Rest of the World with 5.1 million tons (24.7%). The copper market is expected to post a surplus of 92,000 tons in 2013 as growth in the metal's supply outweighs demand. Global copper prices are forecast to average \$8,100 a metric ton in the second quarter of 2013, constituting a rise of 2.9% from \$8,869 a metric ton in the same quarter of 2012. In parallel, copper prices are projected to decline by a marginal 0.3% year-on-year to \$7,925 a metric ton on average in 2013.

Source: Barclays Capital, Byblos Research

Precious Metals: Gold prices to ease in 2013

Global gold fabrication demand is projected to reach 2,908 tons in 2013, constituting a decrease of 3.9% from 3,027 tons in 2012. As such, global jewelry consumption is expected to grow by 3.2% to 1,859 tons in 2013. Also, net official sector purchases are forecast to decrease by 36.1% year-on-year to 300 tons in 2013. Further, the implied physical demand for gold is anticipated at 1,478 tons in 2013, constituting a rise of 14% from 1,297 tons in 2012, mainly due to lower gold prices. In parallel, global gold mine production is anticipated to grow by 1.1% year-on-year to 2,680 tons in 2013, while global old gold scrap supply is forecast to increase by an annual 2.1% to 1,706 tons this year. As such, Global gold production is expected to reach 4,386 tons in 2013, constituting a rise of 1.5% from 4,323 tons in 2012. Gold prices are anticipated to encounter range-bound trading in 2013, supported by a rise in physical demand and a low interest rate environment. Also, prices would struggle to gain momentum in the absence of new market catalysts. Gold prices are forecast to average \$1,646 a troy ounce in 2013, constituting a decrease of 1.3% from an average \$1,668 a troy ounce in 2012.

Source: Barclays Capital, Byblos Research

Industrial Metals Index Prices vs. S&P 500 Composite Stock Index 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	Stable	-	Stable								
Egypt	B-	Caa1	B	B	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Stable	-	Negative	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-2.4	85.1	84.6	91.9	2.8	560.0	-23.6	0.01
	-	-	-	-	-								
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	-	Positive								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	BB-	Ba1	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	Baa1	BBB	BBB+	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Negative	Stable								
Iran	-	-	B+	BB-	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	Stable	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Negative	-	Negative	Positive								
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-	BBB	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Stable	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	BB-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	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-	BBB-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Negative	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BBB	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	-	Positive								
Romania	BB+	Baa3	BBB-	BBB-	BB	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	Negative	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	Ba1	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Positive	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CCC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Stable	-	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	20-Mar-13	No change	01-May-13
Eurozone	Refi Rate	0.75	07-Mar-13	No change	04-Apr-13
UK	Bank Rate	0.50	07-Mar-13	No change	04-Apr-13
Japan	O/N Call Rate	0-0.10	07-Mar-13	No change	04-Apr-13
Australia	Cash Rate	3.00	05-Mar-13	No change	02-Apr-13
New Zealand	Cash Rate	2.50	14-Mar-13	No change	24-Apr-13
Switzerland	3 month Libor target	0.00	14-Mar-13	No change	20-Jun-13
Canada	Overnight rate	1.00	06-Mar-13	No change	17-Apr-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	20-Mar-13	No change	01-May-13
Taiwan	Discount Rate	1.88	19-Dec-12	No change	28-Mar-13
South Korea	Base Rate	2.75	14-Mar-13	No change	11-Apr-13
Malaysia	O/N Policy Rate	3.00	07-Mar-13	No change	09-May-13
Thailand	1D Repo	2.75	20-Feb-13	No change	03-Apr-13
India	Reverse repo rate	7.50	19-Mar-13	Cut 25bps	03-May-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	9.25	24-Nov-11	Raise 100bps	N/A
Turkey	Base Rate	5.50	19-Feb-13	No change	26-Mar-13
South Africa	Repo rate	5.00	20-Mar-13	No change	23-May-13
Kenya	Central Bank Rate	9.50	12-Mar-13	Cut 150bps	Apr-13
Nigeria	Monetary Policy Rate	12.00	19-Mar-13	No change	21-May-13
Ghana	Prime Rate	15.00	Feb-13	No change	Apr-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	08-Mar-13	Cut 50bps	26-Apr-13
Brazil	Selic Rate	7.25	06-Mar-13	No change	17-Apr-13
Armenia	Refi Rate	8.00	12-Feb-13	No change	N/A
Romania	Policy Rate	5.25	05-Feb-13	No change	28-Mar-13
Bulgaria	Base Interest	0.01	01-Mar-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	20-Aug-12	No change	N/A
Russia	Refi Rate	8.25	15-Mar-13	No change	Apr-13



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