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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Tourism arrivals at 1.8 billion by 2030, growth at 3.3% per year

The World Tourism Organization (WTO) expected global tourist arrivals to reach 1.8 billion in 2030, up from 940 million in 2010 and to post an average growth of 3.3% per year. It projected that an average of 43 million additional international tourists will be crossing international borders for leisure, business or other purposes every year between 2010 and 2030, equivalent to 5 million people every day. It forecast international arrivals in emerging economy destinations to continue to grow at an annual rate of 4.4% and to gain an average of 30 million arrivals per year, double the 2.2% yearly growth rate of advanced economy destinations of 2.2% and the region's yearly average of 14 million arrivals. It said that additional arrivals originating from Asia & the Pacific would reach 17 million and grow by 5% a year during the 2010-30 period, followed by Europe with an average of 16 million extra arrivals and a growth rate of 2.5% a year, while the remaining 10 million additional yearly arrivals would be generated by the Americas (5 million), Africa (3 million) and the Middle East (2 million). In parallel, the WTO expected international tourist arrivals in emerging economies to surpass those of advanced economies by 2015, and forecast their share to reach 58% of global tourists by 2030. It projected tourist arrivals in Asia & the Pacific to account for 30% of worldwide tourist arrivals, up from 22% in 2010, followed by the Middle East with 8% up from 6% in 2010, and Africa with 7% up from 5%; while it expected the share of Europe to contract to 41% from 51% in 2010 and that of the Americas to decrease to 14% from 16% in 2010.

Source: World Tourism Organization

EMERGING MARKETS

FDI up 23% to $368bn in first half of 2011

Figures released by the UN Conference on Trade & Development (UNCTAD) show that foreign direct investment to developing and transition economies reached $367.6bn in the first half of 2011, constituting an increase of 23.2% from $298.3bn in the same period last year, and a growth of 8.3% from $339.4bn the second half of 2010. FDI to developing economies rose by 23.7% year-on-year and by 7.3% from the second half of 2010 to $326.5bn in the first half of 2011, while inflows to transition economies reached $41.1bn, up 19.5% from the first half of 2010 and by 17.6% from the second half of last year. In comparison, FDI to developed countries totaled $353.1bn in the first half of 2011 and increased by 42.5% year-on-year but decreased by 4% from the second half of 2010, while global FDI reached $720.7bn and rose by 32% year-on-year and by 2% from the second half of 2010. The UNCTAD said that FDI to South, East & Southeast Asia reached $184.2bn, followed by Latin America & the Caribbean with $94.2bn, Southeast Europe and the Commonwealth of Independent States with $41.1bn, Africa with $30.2bn, and West Asia with $20.8bn. Further, FDI to Latin America rose by 31.7% year-on-year, followed by South, East & Southeast Asia with a 27.7% increase, Southeast Europe and the CIS with a 19.5% growth, Africa with a 13% rise and West Asia with a marginal 1% increase. UNCTAD noted that FDI to developing and transition economies accounted for 51% of global FDI.

Source: UNCTAD

MENA

Economic freedom in Arab world stagnates

The Fraser Institute's annual Index of Economic Freedom in the Arab World shows that overall economic freedom in the region was nearly unchanged year-on-year, as the region's average numerical score for overall economic freedom reached 6.94 points in 2011 compared to 6.93 points in 2010. The index evaluates individual economies on the basis 18 variables that are divided into five broad factors of economic freedom that measure the size of government; legal structure and security of property rights, access to sound money, freedom to trade internationally, and the regulation of credit, labor and business. The rankings of five Arab countries improved, six were unchanged and five regressed, while the scores of eight countries improved, three were unchanged and five regressed. Bahrain had the highest level of economic freedom in the Arab world, followed by Lebanon and Kuwait; while Mauritania, Syria and Algeria had the least free economies in the region.

Source: Fraser Institute, Byblos Research

Trade to reach $2.2 trillion in 2015

Citigroup expected trade in goods & services in the Middle East to expand at an average annual growth rate of 9.3% per year in current US dollars between 2010 and 2030 and by 7.3% annually between 2030 and 2050, compared to a yearly growth rate of 8.4% between 1990 and 2010. Measured on a constant dollar basis, trade would grow by 7.6% yearly during the 2010-30 period and by 5.4% annually during the 2030-50 timeframe. Citigroup projected trade in the Middle East to rise from $1.5 trillion in 2010 to $2.2 trillion in 2015, $8.9 trillion in 2030 and $36.3 trillion in 2050. It expected imports to the region to reach $960bn in 2015, $4.2 trillion in 2030 and $17.7 trillion in 2050, up from $644bn in 2010; and to grow at an average rate of 9.8% per year between 2010 and 2030 and by 7.5% annually between 2030 and 2050. It forecast the region's exports at $1.2 trillion in 2015, $4.7 trillion in 2030 and $18.7 trillion in 2050 relative to $849bn in 2010, and to post an average annual growth rate of 9% between 2010 and 2030 and 7.1% during the 2030-50 period. Citigroup also forecast trade in the Middle East to be equivalent to 98.4% of the region's GDP in 2015, 116% of GDP in 2030 and 120% of GDP in 2050 relative to 86% of the region's GDP in 2010. It expected trade in the Middle East to account for 3.8% of global trade in 2015, 4.9% in 2030 and 5.7% in 2050. It also forecast trade with Emerging Asia to account for 43% of the region's aggregate trade in 2030, followed by Advanced Asia with 17%, intra-Middle East trade with 13%, Western Europe with 10%, and North America with 6%.

Source: Citigroup

OUTLOOK

SYRIA

Real GDP to contract by 6% in 2011, fiscal and current account deficits to widen

The Institute of International Finance projected economic activity in Syria to contract by 6% in 2011 compared to a May forecast of a 3% contraction, despite the recovery of the agriculture sector this year. It considered that the domestic turmoil and foreign sanctions have taken a heavy toll on the economy. It attributed the contraction in activity to the sharp fall in private investment and to a drop in the exports of goods and services. It said that the fundamentals of the Syrian economy prior to the uprising were strong, as indicated by modest current account and fiscal deficits, low external and domestic government debt, large foreign exchange reserves, and a relatively diversified economy. It noted, however, that little progress has been made in the past decade toward liberalizing the economy, which is still constrained by central planning and inefficiencies. It forecast real GDP to contract by 3% in 2012, as it expected the turbulence and uncertainty to continue to negatively impact the economy.

The IIF also forecast the fiscal deficit to widen from 3.8% of GDP in 2010 to 6.7% of GDP in 2011 and 8.2% of GDP in 2012. In parallel, it projected foreign exchange earnings from exports of goods, tourism, FDI, and workers' remittances to decline to $12bn in 2011 to around $10bn in 2012 from an estimated $20.5bn in 2010. As such, it expected the current account deficit to widen from 3.5% of GDP in 2010 to 6.1% of GDP in 2011 and 7.2% of GDP in 2012. As a result, it projected official foreign exchange reserves to decline from $19.5bn at end-2010 to around $15bn at end-2011 and $12bn at end-2012. But it noted that this level of reserves would still cover more than 12 months of projected imports of goods & services. Further, it forecast oil exports to decline from 145,000 barrels per day in 2010 to 142,000 b/d in 2011 and 140,000 b/d in 2012.

Source: Institute of International Finance

SUDAN

Non-oil growth to average 3.4%, non-oil fiscal deficit at 9.7% of GDP in 2011-12

The International Monetary Fund projected real GDP in Sudan to contract by 0.2% in 2011 and 0.4% in 2012 compared to growth of 6.5% in 2010. It forecast the country's real non-oil GDP to grow by 4% in 2011 and 2.8% in 2012, down from 7.7% in 2010, and compared to non-oil growth of 4.2% and 4.5%, respectively, for oil exporters in the MENA region. It expected Sudan's oil production to decline from 500,000 barrels per day in 2010 to 300,000 b/d in 2011 and 200,000 b/d in 2012; and for crude oil exports to drop from 400,000 b/d last year to 300,000 b/d this year and 100,000 b/d next year. It expected Sudan's annual average inflation rate at 20% in 2011 and 17.5% in 2012, up from 13% in 2010. Also, it forecast broad money to grow by 20.7% this year and 23% next year, down from 25.4% in 2010. In parallel, the Fund projected the fiscal deficit at 2.8% of GDP in 2011 and 3% of GDP in 2012, relative to a deficit of 3.2% of GDP in 2010. It estimated public revenues to decline from 16.1% of GDP in 2011 to 11.7% of GDP in 2012, and for total expenditures to regress from 19.6% of GDP this year to 15.4% of GDP next year.

Further, it expected the government's non-oil revenues to improve from 8.4% of GDP last year to 10% of GDP this year, but to decline to 9.4% of GDP next year. It also forecast the non-oil fiscal deficit to contract from 13.5% of GDP in 2010 to 12.4% of GDP in 2011 and 7% of GDP in 2012.

The IMF expected Sudan's public debt to reach 78.2% of GDP at end-2011 and 87.3% of GDP at end-2012, up from 71.6% at end-2010. It also forecast total gross external debt at 62% of GDP in 2011 and 70% of GDP in 2011, up from 56.3% of GDP in 2010. Further, the Fund estimated Sudan's exports of goods & services to decline from $12.8bn in 2011 to $8.9bn in 2012; and for imports of goods & services to contract from $12.4bn in 2011 to $10.7bn in 2012. It forecast the country's current account deficit to widen to $4.6bn or 7.3% of GDP in 2011 and $4.5bn or 7.6% of GDP in 2012, relative to $4.4bn or 6.7% of GDP in 2010. The Fund expected the country's gross official reserves to reach $0.8bn at end-2011, unchanged from end-2010, but to rise to $1bn by end-2012.

Source: International Monetary Fund

LIBYA

Growth to rebound in 2012 after sharp contraction this year

The Institute of International Finance projected economic growth in Libya to contract by 56% in 2011 with hydrocarbon output shrinking by 77% and non-hydrocarbon sector activity contracting by 40%. But it said that Libya's medium-term prospects for sustainable, high economic growth should be good in the case of a smooth political transition beyond the change of regime. It expected Libya's large foreign assets, which it estimated to have declined from $150bn before the war to $110bn currently, as well as its oil wealth, to help attract foreign investment and expertise to restore oil production and rebuild the economy. It added that the international community will be providing technical assistance and policy advice to help steer the transition towards reconciliation and to rebuild state institutions and the economy. As such, it expected growth to rebound sharply in 2012 to 55%, largely due to the gradual recovery of oil production and spending on infrastructure. It forecast hydrocarbon output to grow by 140% in 2012 and non-hydrocarbon activity to expand by 30% next year. It expected real GDP to reach its pre-war level by 2014.

The IIF expected that the restoration of hydrocarbon production would proceed relatively smoothly with the help of Libyan technocratic elites and the international oil companies, which should help accelerate the return of Libya to the global energy markets. But it noted that ramping up oil production to pre-conflict levels is likely to take at least two years. It said about 400,000 barrels per day could come on stream before the end of this year compared to pre-war crude oil production of 1.6 million b/d, of which 1.3 million b/d was exported. It forecast Libya's fiscal deficits at 34.3% of GDP in 2011 and 15.6% of GDP in 2012 and projected the current account balance to post a deficit of 33.8% of GDP in 2011 and 3.9% of GDP in 2012.

Source: Institute of International Finance

ECONOMY & TRADE

SAUDI ARABIA

Optimism grows in non-hydrocarbon sector

The D&B Business Optimism Index for Saudi Arabia indicated that the composite optimism index for the non-hydrocarbon sector increased to 60 in the fourth quarter of 2011 compared to 52 in the previous quarter and 49 in the same quarter last year. The index for expected sales rose to 70 from 61 in the previous quarter, while that for expected new orders fell marginally to 61 from 62. Also, the expected profits index grew to 67 from 57 in the preceding quarter, and that for inventory levels increased to 43 from 36 due to an improvement in expectations for demand and prices. The construction index rose to 74 in the fourth quarter from 57 in the previous quarter, reflecting the most optimistic sector with respect to demand conditions, price level expectations, profitability, and hiring expectations. It was followed by the trade & hospitality index which increased to 65 from 32 in the third quarter; and the finance, real estate & business services index that grew to 64 from 54. In parallel, the transport & communication index contracted to 56 from 59, and the manufacturing index decreased to 49 from 56 in the previous quarter. Further, 51% of non-hydrocarbon firms plan to expand their business compared to 48% in the previous quarter, while 46% of the respondents do not anticipate any negative factors affecting their businesses in the fourth quarter of 2011.

Source: Dun & Bradstreet

TUNISIA

Outlook dependent on political stability

Fitch Ratings indicated that the smooth election of the Tunisian constitutional assembly and a broad agreement on a new constitution constitute important steps towards resolving the 'negative' outlook on Tunisia's 'BBB-' rating. It said that the 'negative' outlook is largely based on political uncertainty, as the damage to the economy from the political uprising appears manageable. It noted that delays in the political transition and in the formation of a government with a solid mandate to implement economic and fiscal policies would mean a slower recovery for investment; leading to lower growth, higher unemployment, wider fiscal deficits and a less favorable economic climate for democratic reforms. It added that the economy suffered during and immediately after the uprising, posting negative GDP growth during the first half of the year, with tourism and investment being the most affected sectors. It said that the current economic environment is also likely to lead to a further increase in non-performing loans in an already stretched banking sector. It noted, however, that Tunisia's economy is starting to show signs of recovery with real GDP posting a 1.5% year-on-year growth in the third quarter of 2011 and the export sector holding up well. It added that Libya's stabilization would benefit Tunisia given the strong trade relations between the two countries. Fitch indicated that Tunisia stands to benefit from substantial external financial assistance. It said that the International Monetary Fund estimated that real GDP growth in Tunisia could reach 7% by 2016 if external financing of about $5bn per year is put to good use. It considered that such financing would be enough to address many of the country's economic challenges, including its high unemployment level.

Source: Fitch Ratings

NIGERIA

Outlook revised to stable on tighter monetary policy and better fiscal discipline

Fitch Ratings revised Nigeria's outlook to 'stable' from 'negative' and affirmed its long-term foreign currency Issuer Default Rating at 'BB-' and long-term local currency IDR at 'BB'. It also affirmed Nigeria's short-term rating at 'B' and Country Ceiling at 'BB-'. It attributed the change in outlook to the improved prospects for reforms following the recent elections and the appointment of a strong economic team. It added that tighter monetary policy and slightly better fiscal discipline have contained the rapid depletion of reserves seen in the first nine months of 2010, which had triggered the 'negative' outlook. It noted that the 'stable' outlook anticipates continued reforms progress and a tighter budget for 2012, including progress towards lifting the petroleum subsidy and making the Nigeria Sovereign Investment Authority operational. It indicated that Nigeria's key credit indicators, including its strong growth, low public debt level and strong external balance sheet, continue to provide strong support to the ratings. It expected Nigeria to sustain high growth rates of 7% to 8%, which are far higher than the 'BB' five-year median of 4.4%, due to planned reforms, continued recovery of oil production, and strong domestic demand. But it said that a sharp and sustained fall in oil prices, or a decline in reserves from renewed fiscal slippage, would put downward pressure on the ratings.

Source: Fitch Ratings

ARMENIA

Business environment improves

The World Bank/International Finance Corporation Doing Business 2012 report ranked Armenia in 55th place among 183 countries worldwide in terms of ease of doing business, improving from 61st place in the 2011 survey. Armenia ranked ahead of Montenegro, Antigua & Barbuda and Tonga, and came behind Botswana, Mexico and Saint Lucia. Also, Armenia ranked in third place among 11 Commonwealth of Independent States behind Kazakhstan and Georgia, unchanged from last year. The index is a composite of 10 sub-indices of business regulation that track the time and cost to meet government requirements in business start-up, expansion, operations, and insolvency. Armenia ranked in 10th place on the Starting a Business indicator, up 10 spots from the previous survey; and in 57th place in terms of Dealing with Construction Permits, up 38 positions from 2011. It also regressed by one position to fifth place on the Registering Property indicator. Also, Armenia ranked 40th in terms of ease of Getting Credit, improving by five spots from 2011; in 97th place in terms of Protecting Investors, down 4 spots year-on-year; and in 153rd place in terms of Paying Taxes, up 6 spots from the previous survey. Further, it regressed by one position on the Trading Across Borders category and by 27 spots on the Enforcing Contracts category, where it came in 104th and 91st place, respectively. Finally, it slipped by 6 spots to 62nd place in terms of Resolving Insolvency.

Source: World Bank Group

SYRIA

Central Bank spends $3bn to defend currency

The Central Bank of Syria (CBS) stated that it has spent $3bn to defend the Syrian pound and finance trade since the onset of turmoil in March. It said that the money came from a $5bn account that authorities established two years ago to manage currency fluctuations and foreign exchange positions of banks. It added that the pound is stable and that foreign currency reserves remain at about $18bn, and dismissed rumors about a shortage of banknotes. The CBS added that international sanctions have affected its operations as well as those of the state-owned Commercial Bank of Syria, as the two institutions can no longer utilize the U.S. dollar in international transactions. The CBS indicated that it is using Arab currencies, the Chinese Yuan, the Russian Ruble and the euro instead of the dollar. It said that if the EU bans Syria from using the euro, the government will take steps to get around such restrictions. The US dollar is currently trading at 49.27 Syrian pounds as per the official rate set by the CBS.

Source: Bloomberg

Timetable extended for banks' capital increase

The Ministry of Finance announced that it has extended the deadline given to banks operating in Syria to raise their capital and meet the requirements set by the Central Bank of Syria (CBS) from the end of 2012 till the end of 2013. It acknowledged that meeting the capital requirements would be very difficult in view of the current crisis. In early 2010, the CBS asked commercial banks to raise their capital to SYP 10bn and Islamic banks to SYP 15bn by end-2012. It added that the rules apply to private banks as well as to the six state-owned banks. The ministry indicated that the state-owned banks would need to raise about SYP 30.97bn, all from the government's budget, to meet the requirements, but noted that the 2012 budget had not allocated funds for that purpose.

Source: Syria Report

EGYPT

Banks' ratings downgraded on risks to economic stability

Standard & Poor's lowered its long-term counterparty credit ratings on National Bank of Egypt (NBE) and Commercial International Bank to 'BB-' from 'BB' and affirmed both banks' short-term counterparty credit ratings at 'B', with a 'negative' outlook on all the ratings. It also lowered the public information rating on National Société Générale Bank to 'BB-pi' from 'BBpi'. It attributed the downgrades to the growing risks to macroeconomic stability from political uncertainties, which would hamper economic growth and have a negative effect on the banks' financial profiles, mainly their asset quality and profitability. It added that the risk of a further deterioration in the sovereign's creditworthiness could affect the government's capability to provide extraordinary financial support, if needed, to government-related entities such as NBE. In parallel, S&P said that a further downgrade is possible if the political transition towards a democratic system does not proceed as smoothly as expected, making it more difficult to finance the government's borrowing requirements or the country's external needs. It added that a prolonged deterioration in the banks' operating environment could have a negative effect on their stand-alone credit profiles.

Source: Standard & Poor's

NIGERIA

NPL acquisition to be completed by end-October

The Asset Management Corporation of Nigeria (AMCON), the state-owned company set up to buy non-performing loans from banks, announced that it will complete the acquisition of NPLs from rescued banks by the end of October 2011. It said that it would have acquired NGN2.8 trillion, equivalent to a face value of $17.6bn of NPLs, from 21 banks at a cost of about NGN1.16 trillion, or $7.2bn. As such, it noted that it would have bought over 95% of all outstanding bad loans in the sector by the end of October. It added that acquiring the NPLs from the banks would stabilize the industry and remove the adverse implications of default on the banks' liquidity. AMCON noted that it also acquired performing but 'at risk' loans, including NGN275bn owed by three Nigerian companies, to prevent any further crises in the sector. It indicated that it has restructured and recovered 10% of acquired NPLs and that it will focus on the recovery and restructuring of the acquired assets in the next 10 years. AMCON bought NPLs as part of measures to support the banking sector after a 2008 debt crisis threatened it with collapse. The Central Bank of Nigeria bailed out 9 banks with NGN620bn in August 2009 and fired the chief executives of eight of them. The CBN said it will target a NPLs ratio of 5% across the industry from now on, compared to pre-AMCON levels of 50%.

Source: The Nation Online

UKRAINE

Banks' outlook revised downwards to stable

Fitch Ratings affirmed the long-term foreign currency Issuer Default Ratings (IDR) at 'B' and short-term local currency IDR at 'B+' of private-banks UkrSibbank, Ukrsotsbank, Bank Forum, ProCredit Bank Ukraine, Pravex-Bank, VTB Bank Ukraine and Corporate Investment Bank Credit Agricole (CIBCA). It also affirmed the long-term foreign and local currency IDR at 'B' of state-owned Ukreximbank and Oschadbank. Fitch revised the outlook of the nine banks to 'stable' from 'positive' in line with the outlook change on Ukraine's sovereign ratings. It said that the outlook revision of private banks reflects the reduced likelihood of an upgrade following the revision of the sovereign outlook; while that of state-owned banks reflects the limited ability of the government to provide support if needed. UkrSibbank is 85%-owned by France's BNP Paribas, Ukrsotsbank is 95.5%-owned by Italy-based UniCredit, Forum Bank is 96%-owned by Germany's Commerzbank, ProCredit Bank Ukraine's is 60%-controlled by Germany's ProCredit Holding, Pravex-Bank is 100%-owned by Italy's Intesa Sanpaolo, VTB Ukraine is more than 99%-owned by Russia's Bank VTB, and CIBCA is 100%-owned by France's Credit Agricole.

Source: Fitch Ratings

Oil up $2 a barrel on EU debt deal

Oil prices gained more than $2 after Euro zone leaders signed a deal with private holders of Greek debt to accept a 50% loss on their Greek government bonds. This came under a plan to lower Greece's debt burden and try to contain the two-year euro zone crisis. Brent crude prices rose by $1.8 to $110.7 a barrel on October 27, after reaching an intraday high of $111 a barrel. Also, U.S. crude prices gained $1.9 to $92.1 a barrel, down from an intraday high of $92.4.

Further, oil futures are reacting to macroeconomic events and financial markets, despite that the crude inventories in the U.S. have increased substantially. The Energy Information Administration indicated that crude stockpiles rose by 4.74 million barrels to 337.6 million barrels in the week to October 21, exceeding significantly analysts' projection of a 1.3 million increase of inventory.
Source: Thomson Reuters

Egypt doubles price of gas exported to Jordan

Egypt resumed pumping gas to Jordan and Israel after disruption caused by an attack on the gas pipeline. Also, the Egyptian Petroleum Ministry agreed with its Jordanian counterpart on a new price for gas exported to Jordan at around $5 per million British Thermal Units, more than double the previous price it charged. The deal did not include additional quantities of gas. A previous deal between Egypt and Jordan signed in 2004 stipulated the export of 240 million cubic feet of gas a day, enough to generate around 80% of Jordan's power. In July 2010, the two countries agreed to, but did not sign a deal for additional exports that would have brought total gas exports to 300 million cubic feet per day.
Source: Bloomberg, Thomson Reuters

Iraq to join OPEC Quota System in 2014

Iraq aims to join the OPEC Quota System in 2014 as it plans to increase production from the current average of 2.9 million barrels a day to 3.4 million barrels a day in 2012 and 4.5 million barrels a day in 2013. Iraq is the only member of OPEC exempt from output quotas, and relies on revenue from crude sales to rebuild its economy after years of war and economic sanctions. OPEC supplies 40% of the world's oil and Iraq ranks third in the group in production, behind Saudi Arabia and Iran. Iraq exports oil mainly to China, India and other Asian countries.
Source: Bloomberg

Libyan oil production at 500,000 barrels a day

A Libyan oil field, partly owned by Repsol YPF SA, has restarted production after an eight-month slowdown during the uprising. The Sharara field is situated in Libya's southern desert and produces 60,000 barrels a day and is expected to increase to 100,000 barrels a day in the near term. The resumption raised the overall current production in Libya to 500,000 barrels a day.
Source: Dow Jones Newswires

Base metals: Higher prices on robust demand in China

Prices of base metals increased in the past week, due to improved confidence about Europe and some positive data from China. Three-month aluminum prices rose 1% week-on-week on October 25, while copper prices increased 3% week-on-week on the same day. Also, lead and zinc prices increased 5% and 1%, week-on-week, respectively and nickel and tin were both up 4% week-on-week. The U.S. dollar declined 2% week-on-week which also provided support to prices of base metals.

In parallel, copper demand in China rose 20% year-on-year in September, the fastest growth in 13 months. Also, demand for aluminum rose 28% year-on-year, the fastest growth in 19 months. However, lead consumption in China fell 1% year-on-year, and zinc fell 15% year-on-year. Other signs of a tightening global market came from LME stocks, where aluminum stocks declined 1% month-on-month, copper decreased 4% month-on-month, nickel is down 10% month-on-month, tin declined 20% month-on-month and zinc is down 5% month-on-month.
Source: Standard Chartered

Precious metals: Market waiting for Europe's response

Prices of precious metals fluctuated in October, with Europe trying to sort out its debt problems and investors largely waiting on the sidelines. Also, risk appetite has generally trended higher. Global equity markets are up 11% from their lows on October 4, while the U.S. dollar has weakened once more. Physical ETF holdings for gold and silver increased by 0.5% and 0.7%, respectively, since the start of October. On the other hand, physical ETF holdings for palladium and platinum fell by 5% and 1.5%, respectively, over the same period. Palladium prices rose 3% week-on-week on October 25, while platinum prices increased 1% week-on-week. Gold prices were unchanged week-on-week, while silver prices dropped by 1% week-on-week. Investors in gold have shown no clear trends, apparently waiting for some resolution of the European debt crisis. Holdings of the major physical ETFs increased 0.4% in October and stood at 71.45 million ounces, but U.S. net speculative positions fell 3% week-on-week.
Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2010	2011f	2012f
Aluminum	2,201	2,488	2,450
Copper	7,570	9,108	9,500
Lead	2,172	2,472	2,525
Nickel	21,913	23,876	23,000
Tin	20,448	26,906	27,000
Zinc	2,188	2,289	2,400
(Spot price, $/ounce)			
Gold	1,227	1,601	1,900
Palladium	529	765	850
Platinum	1,613	1,766	1,950
Silver	20	37	40

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								
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	BB- Stable	Ba3 Stable	BB- Stable	- -	B Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB- Negative	Ba3 Negative	BB Negative	BB+ Negative	CCC Stable	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia	-	-	-	-	B Stable	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B Stable	- -	B+ Stable	- -	BB Positive	-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	BB Negative	- -	B Stable	- -	B 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- Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+ Stable	- -	BB- Stable	- -	B 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- Negative	Baa3 Negative	BBB- Negative	BBB Stable	B Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB Negative	BBa1 Negative	A- Negative	BBB+ Negative	BBB Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	- -	- -	- -	- -	CCC Stable	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB Negative	Ba2 Negative	- -	BB Stable	B Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B Positive	B1	B Stable	B Stable	CCC Stable	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
Oman	A Negative	A2 -	- -	A Stable	A Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	AA Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	- -	- -	- -	BB- Stable	CCC Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	- -	- -	- -	B- Negative	CC 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+ Stable	Baa3 -	BBB- 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+ Positive	B1 Positive	B Stable	- -	CCC Positive	-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	20-Sep-11	No change	02-Nov-11
Eurozone	Refi Rate	1.50	06-Oct-11	No change	03-Nov-11
UK	Bank Rate	0.50	06-Oct-11	No change	10-Nov-11
Japan	O/N Call Rate	0-0.10	07-Sep-11	No change	07-Oct-11
Australia	Cash Rate	4.75	04-Oct-11	No change	01-Nov-11
New Zealand	Cash Rate	2.50	15-Sep-11	No change	27-Oct-11
Switzerland	3 month Libor target	0.00	15-Sep-11	No change	15-Dec-11
Canada	Overnight rate	1.00	07-Sep-11	No change	25-Oct-11
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	20-Sep-11	No change	02-Nov-11
Taiwan	Discount Rate	1.88	30-Jun-11	Raise 12.5bps	Q4-11
South Korea	Base Rate	3.25	13-Oct-11	No change	10-Nov-11
Malaysia	O/N Policy Rate	3.00	08-Sep-11	No change	11-Nov-11
Thailand	1D Repo	3.50	19-Oct-11	No change	30-Nov-11
India	Reverse repo rate	8.25	16-Sep-11	Raise 25bps	25-Oct-11
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	24-Dec-09	No change	N/A
Turkey	Base Rate	5.75	20-Sep-11	No change	Oct-11
South Africa	Repo rate	5.50	22-Sep-11	No change	10-Nov-11
Kenya	Central Bank Rate	11.00	05-Oct-11	Raise 400 bps	Nov-11
Nigeria	Monetary Policy Rate	12.00	10-Oct-11	Raise 275 bps	22-Nov-11
Ghana	Prime Rate	12.50	20-Sep-11	Cut 50bps	Nov-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	26-Aug-11	No change	14-Oct-11
Brazil	Selic Rate	12.00	31-Aug-11	Cut 50bps	19-Oct-11
Armenia	Refi Rate	8.00	06-Sep-11	Cut 50bps	N/A
Romania	Policy Rate	6.25	01-Sep-11	No change	N/A
Bulgaria	Base Interest	0.20	01-Oct-11	Raise 2 bps	N/A
Kazakhstan	Refi Rate	7.50	01-Oct-11	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.25	03-May-11	Raise 25bps	N/A

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