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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Region's brand perception declines in third quarter of 2010

The Nation Brand Perception Index indicated that the brand perception of the Middle East & North Africa region declined in the third quarter of 2010 from the second quarter, as the average index score of the 20 MENA countries included in the index reached 44.5 points, down from 44.7 points in the second quarter of 2010. The index analyzes international perceptions of a country's brand. It covers the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The MENA region continues to have the worst brand perception in the world, as its score was lower than the global average of 50.1 points as well as below the average score of Europe (53.4 points), Oceania (52.6 points), South America (51.4 points), the Caribbean (50.8 points), Africa (50.3 points), Asia (48.4 points), the Commonwealth of Independent States (47.9 points), and Central America (47.8 points). Qatar had the best brand perception in the region and ranked in 15th place globally, followed by Kuwait, Oman and Libya; while Lebanon, Iran and Iraq were the worst perceived countries in the region, ranking in 194th, 196th and 198th place, respectively.

Source: East West Communications, Byblos Research

Region has inadequate microfinance infrastructure

The Economist Intelligence Unit's Global Microfinance Index ranked the Middle East & North Africa (MENA) region in last place among eight regions in developing economies in terms of the environment for microfinance. The index evaluates microfinance as a commercially viable and sustainable activity and compares regions across three broad categories that are the regulatory framework, the investment climate and institutional development. It assigns a 40% weight to each of the regulatory framework and institutional development categories, and a 20% weight to the investment climate category. The MENA region ranked last in each of the regulatory framework and institutional development categories unchanged from the previous survey, while it ranked fourth in the investment climate category, down from third place in the previous survey. Yemen had the most developed regulatory framework and ranked highest for its institutional development in the MENA region while Morocco had the most favorable investment climate for microfinance in the MENA region. Sub-Saharan Africa has the best legal and regulatory frameworks, Eastern Europe and Central Asia has the strongest investment climate of any region, and South Asia ranks highest for its institutional development.

Source: Economist Intelligence Unit

Press freedom declines in Arab countries

Reporters Without Borders' 2010 Press Freedom Index showed that press freedoms in the Arab world regressed year-on-year, as the region's average score on the index reached 56.1 points in 2010, worsening from 45.8 points in 2009 and 39.2 points in 2008, and lower than the global average of 31.2 points. The index measures the level of freedom that journalists and the media have in each country and the efforts made by governments to see that press freedom is respected. The rankings of 6 Arab countries improved and 14 declined, while the level of press freedoms improved in 10 countries and declined in 10 others. Lebanon had the highest level of press freedom in the Arab world, ranking in 78th place globally, while 15 out of 20 Arab countries came in the third tier globally. Further, the UAE's rank dropped by 28 spots from 2009, while Qatar's score posted the steepest decline in the region year-on-year.

Source: Reporters Without Borders

SUDAN

Central Bank sets premium on foreign currency purchases

The Central Bank of Sudan (CBoS) issued a directive authorizing banks and foreign exchange bureaux to purchase foreign currency at a set premium of 16.3% to the official rate, and said that the premium could be modified at a later stage. It also eased restrictions on opening bank accounts in foreign currencies. The establishment of an effective exchange rate at a premium to the official rate, currently at SP2.37 per US dollar, aims at closing the current gap with the black market rate, which was around SP2.85 to the dollar prior to the move. The new mechanism signals the CBoS' intention to return towards the official rate at a later stage through a reduction in the premium, rather than allowing the official rate to devalue. The CboS operates a managed float system, in which the central bank calculates an indicative rate based on previous day transactions and intervenes in the market to maintain the exchange rate close to what it considers to be a fair medium-term price and if quotes break away from a +/-3% corridor around that rate. Last September, the Ministry of Finance & National Economy announced a series of measures aimed at reducing imports in order to contain the depletion of foreign currency reserves. The International Monetary Fund expects net foreign currency reserves to reach $950m at end-2010, equivalent to one month of import cover, compared to $390m at end-2009, or 0.4 months or import cover.

In parallel, the CBoS lifted a restriction on new bank accounts denominated in foreign currencies. It removed a condition under which foreign currency accounts could be opened only if they relied on transfers from abroad. It said the accounts must have a starting balance of at least €5,000, and authorized unlimited transfers abroad from these accounts, provided the account holder submits documents explaining the reason for the transfer.

Source: Central Bank of Sudan, Bloomberg, Economist Intelligence Unit

OUTLOOK

ARMENIA

Recovery underway, key challenges are fiscal consolidation and structural reforms

The European Bank for Reconstruction & Development (EBRD) projected Armenia's real GDP growth at 4% in 2010 compared to a contraction of 14% in 2009. It expected growth to be mainly driven by the export-oriented base metal industry and by services. It noted that the economic recovery started in 2010 on the back of the authorities' anti-crisis policies, sizeable donor support and better conditions in Armenia's main trading partners. It forecast inflation to end the year at 8%, above the Central Bank of Armenia's target of 4%, but expected it to fall back within the target range by 2011. The EBRD considered that the key short-term risks to the Armenian economy include the uncertainty over the pace of recovery in the Russian economy, and the level of demand and prices for Armenia's main commodity exports. It added that an important challenge for the authorities is to sustain the pace of fiscal consolidation as the stock of public debt, expected to approach 50% of GDP by 2011, remains high for an emerging economy. It forecast the fiscal balance to post a deficit of 4.8% in 2010, down from a deficit of 7.8% of GDP in 2009. Also, it expected the current account deficit to remain high at 14% of GDP this year, and for its financing to remain an important source of uncertainty.

The EBRD indicated that Armenia's structural reforms priorities should include the significant strengthening of the institutional environment and an improvement of the transport and communications infrastructure in order increase productivity and attract investments in export-oriented sectors. It added that authorities need to strengthen the fiscal position after the crisis, while continuing to protect social and essential capital expenditures. It noted that the acceleration of tax and customs administration reforms is crucial for supporting this adjustment in a credible way. In addition, improvements in public debt management should focus on developing longer-term dram instruments. It also stressed the need to further develop local capital markets and reduce the economy's dollarization rate. It encouraged authorities to finance a greater share of public debt domestically and ensure that financial regulations continue to support the development of local currency lending.

Source: European Bank for Reconstruction & Development

IRAN

Non-oil growth to average 2.5% in 2010-11, inflation to fall to 9%

The International Monetary Fund projected economic growth in Iran at 1.6% in 2010 and 3% for 2011 compared to growth in Middle Eastern oil exporting countries of 3.8% in 2010 and 5% in 2011. It forecast the country's real non-oil GDP to grow by 1.7% in 2010 and 3.3% in 2011, compared to 1.9% in 2009. It estimated Iran's annual average inflation rate at 8% in 2010 and 10% in 2011, down from 13.5% in 2009, and compared to inflation of 5.9% and 6.4% in oil exporting countries for 2010 and 2011, respectively. Also, it expected broad money to grow by 9% this year and 16.8% next year, relative to 21.7% in 2009. The Fund projected the central government's fiscal balance to post a surplus of 0.4% of GDP in 2010 and 2.4% of GDP in 2011, compared to a deficit of 1.7% of GDP in 2009. It also forecast the government's non-oil fiscal deficit at 18.3% of GDP this year and 16.1% of GDP next year, compared to 19.7% of GDP last year. It estimated overall government revenues at 26.5% of GDP in 2010 and non-oil revenues at 14.4% of GDP in 2010 compared to 25.7% of GDP and 14.8% of GDP, respectively, in 2009; and total expenditures at 26.2% of GDP this year relative to 27.4% of GDP last year.

The IMF forecast Iran's total gross external debt at 5.6% of GDP this year and 5% of GDP next year, down from 6.4% of GDP last year. Further, the Fund estimated Iran's exports of goods & services at $95bn in 2010 and $98bn in 2011, up from $87.1bn in 2009, and imports of goods & services at $80.7bn in 2010 and $83.5bn in 2011. It forecast the country's current account to post surpluses of $14.3bn, or 4.2% of GDP, in 2010 and $15.3bn or 4.5% of GDP in 2011, compared to $11.9bn or 3.6% of GDP in 2009. The Fund expected the country's gross official reserves to reach $89bn at end-2010 and $102.2bn at end-2011, up from $78bn at end-2009.

Source: International Monetary Fund

GHANA

Economy to grow by 5% in 2010 and 10% in 2011, inflation to ease to 10.6%

The International Monetary Fund projected Ghana's real GDP growth at 5% in 2010, compared to a growth of 4.9% for Sub-Saharan Africa (SSA) and 5.1% for low-income countries. It also forecast real GDP growth at 10% in 2011 relative to growth of 5.5% in SSA and 6.3% for low-income countries. It projected the country's annual average inflation rate at 10.6% in 2010, down from 19.3% a year earlier, compared to average inflation of 7.5% in SSA and 6.4% in low-income countries. It expected the country's real per capita GDP to grow by 2.4% in 2010 and 7.2% in 2011 relative to growth of 2.8% in SSA this year and 3.3% next year. It also forecast the country's average inflation to decline to 8.8% in 2011 relative to 7% for SSA and 6.2% for low-income countries. Further, it expected broad money to grow by 20% this year and 27% next year relative to 27% last year. It added that claims on the non-financial private sector accounted for 55.5% of broad money in 2009, relative to 59.6% for low-income countries.

The Fund projected the central government's fiscal balance to post a deficit of 15.3% of GDP in 2010 and 11.3% of GDP in 2011, relative to 15% of GDP in 2009. The IMF expected the country's external debt to official creditors to reach 24.5% of GDP at end-2010 and 32.7% of GDP at end-2011. It also forecast total government debt at 59% of GDP at end-2010 and 66.5% of GDP at end-2011. It estimated total investment at 34% of GDP in 2010 and 32.4% in 2011, compared to 33.1% of GDP in 2009. Further, it projected the country's current account deficit at 11.6% of GDP in 2010 and at 9.1% of GDP in 2011, up from 5.2% of GDP in 2009. Further, the Fund expected the country's gross official reserves to reach 2.6 months of imports of goods & services at end-2010 and 2.9 months at end-2011, compared to 2.7 months at end-2009.

Source: International Monetary Fund

GCC

Investor confidence in corporates returns

Fitch Ratings indicated that investor sentiment has improved towards the Gulf Cooperation Council economies on the back of the global economic recovery, stabilization of the financial sector and the concrete steps being taken by the region's authorities. It said that ongoing funding needs for both new projects and refinancing will ensure that GCC corporate issuers are likely to remain active in international debt markets, and expected issuers to be active in both bond and sukuk issuance through 2011 as long as market conditions are supportive. It noted that corporate issuers with strong credit fundamentals, including those with state linkage, are now able to access competitively-priced long-term funding across the GCC. The agency added that investors currently have a higher risk appetite for private corporate debt in the GCC, with the oil industry viewed as a more attractive destination for investment than post-bubble real estate. It noted, however, that even after the successful conclusion of the Dubai World debt restructuring, uncertainty remains about the resolution of the liquidity and funding challenges faced by other state-related entities in Dubai such as the Dubai Holding Group.

Source: Fitch Ratings

UAE

Abu Dhabi ratings affirmed

Standard & Poor's affirmed its 'AA' long-term and 'A-1+' short-term sovereign credit ratings on the Emirate of Abu Dhabi, with a 'stable' outlook. It maintained the Transfer & Convertibility assessment at 'AA+'. The agency said the ratings are supported by the government's very strong asset position, which provides significant financial flexibility. It noted that the ratings are constrained by the geopolitical risks that face all sovereigns in the region, the lack of transparency, limited availability of financial and economic data, particularly regarding the government's assets, as well as the contingent liabilities arising from the banking system and the public sector of the UAE. S&P estimated Abu Dhabi's net asset position at about 240% of GDP in 2010, one of the highest among rated sovereigns. It expected the Emirate's budget to post annual surpluses of about 16% of GDP in the medium term due to the oil price recovery and rising production volumes, after a budget deficit of 4.3% of GDP in 2009. It said the stable outlook on Abu Dhabi balances the Emirate's strong financial position and prudent policies against geopolitical risks, high contingent liabilities, and potential impediments to growth stemming from undeveloped institutions.

Source: Standard & Poor's

ARMENIA

Remittance inflows up 7% to $824m in 2010

The World Bank estimated remittance inflows to Armenia at $824m in 2010, constituting an increase of 7.2% from $769m in 2009 and compared to nearly $1.1bn in 2008. Remittances to Armenia account for 4.6% of total remittances to the Commonwealth of Independent States (CIS) in 2010, unchanged from 4.6% in 2009 and down from 5.2% in 2008. They also account for 0.4% of remittance inflows to lower-middle-income countries in 2010, unchanged from 2008 and 2007. Further, the World Bank estimated expatriates' remittances to Armenia to be equivalent to 9.3% of GDP in 2010, up from 9% of GDP in 2009 and 8.9% of GDP in 2008 and compared to 1.5% of GDP for lower-middle-income countries and 1% of GDP for the CIS economies. Also, the country's remittances per capita are estimated at $266 in 2010 relative to $248 in 2009. Armenia is the 54th largest recipient of remittances in emerging markets in 2010, ranking ahead of Nicaragua and behind Georgia. It is the third largest recipient among 10 CIS countries.

Source: World Bank, Byblos Research

NIGERIA

Fiscal and monetary coordination to support stability and growth

The International Monetary Fund expected Nigeria's economic growth to be exceptionally high this year due to the strong recovery in oil production and continued strong growth in other sectors. It said, however, that inflation remains high and international reserves continue to fall as the authorities support the exchange rate. It encouraged the Central Bank of Nigeria to conduct monetary policy with a view to reducing inflation to single-digits, and supported the recent increase in the monetary policy rate. It stressed the importance of developing a consistent macroeconomic policy framework, with fiscal and monetary authorities working closely together to help achieve stability and growth. The IMF supported the authorities' objective of reducing the fiscal deficit for 2011–13, adding that this would allow the government to rebuild safety buffers, support an expansion of credit to the private sector, and lower inflation. It recommended that medium-term fiscal policy for all levels of government to be anchored by a strong oil-price rule which would align government spending with available resources. Also, the Fund noted that the proposed Nigeria Sovereign Investment Authority could help the country escape the destabilizing boom-bust cycle it has experienced over the years.

Source: International Monetary Fund

TURKEY

Outlook revised to positive

Fitch Ratings affirmed Turkey's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB+' and revised the outlook to 'positive' from 'stable'. It attributed the outlook revision to the country's strong economic recovery, improving public finances and increasing confidence in the country's economic prospects and stability. But it expressed concerns about Turkey's ability to grow robustly without generating significant imbalances that pose a threat to macroeconomic stability. It said Turkey's improving public finances are increasing confidence in its sovereign creditworthiness, and forecast the fiscal deficit to narrow to 4% of GDP in 2010 and 3.2% of GDP in 2011, and for the public debt to decline to around 42% of GDP at end-2010 and 40% of GDP at end-2011. Fitch forecast the current account deficit at $44bn or 5.9% of GDP in 2010, up from 2.3% of GDP in 2009. It said that the quality of financing has deteriorated with an increasing proportion coming from short-term and portfolio debt inflows. It noted that these trends are worsening the external liquidity position and expose the country to an abrupt shift in global liquidity.

Source: Fitch Ratings

BANKING

JORDAN

Private sector lending up 6% year-to-September

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD33.6bn at the end of September 2010, constituting a rise of 5.3% from end-2009 and an increase of 7.7% from JD31.2bn in September 2009. Resident private sector deposits reached JD17.7bn, up 9% from the end of 2009 and up 14.2% from a year earlier, while deposits of non-bank financial institutions rose by 8.8% in the first 9 months of the year and grew by 12.4% annually to JD162m. Resident private sector loans rose by 5.6% in the first three quarters and by 6.8% year-on-year to JD13.4bn, while credit facilities to the non-resident private sector grew by 5.6% year-to-September and rose by 19.8% year-on-year to JD998m. Resident private-sector lending accounted for 39.8% of total assets relative to 40% a year earlier. In parallel, central government deposits reached JD705m, down 9.7% from end-2009, while those of public non-financial institutions regressed by 30% to JD324m. Claims on the public sector increased by 8.4% in the first 9 months and rose by 10% year-on-year to JD5.6bn, with claims on the central government accounting for 92% of lending to the public sector compared to 87% a year earlier. Claims on the public sector accounted for 16.8% of total assets compared to 16.3% at end-2009. Further, reserves at the Central Bank of Jordan totaled JD5.7bn, down from JD6bn at end-2009; while capital accounts and allowances rose by 10.4% to JD4.83bn. Deposits with foreign banks reached JD3.8bn at end-September up 18.4% from end-2009, while the sector's foreign liabilities were unchanged at JD5.7bn.

Source: Central Bank of Jordan, Byblos Research

SAUDI ARABIA

Provisions to weight on banks' profits

Figures issued by the Saudi Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,376bn at the end of September, constituting an increase of 1.3% month-on-month and 0.4% from end-2009; while lending to the private sector reached SAR 773.2bn up by 0.8% month-on-month, 1.7% in the third quarter and 5.3% from end-2009. In parallel, customer deposits totaled SAR 955.5bn at end-September, increasing by 3.2% month-on-month, by 1.3% in the third quarter and 1.6% from end-2009, marking the largest month-on-month growth during the year. The loans-to-deposits ratio was 80.9% at end-September relative to 78.1% at the end of 2009 as a result of a 3.2% increase in deposits. Shuaa Capital attributed the increase in deposits to the rise in oil prices in September while the third quarter rise in deposits accounted for most of the year-to-date deposit growth. It noted that despite the September growth in Saudi banks' balance sheet, their aggregate profits remain well below expectations, reaching SAR 19.6bn in the first 9 months of the year, and increasing by only SAR 0.3bn in September relative to SAR 2.7bn in August and SAR 2.8bn in July. It attributed the slow profit generation in September to high provisioning levels and considered that careful lending and high provision charges are expected to continue to slow the banks' aggregate profits in the fourth quarter.

Source: Shuaa Capital

ALGERIA

New regulations restrict foreign ownership of banks

Algeria's supplementary budget, which was approved by the Cabinet at the end of August, introduced new regulations restricting foreign ownership of banks in the country. The rule brings the banking sector in line with a measure introduced in last year's supplementary budget, which restricts foreign companies to a minority stake in local joint ventures. The government has reportedly given assurances that the ruling will not apply to banks already operating in the country. But if there is a change in ownership, the banks may be forced to comply with the new regulation, particularly in light of another measure in the revised budget, which reinforces the government's right to first refusal on any shares sold by foreign companies in their local subsidiaries. In addition, the new regulations will require the Algerian government to be granted a "golden share" in all private banks, which will provide for government representation at board meetings but no voting rights. Authorities consider this measure to be consistent with Algeria's aims to fight corruption and increase banking supervision. The new measures are likely to affect foreign banks awaiting authorization from the Central Bank to operate in the market.

Source: The Banker

NIGERIA

AMCON addresses uncertainty of failed banks

Fitch Ratings indicated that the Asset Management Corporation of Nigeria's (AMCON) recent guidance on the purchase of non-performing loans from failed banks is a positive first step in addressing the uncertainty affecting these institutions. AMCON announced recently that it approved the purchase of all the margin loans in the banking sector and all the NPLs of the rescued banks, at an estimated cost of NGN2.2trn, or $14.5bn. It added that it will reach agreements with Nigerian banks this month about the pricing of the NPLs and aims to settle the transactions by the end of the year. Fitch said the measures will assist rescued banks in dealing with their asset quality and recapitalization issues, as well as allow for banks that did not fail to benefit by offloading problematic share-backed loans. It added that the removal of these assets is likely to be critical to any new strategic investor seeking to inject capital into a rescued bank.

The agency considered that the premium for acquiring NPLs backed by listed shares is fairly generous, since it is based on the assumption that the fair value would be 2x book value. Consequently, the gains realized on the sale of the NPLs could serve to unwind a portion of loan-loss reserves and help to reverse negative equity positions of the rescued banks, while also improving the asset quality indicators of other banks. It noted, however, that some uncertainty remains as to how the acquisition of NPLs backed by other collateral could impact the financial performance of Nigeria's failed banks, particularly if the level of provisioning currently held already takes into account the fair value of collateral.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to increase further in 2011

Oil prices increased on November 25 due to persistent worries about the eurozone and concerns about China's inflation prospects. U.S. crude for January rose 46 cents to $84.32 a barrel, while ICE Brent rose 41 cents to $86.25. Trading volume exceeded 28,200 barrels on November 25, compared to an average daily trading of around 315,000 barrels over the past year. Prices ranged between $70 and $85 per barrel year-to-date with wide fluctuations emphasizing the use of oil as a mainstream asset for investments while oil demand reached 86.9 million barrels per day, up 2% from end-2009. Investors' interest in oil increased during the year because of the high available liquidity and the low interest rates as well as high expected future demand growth. Oil prices are expected to increase further in 2011 to average $82 per barrel.
Source: Samba Financial Group, Thomson Reuters

Discovery of 34 billion barrels of reserves in Iran

OPEC member Iran announced the discovery of a new oil layer of around 34 billion barrels of reserves at the offshore Ferdowsi gas field in the Persian Gulf. Iran's oil reserves have reached 150.3 billion barrels, roughly 10% of the world's total reserves, driven in part by new oil discoveries. According to the National Iranian Oil Company, the country has discovered 19 new oilfields and 8 new gas reserves between 2005 and 2010. Iran is the second largest oil producer in OPEC after Saudi Arabia. Its crude oil production was estimated at 3.8 million barrels per day for most of 2009.
Source: Tehran Times, Iran Daily

OPEC crude oil output exceeds quota in 2010, limited scope for output increases in 2011

OPEC is expected to have a limited scope for increasing its output of crude oil in 2011, due to an estimated slowdown in oil demand growth as well as OPEC's planned natural gas liquids (NGL) production increases. OPEC's control of output will also depend on non-OPEC supply, which is expected to slow down after two years of strong growth. Its total production quota, excluding Iraq which is currently not subject to quotas, was reduced to 24.8 million barrels per day (bpd) in 2008. With oil prices in the range of $70 to $80 per barrel in 2010, OPEC found it difficult to cut production and its output exceeded the quota reaching an average of 26.8 million bpd.
Source: Samba Financial Group

Oil production in North Sudan to reach 110,000 bpd before end-2010

North Sudanese officials announced that oil production is expected to reach 110,000 barrels per day in the North by end-2010. Most of the country's oil is in located in the South but the oil infrastructure, including pipelines and terminals, is in the North. Under the oil-revenue-sharing agreement, revenues are being shared between the North and South roughly equally since 2005. The outcome of the upcoming referendum on Southern independence is expected to determine new sharing arrangements. The North is expected to seek revenue sources to compensate for oil revenues from the South. The latter is considering the use of a pipeline through a Kenyan port.
Source: Sudan Tribune

Base Metals: Lead and Tin prices down from October highs

Demand for base metals is forecast to rise over the next 12 to 18 months. Prices are projected to remain within acceptable ranges in 2011 due to improving fundamental demand in the developed countries, and a more sustainable growth rate in countries such as China and Brazil. Three-month lead prices rose 17% between early August and end-September to around $2,600 per ton, almost their highest level this year, before a general sell-off across the base metals complex reduced prices in the first half of November. Lead was one of the best performers in October due to battery producers' restocking interest ahead of winter. Global demand in 2011 is expected to continue to be driven by the expansion of battery production. Global production of the refined metal, however, is likely to be limited due to limited mine expansion.

Three-month tin reached an all-time high of $27,325 per ton in mid-October before correcting by 6% in the last three weeks. Prices eroded after global mined tin fell 9% year-on-year in the third quarter of 2010 due to a series of production failures in major mining countries. The market deficit increased, as the LME tin inventory fell 13% from early August, the lowest level in 17 months.
Source: Standard Chartered, Moody's Investors Service

Precious Metals: Prices on the rise

Gold prices rallied through most of 2010 but recently slowed down, with declining investor inflows and falling gold coin sales. Prices are expected to trend higher during the rest of 2010 despite the high starting base for prices. U.S. interest rates are expected to remain low and investor appetite for gold to remain strong. Silver had been a strong performer in the metals complex in recent months, benefiting both from its precious metals status and its importance in industrial use. Silver has outperformed gold in 2010 but a correction is expected over the next few months. For the last 30 years, the average gold-to-silver ratio was 64, where it now is recorded at 53. In parallel, a strong auto sector in the U.S. and China is projected to lift palladium prices, in contrast to platinum prices. Demand for palladium is being boosted by strong Chinese car sales, which were up 27% year-on-year in October 2010. Also, inflows into physical ETFs remain strong as investors look for gold alternatives.
Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2009	2010f	2011f	2012f
Aluminum	1,706	2,184	2,213	2,300
Copper	5,207	7,482	8,375	8,750
Lead	1,740	2,170	2,500	2,650
Nickel	14,762	21,489	22,000	23,000
Tin	13,412	20,307	24,875	25,000
Zinc	1,690	2,180	2,375	2,400
(Spot price, $/ounce)				
Gold	974	1,221	1,400	1,200
Palladium	265	521	613	800
Platinum	1,210	1,625	1,850	2,050
Silver	14.7	20.0	26.0	22.0

Source: Bloomberg, Platts, CRU, Standard Chartered

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-7.9	20.0	2.7	5.9	3.0	-	-2.4	0.9
Angola	B+ Stable	B1 Positive	B+ Positive	- -	B Stable	-1.9	20.2	21.2	39.7	9.5	116.6	-9.5	5.0
Egypt	BB+ Stable	Ba1 Stable	BB+ Stable	BBB- Stable	BB Stable	-7.0	73.2	16.8	43.9	10.2	107.7	-2.4	3.6
Ethiopia	-	-	-	-	CCC Stable	-2.3	-	12.2	220.5	-	-	-6.7	-
Ghana	B Stable	- -	B+ Negative	- -	B Stable	-9.8	-	34.5	94.7	-	-	-8.3	
Ivory Coast	- -	- -	- -	- -	CCC Stable	-1.6	-	49.4	107.6	-	-	7.3	-
Libya	A- Stable	- -	BBB+ Stable	- -	BB Stable	1.8	3.9	8.6	16.0	3.4	-	13.9	2.2
Mauritania	- -	- -	- -	- -	- -	-5.1	-	6.7	149.3	-	-	-12.7	-
Morocco	BBB- Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-3.1	47.2	26.8	95.5	8.6	113.7	-5.0	1.5
Nigeria	B+ Stable	- -	BB- Negative	- -	B Stable	-4.4	12.3	5.5	18.5	0.7	-	12.4	3.1
Sudan	- -	- -	- -	- -	C Stable	-2.6	105.3	66.3	482.4	3.6	-	-5.2	-
Tunisia	BBB Stable	Baa2 -	BBB Stable	BBB Stable	BB Stable	-1.9	46.7	55.4	105.6	15.8	208.3	-2.8	3.9
Middle East													
Bahrain	A Stable	A3 Stable	A Stable	A Stable	BBB Stable	-5.2	24.2	169.6	246.4	7.2	991.9	1.4	0.8
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	-0.9	17.0	3.5	13.4	3.2	-	0.1	0.25
Iraq	- -	- -	- -	- -	CC Stable	-4.6	-	97.7	178.7	2.2	165.3	2.1	1.4
Jordan	BB Stable	Ba2 -	- -	BB Stable	B Stable	-8.9	63.5	63.1	135.2	4.6	133.1	-5.5	10.1
Kuwait	AA- Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	15.4	6.9	20.7	38.8	4.0	133.0	25.3	-2.6
Lebanon	B Positive	B1	B Stable	B Stable	CCC Stable	-8.6	136.3	100.6	738.9	18.5	135.3	-10.8	8.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	-9.1	6.5	28.1	46.9	-	109.1	0.6	4.3
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	A Stable	10.4	32.4	74.9	202.7	15.2	412.0	14.3	8.8
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	1.1	13.2	22.5	42.7	2.7	20.2	4.9	5.4
Syria	- -	- -	- -	BB- Stable	B Stable	-9.4	30.1	15.0	63.6	1.0	43.3	-0.6	2.6
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	0.4	21.3	61.8	74.1	7.9	359.0	-2.6	-0.4
Yemen	- -	- -	- -	B Stable	CC Stable	-10.3	-	23.6	113.8	-	-	-8.2	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	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								
Central & Eastern Europe													
Armenia	- -	Ba2 -	BB- Stable	- -	- -	-8.2	40.4	55.7	654.2	-	248.4	-15.4	8.0
Bulgaria	BBB Stable	Baa3 Stable	BBB- Stable	- -	BB Stable	-3.8	14.8	77.3	159.8	19.8	220.1	-9.4	9.8
Kazakhstan	BBB- Stable	Baa2 -	BBB- Negative	- -	BB Stable	-3.9	9.3	94.7	230.8	40.1	553.7	-2.9	8.1
Romania	BB+ Negative	Baa3 -	BB+ Stable	BBB- Negative	BB Stable	-8.3	23.7	68.1	226.6	29.9	279.7	-4.5	3.8
Russia	BBB Stable	Baa1 Positive	BBB Stable	- -	BBB Stable	-5.7	7.1	38.3	136.3	11.6	110.9	4.0	-0.6
Turkey	BB Positive	Ba2 Positive	BB+ Stable	BB Stable	B Stable	-5.5	45.5	45.1	194.5	45.1	400.1	-2.8	1.2
Ukraine	B+ Stable	B1 Positive	B Negative	- -	CCC Stable	-6.4	30.2	88.6	191.1	43.9	407.9	-1.5	4.0

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2009

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	0.25	03-Nov-10	No change	14-Dec-10
Eurozone	Refi Rate	1.00	04-Nov-10	No change	02-Dec-10
UK	Bank Rate	0.50	04-Nov-10	No change	09-Dec-10
Japan	O/N Call Rate	0-0.10	05-Nov-10	No change	21-Dec-10
Australia	Cash Rate	4.75	02-Nov-10	Raise 25bps	07-Dec-10
New Zealand	Cash Rate	3.00	28-Oct-10	No change	09-Dec-10
Switzerland	3 month Libor target	0.25	16-Sep-10	No change	16-Dec-10
Canada	Overnight rate	1.00	19-Oct-10	Raise 25bps	07-Dec-10
Emerging Markets					
China	One-year lending rate	5.56	19-Oct-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	03-Nov-10	No change	14-Dec-10
Taiwan	Discount Rate	1.50	30-Sep-10	Raise 12.5bps	23-Dec-10
South Korea	Base Rate	2.50	18-Nov-10	Raise 25bps	09-Dec-10
Malaysia	O/N Policy Rate	2.75	12-Nov-10	No change	27-Jan-11
Thailand	1D Repo	1.75	20-Oct-10	No change	01-Dec-10
India	Reverse repo rate	6.25	02-Nov-10	Raise 25bps	16-Dec-10
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	24-Dec-09	No change	N/A
Turkey	Base Rate	7.00	11-Nov-10	No change	16-Dec-10
South Africa	Repo rate	5.50	18-Nov-10	Cut 50bps	20-Jan-11
Kenya	Central Bank Rate	6.00	23-Sep-10	No change	25-Nov-10
Nigeria	Monetary Policy Rate	6.00	21-Sep-10	Raise 25bps	22-Nov-10
Ghana	Prime Rate	13.50	24-Sep-10	No change	Dec-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	15-Oct-10	No change	25-Nov-10
Brazil	Selic Rate	10.75	20-Oct-10	No change	08-Dec-10
Armenia	Refi Rate	7.25	01-Nov-10	No change	N/A
Romania	Policy Rate	6.25	02-Nov-10	No change	N/A
Bulgaria	Base Interest	0.17	01-Nov-10	No change	N/A
Kazakhstan	Refi Rate	7.00	01-Oct-10	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	7.75	01-Jun-10	Cut 25 bps	N/A

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