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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Volume of commercial payments up 7% in first half of 2013

The aggregate volume of commercial payments sent through SWIFT totaled 348.1 million in the first half of 2013, constituting a 7% increase from the same period last year. Commercial payments sent from Non-Eurozone European countries stood at 107.5 million and accounted for 30.9% of the global volume, followed by the Eurozone with 91.4 million (26.3%), North America with 67.5 million (19.4%), Asia-Pacific with 49.6 million (14.2%), the Middle East with 13.2 million (3.8%), Africa with 11.1 million (3.2%), and Latin America with 7.9 million (2.3%). Also, the aggregate number of commercial payments sent from Non-Eurozone European countries increased by 15% annually in the first half of 2013, followed by Africa with a 13% rise, North America with an 8.8% increase, Asia-Pacific with an 8.7% growth and Latin America with a 2.6% increase; while commercial payments sent from the Middle East declined by 8.4% annually in the covered period and those from the Eurozone fell by 1.2%. In parallel, the total number of bank-to-bank payments sent through SWIFT stood at 115.3 million in the first half of 2013, constituting a 5.2% increase from the same period of 2012. The volume of bank-to-bank payments in Non-Eurozone countries reached 35.2 million in the covered period and accounted for 30.6% of the global volume, followed by the Eurozone with 32.9 million (28.6%), Asia-Pacific with 21.9 million (19%), North America with 18.8 million (16.3%), Africa with 2.6 million (2.3%), the Middle East with 2.4 million (2.1%) and Latin America with 1.4 million (1.2%).

Source: Citigroup

EMERGING MARKETS

Private equity investments down 11% to $9.5bn in first half of 2013

Private equity funds dedicated to emerging markets raised $11bn in the first half of 2013, constituting a decrease of 52% from around $22bn in the same period last year. Emerging Asia funds raised $6.9bn, with China accounting for $2.6bn and Brazil for $758m, followed by Latin America & the Caribbean funds with $2.5bn and CEE & CIS funds with $553m. Also, multi-regional funds raised $492m, followed by MENA funds with $219m and Sub-Saharan Africa funds with $100m. In parallel, private equity investments in emerging markets totaled $9.5bn in the first half of 2013, constituting a decline of 11.2% from $10.7bn in the same period last year. Also, the number of transactions reached 360 deals in the first half of the year compared to 449 deals in the first half of 2012. The average deal was worth $26.4m in the first half of 2013 relative to $23.8m in the same period last year. Emerging Asia attracted 74.2% of private equity investments by value, followed by Latin America & the Caribbean with 12.8%, Sub-Saharan Africa with 9%, the CEE & CIS with 2.3% and the MENA region with 1.8%. China attracted 34.5% of emerging markets private equity investments, followed by India with 18.3% and Brazil with 7.3%.

Source: Emerging Markets Private Equity Association

MENA

Arab world's competitiveness stagnates

The World Economic Forum included 15 Arab countries in its Global Competitiveness Index for 2013-14, up from 14 countries in the previous survey. Qatar came in 13th place globally and was the region's top-ranked country, followed by the UAE in 19th place, Saudi Arabia (20th), Oman (33rd), Kuwait (36th) and Bahrain (43rd), as the six most competitive Arab economies and the only ones to rank among the top 50 globally. In contrast, Egypt (118th), Mauritania (141st) and Yemen (145th) were the least competitive Arab countries. The rankings of 10 Arab countries regressed and four improved year-on-year, while Tunisia was reinstated to the index. Algeria posted the highest improvement in the global rankings among Arab countries with a rise of 10 spots, while Lebanon's rank dropped by 12 spots year-on-year, constituting the steepest decline in the region. In parallel, the region's average score dropped to 4.17 points from 4.23 points in last year's index, and came slightly below the global average score of 4.18 points. The GCC countries' average score decreased to 4.85 points from 4.91 points previously, while the average score of non-GCC Arab countries marginally improved to 3.72 points from 3.71 points last year. The scores of four Arab countries increased, nine declined and one remained unchanged, with Algeria posting the highest increase in competitiveness and Bahrain showing the steepest drop.

Source: World Economic Forum, Byblos Research

Outward Greenfield FDI projects down 14% to $34.6bn in 2012

Figures released by the United Nations Conference on Trade and Development (UNCTAD) and fDi Marktets show that the value of outward Greenfield FDI projects from Arab economies totaled $34.6bn in 2012, constituting a decline of 14% from $40.2bn in 2011. The value of outward Greenfield FDI projects from 13 Arab countries in the region accounted for 16.7% of total Greenfield FDI projects from developing countries and for 5.7% of global outward Greenfield FDI projects. Six Arab countries saw an increase in the value of outward Greenfield FDI projects in 2012 and five posted a decline in outflows. The UAE was the largest source of Greenfield FDI in the region with $16.7bn and Mauritania was the smallest with $9.2m. Egypt posted the highest increase in Greenfield FDI outflows in 2012 of 3199%, followed by Jordan with 1906% and Algeria with 54.3%; while Morocco registered the steepest year-on-year decline of 86%, followed by Kuwait with 70.4% and Saudi Arabia with 52.5%. In parallel, there were 581 Greenfield FDI projects from Arab economies in 2012, up 20.3% from 483 projects in 2011. The UAE was the source of 331 projects in 2012, while Yemen, Morocco and Algeria had only one project each in 2012.

Source: fDi Markets, UNCTAD, Byblos Research

OUTLOOK

EMERGING MARKETS

Divergence in growth rates with advanced economies to reverse over the near term

The Institute of International Finance anticipated that the divergence in growth performance between emerging and developed economies since the 2008 global financial crisis would partly reverse during the coming five years. It indicated that output in most advanced economies fell by a cumulative 10% to 20% compared to pre-crisis levels, while that of emerging markets, excluding China, increased by 10% from pre-crisis trend. It added that China's nominal GDP is currently almost 50% higher than its pre-crisis level. It attributed the strong economic performance of emerging markets to robust domestic demand stimulated by large access to cheap external funding due to easy monetary conditions in advanced economies. It pointed out that activity in advanced economies has started to improve, as their sovereign balance sheets are gradually healing and the adverse impacts of fiscal consolidation are easing. But it considered that advanced economies are not likely to return to pre-crisis growth trends without addressing the structural barriers to productivity growth and strengthening labor market performance.

In parallel, the IIF indicated that emerging markets will find it hard to sustain the growth rates they achieved in the past five years. It indicated that emerging markets' economic performance has started to slow down as a result of supply bottlenecks, the weakening of sovereign balance sheets, a tightening in external financing conditions, and policy response to rapid domestic credit growth. It anticipated that emerging markets' prospects will depend on efforts to strengthen their policy frameworks and to implement reforms such as addressing infrastructure bottlenecks and stimulating productivity. It cautioned that some emerging markets will face stagnation as capital markets are less patient with inconsistent policy frameworks and as productivity gains become harder to achieve.

Source: Institute of International Finance

SYRIA

Economic activity to contract by 14% in 2013

Business Monitor International projected Syria's real GDP to contract by 13.9% in 2013 and by another 5.5% in 2014 compared to a contraction of 14.4% in 2012, due to the impact of the prevailing conflict on private consumption, fixed investment and exports. It indicated that the country's short-term economic outlook is tilted to the downside given the potential for the conflict to further escalate. BMI indicated that public expenditures have been on a downward trend in the past quarters., and that the government has cut fuel and gas subsidies repeatedly in recent months. But it considered that government consumption will decline at a slower pace compared to the overall economy, as the regime will use financial support from its allies to increase populist spending. It forecast government consumption to decline by 5% in 2013 and by another 2% in 2014.

In parallel, BMI anticipated private consumption to contract by 15% and 5%, respectively, in 2013 and 2014. It noted that Syrians' purchasing power is rapidly eroding due to the combination of elevated inflation rates and the increasing number of displaced and refugees. It projected the average inflation level at 60% in 2013 compared to 50% in 2012. It attributed the high inflation rates to severe disruption to supply lines and trade routes, damages to industrial and agricultural production, and the ongoing devaluation of the pound. Further, BMI expected fixed investment to drop by 13% in 2013 and by 5% in 2014 as the violence and international sanctions have kept foreign investment at a minimum. It noted that around 75% of production facilities in Aleppo are no longer operating due to bombings, disruption to supply lines and lootings. It added that only Russian and Iranian firms are keeping operations in the country.

In parallel, BMI expected Syria's net export position to weigh on headline growth in 2013, with total exports falling by 20% in 2013 and 10% in 2014, and overall imports decreasing by 14% in 2013 and 5% in 2014. It attributed the fall in exports to international sanctions on the hydrocarbon sector, disruption to supply routes and shrinking agricultural and industrial production; and the drop in imports to the disruption of trade lines, the ongoing depreciation of the currency that is making imported products increasingly expensive, and trade sanctions.

Source: Business Monitor International

NIGERIA

Government to miss fiscal target

The Institute of International Finance projected Nigeria's fiscal deficit to widen to 3% of GDP in 2013 from 2.6% of GDP in 2012 and to miss the government's target deficit of 1.9% of GDP for this year. It attributed the widening of the deficit to lower-than-expected revenues and higher-than-budgeted spending. It projected public revenues to increase by 5.5% this year compared to the government's target of 13%, and to be equivalent to 8.4% of GDP relative to 8.6% of GDP in the budget. It expected oil production to be lower than the forecast of 2.5 million barrels per day in 2013. It considered that the projected 99% increase in customs & excise receipts in the 2013 budget to be unrealistic. It forecast public spending to rise by 10.8% this year relative to the 6.5% targeted rise and to be equivalent to 11.4% of GDP compared to a budgeted 10.4% of GDP. It expected capital spending to increase by 60% and to represent 27% of overall spending this year relative to a share of 23% last year. Further, the IIF expected smaller inflows to the Excess Crude Account this year due to lower global oil prices and domestic production. As such, it considered that the fiscal buffers will be smaller.

The IIF indicated that Nigeria's fiscal vulnerabilities and associated challenges are due to its high dependence on the hydrocarbon sector as well as its complicated and rigid fiscal structure. It noted that the government has implemented a series of reforms to address these weaknesses such as the reduction of petroleum subsidies, the creation of a Sovereign Wealth Fund, and the implementation of structural reforms to promote non-oil sector growth. It anticipated that the full implementation of reforms would significantly reduce the fiscal deficit in coming years. In parallel, the IIF anticipated that the 2014 budget would be drafted in a challenging fiscal environment, as the 2015 presidential and national assembly elections would add to spending pressures.

Source: Institute of International Finance

GCC

Aggregate corporate profits up 7% to $31bn in first half of 2013

The net corporate earnings of companies listed on GCC stock markets totaled $31.2bn in the first half of 2013, constituting a 7.1% increase from the same period last year. Companies listed on the Saudi equity market led the region's corporate earnings with $12.8bn in the first half of 2013 and accounted for 41.2% of the total. They were followed by earnings of listed companies in Qatar with $5.8bn, or 18.6% of the total, Abu Dhabi with $4.7bn (15.1%), Kuwait with $2.8bn (9%), Dubai with $2.1bn (6.7%), Bahrain with $1.9bn (6.1%) and Oman with $1bn (3.2%). Corporate earnings of companies listed on the Bahrain stock exchange surged by 58% year-on-year in the first half of 2013, profits of firms listed on the Dubai stock market increased by 28.2%, those of firms on the Oman bourse rose by 15%, net income of companies listed on the Qatari market improved by 13.8%, those of firms listed on Kuwait stock exchange grew by 11.6% and those of firms listed on the Abu Dhabi stock exchange increased by 5%. In contrast, earnings of listed firms in Saudi Arabia contracted by 3.5% year-on-year in the covered period. The rise in the earnings of Kuwait's listed firms is due to the positive performance of the banking, industrial and financial services sectors. Qatar benefited from higher earnings of industrial, insurance, banking and telecommunication companies. The fall in earnings of listed firms in Saudi Arabia is due to weakened earnings of the telecommunication, petrochemical and real estate sectors.

Source: Global Investment House

JORDAN

Current account deficit to narrow to 10% of GDP in 2013, still at unsustainable level

The Institute of International Finance projected Jordan's current account deficit to narrow to 10.2% of GDP in 2013 from a record deficit of 18.4% of GDP in 2012. It attributed the narrowing of the deficit to a decline in global commodity prices, improved gas inflows from Egypt, a modest recovery in the tourism sector and a surge in official transfers or grants. It considered that the current account deficit would remain above the level considered to be sustainable. It pointed out that the improvement in net external financing needs this year and the rise in grants will reduce the government's need for large borrowing from the domestic banking system. It added that external financing available to Jordan improved significantly due to the arrangement with the International Monetary Fund and the loan guarantee agreement with the United States. Further, it said that the widening of the current account deficit, combined with the significant decline in foreign direct investment in the past two years, led to a substantial drawdown of foreign exchange reserves to $8.1bn or 4 months of imports cover in 2012 from $11.5bn or 6.2 months of import covers in 2011. But it expected substantial financial supports from GCC countries to strengthen foreign exchange reserves to $10.9bn or 5.6 months of imports in 2013.

Source: Institute of International Finance

DEM REP CONGO

First sovereign rating is six notches below investment grade

Moody's Investors Service assigned to the Democratic Republic of the Congo (DRC) local and foreign currency issuer ratings of 'B3', with a 'stable' outlook, constituting the DRC's first sovereign rating. The sovereign ratings are six notches below investment grade and reflect high credit risks. It also assigned a 'B2' local-currency country risk bond and deposit ceilings; a 'B2' foreign currency bond ceiling and a 'Caa1' foreign-currency bank deposit ceiling. The agency said the ratings reflect the DRC's fragile economy, its very weak institutional strengths, weak fiscal fundamentals and high vulnerability to economic and political shocks. It anticipated that the country's robust growth prospects, driven by the significant foreign investment in the mining sector and the expected rise in domestic consumption, would offset the fragility of the economy and the very low per capita income. It expected the DRC's fiscal position to improve during the 2013-14 period and for its debt metrics to remain in line with 'B'-rated peers, supported by the introduction of the value-added tax in 2012 and stronger mining-related revenues. Further, it considered that the foreign exchange reserves level of 2.3 months of import cover, or $1.7bn at end-February 2013, is low compared to commodity exporters. But it anticipated that authorities would achieve a target of six months of import cover by 2018. It projected moderate growth in the debt and external buffers. It noted that the country's financing needs to rebuild its infrastructure are elevated.

Source: Moody's Investors Service

ANGOLA

Oil price vulnerability and limited institutional capacity constrain creditworthiness

Moody's Investors Service indicated that Angola's 'Ba3' government ratings are supported by robust economic growth prospects and a strong government balance sheet, but they are constrained by its limited institutional capacity and high vulnerability to global oil price volatility. It pointed out that the rapid rise in the fiscal breakeven oil price from $66 to $97 over the last three years makes the country more vulnerable to an oil shock, adding that the government is still building up its fiscal buffers. It said that Angola suffers from uncertainty about political succession and continuity in economic policy. It added that risks in the banking system are heightened by relatively high levels of financial dollarization. In parallel, Moody's pointed out that the large size and strong growth prospects of the economy are credit strengths. It anticipated that the expansion of oil & gas production would support the country's outlook. It noted that stable oil revenues would allow the authorities to pursue their strategy of diversifying the local economy by addressing structural issues, such as the large infrastructure needs. It pointed out that the relative strength of the government's balance sheet and the continued growth of the country's foreign exchange reserves constitute a credible buffer against economic shocks. It noted that the recent creation of the sovereign wealth fund, which would act as a cushion to soften the impact of any economic or financial shock on the country, is credit positive.

Source: Moody's Investors Service

BANKING

EGYPT

Banks' exposure to government debt up 20% year-on-year in May 2013

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,582.8bn at the end of May 2013, constituting an increase of 15.9% from end-2012 and a rise of 14.3% from end-May 2012. The private sector's aggregate lending reached EGP505.9bn and rose by 5.9% from end-2012 and by 8.5% year-on-year. Banks' exposure to government securities totaled EGP575.1bn and rose by 4.5% from end-2012 and by 19.7% from a year earlier. Banks' exposure in local currency stood at EGP517.9bn and increased by 3.1% from end-2012 and by 15.9% year-on-year; while their exposure in foreign currency reached EGP57.2bn and grew by 19.3% from end-2012 and by 71.6% from a year earlier. Further, total deposits reached EGP1,169.6bn, constituting an increase of 7.2% from end-2012 and of 15.7% from a year earlier, with private sector deposits totaling EGP1,045.8bn at end-May 2013 and rising by 7.8% from end-2012 and by 17.9% year-on-year. Private sector deposits in foreign currency rose by 22% year-on-year to the equivalent of EGP230.2bn at the end of May 2013; while private sector deposits in local currency rose by 16.7% from end-May 2012 to EGP815.6bn. The dollarization rate of private sector deposits reached 22% at the end of May 2013 relative to 21.3% a year earlier. The private sector loans-to-deposits ratio was 48.4% at end-May 2013 relative to 52.5% a year earlier.

Source: Central Bank of Egypt, Byblos Research

MOROCCO

Lending growth decelerating due to subdued corporate credit demand

Figures issued by Bank Al-Maghrib show that the total assets of commercial banks operating in Morocco reached MAD1,150.4bn, equivalent to $136.9bn at the end of July 2013, constituting an increase of 1.8% from the end of 2012 and a growth of 4.5% from end-July 2012. The sector's aggregate loans totaled MAD724.7bn, constituting a contraction of 0.8% from end-2012. Also, total annual credit growth decelerated to 2.2% in July 2013 from 2.7% in the preceding month and 3% in May, and posted its lowest level in the past 10 years. The deceleration in lending growth is due to subdued loan demand in the corporate segment as a result of weak investment, with working-capital lending falling by 3% annually and equipment loans related to investment rising by just 1.2% year-on-year. In contrast, mortgages rose by 6.7% annually and consumer loans increased by 6% year-on-year. Deposits totaled MAD734bn at end-July 2013, up by 2% from end-2012 and by 6% annually, mainly driven by retail deposits that posted a 6% year-on-year increase as corporate deposit growth slowed to 5.2% in July from 7.9% in June 2013. The loan-to-deposit ratio stood at 99%, unchanged from the preceding month but down from 100% at end-2012. Also, nominal NPLs increased by 12.2% annually due to higher NPLs in both the corporate and retail sectors. The NPL ratio stood at 5.5% in July 2013, up from 5.4% in June and 4.9% in December 2012.

Sources: Bank Al-Maghrib, EFG Hermes

GHANA

Banking sector to maintain strong performance in 2013

Business Monitor International expected Ghana's banking sector to perform strongly this year, supported by high economic growth and technological change, mainly the expansion of mobile banking. It said that total assets grew by 24.3% year-on-year at end-June 2013 to GHS30.6bn, or $15.2bn, equivalent to 41.8% of GDP. It added that domestic assets increased by 29.2% annually at end-June 2013 relative to 31.1% at end-April 2013 and 24.9% in 2012; while foreign assets contracted by 19.1% at end-June 2013 relative to growth of 8.9% in 2012. It said that Ghana's banking sector remains relatively stable, and is benefiting from high capitalization levels and sound liquidity and profitability. It indicated that the capital adequacy ratio of banks operating in Ghana stood at 15.8% at end-June 2013, well above the 10% level considered to be prudent, but down from 18.1% at end-April 2012 and 18.6% at end-2012. Further, BMI noted that credit to the private sector increased by 20.7% year-on-year in real terms in June 2013 compared to growth of 23.2% in December 2012. It attributed the slowdown in private sector credit growth to a tightening in domestic credit conditions. It anticipated that a tight domestic monetary policy will contain loan growth and credit extension in the banking sector. In parallel, BMI pointed out that the sector's non-performing loans (NPLs) level decreased significantly from 18.7% in May 2010 to 12.8% in June 2013, but remains high. It said the mining & quarrying sector had the highest level of NPLs at 23.5% at end-June 2013, followed by agriculture, forestry & fishing at 19.9% and commerce & finance at 17.7%. It noted that NPLs in the mining and agriculture sectors are increasing, which would pose risks to banks that have high exposure to these sectors.

Source: Business Monitor International

INDIA

Subordinated and junior debt ratings of 11 banks downgraded

Moody's Investors Service downgraded by one to two notches the subordinated and junior debt ratings of the state-owned Bank of Baroda, Bank of India, Canara Bank, IDBI Bank, Indian Overseas Bank, State Bank of India, Syndicate Bank and Union Bank of India; and those of the privately-owned Axis Bank, HDFC Bank and ICICI Bank. It said that the downgrades reflect the increasing international trend of imposing losses on holders of subordinated securities as a pre-condition for distressed banks to receive government support. It considered that the Indian government is likely to provide less support in the future. But it noted that state-owned banks benefit from higher probability of support than their privately-owned counterparts. It added that it lowered the probability of support for private sector banks to 'low-to-moderate' from 'high' previously. As such, it removed the one notch support uplift incorporated in the private sector banks' subordinated and junior subordinated ratings, while it kept it in the state-owned banks' ratings but at a lower level. It noted that the one notch uplift partly reflects the unique role of state-owned banks in implementing the government's policy.

Source: Moody's Investors Service

LNG prices to drop by 3% in 2013

Global liquefied natural gas (LNG) production is expected to reach 328.9 billion cubic meters (bcm) in 2013, constituting a marginal rise of 0.3% from a year earlier. Qatar is anticipated to remain LNG's main producer during the 2013-14 period. Qatar's LNG production is forecast to reach 105.4 bcm in 2013, equivalent to 32% of global supply. It would be followed by Malaysia with 31.2 bcm (9.5%) and Australia with 28.4 bcm (8.6%). In parallel, global LNG demand is projected to grow by 0.3% year-on-year to 328.8 bcm in 2013. Japan is expected to remain the world's largest consumer of LNG in 2013 as it accounts for about 35% of LNG's consumer market. Japanese LNG prices are forecast to average $16.1 per million British thermal unit in 2013, down 2.9% from a year earlier. The Dow Jones-UBS Energy Sub-Index rose by 3.1% in August 2013, while the Petroleum Sub-Index increased by 3.5% during the month. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index increased by 3.7% in August, the Brent Crude Sub-Index rose by 5.7%, while the Natural Gas Sub-Index improved by 2.2% last month.
Source: Economist Intelligence Unit, Byblos Research

South Sudan's oil output at 200,000 b/d

South Sudan's crude oil production rose to 200,000 barrels a day (b/d) on September 9th, after reaching a deal with Sudan to end their long-standing conflicts. Earlier this month, Sudan lifted its July 2013 threat to block South Sudan's oil exports as it accused the South of supporting rebels operating across their shared border. Also, Sudan announced that it will continue to allow South Sudanese oil exports through its facilities and Port Sudan. In parallel, South Sudan earned about $969m as at the beginning of September from oil exports since the resumption of oil production in April 2013, of which it paid $91m to Sudan in oil export fees and $147m as part of a package to compensate Sudan for the loss of oil reserves following the South's independence in July 2011. Landlocked South Sudan is dependent on Sudan to transfer its oil to global oil markets.
Source: Thomson Reuters, Byblos Research

Iraqi oil exports up by 11% in August 2013

Iraq's crude oil exports rose by 11.1% month-on-month to average 2.58 million b/d in August 2013, due to increased shipments from the southern oil fields. Iraqi crude oil production is currently at 3.25 million b/d and it is expected to rise by 175,000 b/d by the end of September as production starts in the Southern Majnoon oil field. The government has set an oil production target of 3.4 million b/d for end-2013. Iraq is currently the second-largest crude oil producer among OPEC countries.
Source: Thomson Reuters, Byblos Research

Russia and Africa hold about 70% of world's diamond reserves

Global diamond reserves reached 2..3 billion carats in 2012, nearly unchanged from the preceding three years. Russia's diamond reserves totaled one billion carats in 2012, or 45.2% of the world's total. It was followed by Zimbabwe with 200 million carats, equivalent to 8.6% of the total, Canada with 195 million carats (8.4%), the Democratic Republic of Congo and Brazil with 180 million carats each (7.8% each), South Africa with 162 million carats (7%), Australia with 151 million carats (6.5%) and Botswana with 140 million carats (6%).
Source: Bain & Company, Byblos Research

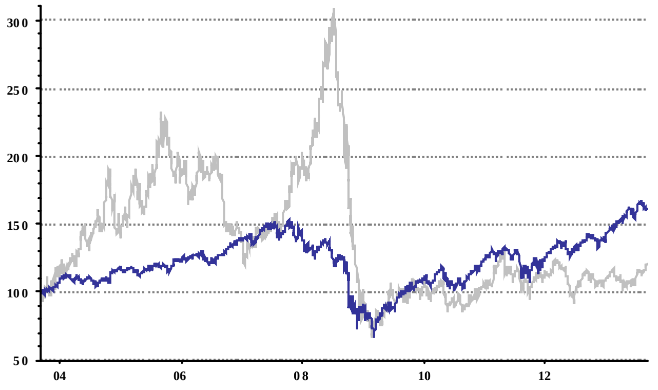
Base Metals: Aluminium prices to drop by 5% in fourth quarter and by 6% in 2013

Global aluminium demand is expected to rise by 3.8% to 47.9 million tons in 2013, while the metal's global production is projected to grow by 3.8% to 48.8 million tons this year. China is anticipated to remain the world's largest producer and consumer of aluminium during the 2013-14 period. The aluminium market is expected to post a surplus of 969,000 tons in 2013 as the metal's supply outweighs demand. Aluminium prices are forecast to decline in 2013, but to recover in 2014 as the global economic environment improves. Aluminium prices are projected to average $1,900 a metric ton in the fourth quarter of 2014, constituting a decrease of 4.9% from the same quarter last year. Overall, aluminium prices are forecast to decline by 6.3% to $1,890 a metric ton on average in 2013 and to recover to $2,056 a metric ton on average in 2014. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index increased by 1.7%, while the Dow Jones-UBS Aluminium Sub-Index regressed by 0.3% in August 2013. Further, the Dow Jones-UBS Copper Sub-Index rose by 3.4% in August, while the Nickel Sub-Index decreased by 0.7%.
Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Gold sector to become less fragmented over the medium-term

The gold sector is projected to become less fragmented over the medium-term as more junior miners exit the market while some majors advance towards acquisitions to expand their production. This was mainly attributed to the rising number of gold miners feeling the repercussions of the lower gold prices in previous months. In parallel, global gold mine supply is expected to rise by 1.1% this year and to grow by an annual average rate of 1.9% to reach 91.8 million tons by 2017. China is projected to remain the world's top mine producer over the coming years, followed by Australia and the United States. Overall, gold prices are forecast to average $1,235 a troy ounce over the 2013-17 period, constituting a decrease of about 26% from an average $1,668 a troy ounce in 2012. In parallel, the price of gold increased by 5.9% in August to $1,394.7 a troy ounce on August 31st, while that of silver rose by 18.7% to $23.5 an ounce over the same month. Also, platinum prices increased by 5% to $1,515.5 a troy ounce, while palladium prices regressed by 0.9% to $719 a troy ounce in August 2013.
Source: Business Monitor International, Byblos Research

S&P Energy Index vs. S&P 500 Index
(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 Stable	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
Angola	BB- Stable	Ba3 Stable	BB- Positive	- -	BB Stable	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
Egypt	CCC+ Stable	Caa1 Negative	B- Negative	B- Negative	CCC Stable	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
Ethiopia	-	-	-	-	B Stable	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
Ghana	B Stable	- -	B+ Negative	- -	B Stable	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
Ivory Coast	- -	- -	- -	- -	B Stable	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
Libya	- -	- -	B Stable	- -	B Stable	19.4	-	6.5	16.5	2.5	-	21.8	-
Dem Rep Congo	- -	B3 Stable	- -	- -	- -	-2.4	36.0	21.0	-	-	-	-12.4	16.3
Morocco	BBB- Negative	Ba1 Negative	BBB- Stable	BBB- Stable	B Stable	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
Nigeria	BB- Stable	Ba3 Stable	BB- Stable	- -	B Stable	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
Sudan	- -	- -	- -	- -	C Stable	-4.0	112.1	84.8	159.6	-	-	-7.8	-
Tunisia	B Negative	Ba2 Negative	BB+ Negative	BBB Stable	CCC Stable	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
Middle East													
Bahrain	BBB Stable	Baa1 Negative	BBB Stable	BBB+ Negative	BB Stable	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
Iran	- -	- -	B+ Stable	BB- Negative	CCC Stable	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
Iraq	- -	- -	- -	- -	CCC Stable	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
Jordan	BB- Negative	B1 Stable	- -	BB Negative	CCC Stable	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
Lebanon	B Negative	B1 Stable	B Stable	B Stable	CCC Stable	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
Oman	A Negative	A2 -	- -	A Stable	A Stable	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
Qatar	AA Stable	Aa2 Stable	- -	AA- Stable	AA Stable	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
Saudi Arabia	AA- Positive	Aa3 Stable	AA- Positive	AA- Stable	A Stable	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
Syria	- -	- -	- -	- -	CC Negative	-16.3	48.5	-	87.7	-	-	-13.3	0.3
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
Yemen	- -	- -	- -	B- Negative	CC Stable	-5.7	44.9	17.8	72.4	-	157.5	-2.7	-

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-	-	-								
	-	Stable	Stable	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
China	AA-	Aa3	A+	A	BBB								
	Stable	Stable	Stable	Stable	Stable	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
India	BBB-	Baa2	BBB-	BBB-	BB								
	Negative	Stable	Stable	Stable	Stable	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
Kazakhstan	BBB+	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
Romania	BB+	Baa3	BBB-	BBB-	B								
	Stable	-	Stable	Negative	Stable	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
Turkey	BB+	Baa3	BBB-	BB+	B								
	Stable	Stable	Stable	Stable	Stable	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
Ukraine	B	B3	B	-	CC								
	Negative	Negative	Negative	-	Stable	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	31-Jul-13	No change	18-Sep-13
Eurozone	Refi Rate	0.50	05-Sep-13	No change	02-Oct-13
UK	Bank Rate	0.50	05-Sep-13	No change	10-Oct-13
Japan	O/N Call Rate	0-0.10	05-Sep-13	No change	04-Oct-13
Australia	Cash Rate	2.50	03-Sep-13	Cut 25bps	01-Oct-13
New Zealand	Cash Rate	2.50	25-Jul-13	No change	12-Sep-13
Switzerland	3 month Libor target	0.00-0.25	20-Jun-13	No change	19-Sep-13
Canada	Overnight rate	1.00	04-Sep-13	No change	23-Oct-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	31-Jul-13	No change	18-Sep-13
Taiwan	Discount Rate	1.88	27-Jun-13	No change	26-Sep-13
South Korea	Base Rate	2.50	08-Aug-13	No change	12-Sep-13
Malaysia	O/N Policy Rate	3.00	05-Sep-13	No change	07-Nov-13
Thailand	1D Repo	2.50	21-Aug-13	No change	16-Oct-13
India	Reverse repo rate	7.25	30-Jul-13	No change	18-Sep-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	4.50	20-Aug-13	No change	17-Sep-13
South Africa	Repo rate	5.00	18-Jul-13	No change	19-Sep-13
Kenya	Central Bank Rate	8.50	01-Sep-13	Cut 100bps	05-Nov-13
Nigeria	Monetary Policy Rate	12.00	23-Jul-13	No change	24-Sep-13
Ghana	Prime Rate	16.00	31-Jul-13	No change	13-Sep-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	12-Jul-13	No change	06-Sep-13
Brazil	Selic Rate	9.00	28-Aug-13	Raise 50bps	09-Oct-13
Armenia	Refi Rate	8.50	13-Aug-13	Raise 50bps	N/A
Romania	Policy Rate	4.50	06-Aug-13	Cut 50bps	N/A
Bulgaria	Base Interest	0.02	01-Aug-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	Cut 50bps	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A

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