

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Corporate default rate at 1.8% at end-November 2011**

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 1.8% at the end of November 2011 relative to 3.3% a year earlier and 3% at the end of 2010. The agency said the number of defaults stood at 31 in the first 11 months of the year relative to 55 defaults in the same period last year, but it indicated that there were 10 defaults in November, constituting the highest number of monthly defaults this year. It forecast the global speculative-grade default rate to reach 1.7% at end-2011 and to rise to 2.4% at end-November 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.6% at end-November 2011 unchanged from a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 24.1% at end-November 2011, down from 29.5% at the end of the previous months, but up from 10.5% at end-2010 and 11.5% at end-November 2010.

*Source: Moody's Investors Service*

#### MENA

##### **Private equity outlook improves for 2012**

The 2011 Grant Thornton's global private equity survey indicated that private equity investors in the Middle East and North Africa (MENA) region are broadly positive about the outlook for new deal activity next year, with 62% of investors expecting an increase in investment activity in the region relative to 38% that are projecting activity to remain the same. It added that 60% of private equity deals in the region come from private or family-owned firms, followed by secondary buyouts and corporate divestments with 20% each. It added that domestic private equity firms have a 36% market share in the MENA region, followed by foreign and international private equity firms with 30%, trade buyers and family offices with 15% each, and other types of investors with 4%. It also noted that practitioners in the region cited corporate and entrepreneur networks, local presence, sector expertise, and advisory relationships as the main factors in identifying and winning deals in the MENA region.

In parallel, the survey pointed out that 57% of private equity practitioners in the MENA region expect a positive outlook for their portfolio compared to 29% that are neither positive nor negative and 14% that are very positive. It said that 49% of private equity practitioners cited performance improvement as a key driver for their portfolio value, followed by market growth with 26%, mergers & acquisitions with 17%, and financial engineering and multiple arbitrage with 4% each. Further, it noted that 68% of investors consider that trade sales constitute a viable exit route, relative to 16% that cited IPOs and secondary buyouts as alternative exit routes. It added that private equity practitioners are broadly positive about the outlook for fundraising

environment in the region compared to 23% who are negative and 31% who are neutral. The survey indicated that private equity practitioners cited limited partner sentiment, competition, regulation, deal origination and portfolio issues as the key challenges facing the industry in the region.

*Source: Grant Thornton*

#### SYRIA

##### **London insurers add Syria to 'high risk' list**

The maritime insurance Joint War Committee, which includes underwriting representatives from the Lloyd's Market Association and the International Underwriting Association of London, added Syria to a list of areas it considers to be high risks for merchant vessels and prone to war, strikes, terrorism and related perils. It attributed its decision to the increasing sanctions against the Syrian regime and to the escalating violence in the country. It said that the situation in Syria developed to a point where it is sensible for underwriters to be alerted about any ships that are going to Syria. It added that the issues of premiums and conditions will be discussed on a case by case basis and that the market will determine any change. The Joint War Committee provides the insurance underwriters' community in London with regular updates on the risks involved in marine insurance, mainly piracy, war or political violence.

*Source: Thomson Reuters, Syria Report*

#### AFRICA

##### **China is major financier of infrastructure projects**

Fitch Ratings indicated that Chinese direct investment and bilateral lending is financing most of Sub-Saharan Africa's (SSA) infrastructure projects. It estimated the aggregate lending to SSA provided by the Export-Import Bank of China at \$67.2bn between 2001 and 2010, which exceeds the World Bank's lending to the region during the covered period. It said that the majority of Chinese loans are infrastructure-related and include a \$10bn loan to Ghana for railway and energy infrastructure projects and a \$500m loan to Angola for road construction. It noted that Chinese companies implement these projects and provide the labor force. It said that the opportunity cost of SSA's underdeveloped infrastructure is a loss in real GDP growth of 2% annually. It estimated that the region needs to spend \$93bn annually over the next decade to close the infrastructure gap, which would be equivalent to 15% of the region's GDP and almost similar to China's investments in the region's over the last decade. Further, Fitch indicated that China is a major trading partner to SSA, as it accounts for 17% of the region's exports and for 14% of its imports. It noted that 90% of African exports to China are energy and mining products. It said that the EU is still SSA's largest trading partner, but it expected China to overtake the EU and the US within 10 years.

*Source: Fitch Ratings*

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# OUTLOOK

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## GCC

### Non-oil growth at 6% in 2012, expansionary fiscal policy to continue

Barclays Capital projected real GDP growth in the GCC economies at 4.7% in 2012 compared 7% in 2011, with non-hydrocarbon growth at 6% next year compared to 5.3% in 2011 and hydrocarbon activity at 2.4% in 2012 relative to 9.4% this year. It said the GCC economies continue to post a relatively solid performance despite the deteriorating external outlook for the European Union and the uncertain prospects for global growth. It noted that expanding hydrocarbon output and elevated government spending throughout 2011 raised GCC economic growth rates closer to the levels the region saw prior to the global financial crisis. It projected Qatar's non-hydrocarbon real GDP growth at 13.5% in 2012 relative to 11.2% this year. It also forecast Saudi Arabia's non-oil sector to expand by 5.4% compared to 5.2% in 2011; that of Oman to grow by 4.5% in 2012 from 4% this year; in addition to non-oil growth of 3.9% in the UAE and 3% in Bahrain.

In parallel, Barclays expected the GCC governments to maintain their expansionary fiscal policy well into 2012 due to a relatively favorable hydrocarbon growth outlook. But it anticipated the GCC economies to post a fiscal surplus of 11.3% of GDP next year relative to 9.8% of GDP in 2011. It pointed out that GCC governments seem more keen to ensure an appropriate balance between the supply and demand in the oil markets, in order to keep oil prices above their upward-trending fiscal breakeven prices given that uncertainties facing global growth prospects next year. It said that this is likely to encourage a return to oil production cuts in case oil demand weakens. But it maintained its projection for oil prices at between \$100 b/d and \$115 b/d next year.

In parallel, Barclays projected the GCC's current account to post a surplus of 18.2% of GDP in 2012, similar to this year's surplus level. It expected Kuwait to register the highest surplus in the region at 24% of GDP, followed by Qatar at 23.8% of GDP, Saudi Arabia at 22% of GDP, Oman at 14.2% of GDP, Bahrain at 11.5% of GDP and the UAE at 8.6% of GDP.

*Source: Barclays Capital*

## AFRICA

### Economic outlook dependent on Eurozone crisis and growth in China

Business Monitor International projected real GDP growth in Sub-Saharan Africa (SSA) at 6.3% in 2012 relative to a forecast of 4.5% in 2011. It said that the macroeconomic environment for SSA will be affected by weak external demand, slower growth in China, divergent inflation and interest rate trends, uncertainty about the CFA franc peg to the euro, and the rebasing of Nigeria's nominal GDP. But it expected the key markets to maintain relatively robust real GDP growth, supported by still-elevated commodity prices, continuing foreign investor interest, and a certain degree of self-sustaining growth momentum. It anticipated the global economic climate to weigh on SSA's growth in 2012 given the depressed outlook for several key export markets, mainly the U.S. and the Eurozone. Further,

it pointed out that a pronounced correction in China's domestic investment, a fall in exports and potential banking sector instability will cause Chinese investments into SSA to slow considerably. It noted that this would affect projects that are heavily dependent on funding from China such as mining projects in West Africa, oil in Sudan, gas in Ghana, as well as the six Special Economic Zones.

In parallel, BMI indicated that inflation and interest rate trends diverge across the SSA region. It projected annual inflation in East Africa to drop significantly next year due to improved harvests, base effects and recent currency strength; while it said that the risks are weighted to the upside in West Africa. In parallel, BMI expected a rise in uncertainty about the CFA franc's peg to the euro. But it considered that a change in the peg in some SSA countries or a breakup of the CFA zone to be unlikely, as reserves are abundant along with little evidence of a significant overvaluation of the exchange rate. It expected the euro to stay relatively weak, which would benefit CFA zone economies through improved competitiveness. However, it warned that the Eurozone crisis would potentially affect the CFA zone through the withdrawal of funding from key Eurozone countries, especially from France.

*Source: Business Monitor International*

## EGYPT

### Fiscal deficit financing to become exceedingly challenging

The Institute of International Finance expected the budget deficit to exceed the government's target of 8.6% of GDP in FY2011/12 by a substantial margin, and to widen to over 11% of GDP from 9.8% of GDP in FY2010/11. It said the government's revenue projections for the current fiscal year are too optimistic given the weak state of the economy and continued political uncertainties. It expected total revenues to grow by about 11% year-on-year, which is half the government's forecast. It also projected most categories of expenditures to increase sharply in FY2011/12, following promises made after the overthrow of the previous regime. It expected fiscal reforms to be postponed to FY2012/13 but it emphasized the need to address subsidies urgently, as they currently absorb 27.5% of total spending and are equivalent to about 8.5% of GDP. It pointed out that the increasing downside risks to economic growth will have implications for the budget, as weaker-than-anticipated economic activity would likely result in lower tax revenues and make the task of fiscal consolidation even harder next year.

In parallel, the IIF expected the primary deficit to widen to 4.2% of GDP and the government debt-to-GDP ratio to rise to over 83% at the end of FY2011/12 from 76.5% in the previous fiscal year, posting its highest level in six years and raising concerns over debt sustainability. It said that financing the deficit is becoming increasingly difficult, as funding costs have risen sharply and local banks are approaching the maximum amount they are allowed to lend to the government. It added that banks' holdings of Treasury bills have risen by about 60% over the past 12 months, while interest rates have increased significantly.

*Source: Institute of International Finance*



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# ECONOMY & TRADE

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## IRAQ

### Current spending restrained in 2012 budget, focus is on infrastructure investment

The Iraqi Cabinet ratified the draft 2012 budget that includes spending of 117 trillion Iraqi dinars or \$98.4bn, compared to \$82bn in the 2011 budget. The 2012 budget, which still needs to be approved by parliament, forecast a deficit equivalent to 13% of expenditures, to be covered through a combination of unspent money from this year's budget, issuing new Treasury bills, and loans from the International Monetary Fund and the World Bank. In parallel, the IMF indicated that the 2012 draft budget aims to restrain the growth of current spending in order to free up resources for infrastructure investment and social support, and to limit the size of the budget deficit. It added that the budget would allow the current Stand-By Arrangement (SBA) between Iraq and the Fund to continue to provide a safety net in case oil revenues fell sharply. It added that the current SBA offers a framework for Iraq's structural reform agenda by promoting better public financial management, including the management of hydrocarbon resources and developing a financial sector that can support private sector activity and job creation. It said that prudent fiscal policies are essential to maintaining macroeconomic stability and fostering growth.

Source: *International Monetary Fund*

## ARMENIA

### Fiscal deficit on the decline, global environment raises downside risks

The International Monetary Fund indicated that Armenia's budget deficit has declined significantly in 2011 due to prudent fiscal policies, with further fiscal consolidation planned for 2012 and beyond. It expected the decrease in the deficit to help ensure fiscal and debt sustainability and reduce public finance vulnerabilities. It also encouraged the implementation of the tax increases approved in the 2012 budget, and considered that they will ease the adjustment burden on spending. It added that monetary policy helped reduce inflationary pressures, while more active liquidity management kept market rates in line with the policy rate. It called for broad-based reforms to improve the business environment and to promote competitiveness, greater productivity, and higher exports. It stressed the need to reduce regulation, improve transparency and evenhandedness, and to promote domestic competition. In parallel, it pointed out that Armenia faces increasing downside risks from the global environment, which may exacerbate its existing vulnerabilities. It said that the elevated post-crisis public debt burden is limiting policy space. It noted the need for timely and prudent policy responses in the future, which would involve greater exchange rate flexibility and progress on structural reforms to help strengthen growth and contribute to external adjustment. The Fund approved the disbursement of \$56m to Armenia under the Extended Fund Facility and Extended Credit Facility, bringing total disbursement to about \$224.3m. The IMF approved the \$413.4m EFF and ECF arrangement with Armenia in June 2010.

Source: *International Monetary Fund*

## GHANA

### Loose fiscal and monetary policies to negatively impact the economy

Citigroup indicated that Ghana's with economic growth and relatively loose fiscal policy, along the possible easing of monetary policy, will eventually lead to negative consequences for the economy. It said the proposed budget for 2012 includes a 54% increase in capital spending and a 19% rise in government wages. It added that the budget also forecast robust domestic revenue growth, a function of ongoing strong GDP growth and high single-digit inflation. However, Citigroup questioned the government's ability to abide by the budget targets, especially in a pre-election year. It noted that the government still adopted a supplementary budget this year despite higher-than-expected revenues, which raised the fiscal deficit to a projected 4.8% of GDP from an initial 4.1% of GDP. Further, it expected that the combination of robust GDP growth and rising government spending to sharply increase inflation and force a tightening of monetary policy. It projected inflation to fall significantly in the middle of 2012, before rebounding later in the year. In parallel, it expected the cumulative impact of these trends to appear in 2013-14 unless authorities implement significant policy adjustments. It noted that the first signs of potential tensions have materialized in the cedi's weakness in recent months. It anticipated the cedi to weaken further in 2013, despite the Bank of Ghana's commitment to maintaining currency stability at current levels, and unless the post-election government imposes significant fiscal discipline.

Source: *Citigroup*

## TURKEY

### External vulnerabilities increase

Moody's Investors Service indicated that Turkey's wide current account deficit and financing needs make the economy increasingly vulnerable to balance of payment shocks and offset some of the progress that the government has made in improving its financial strength. It said the government announced a range of short- and medium-term measures to address these imbalances under its Medium-Term Plan. It expected the cyclical slowdown in the economy to reduce some of the pressure on the current account over the short-term and estimated that the government's plan, along with tax hikes, would contribute to addressing the imbalances. It noted that the reforms in the government's plan have the potential to alter the structural nature of the current account deficit, but that this would take time. It added that the global economic environment has become increasingly challenging, and that the margin for policy error has become much smaller than it has been in recent years. Turkey's strong economic growth has been accompanied both by a sharp widening of the current account deficit and rising inflation. The current account deficit widened to 10% of GDP in the first 10 months of 2011 from 5.6% of GDP a year earlier; while annual inflation reached 9.5% in November, more than double the low of 4% posted last March.

Source: *Moody's Investors Service, Institute of International Finance*



# BANKING

## EMERGING MARKETS

### Basel decision to reduce cost of trade finance for banks

Fitch Ratings indicated that the Basel Committee on Banking Supervision's decision to waive the one-year maturity floor for some trade finance instruments under the advanced internal ratings-based approach (AIRB) for credit will make a material difference to the cost of financing international trade, while staying within the spirit of the Basel III accord. It said that the decision would potentially lead to the reduction in the risk weightings to 20% from 100%, and in the associated capital charges for trade finance claims on banks in low income countries. However, the Committee did not reduce the 100% credit conversion factor, or CCF, for contingent trade finance products, which is used to calculate bank leverage ratios. It attributed its decision to the fact that a reduction would be inconsistent with the core financial stability objectives of the capital framework and its supplementary objective of using the leverage ratio as a back-up to the risk weighting. Fitch added that maintaining the CCF means that trade finance is not risk free and that the Committee is restricting opportunities for regulatory capital arbitrage. Last October, the Committee cited the one-year maturity floor under the AIRB as inappropriate for short-term self-liquidating trade finance instruments given their average tenor of 115 days, which is well below 365 days. The Committee also agreed to waive the sovereign floor for claims of the confirming bank on the issuing bank under Option 2 of Basel II's standardized approach for credit risk in the context of short-term self-liquidating letters of credit. Fitch said the waiver will also help reduce capital requirements for banks engaged in trade finance and, therefore, foster the import of goods for low income countries.

Source: Fitch Ratings

## SAUDI ARABIA

### Stable outlook on banking system, structural weaknesses remain

Moody's Investors Service affirmed the outlook on Saudi Arabia's banking system at 'stable' due to the country's benign operating environment, the expected decline in NPLs, as well as the banks' capital, profitability and liquidity levels. It pointed out, however, existing structural weaknesses such as high loan and deposit concentrations, the low transparency of family conglomerates, and a vulnerability to a sustained drop in oil prices. It said that performance of the banking system will be supported by the expansion of non-oil private sector GDP, which it forecast at 4.8% in 2011 and 5.2% in 2012. It added that the banks' performance will also benefit from continued high levels of government spending and resilience to oil price fluctuations over the next 12 to 18 months due to low government debt levels and the large accumulation of reserves. But it expected the rise in the breakeven oil price to increase the vulnerability of the banking system to a sustained drop in oil prices. Further, it expected asset quality to slightly improve, with provisioning coverage strengthening and the NPL ratio declining to between 2.5% to 3% during the next 12 to 18 months relative to 3.5% at end-2010. But it expected asset quality to remain exposed to event risks due to high single-party exposures in the loan books,

as well as to corporate sector vulnerabilities, including investment activities that are often intermingled with operating activities. It said that Saudi banks continue to be profitable, supported by the prevalence of non-interest-bearing deposits, allowing the banks to absorb substantial losses without eroding capital.

Source: Moody's Investors Service

## UAE

### Sharp drop in deposits due to external and domestic factors

The Institute of International Finance indicated that resident and non-resident bank deposits at UAE banks have declined steadily over the past six months, with the 12-month growth rate dropping from 16% in April 2011 to 1% in October, leading the loan-to-deposit ratio to increase from 93.4% in April 2011 to 101% in October despite stagnant growth in lending. It attributed the recent contraction in liquidity to a significant increase in remittance outflows, European banks' deleveraging, and a decline in domestic capital spending. It said Indian expatriates have been remitting larger sums of money to their home country due to the widening of the spread between the interest rates on Indian rupee deposits and the UAE dirham, along with the depreciation of the rupee in recent months. Also, the Eurozone sovereign debt crisis has led European and American banks to scale back lending and reduce their deposits in emerging market economies, including in the UAE. Further, the UAE government has recently scaled back a large number of non-priority mega projects, as commercial funding has declined from expected levels. It added that Abu Dhabi has been reversing spending plans in light of the global slowdown, the continued slump in real estate in Dubai and Abu Dhabi, and concerns that Dubai might need further financial support in 2012.

Source: Institute of International Finance

## COTE D'IVOIRE

### NPLs on the rise

The risk-weighted capital-to-assets ratio of banks operating in Côte d'Ivoire reached 9.4% at the end of June of 2011 relative to 12.5% at the end of 2010 and 10.2% at end-2009. Also, 52.4% of the sector's banks had a capital adequacy ratio greater or equal to 10% at end-June, compared to 61% at end-2009. The net capital-to-assets ratio was 5.8% at end-June, down from 6.8% at end-2010 and 6% at end-2009. Further, the sector's loans-to-deposits ratio regressed to 67.3% at the end of June from 87.2% at the end of 2010 and 92.8% at end-2009; while loans accounted for 61% of total assets at end-June compared to 67% at end-2010 and 70% at end-2009. The sector's liquid assets reached 48% of total assets at end-June 2011, up from 42.6% at end-2010 and accounted for 53% of total deposits at end-June compared to 55.6% at end-2010. They also accounted for 97% of short-term liabilities at the end of June relative to 93.8% at end-2010 and 87.3% at end-2009. The sector's non-performing loans reached 18.8% of total loans at end-June 2011, up from 16.4% at the end of 2010 and 17% at end-2009; while the sector's NPLs net of provisions accounted for 6% of total loans at end-June compared to 4.1% at the end of each of 2010 and 2009. The provisioning rate stood at 65.4% at end-June, down from 75% at end-2010 and 76% at end-2009.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Brent rises towards \$106 a barrel

Prices of Brent crude futures rose to \$106 a barrel on December 15, recovering some earlier losses. Supply concerns from growing tensions over Iran's nuclear program are expected to further support prices. Brent crude gained 70 cents to \$105.7 a barrel on December 15, after reaching at \$4.48 a barrel lower the previous day. Also, U.S. crude reached \$95.20 a barrel on December 15, after settling \$5.19 lower the previous day.

In parallel, the Energy Information Administration said that U.S. crude stockpiles dropped 1.9 million barrels last week. Further, OPEC oil producers agreed to an output target of 30 million barrels per day, but did not discuss individual nations' quotas. Also, there was no mechanism in place to cut quotas if current oil demand grows less quickly than expected.

Source: Thomson Reuters

## Suncor and Gulfsands suspend operations in Syria

The Canadian Suncor Energy and the UK based Gulfsands Petroleum announced that they are withdrawing their operations from Syria due to the latest EU sanctions. Gulfsands generates almost all its revenues from its operations in Syria. Also, Royal Dutch Shell and Total S.A. announced that they had ceased operations in Syria last week, and are among the largest foreign investors in the country's crude oil industry. The EU also banned the export of technology and equipment, as well as the supply of training and of financing for the oil and gas sector.

Source: Syria Report

## Saudi Arabia's consumption to double by 2030

Saudi Arabian Oil Company (ARAMCO) stated that total domestic energy consumption in Saudi Arabia is projected to double by 2030 to 8.2 million barrels a day. It added that this would be the case if the Kingdom does not improve energy efficiency and diversifies its energy mix. Total local energy consumption is currently 4 million barrels a day of oil, with 500,000 barrels a day of crude oil used to produce electricity and desalinated water.

Source: Dow Jones Newswires

## OPEC crude oil production up to 30.6 million barrels a day

The Platts Survey indicated that the Organization of the Petroleum Exporting Countries' crude oil output stood at 30.6 million barrels a day in November constituting a rise of 550,000 b/d from 30.05 million b/d in October, mainly on higher volumes from Libya, Saudi Arabia, Nigeria and Angola. It said that the recovering Libyan production, which rose by 200,000 b/d month-on-month to 550,000 b/d, accounted for the biggest single increase. It added that output from each of Angola, Nigeria and Saudi Arabia posted an increase of 100,000 b/d from the previous month. It noted that the total volume of increases was 570,000 b/d and included smaller increments from Iraq and Kuwait. But it said that this volume was offset slightly by a 20,000 b/d drop in Iranian output.

Source: Platts

## Base metals: Copper declines to a two-week low, as Federal Reserve refrains from new stimulus

Copper prices declined for a third day to a two-week low as the U.S. Federal Reserve refrained from taking new measures to increase growth and amid concerns that Europe's debt crisis might reduce demand for industrial metals. Three-month copper prices fell 1.4% to \$7,493 per ton on December 14, the lowest price since November 30th.

In parallel, copper is most exposed to the economic slowdown among base metals and prices are forecast at \$7,750 per ton in 2012 and \$7313 per ton in 2013, down from \$8,785 per ton in 2010. However, mine supply is projected to remain relatively high, which should prevent a further drop in copper prices. Copper LME stockpiles fell for a fifth day, declining by 0.7% to 383,025 tons, the lowest level since January 24th. The slowing of manufacturing in China also put pressure on industrial metals. Aluminum prices rose 0.3% week-on-week to \$2,008 per ton, while zinc prices declined 0.2% to \$1,907 per ton. Nickel prices dropped 1.1% week-on-week to \$18,113 per ton, tin prices fell 0.4% to \$19,480 per ton, while lead declined 0.7% to \$2,071 per ton.

Source: Merrill Lynch, Bloomberg

## Precious metals: Gold steady after heavy losses on Europe

Spot gold prices rose 0.1% to \$1,576 per ounce on December 15, after falling 3.5% in the previous session. Prices are expected to range between \$2,000 an ounce and \$2,500 an ounce in the next 12 months, knowing that the macro economies of Europe and the U.S. will likely remain challenged.

Further, gold is the commodity most likely to benefit from easing monetary policies in advanced economies. Despite the decline in gold prices, holdings of SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, were unchanged at 1,295 tons on December 14th. Spot platinum prices declined 19% week-on-week to \$1,398 per ounce on December 14, while spot silver dropped 0.41% week-on-week to \$28.5 an ounce.

Source: Merrill Lynch, Thomson Reuters

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					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	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+	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
<b>Middle East</b>													
Bahrain	BBB Negative	Baa1 Negative	BBB Negative	BBB+	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-	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								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
	-	Negative	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	BB	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0
	Positive	Positive	Stable	-	Positive								

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	02-Nov-11	No change	13-Dec-11
Eurozone	Refi Rate	1.00	08-Dec-11	Cut 25bps	12-Jan-12
UK	Bank Rate	0.50	08-Dec-11	No change	12-Jan-12
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	06-Feb-12
New Zealand	Cash Rate	2.50	08-Dec-11	No change	26-Jan-12
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	17-Jan-12
<b>Emerging Markets</b>					
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	29-Dec-11
South Korea	Base Rate	3.25	08-Dec-11	No change	Jan-12
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	1-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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