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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Corruption perception unchanged in Arab countries

Global non-governmental organization Transparency International included 20 Arab countries in its 2011 Corruption Perceptions Index (CPI), which reflects perceptions of the degree of corruption as seen by business people and country analysts. The rankings are based on scores that range between 10, representing highly clean countries, and zero, reflecting highly corrupt economies. The Arab countries received an average score of 3.5 points in 2011, unchanged from the past three years and below the global average of 4 points. The rankings of 2 Arab countries improved, 4 were unchanged and 14 regressed; while the scores of 6 countries improved, 4 were unchanged and 10 declined from the previous year. Iraq's score increased by 20.3% year-on-year, the highest rise in the region, the UAE's score posted the highest improvement in the region in absolute value of 0.5 point, while Morocco's rank improved the most and rose by 5 spots. Qatar was perceived as the least corrupt in the region and ranked in 22nd place globally, while Somalia was considered to be the most corrupt Arab country and ranked last among 183 countries worldwide.

Source: Transparency International, Byblos Research

GCC

Profits of telecom sector down 6% in first 9 months of 2011

The aggregate net profits of telecommunications companies listed in the Gulf Cooperation Council (GCC) economies reached $5.4bn in the first 9 months of 2011, constituting a drop of 6.2% from the same period last year. The sector's aggregate sales revenues rose by 10.7% to $38.6bn, operating revenues reached $38.6bn and gross operating expenditures stood at $29.6bn year-on-year, with the latter accounting for 77% of the sector's operating revenues. The drop in net profits is mainly attributed to market saturation, to increased competition, and to client requirements and demands, which all led to a rise in operating costs. Telecom earnings in Saudi Arabia accounted for 36% of the region's aggregate telecom income, followed by the UAE with 29%, Kuwait with 18%, Qatar with 9%, Oman with 5% and Bahrain with 3%. The sector's net profits increased by 4.8% in 2010, declined by 2.7% in 2009, and rose by 2.7% in 2008.

Source: KAMCO

UAE

Dubai liabilities at $102bn

Moody's Investors Service estimated the aggregate debt of the Dubai government and its state-owned entities at $101.5bn as at end-November 2011. It said that about $12bn mature in 2012, $8bn in 2013, $25bn in 2014, $9bn in 2015 and nearly $33bn is due in 2016 and beyond. In addition there are $12bn under restructuring and $3bn due in the fourth quarter of this year. It indicated that strategic corporates that do not require direct support account for 21% of the total, followed by the Dubai Financial Support Fund with 18%, strategic entities with near-term refinancing exposure and high debt load with 13%, the Dubai government with 9%, and non-strategic entities with 34%. Also, it identified the total debt of Dubai's state-owned corporates, excluding government guaranteed debt, at $68.6bn. The corporates are Dubai World, Dubai Holding, Dubai International Capital, as well as other entities that include DIFC Investments, DEWA, Nakheel, Zabeel Investments, and the Roads & Transport Authority.

Source: Moody's Investors Service

SYRIA

EU and Turkey tighten sanctions against Damascus

The European Union imposed new sanctions on Syria's oil and financial sectors, constituting the 10th round of sanctions on the regime. It attributed the new sanctions to the regime's continuing repression of popular protests. The sanctions prohibit EU firms from trading in Syrian state debt, and ban Syrian banks from opening new branches in EU member states and from establishing joint ventures or correspondent banking relationships with European financial institutions. The sanctions also banned new commitments for grants and concessional loans by EU members to the Syrian government, except for humanitarian purposes. They also banned the exports of key equipment and technology to the Syrian oil and gas sectors, and prohibited companies in member-states from participating in the construction or financing of new power plants in Syria. Further, the EU banned the export of equipment and software that could be used to monitor Internet and telephone communications. The EU called on its members to exercise restraint in extending new short- and medium-term financial support for trade with Syria such as export credits, guarantees or insurance to nationals or entities involved in such trade, and prohibited the provision of long-term financing.

In parallel, Turkey announced that it will levy tariffs of around 30% on imported Syrian goods and banned Syrian vehicles that are older than 20 years from entering Turkish territory. It said that its decision came after the Syrian government suspended the bilateral Free Trade Zone Agreement and imposed a 30% tariff on Turkish exports to Syria. Also, Turkey stated that it will stop using Syria as a transit route for its exports to Arab markets, and will use instead Lebanon, Iraq and Egypt. Turkey is Syria's largest trading partner, with trade exchange reaching $2.4bn in 2010.

Source: European Union, Bloomberg

POLITICAL RISK OVERVIEW - NOVEMBER 2011

EGYPT

Egypt held its first parliamentary elections since the ouster of President Hosni Mubarak, with high turnout for the first round despite clashes between protesters demanding the end of the army rule. In parallel, the Supreme Council of the Armed Forces (SCAF) named Kamal al-Ganzouri as new Prime Minister after the Cabinet resigned over the violent crackdown on protests that killed at least 41 people and injured over 2,000 others. The head of the SCAF, Field Marshall Hussein Tantawi, promised that a civilian president will be elected on June 2012, six months ahead of the previously planned elections. Further, the Supreme Administrative Court ruled that former members of Mubarak's party may run in the parliamentary elections.

IRAN

The International Atomic Energy Agency stated that Iran appeared to have worked on designing an atomic bomb and that it may still be conducting secret research. In parallel, the U.S., Britain and Canada announced new sanctions on Iran's financial and energy sectors to pressure the country to halt its nuclear program. Russia considered the sanctions as unacceptable and that they would damage the chances of renewing negotiations. The UK expelled all Iranian diplomats from its territory as protestors stormed the UK embassy in Iran after the announcement of unilateral British sanctions against the country.

IRAQ

A U.S. military official stated that U.S. troops will remain in Iraq as military trainers after the expected withdrawal by end-2011, while radical Shiite cleric Muqtada al-Sadr said that he would resist any U.S. presence, including a civilian one. In parallel, regular bombings continued across the country killing 19 people and injuring 64 others. The government announced that it would sanction U.S. oil company Exxon Mobil for signing an illegal exploration deal with the Kurdistan regional government. Further, Iraq abstained from the Arab League vote to suspend Syria and to impose sanctions on the Syrian regime.

DEM REP CONGO

Violence erupted following the presidential elections that took place on November 28 with allegations of fraud and violence, and a subsequent call by four opposition candidates for results to be invalidated. Political rallies were banned on November 26 following the violence in Kinshasa. Also, seven people were killed in two separate clashes in Lubumbashi and West Kasai. The opposition Union for Democracy and Social Progress (UDPS) leader Etienne Tshisekedi proclaimed himself as president, provoking national and international condemnation. Further, the opposition Movement for the Liberation of the Congo (MLC) candidate Marcus Gangale was shot dead on November 22 in Kinshasa.

LIBYA

Former ruler Muammar Qadhafi's son Saif al-Islam was captured on November 19 near the border with Niger. Prime Minister Abdurahim El-Keib announced a new government on November 23rd. A UN report stated that Libya's former rebels are holding 7,000 detainees and highlighted reports of war crimes committed by rebels and former government forces in Sirte. Also, seven people were killed in clashes in Bani Walid between government troops and Qadhafi loyalists.

SUDAN

Tensions increased with South Sudan when the Sudanese Armed Forces (SAF) reportedly launched airstrikes on Maban County in the Upper Nile State, and bombed Yida refugee camp killing 12 people. The Justice and Equality Movement (JEM) denied the reports that South Sudan is aiding leader Khalil Ibrahim. Negotiations between Khartoum and Juba reconvened on November 25 but failed to reach an agreement on critical issues of oil and financial arrangements. Clashes between the SAF and rebels continued in South Kordofan, where the SAF announced the capture of Deim Mansour on November 22nd. One person was killed and two were wounded in an attack on Darfur peacekeepers near Nyala.

SOUTH SUDAN

Clashes between the South Sudan Liberation Army (SSLA) and government forces continued, where the SSLA urged civilians and aid workers to evacuate Mayom ahead of a planned attack. A militia with suspected ties to rebel George Athor attacked three villages in Jonglei killing four people. Two journalists were released on November 19 after a two week illegal detention by security forces.

SYRIA

The United Nations reported that around 3,500 people were killed during the ongoing anti-regime protests. The authorities blamed the violence on foreign-backed armed groups, and claimed that the latter killed around 1,100 soldiers and police. The Syrian National Council (SNC) called for an international intervention in Homs city. The Arab League voted on November 12 to suspend Syria after it failed to implement a deal to end the bloodshed and withdraw forces from various cities. It also agreed on economic sanctions against the regime, while Turkey imposed financial sanctions. President Bashar Assad announced that the parliamentary elections will be held in early 2012 ahead of a new constitution that includes provisions for presidential elections. Pro-Assad crowds attacked the Saudi Arabian embassy, and the French and Turkish consulates. The French Foreign Minister Alain Juppé said that France is seeking international recognition for the SNC at the UN.

TUNISIA

Final poll results of the October 23 elections were announced on November 14, where the moderate Islamist Nahda Party won 89 out of 217 seats. The Military Court found ousted President Zine al-Abidine Ben Ali and several of his senior officials guilty of torturing protestors. Also, Interim President Fouad Mebazza signed a decree extending the state of emergency in the country.

YEMEN

After 10 months of mass protests, President Ali Abdullah Saleh signed a political transition agreement on November 23, immediately transferring power to deputy Abd-Rabbu Mansour Hadi. President Saleh will retain his title until the February 21 presidential elections. Also, opposition leader Mohammed Basindwa was named as interim Prime Minister on November 27th. At least 25 people were killed in fighting between Shiite Huthi rebels and Sunni Islamists in the north. Battles continue to rage between government forces and local tribesmen in Abyan province.

Source: International Crisis Group

OUTLOOK

EGYPT

Financing fiscal and current account deficits are key challenges

Citigroup projected real GDP growth in Egypt at 1.4% in 2011 and 3.1% in 2012 relative to 5.1% in 2010. It said that a combination of political uncertainty, high inflation, low savings levels, as well as concerns over remittances and employment will weigh heavily on domestic consumption and growth. It added that the low rates of capital investment and the weak performance of the external sector have affected growth this year. It expected this pattern to persist next year unless the government formulates a robust and a more coherent economic policy.

In parallel, Citigroup expected the fiscal deficit to reach 10% of GDP in 2011 and 2012 due to a limited increase in government revenues and low economic activity. Further, it indicated that political uncertainties had a strongly negative impact on the balance of payments, as the drop in tourism earnings, low levels of FDI, and outflows of portfolio investment widened the balance of payments deficit, and expected this trend to persist in 2012. But it noted that this will be partially offset by oil exports, Suez Canal earnings and remittances from the GCC along with stagnant import growth. As such, it expected the current account deficit to remain at about 4% of GDP in 2011 and 2012. It forecast official foreign reserves to drop to $16.2bn at end-2012 from $23.8bn at the end of 2011and $36bn at end-2010.

Citigroup estimated that financing the fiscal and current account deficits should prove to be increasingly problematic over the near term. It noted that the overwhelming majority of government debt that will finance the fiscal deficit will be taken up by domestic banks at the cost of squeezing lending to the private sector. It added that the new government will likely have to seek additional foreign support or it will face a major financing gap.
Source: Citigroup

DEM REP CONGO

Mining and agriculture growth to drive economy in 2012

Business Monitor International projected real GDP growth in the Democratic Republic of Congo (DRC) at 6.2% in 2012 relative to 6.5% in 2011, and to be mainly driven by the mining sector which is expected to grow by 28% in 2012 compared to 11% in 2011. It forecast copper and cobalt output to nearly double between 2010 and 2015 and for gold production to triple during the covered period. It also expected the agriculture sector to continue its robust growth and to expand at the same 5.2% annual average growth rate posted between 2007 and 2010. It expected real GDP growth to reach 6.4% in 2013 as many of the mining projects currently under construction become operational and start exporting. But it warned that growth would gradually fall without significant improvements in the country's business environment.

BMI forecast private consumption to grow by 6% in real terms in 2012 and for inflation to moderate, which should boost the purchase power of Congolese consumers. It noted that the agriculture sector constitutes a key sector for consumption as it employs two thirds of the population. Further, BMI projected government spending to increase by 4.2% in 2012, driven by the growing mining sector and by significant debt relief. It said that the reduction in DRC's debt stock will allow the government to redirect spending away from debt servicing towards public investment. It also forecast gross fixed capital formation to rise by 7.5% in real terms in 2012 on the back of investments in the mining sector. But it expected investment to slightly fall after 2013 as most projects end their capital intensive construction phase and become operational.

In parallel, it expected exports to rise by 4% in 2012 and by 5% in 2013 as a large number of mining projects become operational. But it forecast the current account balance to only begin improving in 2013, as capital imports are forecast to keep import growth at 4.3% in 2012. It warned that a worsening global economy constitutes a risk to DRC's outlook, especially if growth in China and India slows significantly. It added that security concerns pose a serious risk to the outlook given that many gold mines are located in unstable areas of the country.
Source: Business Monitor International

GHANA

Fiscal discipline, oil-related fiscal expenditure and increased borrowing are key short-term risks

Standard & Poor's projected Ghana's real GDP growth at 7% in 2012 relative to 11% in 2011 and 7.7% in 2010, and compared to an average annual growth rate of 5.7% between 2005 and 2010. It said that oil has the potential to transform the economy and has emerged as the new engine of growth. It added that agriculture remains a major economic sector and expected growth prospects to remain strong in both the oil and non-oil sectors. It noted that the oil sector carries some key risks that include oil-driven inflation and possible real currency appreciation, which could hamper the non-oil economy. It added that the use of oil sector revenues to effectively develop other sectors and to reduce the cyclicality of fiscal and external balances constitutes key challenge for Ghana. It considered that, despite progress, further economic diversification and the growth of small and medium-size enterprises remain constrained by difficulties in accessing capital due to high costs, limited collateral, and uneven information flows between borrowers and lenders.

Further, S&P indicated that Ghana continues to suffer from a weak payment culture and poor fiscal discipline despite some progress in improving fiscal policy management. It said that the supplementary budget that the government adopted in mid-2011 raised the planned fiscal deficit to 5.1% of GDP in 2011 from an initial target of 4.1% of GDP, and allocated higher-than-expected revenues to increased spending instead of aiming for a quicker reduction of the fiscal deficit and payment of arrears, which reached 5.5% of GDP at year-end 2010. S&P expected the fiscal deficit to exceed the budget plan and to reach 6% of GDP in 2011. It said that the deficit will continue to exceed the IMF program forecast of 2.5% of GDP in 2012 and to reach 6.8% of GDP, mainly due to elections-related spending and continuing weaknesses in expenditure control.
Source: Standard & Poor's

GCC

Ports activity up 8.2% in 2004-10 period

The aggregate turnover at ports in the Gulf Cooperation Council (GCC) countries stood at 24.8 million twenty-foot equivalent unit (TEU) in 2010, and posted a compound annual growth rate (CAGR) of 8.2% during the 2004-10 period. Volume at GCC ports was 15.5 million TEU in 2004, 17.6 million TEU in 2005, 19 million TEU in 2006, 21.4 million TEU in 2007, 24.1 million TEU in 2008 and 23.6 million TEU in 2009. Also, activity at UAE ports was 14.6 million TEU in 2010 and accounted for 59% of the region's total, followed by ports in Saudi Arabia with 5.3 million TEU (21.4%), Oman with 3.6 million TEU (14.4%), Kuwait with 935,000 TEU (3.8%) and Bahrain with 380,000 TEU (1.5%). In parallel, the activity of ports in Bahrain posted a CAGR of 12% during the 2004-10 period, followed by Saudi Arabia with 9%, the UAE with 8.4%, Kuwait with 8.4% and Oman with 6.1%. There are 35 ports across the GCC countries, of which Dubai ports ranked ninth worldwide in 2010 with an annual throughput of 11.6 million TEUs in 2010, Jeddah port ranked 30th (3.8 million TEUs) and Salalah port in Oman ranked 32nd (3.5 million TEUs).

Source: Kuwait Financial Center

SYRIA

Insurance premiums flat in first 9 months of 2011, drop by 29% in third quarter

Figures released by the Syrian Insurance Supervisory Commission (SISC) show that total insurance premiums generated in the Syrian market reached $301.1m in the first 9 months of 2011, almost unchanged from the same period last year and compared to year-on-year growth of 40% in the first 9 months of 2010. Insurance premiums totaled $87m in the third quarter of 2011 and declined by 13.3% from the same period last year and by 28.8% from the previous quarter. Premiums collected from third-party car insurance decreased by 5% year-on-year to $93m, health insurance premiums increased by 29.8% to $85.5m, all-risk car insurance premiums contracted by 27% to $41.9m, fire insurance premiums dropped by 1.7% to $40.8m, marine insurance premiums rose by 9.2% to $18.3m, engineering insurance premiums declined by 1.6% to $6.4m, and general insurance premiums rose by 36.2% to $6.1m. Third-party car insurance premiums accounted for 31% of total premiums generated year-to-September, followed by health insurance premiums with 28.4%, all-risk car insurance (14%), fire (13.5%), marine (6.1%), engineering (2.1%), general insurance (2%), while other categories accounted for the remaining 3.1% of the market. Premiums generated from life insurance jumped by 11.3% year-on-year and accounted for 1.5% of total premiums.

Source: Syrian Insurance Supervisory Commission

ARMENIA

Annual inflation at 4.8% in November

The inflation rate in Armenia reached 4.8% in November on an annual basis, as well as 1.2% month-on-month and 2.1% from end-2010. Inflation was driven by a rise in food prices that grew by 6.9% from November 2010 and by 2.1% from October 2011, which led to a 5.9% annual rise and 1.6% monthly increase in overall consumer good prices. In comparison, prices of alcoholic beverages and tobacco increased by 1.9% annually and by 0.2% from October 2011, while non-food prices grew by 3.8% year-on-year and by 0.3% month-on-month. Further, service prices posted a 2.6% annual growth in November and rose by 0.3% from the preceding month.

Source: National Statistical Service

CHINA

Sovereign ratings affirmed, outlook stable

Standard & Poor's affirmed the 'AA-' long-term and 'A-1+' short-term sovereign credit ratings on China with a 'stable' outlook. It said that the ratings are underpinned by a moderately strong political and economic profile, as well as a very strong flexibility and performance profile. It added that China's exceptional growth prospects, strong external asset position, and modest government indebtedness constitute key supporting factors. It expected China to maintain its strong economic growth and large external creditor position in the next three to five years with real GDP growth averaging 8% annually in the next five years, below the average annual growth rate of 11% in the 2006-11 period. It projected the current account surplus to keep China's narrow net external creditor position close to the level of its current account receipts during the 2011-14 period. It expected the net public debt level to decline to about 10% of GDP by 2014, but it noted that China's fiscal position may be weaker than what official figures show given that local governments carry significant off-budget debt. In parallel, S&P said China's weaknesses include its lower middle-income status, restricted flow of information, a lack of transparency, and the government's reliance on direct administrative tools to manage the economy. The agency noted that large adverse economic or financial developments, along with policy errors, could cause significant and prolonged damage to growth prospects.

Source: Standard & Poor's

AFRICA

Outcome of Euro zone crisis to determine fate of CFA franc

Citigroup indicated that the growing uncertainty about the outlook for the Euro zone and its peripheral countries have led to increased concerns about the current arrangement in the CFA franc zone and the potential for a currency devaluation. It pointed out that if France retains the euro and the Euro zone remains intact, the CFA franc will not be affected by the overall crisis. But it warned that a breakup of the Euro zone would lead to re-pegging the CFA franc to a new French currency, and would provide an opportunity for member countries of the CFA zone to reconsider the peg against a French currency. In parallel, Citigroup indicated that a devaluation of the CFA franc is unlikely given the positive growth in the CFA zone, modest fiscal and current accounts deficits, and relatively strong foreign reserve position. It added that the economic differences within the two parts of the CFA zone have widened significantly recently, while at the same time economic integration has advanced very slowly. It noted that this, along with the declining share of trade between the Euro zone and the CFA countries, may eventually lead to a devaluation of the CFA franc or to a break up of the zone.

Source: Citigroup

BANKING

GCC

Basel III to impact project finance lending

Standard & Poor's expected the implementation of Basel III proposals to have a modest impact on corporate lending in the economies of the Gulf Cooperation Council (GCC), and did not anticipate significant changes in lending appetite or in pricing. It said that the current capital levels of GCC banks are already significantly higher than the new Basel III requirements. It added that the composition of bank capital in the GCC is generally of high quality, the use of hybrid capital instruments is very limited, and the common equity component of capital is already significantly higher than the Basel III rules. However, S&P expected banks' appetite for longer tenor loans, such as project finance, to deteriorate as a result of the new liquidity and funding ratio requirements under Basel III. It added that the adverse impact on project finance funding might be more pronounced in the GCC because banks largely fund themselves through customer deposits that are short in nature, and because the contribution of long-term facilities to total funding is rather limited. As such, it considered that obtaining project finance funding in the GCC could become increasingly difficult, given that that the region's debt capital markets are very illiquid and lack the capacity to accommodate large corporate issues.

Source: Standard & Poor's

EGYPT

Rate hike reflects concerns about currency stability

Merrill Lynch indicated that the Central Bank of Egypt's recent decision to increase the overnight deposit and lending rates, by 100bp and 50bp respectively, reflects persistent concerns about the Egyptian pound and about the ongoing drawdown of foreign reserves, as well as the constraints on financing the fiscal deficit. It added that the hikes should reduce the elevated spread between the policy and T-bill rates, lead to higher rates on Egyptian pound deposits, and reduce conversions to foreign currencies. It said that the dollarization rate is still benign as resident private-sector deposit dollarization is at 20.6%, and has been supported by the wide spread in deposit rates. It noted that the interest rate on three-month Egyptian pound deposits is at 6.7% and those on US dollar at 0.3%, with the current spread at a six-year high. In parallel, it did not expect the rate hikes to have a significant impact on growth, given that the interest rate channel is not well developed.

Source: Merrill Lynch

SYRIA

Central Bank devalues Syrian pound

The Central Bank of Syria (CBS) devalued the Syrian pound by 5.7% and 6% against the US dollar and the euro, respectively. It said that it is selling the US dollar at around SYP54.2 relative to around SYP51.2 previously, and that it is offering the euro at about SYP72.6 compared to around SYP68.6 prior to the devaluation. The CBS said that it has started to move the currency's rate to the US dollar in line with the global movements of the dollar since September to reflect the changes in the local supply and demand of the US dollar. It considered that the decision ensures better stability of the pound's rate against other foreign currencies, as the CBS had fixed the pound's rate against US dollar since the onset of the crisis until recently. It noted that its decision came after US sanctions excluded Syria from the US dollar market, which led it to replace the dollar with other currencies. Last October, the CBS stated that it has spent $3bn to defend the Syrian pound and finance trade since the onset of turmoil in March. Also, the CBS held several foreign exchange auctions in recent weeks to meet market demand, but is reportedly suspending the auctions.

Further, the CBS indicated that it opened accounts in euro and Russian ruble at Russian banks VTB, VEB and Gazprombank. In parallel, the state-owned Real Estate Bank indicated that it has transferred back to Syria its foreign assets estimated at $15m from Austria, Italy, Germany, Belgium, the United Kingdom and the UAE. The U.S. placed the bank under sanctions last week.

Source: Financial Times, Syria Report

NIGERIA

Bank ratings affirmed

Standard & Poor's affirmed the long- and short-term counterparty credit ratings on Guaranty Trust Bank (GTB), First Bank of Nigeria (FBN), Zenith Bank, and Access Bank at 'B+/B' with a 'stable' outlook on all the banks' ratings except for those of Access Bank. It also affirmed the Nigeria national scale ratings on GTB, FNB and Zenith Bank at 'ngA/ngA-1', and affirmed Access Bank's Nigeria long-term national scale rating at 'ngA-'. It maintained its CreditWatch negative on the long-term 'B+' counterparty credit rating of First City Monument Bank and the bank's long-term 'ngA-' national scale long-term rating, while it affirmed the short-term counterparty credit and national scale ratings at 'B' and 'ngA-2', respectively. S&P indicated that Nigeria's high political risk and infrastructure needs contribute to a volatile and risky operating environment. It added that the banking sector risks reflect Nigeria's weak regulatory track record as well as the prevalence of poor corporate governance and the sector's limited stability.

Source: Standard & Poor's

CHINA

Financial sector vulnerabilities on the rise

The International Monetary Fund indicated that stress tests conducted on China's largest commercial banks revealed that China confronts a steady build-up of vulnerabilities in its financial sector despite ongoing reforms and financial strength. It said that near-term domestic risks to the financial system include the impact of the recent sharp credit expansion on banks' asset quality; the rise of off-balance sheet exposures and of lending outside the formal banking sector; the potential fall in the relatively high level of real estate prices; and the increase in imbalances due to the current economic growth pattern. It added that medium-term vulnerabilities are also building and could impair the needed reorientation of the financial system to support the country's future growth. It said, however, that most of the banks appear to be resilient to isolated shocks, but warned that the banking system could be severely impacted if several of these risks were to occur simultaneously. The Fund noted that existing risks are manageable and can be addressed by reforms.

Source: International Monetary Fund

Oil rises above $110 a barrel ahead of ECB summit

Oil prices increased above $110 a barrel on December 8 as investors looked forward to further measures by the European Central Bank (ECB) to support growth, offsetting the increase in U.S. crude stockpiles. The ECB is expected to cut rates and unveil a new package of bank aid during the European Union summit.

Further, Brent crude prices rose 59 cents to $110.1 a barrel on December 8, while U.S. crude prices increased 36 cents to $100.9 a barrel on the same day. Prices strengthened despite an unexpected rise in U.S. crude inventories, which rose by 1.34 million barrels last week. Also, Saudi Arabia's statement that it is pumping at the highest rate in decades supported prices.
Source: Thomson Reuters

Resumption of Egyptian gas supplies to Jordan is still uncertain

Energy officials stated that the resumption of Egyptian gas supplies to Jordan is still uncertain, amid growing concerns over the viability of the Kingdom's main energy source. Egypt's Sinai pipeline, which transfers natural gas to Israel and Jordan, has been attacked nine times since the start of 2011. Also, supplies from Egypt may not return to the pre-attack levels of 150 million cubic feet per day, which is still below the 300 million cubic feet required by the Kingdom's power plants to sustain electricity generation. Egypt is expected to increase supply levels to Jordan to around 220 million cubic feet by early 2012.
Source: Jordan Times

EU tightens sanctions on Syria

The European Union imposed new sanctions on Syria's oil sector on December 1 over President Bashar al-Assad's violent crackdown on protesters. It widened its sanctions on three state-owned oil companies; General Petroleum Company (GPC) and Syria Trading Oil Company (Sytrol), as well as on GPC's joint venture, Al Furat Petroleum Company (AFPC). EU foreign ministers also laid out plans for a possible embargo on Iranian oil in response to rising concerns over its nuclear program.
Source: Thomson Reuters

Shell and Total cease operations in Syria

Royal Dutch Shell announced that it is withdrawing its operations from Syria due to recent EU sanctions. Shell acts as the operator for the Al Furat Petroleum Company, which was producing around 90,000 barrels of crude oil a day before the disruptions. Also, France's Total S.A. ceased its oil production in Syria following the sanctions. The two companies are among the largest foreign investors in the Syrian crude oil industry. State-owned CNPC of China and ONGC of India are also large investors but are unaffected by the European sanctions.
Source: Syria Report, Financial Times

Base metals: Prices increase with the rally in risk appetite

Base metal prices increased sharply in the past week, as China and Brazil both eased monetary policy. Aluminum LME three-month prices increased by 5.7% week-on-week on December 6, while copper prices rose 4.4% week-on-week. Also, lead and zinc prices increased 3.2% and 3.1% week-on-week, respectively, and nickel prices rose 6.3% week-on-week. Tin was the exception among base metals, falling 2.2% week-on-week as the plan by Indonesian producers to hold back shipments failed.

In parallel, aluminum, which is particularly leveraged to the automotive sector, benefited from the upturn in U.S. car sales of 14% year-on-year in November. Also, a 5% cut in contract premiums agreed with Japanese buyers increased prices. Copper prices were boosted by higher risk appetite and after data showed Chilean mine production rising by 1% year-on-year in October. Further, copper LME stocks declined 6.6% month-on-month on December 6 and remain low at 7.9 days of global consumption.
Source: Standard Chartered

Precious metals: Prices increase on improved confidence about Europe

Prices of precious metals increased due to a weaker U.S. dollar and improved confidence about the European debt crisis, but then declined slightly when the U.S. dollar turned around at the start of this week. Gold prices increased 0.2% week-on-week on December 9, silver prices rose by 0.6% week-on-week, while platinum prices increased by 0.9% week-on-week. The U.S. dollar remained unchanged against the Euro. The main exception among precious metals was palladium, which increased by 9% week-on-week. Also, the major physical ETFs increased in late November, which added some support to the market. Also, gold coin sales dropped to 41,000 ounces in November 2011, their lowest level since June 2008 while silver coin sales fell to 1.4 million ounces in November, their lowest level since July 2008.
Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2010	2011f	2012f
Aluminum	2,201	2,434	2,225
Copper	7,570	8,814	8,750
Lead	2,172	2,377	2,250
Nickel	21,913	22,940	21,375
Tin	20,448	26,347	26,000
Zinc	2,188	2,209	2,200
(Spot price, $/ounce)			
Gold	1,227	1,588	1,875
Palladium	529	732	700
Platinum	1,613	1,725	1,750
Silver	20	36	39

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	BB- Stable	Ba3 Stable	BB- Stable	- -	B Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	B+ Negative	B1 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	Baa1 Negative	BBB 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					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	Negative	Stable	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
Kazakhstan	BBB	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
Romania	BB+	Baa3	BBB-	BBB-	BB								
	Stable	-	Stable	Negative	Stable	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
Turkey	BB	Ba2	BB+	BB	B								
	Positive	Positive	Stable	Stable	Stable	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
Ukraine	B+	B1	B	-	CCC								
	Positive	Positive	Stable	-	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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	0.25	02-Nov-11	No change	13-Dec-11
Eurozone	Refi Rate	1.00	08-Dec-11	Cut 25bps	N/A
UK	Bank Rate	0.50	08-Dec-11	No change	N/A
Japan	O/N Call Rate	0-0.10	16-Nov-11	No change	21-Dec-11
Australia	Cash Rate	4.25	06-Dec-11	Cut 25bps	N/A
New Zealand	Cash Rate	2.50	08-Dec-11	No change	N/A
Switzerland	3 month Libor target	0.00	15-Sep-11	No change	15-Dec-11
Canada	Overnight rate	1.00	06-Dec-11	No change	N/A
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	02-Nov-11	No change	13-Dec-11
Taiwan	Discount Rate	1.88	30-Jun-11	Raise 12.5bps	Q4-11
South Korea	Base Rate	3.25	08-Dec-11	No change	N/A
Malaysia	O/N Policy Rate	3.00	11-Nov-11	No change	31-Jan-12
Thailand	1D Repo	3.25	30-Nov-11	Cut 25bps	25-Jan-12
India	Reverse repo rate	8.50	25-Oct-11	Raise 25bps	16-Dec-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	9.25	24-Nov-11	Raise 100 bps	N/A
Turkey	Base Rate	5.75	23-Nov-11	No change	22-Dec-11
South Africa	Repo rate	5.50	10-Nov-11	No change	Jan-12
Kenya	Central Bank Rate	18.00	Dec-11	Raise 150 bps	1-Feb-12
Nigeria	Monetary Policy Rate	12.00	22-Nov-11	No change	Q1-12
Ghana	Prime Rate	12.50	Nov-11	No change	Dec-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	14-Oct-11	No change	02-Dec-11
Brazil	Selic Rate	11.00	30-Nov-11	Cut 50bps	18-Jan-12
Armenia	Refi Rate	8.00	06-Dec-11	No change	N/A
Romania	Policy Rate	6.00	03-Nov-11	Cut 25bps	N/A
Bulgaria	Base Interest	0.22	01-Dec-11	No change	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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