

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### FDI up 9% to \$548bn in 2010

Figures released by the UN Conference on Trade & Development (UNCTAD) show that FDI to developing and transition economies reached \$595.3bn in 2010, constituting an increase of 8.6% from \$548.2bn in 2009. FDI to developing economies rose by 10% to \$525bn in 2010 and inflows to transition economies reached \$70.5bn, up 1% year-on-year. In comparison, FDI to developed countries contracted by 7% to \$527bn and global FDI rose by a marginal 0.7% to \$1,122bn. The UN said FDI to South, East & Southeast Asia reached \$275bn, followed by Latin America & the Caribbean with \$141bn, Southeast Europe and the Commonwealth of Independent States with \$70.5bn, West Asia with \$57bn, and Africa with \$50bn. Further, FDI to Latin America & the Caribbean rose by 21% year-on-year, followed by South, East & Southeast Asia with an 18% growth and Southeast Europe and the CIS with a 1% expansion, while FDI to West Asia contracted by 16% and inflows to Africa declined by 14.4%. UNCTAD noted that FDI to developing and transition economies accounted for 53% of global FDI, exceeding the 50% mark for the first time. In parallel, cross-border mergers and acquisitions totaled \$89.4bn in developing and transition economies, up 93.5% from \$46.2bn in 2009, but accounted for just 26% of global cross-border M&As that rose by 37% to \$341.4bn last year. Cross-border M&As in developing economies increased by 118% to \$85bn and those in transition economies contracted by 40% to \$4.3bn. The value of cross-border M&As in Latin America & the Caribbean totaled \$32bn in 2010, followed by South, East & Southeast Asia with \$31.5bn, Africa with \$7.7bn, West Asia with \$4.8bn, and Southeast Europe and the CIS with \$4.3bn.

Source: UNCTAD

##### Bond and equity inflows at \$123bn in 2010, AUM at \$985bn

Capital inflows to emerging market equity and bond funds totaled \$123bn in 2010, with bonds receiving \$41.1bn and equities \$81.9bn. Latin America accounted for \$14.94bn or 36.3% of bond inflows, followed by Emerging Europe, the Middle East & Africa (EMEA) with \$13.3bn (32.4%), and Emerging Asia with 31.3%. Further, Emerging Asia accounted for \$50.6bn or 61.7% of equity inflows to emerging markets, followed by EMEA with \$17bn (20.8%), and Latin America with \$14.3bn (17.5%). Brazil was the biggest recipient of bond inflows with \$4.7bn, or 11.4% of total inflows into emerging market bonds, while China was the largest recipient of equities inflows with \$15.7bn, or 19% of overall inflows into emerging market equities. In parallel, emerging markets assets under management (AUM) totaled \$985.1bn at the end of 2010, with bonds accounting for \$147.8bn and equities for \$810.3bn. The EMEA region had \$54.17bn in AUM in bonds, followed by Latin America with \$53.5bn and Emerging Asia with \$39.7bn.

Further, Emerging Asia accounted for \$508.4bn in equity-related AUM, followed by Latin America with \$162.2bn and EMEA with \$138.7bn. Brazil had \$18.5bn in bonds related AUM, or 12.5% of the total, while China had \$173.4bn in equity-related AUM, accounting for 21.6% of overall equities under management in emerging markets.

Source: Barclays Capital, Byblos Research

#### MENA

##### Private equity deals down 46% to \$919m in 2010

The value of private equity deals targeting companies based in the Middle East reached \$919m in 2010, constituting a decline of 45.5% from \$1.7bn in 2009 and compared to \$3.3bn in 2008. Also, the volume of private equity deals in the region reached 94 deals, down from 130 deals in 2009 and 184 deals in 2008. The Middle East accounted for 6% of the aggregate value of private equity deals in Africa, Eastern Europe, the Middle East, and South & Central America last year, and for 27% of the number of such deals. Private equity deals targeting companies based in Africa, Eastern Europe, the Middle East, and South & Central America totaled \$15.4bn in 2010, up 10% from \$14bn in 2009 compared to \$30bn in 2008 and \$50.8bn in 2007. Further, a total of 347 deals were recorded in the covered regions relative to 379 deals in 2009 and 553 deals in 2008. South & Central America accounted for 92 deals valued at \$8.1bn, followed by Eastern Europe with 133 deals valued at \$5.4bn, and Africa with 31 deals valued at \$927m. The UAE, Egypt, Iraq and Saudi Arabia were the main Arab target countries for private equity deals last year, with the UAE seeing seven deals, Egypt five deals and Saudi Arabia four deals. The aggregate value of deals targeting Egypt was \$332m, followed by the UAE with \$127m, and Iraq with \$100m.

Source: Zephyr, Bureau van Dijk

#### QATAR

##### Non-hydrocarbon sector's optimism on the rise

The D&B Business Optimism Index shows that the level of optimism in the non-hydrocarbon sector reached 61 points in the first quarter of 2011, up 22 points from the previous quarter and constituting the highest level since the fourth quarter of 2008. The Volume of Sales sub-index increased by 16 points to 76 points, while the Net Profits sub-index rose by 18 points to 76 points. Further, the New Orders sub-index stood at 72, surging from 18 points in the preceding quarter. Moreover, the Level of Stocks sub-index reached 48 points, almost unchanged from the preceding quarter's score of 49 points. Further, the Level of Selling Prices sub-index was at 20, a marginal drop of 2 points. In parallel, the Business Optimism Index for the hydrocarbon sector shows a decline in optimism in the first quarter of 2011, as the index's composite score dropped to 30 points from 40 points in the fourth quarter of 2010 due to expectations of lower hydrocarbon prices.

Source: Dun & Bradstreet

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# OUTLOOK

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## EGYPT

### Measures to counter economic discontent likely to lead to wider budget deficit and higher rates

Merrill Lynch indicated that Egypt's exposure to soaring food prices and an uncertain political transition process leaves the country more vulnerable to Tunisian tremors compared to the rest of the MENA region. It expected the government to address the public's discontent on economics through higher subsidies for consumers to limit the impact of commodity prices, increased public investment spending to create jobs, levying taxes on companies and cutting energy subsidies, shelving privatization, and weakening the Egyptian pound to support exporters. It expects the government to introduce higher subsidies to shelter the consumers from higher commodity prices and noted that the Minister of Trade & Industry stated that an additional EGP2bn-3bn may be spent on higher sugar and vegetable oil prices, which would push the 2011 budget deficit towards 8.4% of GDP from the current 8.2% of GDP. It said that, depending on how additional funding is secured and the amount required, the government may cut business sector subsidies, impose new taxes or raise existing ones on companies, as well as further increase public sector borrowing.

Merrill Lynch considered that employment generation remains a binding policy constraint in Egypt. It added that the exchange rate channel is the most effective tool at the disposition of the Central Bank of Egypt to support economic activity, particularly for exporters, and as such is likely the first lever to be used. It noted that most other monetary transmission channels such as bank lending, asset prices, expectations, and corporate balance sheets are relatively much weaker. Further, the interest rate channel is underdeveloped but has strengthened since the introduction of the interest corridor in 2005. It indicated that currency weakness would likely be driven by a combination of outflows from equity and bond markets, a wider budget deficit, higher inflation, and politics. But given the likelihood of higher subsidies, the impact is likely to be a wider budget deficit, increased borrowing needs and higher T-bill rates.

*Source: Merrill Lynch*

## TUNISIA

### Growth revised downward to 4% in 2011, prolonged uncertainties to affect fiscal and current account balances

Barclays Capital revised downward its forecast for Tunisia's real GDP growth to 4% in 2011 from an earlier forecast of 5% in light of the recent political and security developments. It expected the unfolding crises and a prolonged political transition to negatively affect economic growth, possibly weakening current and capital flows into Tunisia. It said the economy relies significantly on its services sector, which accounts for about 41% of GDP and employs almost 49% of the labor force. It said tourism has been badly hit and expected a weakening of Tunisia's growth drivers, current account receipts, and an ensuing negative impact on the fiscal stance if the current situation takes time to normalize. It considered it difficult to forecast how the transition will unfold and anticipated the short term to be

fraught with heightened risks and uncertainty. It noted the need for authorities to restore security and stability in order to prevent a deterioration of economic conditions, given the vulnerability of service-based output to the country's security situation. It noted that tourism accounts for 11% and service exports for 23% of current account receipts.

Barclays anticipated a widening of Tunisia's current account deficit over the short term to about 3.5% of GDP on the back of smaller capital inflows and a slowdown in FDI, at least until the security situation stabilizes and the foundations for political stability are restored. It also expected a widening of the fiscal deficit from 2.6% of GDP in 2006 due to reduced economic activity as well as to a likely increase in spending by the government, as it repairs damage to the country's infrastructure and compensates people for damage to their properties. It added that the deficit may widen further as the government is likely to adopt exceptional fiscal measures to boost domestic demand, create employment and reduce hardship among the poor and the unemployed.

*Source: Barclays Capital*

## AFRICA

### Growth at 5.3% in 2011, slowdown in global recovery is key risk

The World Bank projected economic growth in Sub-Saharan Africa at 5.3% in 2011 and 5.5% in 2012 compared to 4.7% in 2010 and 1.7% in 2009. It said that, excluding South Africa, growth is projected at 6.4% in 2011 and 6.2% in 2012, making it one of the fastest growing regions among developing economies. It expected growth to be driven by continued recovery in the global economy, and added that developments in domestic demand will continue to play a dominant role in supporting growth, particularly through productivity spillovers from ongoing investments in telecommunications, banking, energy and transportation services. It added that an increasing number of SSA countries such as Nigeria, Angola, Kenya, Senegal, Tanzania, and Zambia are likely to raise financing in international capital markets. It anticipated the dollar value of remittance inflows to grow by 4.5% this year and 6.7% next year, supporting household consumption.

The World Bank considered that the main downside risk to the growth prospects of SSA economies stems from a possible faltering in the global economic recovery. It noted that most countries have depleted the fiscal space they created during the pre-crisis period, and have not had time to rebuild it. As a result, few would be able to implement the kind of counter-cyclical policies that helped limit disruptions during the past crisis, in case the recovery process falters. It added that fiscal austerity measures in the European Union could dampen growth prospects in the region, especially as Europe remains the largest trading partner for several SSA countries. Further, the intensification of European banking-sector consolidation could both reduce the supply and raise the cost of international capital for SSA borrowers. Also, a significant slowdown in China could reduce growth prospects in the region, particularly for metal, mineral and oil exporters.

*Source: World Bank*



# ECONOMY & TRADE

## MENA

### Private capital inflows stagnate at \$26bn in 2010

The World Bank estimated net private capital inflows to the Middle East & North Africa at \$25.8bn in 2010, constituting an increase of 1.2% from \$25.5bn in 2009 and accounting for 3.4% of capital inflows to developing economies, which represented the smallest share of such inflows among all regions last year. Net private inflows were equivalent to 2.4% of the MENA region's aggregate GDP in 2010 relative to 2.7% of GDP in 2009. It said net equity inflows declined by 13.3% to \$22.2bn, driven by a drop of 15% in net FDI to \$20.8bn and a 16.7% rise in portfolio equity flows to \$1.4bn. Also, net private debt inflows reached \$3.6bn in 2010 compared to outflows of \$100m in the previous year. The MENA region accounted for 5% of FDI, 2% of private debt flows and 0.9% of portfolio equity inflows to developing economies last year, representing the smallest share in each category of inflows among all developing regions. The World Bank anticipates a resumption of growth in FDI through 2012, with a continued but moderate pickup in portfolio equity and private debt. It forecast net private inflows to reach \$32.4bn in 2011 and \$33.1bn in 2012, and to be equivalent to 2.8% of GDP in 2011 and 2.6% of GDP in 2012. It expected net equity flows to increase to \$25.4bn this year and \$30.1bn next year, and for net private debt inflows to rise to \$7bn in 2011 but to decline to \$3bn in 2012.

Source: World Bank

### Fixed and mobile broadband penetration at 32% and 57% by 2015

Booz & Co. expected the penetration of fixed broadband telecom connections in the Middle East & North Africa to reach 32% and for mobile broadband penetration to reach 57% by 2015. It added that the industry's revenue sources are shifting rapidly and expected revenues from mobile content in the region to grow at an annual rate of 10% to reach \$1.3bn by 2014. Further, it forecast online gaming revenues in the MENA region to reach \$111m in 2014 and for online music revenues to grow by a CAGR of 60% to \$33m in 2014. It said that telecom operators in the region are facing major challenges such as increasing competition, regulatory pressure and the proliferation of flat-rate pricing for data services, which weigh on revenues and margins. It cautioned telecom operators from difficulties in financing the required infrastructure upgrades to serve the digital economy in the future.

Source: Booz & Co

## TUNISIA

### Ratings downgraded by Moody's, placed on negative watch by S&P and Fitch

Moody's Investors Service downgraded Tunisia's local and foreign currency government bond ratings to 'Baa3' from 'Baa2' and changed the outlook to 'negative' from 'stable'. It also downgraded the government's foreign currency bond ceiling to 'Baa1' from 'A3', the foreign currency deposit ceiling to 'Baa3' from 'Baa2' and the short-term rating to 'P-3' from 'P-2'. It also downgraded to 'Baa3' from 'Baa2' the ratings of the Central Bank of Tunisia (CBT). It attributed the downgrades to the country's

instability due to the unexpected recent regime change; the significant uncertainties surrounding both the economic and political outcomes and the ongoing unrest and the fluidity of the political situation. It noted that risks to government payments are still limited due to fiscal cushions that include \$1.6bn with the CBT from the privatization of Tunisie Telecom and foreign currency reserves at the in excess of \$9bn, while the risk of capital outflows is limited as the currency is not fully convertible.

In parallel, Standard & Poor's placed Tunisia's and the CBT's 'BBB/A-3' long- and short-term foreign currency sovereign credit ratings on CreditWatch with negative implications. It also lowered Tunisia's and the CBT's long-term local currency sovereign credit ratings to 'BBB+' from 'A-' and placed them, along with the 'A-2' short-term local currency sovereign credit ratings, on CreditWatch negative. S&P said it may lower both the foreign and local currency ratings, by more than one notch, if the political uncertainty continues for an extended period and results in lower economic growth or materially weaker external liquidity. Also, Fitch Ratings placed Tunisia's Long-term foreign currency Issuer Default Rating (IDR) of 'BBB' and its Long-term local currency IDR of 'A-' on Rating Watch Negative. It affirmed the Country Ceiling at 'BBB+' and the Short-term foreign currency IDR at 'F2'. It said that it would downgrade the ratings if renewed disorder has negative consequences for the economy, and expressed concerns about any weakening of the macro policy regime. It noted that external financing pressures will increase if unrest fails to abate and disrupts tourism and FDI flows.

Source: Moody's Investors Service, Standard & Poor's, Fitch Ratings

## GHANA

### Sale of government stake in gold producer nets \$215m for Treasury

Ghana sold a 1.28% stake in AngloGold Ashanti Ltd., Africa's biggest gold producer, for \$215m. The sale of 4.88 million shares leaves Ghana with 1.72% in AngloGold that it agreed not to sell for 180 days. Last November, Ghana said it would sell AngloGold Ashanti stock and royalties from other producers to help reduce its fiscal deficit that was estimated by the IMF at about 10.8% of GDP last year. Ghana was issued the shares in April 2004 when AngloGold Ltd. and Ashanti Goldfields Co. merged. Ghana began an austerity program in 2009 to cut its budget deficit. Last August, Standard & Poor's lowered Ghana's 'B+' foreign and local currency long-term sovereign credit ratings to 'B', with a 'stable' outlook. It also lowered the transfer & convertibility assessment to 'B+' from 'BB-' and the recovery rating to '4' from '3'. It attributed the downgrade to the cumulative effects of a large fiscal deficit, substantial supplier arrears, high debt levels, loss-making state-owned enterprises, and problems in the banking sector. It said the government's medium-term fiscal deficit targets of 2.1% in 2011 and 1.6% in 2012 are unrealistic, and expected the deficit to be around 8.5% of GDP in 2010 and to only slightly decrease over the next few years.

Source: Bloomberg, Standard & Poor's



# BANKING

## WORLD

### Guidelines require sub-debt to be written down or converted into equity

The Basel Committee on Banking Supervision issued its final guidelines on loss-absorption requirements for Tier 1 and Tier 2 instruments, which complement the guidelines it outlined last month. It considered that the main objective of the guidelines is to ensure that subordinated debt holders absorb losses before taxpayers' funds are used to support a bank at the point of non-viability. It noted that for instruments to be counted as Additional Tier 1 or Tier 2 capital, they must have a provision that requires such instruments to either be written-off or converted into common equity at the point of non-viability of a bank. Alternatively, the bank's governing jurisdiction must have legislation in place that forces subordinated bondholders to absorb losses before tax payers step in. It added that the trigger event for the loss absorption will be the earlier of a decision by the relevant regulator that without a write-off the bank will become non-viable, or that a capital injection is required for the bank to remain viable. The guidelines stipulated that instruments issued prior to January 1, 2013 that do not meet the new loss absorption requirements, but that still comply with the guidelines issued in December 2010, will be phased out over a 10-year period starting on January 1, 2013. However, the amortization will be calculated based on the notional amount outstanding on a category basis, rather than on an individual bond basis, without taking into account any subsequent calls or amortization. The Basel guidelines said that these provisions will apply to only "internationally active banks".

Source: *Bank for International Settlements*

## GCC

### Fiscal stimulus, governance and transparency needed to stimulate private credit

The International Monetary Fund indicated that private-sector credit is still barely growing in the GCC despite policy efforts to revive it. It said that global deleveraging during the financial crisis led to severe credit tightening in the GCC, and lending has remained anemic so far. It considered that, on the demand side, it would be appropriate for country authorities to maintain fiscal stimulus and quantitative easing in 2011. It noted the importance of corporate governance and financial disclosure and transparency on the supply side. It added that banks will need to build up their capacity to assess credit risk, and to develop alternative domestic sources of corporate funding, primarily domestic or regional debt markets.

Source: *International Monetary Fund*

## SYRIA

### Private sector deposits increase by 11% in first 9 months, short-term interest rates rise

Figures released by the Central Bank of Syria indicate that total deposits at commercial banks reached SYP1,328bn at end-September 2010, or about \$28.8bn, constituting an increase of 10.5% from SYP1,202bn at end-2009. Deposits in Syrian pounds accounted for 86.1% of the total relative to 83.8% a year earlier. Syrian pound deposits rose by 13.7% and foreign cur-

rency deposits decreased by 5.8% in the first 9 months of the year. Also, private sector deposits rose by 10.8% and public sector deposits increased by 9.4% from end-2009. Private sector deposits accounted for 76.3% of total deposits at end-September relative to 76.1% at end-2009. Further, resident private sector deposits accounted for 74.1% of aggregate deposits, followed by deposits of non-financial public enterprises with 19.3%, while the central government accounted for 3.1% of the total, other financial institutions for 2.6% and non-resident deposits for 0.9%. Households accounted for 86.3% of resident private sector deposits, followed by businesses with 11.9%, and other financial institutions with 1.8%. Households and businesses represented 84.5% and 14%, respectively, of resident private sector deposits at end-2009. Further, demand deposits accounted for 45% of the total, up from 43.7% at end-2009, time deposits accounted for 35.6% relative to 35% at end-December, while saving deposits accounted for the remaining 19.5%. The weighted average interest rate on demand deposits was 0.3% at end-September, unchanged from a year earlier, while the rates on saving deposits declined to 4.35% from 4.5% at end-September 2009. Also, The weighted average rate on one-month time deposits rose to 4.9% from 4.65% a year earlier, while the three-month rate increased to 5.71% from 5.66%.

Source: *Central Bank of Syria, Byblos Research*

## TUNISIA

### Bank ratings placed on negative watch

Fitch Ratings placed Arab Tunisian Bank (ATB), Société Tunisienne de Banque, Banque Nationale Agricole, Banque de l'Habitat, Banque Internationale Arabe de Tunisie and Amen Bank's Support Ratings on Rating Watch Negative (RWN). It also placed ATB's long and short-term foreign and local currency ratings and Caisse des Prêts et de Soutien des Collectivités Locales' National ratings on RWN. The agency attributed its actions to its earlier decision to place Tunisia's long-term foreign and local currency ratings on RWN. It said the Support Ratings of the banks are based on the likelihood of state support should this become necessary. It added that ATB's ratings are driven by the probability of support from its majority shareholder Arab Bank. But it noted that the ratings on all banks will be affected by any downgrade of the sovereign ratings.

Source: *Fitch Ratings*

## KUWAIT

### Central Bank to upgrade risk assessment system for banks

The Central Bank of Kuwait (CBK) announced plans to introduce an upgraded risk assessment system for off-site surveillance of banks as well as up-to-date stress tests and early warning systems in 2011. It said the CBK's main interest this year is to improve the ability of the banks in managing various risks, specifically improve their internal risk management systems. The CBK also plans to set up a Financial Stability Unit with the aim to safeguard financial stability in order to ensure a stable and effective banking and financial system. It added that it would continue to monitor banks' capital adequacy, liquidity, among other key supervisory areas.

Source: *Dow Jones Newswires*

# ENERGY / COMMODITIES

## Oil prices around \$90 a barrel

U.S. crude oil prices dropped by 69 cents to reach \$90.17 a barrel on January 20 after expectation of a seventh consecutive drop in U.S. weekly inventory levels and concerns about Chinese rising efforts to fight inflation. China is expected to tighten its monetary policy to target the country's inflation levels after strong growth performance in the fourth quarter, which is expected to affect consumers' demand for oil. In parallel, Brent oil futures dropped by 60 cents to \$97.56 as a result of a weak Euro. Australia & New Zealand Banking Group Ltd increased its 2011 U.S. crude prices forecast by 11.2% to \$97 a barrel after higher than expected economic performance in the U.S. and Europe. Goldman Sachs' commodities trading risk reached a seven-year low, indicating that it had become less aggressive in taking advantage of surging oil, metals and grains prices. Also, the IEA warned that crude oil prices near \$100 a barrel is posing a real risk to economic recovery. It added that such prices represent a burden of 5% of global GDP.

Source: Thomson Reuters, AFP

## Jordan and Russia sign memorandum of understanding to cooperate in energy

Jordan and Russia signed a memorandum of understanding to cooperate in the fields of oil, gas and electricity. The memorandum encourages Russian enterprises to enter the gas and oil sectors through the exchange of advanced technology for oil and gas exploration and geological studies and techniques.

Source: Jordan News Agency

## Syria and Iran sign gas agreement

Syria and Iran plan to build a gas pipeline via Iraq to widen export options for regional energy players. The two countries also signed an agreement to broaden the scope of the cooperation to cover various economic, trade, oil and gas fields and increasing the trade exchange volume.

Source: Syria Arab News Agency

## Syria to increase heating allowance for state workers and retired employees

Syrian President Bashar al-Assad issued a legislative decree that requires the increase of heating allowance and adjusting prices to benefit all state workers and retired employees. Therefore, the number of people benefiting from the allowance is about two million. The total amount of the expenditure due to increasing heating allowance reaches SYP15bn annually.

Source: Syria Arab News Agency

## Egypt to issue tender for nuclear plants by end-January 2011

Egypt will issue a tender for its nuclear power plants in two weeks' time where bidding companies will be given six months to present their offers. Officials hope that the new nuclear program will add capacity of up to 4,000 megawatts by 2025. Egypt has installed capacity of about 23,500 megawatts, but was severely strained when trying to meet local demand during an unusually hot summer in 2010, which led to irregular power cuts across the grid.

Source: Thomson Reuters

## Base metals: Prices fluctuating amid concerns over tightening monetary conditions in China

Following strong gains at the end of 2010, base metal prices fluctuated in the past week mainly because of a weak U.S. dollar which caused base prices to increase and was offset by tight monetary conditions in China and concerns over slowing demand. Aluminum and lead prices dropped by 1% week-on-week each, copper, tin and zinc prices increased marginally while Nickel prices grew by 5% week-on-week. The performance of new base metals products, launched on December 10 by Exchange Traded Funds was disappointing with copper holdings at 2Kt, nickel at 416t and tin at 801t, all of which constitute less than 1% of available London Metal Exchange (LME) stock. These new products are considered an expensive way to gain exposure to base metals with limited uptake. In parallel, the increase in stock prices on the LME highlights excess supply in Aluminum after a slow down in financing deals, and in Zinc after anticipated surplus started affecting LME warehouses.

Source: Standard Chartered

## Precious metals: Gold and silver decline under selling pressure

Gold prices dropped by 0.5% to \$1,363.75 an ounce on the Singapore Exchange while the February delivery contract fell by 0.5% to \$1,363.70 an ounce on the Comex. Gold and silver prices are under selling pressure which translated to a drop of 1% and 3% week-on-week respectively. Further, Gold's net speculative long positions on U.S. exchanges reached their lowest level since July 2009, dropping by 12% week-on-week while Exchange Traded Funds increased their physical gold selling. Also, silver suffered from similar pullback from investors, observed in both physical exchange trade funds and coins sales by the U.S. Mint. In parallel, palladium and platinum prices increased by 3% week-on-week each while physical Exchange Traded Funds for both precious metals increased by 3% since the beginning of the year. Australia & New Zealand Banking Group Ltd. cut its 2011 price estimates for gold and platinum by 3.3% and 3.2% respectively. It expected gold price to average \$1,453 an ounce and platinum prices to average \$1,886 an ounce in 2011. In parallel, it raised its 2011 forecast for silver to \$29.70 an ounce, up 16.3 percent from a previous estimate.

Source: Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2010	2011f	2012f
Aluminum	2,201	2,213	2,300
Copper	7,570	8,825	9,250
Lead	2,172	2,500	2,650
Nickel	21,913	22,000	23,000
Tin	20,448	24,875	25,000
Zinc	2,188	2,375	2400
(Spot price, \$/ounce)			
Gold	1,227	1,400	1,200
Palladium	529	650	800
Platinum	1,613	1,850	2,050
Silver	20	26.0	22.0

Source: Standard Chartered



# 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								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	B+	B1	B+	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB+	Ba1	BB+	BBB-	BB	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia	-	-	-	-	CCC	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B	-	B+	-	B	-10.8	-	34.9	50.0	-	-	-11.6	10.9
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
Libya	A-	-	BBB+	-	BB	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
Sudan	-	-	-	-	C	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
Tunisia	BBB	Baa3	BBB	BBB	BB	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
<b>Middle East</b>													
Bahrain	A	A3	A	A	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	-	-	-	-	CC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA-	Aa2	AA	AA-	A	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B	B1	B	B	CCC	-8.7	139.0	160.3	243.4	14.7	212.2	-11.1	10.5
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA-	Aa2	-	AA-	A	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	-	-	-	BB-	B	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	-	-	-	B	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3

# 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								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0
	Stable	Positive	Negative	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2010



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	14-Dec-10	No change	26-Jan-11
Eurozone	Refi Rate	1.00	13-Jan-11	No change	3-Feb-11
UK	Bank Rate	0.50	13-Jan-11	No change	10-Feb-11
Japan	O/N Call Rate	0-0.10	21-Dec-10	No change	25-Jan-11
Australia	Cash Rate	4.75	07-Dec-10	No change	01-Feb-11
New Zealand	Cash Rate	3.00	09-Dec-10	No change	27-Jan-11
Switzerland	3 month Libor target	0.25	16-Dec-10	No change	17-Mar-11
Canada	Overnight rate	1.00	07-Dec-10	No change	18-Jan-11
<b>Emerging Markets</b>					
China	One-year lending rate	5.81	25-Dec-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	14-Dec-10	No change	26-Jan-11
Taiwan	Discount Rate	1.63	30-Dec-10	Raise 12.5bps	Mar-11
South Korea	Base Rate	2.75	13-Jan-11	Raise 25bps	11-Feb-11
Malaysia	O/N Policy Rate	2.75	12-Nov-10	No change	27-Jan-11
Thailand	1D Repo	2.25	12-Jan-11	Raise 25bps	09-Mar-11
India	Reverse repo rate	6.25	16-Dec-10	No change	25-Jan-11
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	16-Dec-10	Cut 50bps	20-Jan-11
South Africa	Repo rate	5.50	18-Nov-10	Cut 50bps	Jan-11
Kenya	Central Bank Rate	6.00	25-Nov-10	No change	Jan-11
Nigeria	Monetary Policy Rate	6.25	23-Nov-10	No change	Jan-11
Ghana	Prime Rate	13.50	10-Dec-10	No change	Feb-11
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	25-Nov-10	No change	21-Jan-11
Brazil	Selic Rate	10.75	08-Dec-10	No change	19-Jan-11
Armenia	Refi Rate	7.25	08-Dec-10	No change	N/A
Romania	Policy Rate	6.25	05-May-10	No change	N/A
Bulgaria	Base Interest	0.18	01-Jan-10	Raise 1bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jan-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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