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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Sovereign and corporate issuance at $283bn in 2010

Merrill Lynch indicated that aggregate sovereign and corporate bond issuance in non-G10 emerging markets reached $283bn in 2010, constituting an increase of 41.5% from $200bn in 2009. Issuance in Emerging Europe, the Middle East & Africa (EEMEA) reached $92.2bn, or 32.6% of the total, followed by Latin America with $90bn (32%), Asia with $74.3bn (26.3%), and the GCC with $26.3bn (9.3%). Further, sovereign issuance reached $77.3bn in 2010, up 4.5% from $74bn in 2009 and compared to a forecast issuance of $82.3bn for the year. Sovereign issuance in the EEMEA region reached $45.3bn, or 58.6% of the total, followed by Latin America with $20.2bn (26%), Asia with $8.8bn (11.4%), and the GCC with $2.9bn (3.75%). Merrill Lynch said 101 issues were at least $1bn in size and included 16 issues that were $2bn or more in size. In parallel, corporate bond issuance in non-G10 emerging markets reached $205bn in 2010 compared to $126bn in 2009. Issuance in Latin America reached $69.6bn, or 34% of the total, followed by Asia with $65.5bn (32%), the EEMEA with $46.9bn (22.8%), and the GCC with $23.4bn (11.4%). Merrill Lynch noted that hybrid bond issuance increased significantly in 2010. It said there were 15 bonds issued in local currency but paid in another currency, 13 of which were paid in a G10 currency. It said such global bonds allow investors to gain exposure to local markets without having to open local accounts and convert local currency payments to U.S. dollars on coupon dates.

Source: Merrill Lynch

MENA

AUM based on sustainable investment principles at 2% of region's total

The International Finance Corporation estimated at $54.3bn the assets under management (AUM) in the Middle East & North Africa region that are managed according to sustainable investment principles. It defined sustainable investment as decisions and processes that take into account environmental sustainability, social responsibility and corporate governance. It said AUM managed according to sustainable investment principles account for 2.1% of total AUM in the MENA region. It noted that, when excluDing Shari'ah compliant investments, the amount of sustainable investment in the region would fall to $17.1bn and account for 0.7% of total AUM. It added that despite the relatively small amount of current sustainable investment, opportunities for further development exist in MENA countries. It considered that the region's Sovereign Wealth Funds, which account for 60% of the MENA region's AUMs, constitute the highest leverage opportunity for sustainable investment in the region. It added that the region's private equity firms are gradually adopting and promoting sustainable management and investments. Further, it estimated that 2.12% of total FDI to the region are based on sustainable investment principles.

Source: International Finance Corporation

SAUDI ARABIA

Optimism rises in non-hydrocarbon sector

The D&B Business Optimism Index for Saudi Arabia for the first quarter of 2011 shows an all-time high level of optimism in the non-hydrocarbon sector, as the composite business optimism index for sector increased to 65 compared to 49 in the fourth quarter of 2010 and 62 in the same period last year. The index for expected sales surged to 75 from 59, while the profits index increased to 75 from 52 in the preceding quarter. Also, the index for expected new orders increased to 74 from 56 at end-2010, while that for inventory levels regressed to 41 from 45 in the preceding quarter. Further, firms expect selling prices to increase as the related index rose to 42 from 37 while they plan to increase their workforce, as the number of employees index increased to 57 from 42.

The rise in optimism was across the board, as the manufacturing index increased to 64 from 53 at end-2010, the construction index rose to 66 from 60, the trade & hospitality index surged to 68 from 45, the transport & communication index grew to 64 from 39, and the finance, real estate & business services index improved to 62 from 48. Further, 45% of non-hydrocarbon firms plan to expand their business compared to 31% that do not have such plans. In parallel, the price of raw materials was the main concern of 58% of businesses, with 82% of firms in the manufacturing and 58% in the finance, real estate & business services citing this issue as a major factor affecting their operations. Also, the availability of skilled labor is a concern for 21% of firms, with 32% of trade firms, 30% of construction firms and 22% of finance, real estate & business services firms expect it to be a business hurdle; while 18% of businesses considered that property prices and rent are a concern, especially for construction, trade and transport firms.

Source: Dun & Bradstreet

IRAQ

Central Bank independence in question

A court ruling has placed the Central Bank of Iraq (CBI) under the supervision of the Cabinet rather than the parliament, leading the institution to publicly express its discontent. The CBI stated that its independence is the only guarantee against fiscal dominance that could threaten its financial resources. The CBI is an autonomous institution with the ability to set up its own policy instruments in order to implement monetary policy as provided by the Central Bank law. Therefore, the Cabinet's new supervisory role could compromise the credibility of the institution and raise the risks of fiscal dominance, as reserves may be used to finance Treasury operations and the CBI could be called upon to finance the budget deficit. In addition, the Cabinet and CBI could hold conflicting views on foreign exchange policy. As such, the move is likely to fuel tensions between the government and the CBI, especially during periods of higher inflationary pressures and heightened risks to financial stability.

Source: JP Morgan

OUTLOOK

EMERGING MARKETS

Net private capital inflows at $908bn in 2010 and $960bn in 2011

The Institute of International Finance estimated total net private capital flows to emerging markets at $908bn in 2010, up from an October forecast of $825bn, and constituting a rise of 51% from $602bn in 2009. It attributed the rise in capital flows to favorable economic conditions, strong emerging market fundamentals, long-term investor portfolio rebalancing and abundant global liquidity. It said equity investment inflows accounted for the bulk of private capital inflows last year, adding that most of the growth in capital inflows in 2010 was due to a rebound in bank flows. It expected net private capital flows to emerging markets to reach $960bn in 2011, up from an October forecast of $833bn, an considered the outlook for emerging economies to be bright relative to that of mature economies. It said strong output growth compared with mature economies, together with improving perceptions of relative risk, should provide ample investment opportunities in emerging markets at attractive risk-adjusted returns. It noted that a key driver for capital inflows is that short-term interest rates are expected to remain low in most mature markets, while emerging economies are gradually normalizing their interest rates, resulting in a widening yield differential.

The IIF forecast net direct investment at $350bn in 2010 and projected it at $391bn in 2011. It estimated net portfolio investment in emerging markets at $199bn last year and expected inflows to drop to $181bn in 2011. Also, it forecast net commercial bank lending to increase from $164bn in 2010 to $179bn in 2011. It estimated net non-bank private lending at $194bn in 2010 and to reach $210bn in 2011. It also projected net lending by official creditors to have reached $54bn in 2010 and to decline to $48bn this year. The IIF noted that the momentum is strongest in portfolio equity inflows as a result of higher bank inflows and indicated that such borrowing remains well below its pre-crisis level.

Source: Institute of International Finance

Growth at 6.5% in 2011, key risks are overheating and hard landing

The International Monetary Fund projected economic growth in emerging and developing economies at 6.5% in 2011 compared to growth of 4.4% for the world economy and 2.5% in advanced economies. The Fund revised its forecast upwards by 0.1% for developing markets, 0.3% in advanced economies and 0.2% for the world economy from last October. It projected real GDP growth in Developing Asia at 8.4% this year, followed by Sub-Saharan Africa at 5.5%, the Commonwealth of Independent States at 4.7%, the Middle East & North Africa at 4.6%, Latin America & the Caribbean at 4.3%, and Central & Eastern Europe at 3.6%. It said the world economy is experiencing a two-speed recovery, as activity in emerging economies remains buoyant, inflation pressures are emerging, and there are signs of overheating that are driven in part by strong capital inflows. In parallel, growth in advanced economies remains subdued, unemployment is still high, and renewed financial stress in the euro area periphery is contributing to downside risks.

The Fund projected consumer prices to rise by 6% this year in emerging and developing economies, compared to 1.6% in advanced economies. It indicated that rapid growth in emerging and developing economies has narrowed or in some cases closed output gaps, resulting in overheating pressures. It considered that the key risks for emerging and developing economies relate to overheating, a rapid rise of inflation pressures, and the possibility of a hard landing. It noted that upside risks to growth have risen over the near term, driven by accommodative policies, strong terms-of-trade gains for commodity exporters, and resurgent capital inflows. It warned, however, that if policymakers do not respond adequately to overheating pressures and asset price bubbles, macroeconomic policies in key emerging economies could be setting the stage for boom-bust dynamics in real estate and credit markets and, eventually, a hard landing in these economies. It noted that a slowdown in emerging market economies would deal a serious blow to the global recovery, given that they now account for almost 40% of global consumption and for more than two-thirds of global growth.

Source: International Monetary Fund

ALGERIA

Non-oil growth at 5.3%, economic diversification and reforms are key challenges

The International Monetary Fund projected real GDP growth in Algeria at 3.3% in 2010 and 3.7% in 2011, and forecast non-hydrocarbon growth at 5.3% in each of 2010 and 2011. The Fund said Algeria's positive economic performance has been supported by the authorities' prudent fiscal and monetary policies and the favorable external environment. But it noted that the country faces important challenges of preserving macroeconomic stability, restoring fiscal prudence and diversifying the economy. It called for a more assertive structural reform agenda in order to improve the business climate, boost private investment-led growth, raise competitiveness, and strengthen the financial sector. It also stressed the need to create job opportunities and reduce unemployment, especially youth joblessness that reached about 20%. The IMF considered that the new rules on foreign direct investment could discourage foreign investors and hamper growth. It encouraged authorities to continue to seek a better integration of Algeria in the regional and global economy.

The Fund encouraged authorities to contain the expansionary fiscal stance over the medium term in order to protect Algeria's capacity to face negative and prolonged hydrocarbon revenue shocks. It welcomed the authorities' commitment to undertake fiscal consolidation, starting with the 2011 budget, adding that continued fiscal reform will be critical to increase non-hydrocarbon revenues and contain public spending. It forecast the fiscal deficit at 3.9% of GDP in 2010 and 3.3% in 2011, and the non-hydrocarbon primary deficit at 45.3% and 45.8% of non-hydrocarbon GDP in 2010 and 2011, respectively. It also projected the current account surplus at 8.5% of GDP in 2010 and 9.3% of GDP in 2011.

Source: International Monetary Fund

ECONOMY & TRADE

SYRIA

Tourism activity up 40% in 2010

Figures release by the Ministry of Tourism show that the number of visitors to Syria, including Syrian expatriates, reached 8.55 million in 2010, constituting an increase of 40% from 6.1 million visitors in 2010. The distribution of tourists by source shows that the number of Arab visitors, excluding Syrian expatriates, increased by 30% to 4.65 million and accounted for 55% of total arrivals. Visitors from other parts of the world totaled 2.38 million, up 66% from the previous year, with Turkish visitors accounting for 36% of non-Arab visitors and rising by 127% year-on-year, while European tourists accounted for 18% of non-Arab visitors and growing by 13% year-on-year. The number of Syrian expatriates visiting their home country rose by 42% to 1.5 million. The ministry said hotel nights booked through tourism and travel agencies rose by 28% to 1.2 million nights while the average number of hotel nights booked decreased from 13 nights in 2009 to 10 nights in 2010. Also, spending by visitors averaged $96.6 per day in 2010 relative to $64.4 in 2009 and totaled about $8.3bn for the year, up 57% from 2009.

Source: Ministry of Tourism

JORDAN

Insurance premiums up 12% to $576m in 2010

Figures issued by the Insurance Commission of Jordan show that gross premiums generated in the local market reached $576m in 2010, constituting an increase of 12% from $515.5m in the previous year. General insurance premiums rose annually by 12% to $523m, while life premiums increased year-on-year by 9% to $54m. Also, gross paid claims grew by 5% to $391m from $305m in 2009. The commission indicated that insurance services providers operating in Jordan totaled 732 at end-2010, up by 5% from the previous year and include 15 insurance companies and 9 firms providing bancassurance services, as well as 514 insurance agents, 98 insurance brokers, 50 loss adjusters, 22 consultants, 13 actuaries and 11 reinsurance brokers. Also, the commission granted permits to 38 non-resident reinsurance brokers to conduct business in the country.

Source: Insurance Commission of Jordan

ANGOLA

Government clears most arrears, IMF approves $178m disbursement

The International Monetary Fund approved the disbursement of $178.2m as part of its Stand-By Arrangement (SBA) with Angola, bringing total disbursements under the arrangement to about $1.1bn. The IMF said the authorities' economic and financial program achieved significant progress towards macroeconomic stability due to the solid implementation of key program measures, supported by a rebound in oil prices. It added that authorities cleared most of the domestic payments arrears accumulated in 2008 and 2009, and plan to settle the balance of the arrears by end-March 2011. It noted that spending restraint and recovering oil prices created space for the clearance of much of the arrears. It indicated that the 2011 budget balances the need to rebuild reserves with the need to boost capital expenditures, which were cut significantly as part of the fiscal adjustment in 2009-10. It said that monetary policy is appropriately geared to gradually reduce inflation towards single-digit levels, adding that the Central Bank of Angola should rely exclusively on market-based measures to manage exchange rate movements, given the decline in pressure on the currency. It supported the authorities' intention to develop fiscal policy guidelines that would smooth spending levels over the oil price cycle and prevent arrears accumulation. The Fund called for improving public sector transparency and for publishing externally-audited financial statements of public entities.

Source: International Monetary Fund

NIGERIA

Lagos issues first Eurobond

The government issued a 10-year $500m Eurobond that carries a 6.75% coupon rate, constituting Nigeria's first Eurobond issue. The Finance Ministry said the issue was 2.5 times oversubscribed by investors from 18 countries across Europe, the United States, Asia and Africa. Fitch Ratings assigned the bond a 'BB-' rating, in line with Nigeria's sovereign ratings, which carry a 'negative' outlook. Also, Standard & Poor's assigned a 'B+' long-term senior unsecured debt rating to the issue. Fitch expressed concerns about the depletion of the excess crude account (ECA) and of official reserves in 2010 despite a rise in oil prices and production, as well as about the authorities' inability so far to address the critical infrastructure problem that is becoming more negative for the rating over time. Reserves in the ECA have declined by $7bn in 2010 and by more than $30bn in the past four years, standing currently at less than $1bn. The country's foreign currency reserves, which include the ECA, reached $33.5bn by mid-January and are down by more than 25% from a year earlier.

Source: Financial Times, Fitch Ratings, Standard & Poor's

ARMENIA

Growth at 4% in 2010 and 4.6% in 2011

The World Bank estimated economic growth in Armenia at 4% in 2010 compared to a contraction of 14.4% in 2009, and relative to growth of 4.7% in Eastern Europe & Central Asia and 4.1% in the Commonwealth of Independent States. It also projected Armenia's real GDP growth at 4.6% in 2011, compared to 4% in Europe & Central Asia region and 4.3% in the Commonwealth of Independent States this year. Armenia is projected to have the ninth highest growth rate among 18 European & Central Asian countries, ahead of Russia and Azerbaijan and behind Kosovo and Ukraine. Further, the World Bank estimated Armenia's current account deficit at 12.7% of GDP in 2010 compared to a surplus of 0.8% of GDP for Eastern Europe & Central Asia. It also forecast the current account deficit at 11.6% of GDP this year compared to a deficit of 0.3% of GDP for the region. In parallel, the United Nations forecast Armenia's inflation rate at 5.2% in 2011 relative to 6.5% in 2010, and compared to an inflation rate of 12.6% this year for net fuel importers in the Commonwealth of Independent States. It also estimated the unemployment rate in Armenia at 7.1% in 2010, nearly unchanged from 6.9% in 2009.

Source: World Bank, United Nations

SYRIA

Bank branches reach 486, conventional private banks have 172 branches at end-September 2010

Figures released by the Central Bank of Syria indicate that the number of branches of commercial banks operating in Syria reached 486 at the end of September 2010, constituting an increase of 9.7% from 443 branches at end-2009. State-owned banks had 293 branches, accounting for 60.3% of the total; followed by private commercial banks with 172 branches, or 35.4% of the total; and Islamic banks with 21 branches, representing 4.3% of overall branches. The branches of state-owned banks increased by 8 branches and those of private banks rose by 27 branches year-on-year; while Islamic banks' branches grew by 8 branches from end-2009. Bank Bemo Saudi Fransi had 34 branches, the largest branch network among private banks in the country. It was followed by the International Bank for Trade & Finance with 28 branches, Bank Syria & Overseas (24), Bank Audi-Syria (21), Arab Bank (20), Syria Gulf Bank (10), Byblos Bank-Syria with 10 branches, Bank of Jordan-Syria (9), Qatar National Bank Syria (7), Fransabank-Syria (5) branches and Al-Sharq Bank with 4 branches. Also, Syria International Islamic Bank had 13 branches, Cham Bank had 7 branches and Al-Baraka Bank Syria had one branch. In parallel, the Agricultural Cooperative Bank had 106 branches, the largest branch network among state-owned banks in the country; followed by the Commercial Bank of Syria with 69 branches; the Popular Credit Bank with 65 branches; the Real Estate Bank with 23 branches; the Industrial Bank with 17 branches; and the Savings Bank with 13 branches.

Source: Central Bank of Syria, Byblos Research

TUNISIA

Rating agencies downgrade banks

Moody's Investors Service downgraded by one notch the global local and foreign currency deposit ratings of Société Tunisienne de Banque and Amen Bank to 'Ba1/Not Prime'; and Banque Internationale Arabe de Tunisie, Banque de Tunisie, and Arab Tunisian Bank to 'Baa3/Prime-3'. It kept the ratings under review for possible downgrade and placed the standalone financial strength rating (BFSRs) of each bank under review for potential downgrade. It attributed the downgrades to the agency's earlier decision to lower Tunisia's local and foreign currency government bond ratings and change the outlook to 'negative' from 'stable'. It considered that the country's unstable macroeconomic environment would affect the performance of the banks' credit portfolio and expected loan provisions to increase from the deterioration of banks' asset quality, which would weigh on the banking sector financial performance.

In parallel, Standard & Poor's lowered the long- and short-term ratings on Banque de l'Habitat (BH) to 'BB+/B' from 'BBB-/A-3'and placed the 'BB+' long-term rating on CreditWatch negative. It also placed the 'BB' long-term ratings on Banque de Tunisie et des Emirats (BTE), and the 'BB+' long-term ratings on Banque Tuniso-Koweitienne and Arab Tunisian Bank on CreditWatch negative. It attributed its decision to the risk of the deterioration in the sovereign's creditworthiness that could affect the financial capacity of the government to provide extraordinary support to its government-related entities, especially BH and BTE. It added that political and social uncertainties could have a direct and indirect impact on the banks' financial profiles. It noted the risk that economic growth prospects could weaken materially following the recent weeks of unrest, which is likely to have a negative impact on rated banks' financial profiles, especially their asset quality and profitability, but potentially also their liquidity positions.

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

QATAR

Public sector borrowing continues to drive bank activity

Figures issued by the Central Bank of Qatar show that total assets reached QAR 571.5bn at the end of 2010, up by 1.3% in December and constituting a rise of 21.3% from end-2009. Lending reached QAR 315bn, down by 0.8% month-on-month, but up by 2.1% from the previous quarter and 16.4% year-on-year. Loan provisioning reached QAR 3.8bn at the end of the year, constituting a 9.2% rise in December and posting the year's highest month-on-month increase. They increased by 14% from the end-September and decreased by 15.2% from end-2009. Credit to the economy continued to be driven by public sector borrowing that accounted for 64% of total loan increase, while the private sector absorbed 31% of lending growth. In parallel, customer deposits totaled QAR 306.8bn at end-2010, increasing by 24.3% annually and by 5.8% from end-September as private sector deposits grew by 31% and public sector deposits by 5.7%. The loans-to-deposits ratio reached 103% at end-2010 compared to 104 % in November.

Source: Shuaa Capital

TURKEY

Central Bank raises reserve requirements by 220 basis points

The Central Bank of Turkey (CBT) increased reserve requirements ratios by 400bps on demand deposits; by 200bps for deposits with up to one-month maturity; and by 200bps for deposits that have a maturity of between one month and three months. The hikes apply to the banks' short-term lira deposits only and exclude the banks' foreign currency and off-balance-sheet liabilities. Given the maturity breakdown of the deposits, the decision corresponds on average to a 220bps hike in the banks' reserve requirement ratios. The changes will be effective starting on February 4, leading the banks to deposit an estimated TRY9.8bn at the CBT and constituting a sizable liquidity withdrawal from the banking system following the TRY7.6bn that was withdrawn as a result of the previous reserve requirement hikes that came into effect on January 7, 2011. The new hikes are likely to impact the banks' cost of lending unfavorably despite the 25bps cut in the one-week repo rate earlier this month.

Source: Central Bank of Turkey, Deutsche Bank

Oil prices arond $90 a barrel

U.S. benchmark crude oil for March delivery declined 96 cents to $86.4 a barrel on January 27, while ICE Brent for March dropped just 35 cents to $97.6 after rising 2.8% the previous day. U.S. crude inventories rose sharply as imports increased and refineries cut run rates. China's oil demand is estimated at 9.8 million barrels per day in December 2010, up 19% year-on-year. Continued strong demand growth is expected in China albeit at a slower pace than in 2010. The spread between WTI and Brent widened further and now exceeds $10 per barrel due to oversupply at Cushing Oklahoma. India is expected to continue to expand refinery capacity but demand for refined oil products will outpace the refinery capacity build-out rate. ICE Brent is expected to average $96 per barrel in 2011. While strong demand growth is expected in 2011, the prospect of higher OPEC output limits upside prices. Further, U.S. dollar weakness has provided some support but has not driven prices higher, and demand expectations will remain the dominant market driver in 2011.
Source: Thomson Reuters, Standard Chartered

Kurdish oil exports to resume in February

The Iraqi Ministry of Oil and the Kurdistan Regional Government (KRG) reached an agreement that will allow oil exports to resume from Kurdistan starting February 1, 2010. The agreement specifies that Kurdish crude oil would flow at a rate of 100,000 barrels per day through a pipeline from northern Iraq to the Turkish terminal of Ceyhan, and that the KRG should produce another 50,000 barrels per day of crude to feed its own refineries and help meet local demand. Oil exports stopped in October 2009 as the central government did not recognize the oil contracts and the payments to foreign oil companies.
Source: Merrill Lynch

Qatar Petroleum and Total to start Sudan operations by April

French oil major Total SA announced that it plans to start exploration in South Sudan by April 2011 once Qatar Petroleum joins the consortium running Block B. Total has not begun work on the block in the Southern Jonglei State despite holding the concession since the 1980s.
Source: Gulf Times

Syria's oil production reaches 140 million barrels in 2010

Syria's production of light and heavy oil and condensates totaled 140,259 million barrels in 2010 with a rate of 386,000 barrels per day, posting an increase of 9,407 barrels per day from 2009. They included 56,096 million barrels of light oil and 84,163 million barrels of heavy oil. Statistics of the Syrian Petroleum Company showed that the national companies contributed about 52% of total oil production. Also, overall natural gas production amounted to 10.1 billion cubic meters with a rate of 5.3 million cubic meters per day in 2010.
Source: Syrian Arab News Agency

Base metals: Prices on the low except for tin

Base metals prices significantly declined last week, particularly lead and zinc, while tin was a notable exception, reaching a record high of $28,190 per ton on January 24th. China's most recent data release was quite favorable for base metals, showing GDP growth accelerating into the fourth quarter of 2010 and inflation falling back. LME stocks mostly moved higher with aluminum inventories rising 2% week-on-week, copper rose 3%, tin rose 1%, and lead increased by 11% week-on-week. Nickel was the only exception where stocks fell 2% week-on-week, and was the second best performer after tin due to investor concerns about increasing production costs for nickel pig iron (NPI), a key nickel substitute in China. These concerns emerged after official estimates showed that around 15 million tons of coal will be permanently removed due to flooding in key mining states in Australia between December and March 2011.
Source: Standard Chartered, Thomson Reuters

Precious metals: Gold prices down at the start of 2011

The downward pressure on the price of gold since the start of 2011 from reduced safe haven demand has more than offset the upward pressure from rising inflation fears. The price of gold fell from $1,420 per ounce at the end of 2010 to around $1,320 per ounce on January 26, despite further rises in many other commodity prices, growing worries about inflation, and a fall in the U.S. dollar. Gold is a traditional hedge against inflation as well as a safe haven against other types of economic and financial shocks. Gold prices jumped during the global financial crisis even as other commodity prices collapsed and investors began to worry about deflation. The opposite appears to be happening now, as confidence in the global economic recovery is growing and fears of crisis in the Euro zone fades. Also, a relatively new factor has started to weigh on gold prices, namely the prospect of rising interest rates. German two-year bond yields, for example, have reached a twelve-month high, increasing the opportunity cost of holding an asset such as gold with no income stream attached. The global economic recovery is likely to decline during 2011 as policy stimulus weaken and underlying structural flaws come to the fore gain. Therefore, demand for gold is expected to increase by then.
Source: Capital Economics

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	26,000	25,000
Zinc	2,188	2,375	2400
(Spot price, $/ounce)			
Gold	1,227	1,400	1,200
Palladium	529	806	900
Platinum	1,613	1,850	2,100
Silver	20	26	22

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

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

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	18-Jan-11	No change	01-Mar-11
Emerging Markets					
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	6.25	20-Jan-11	Cut 25 bps	15-Feb-11
South Africa	Repo rate	5.50	20-|Jan-11	No change	24-Mar-11
Kenya	Central Bank Rate	6.00	25-Nov-10	No change	28-Jan-11
Nigeria	Monetary Policy Rate	6.25	23-Nov-10	No change	25-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	11.25	19-Jan-11	Raise 50bps	02-Mar-11
Armenia	Refi Rate	7.25	11-Jan-11	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-11	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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