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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Bank lending conditions deteriorate in fourth quarter of 2011

The Emerging Markets Bank Lending Conditions Survey indicated that lending deteriorated further in the fourth quarter of 2011, as the Lending Conditions Index reached 44.8 in the fourth quarter, compared to 49.1 in the previous quarter and 58.9 in the same quarter of 2010. The survey said that banking conditions weakened substantially over the last quarter of 2011 in all major regions, mainly due to the deterioration in funding conditions. The survey indicated that demand for credit from emerging market banks weakened steadily over the past year. It said that 50.4% of respondent banks indicated that demand for commercial and industrial loans remained unchanged, relative to 45.4% of respondents that considered that demand for commercial real estate loans was unchanged. Also, it noted that 38% of respondents acknowledged that residential real estate loans were unchanged compared to 37.5% of respondents that considered that demand for consumer loans was unchanged. The survey added that emerging market banks continued to tighten their credit standards in the fourth quarter of 2011, indicating that banks are becoming more cautious in their lending practices.

In parallel, the survey revealed that local and international funding conditions tightened further across emerging markets in the fourth quarter. It said that external funding conditions contributed the most to the tightening, with 74% of all respondents indicating deterioration in external funding compared to 47% of emerging market banks that acknowledged an overall tightening in domestic funding conditions. In parallel, the survey showed a slight improvement in trade finance conditions in the last quarter of 2011, mainly due to robust demand for international trade finance. The survey is addressed to senior loan officers, chief credit officers or other senior officers in equivalent positions at 200 banks based in emerging market countries.

Source: Institute of International Finance

MENA

Press freedom declines in Arab countries

Reporters Without Borders' 2012 Press Freedom Index showed that press freedoms in the Arab world regressed year-on-year, as the region's average score on the index reached 71.1 points, worsening from 49.3 points in the previous survey, and was lower than the global average of 39.3 points. The index measures the level of freedom that journalists and the media have in each country and the efforts made by governments to see that press freedom is respected. The survey indicated that the Arab uprisings, and the measures taken by governments to control news and information in response to the uprisings, had a major impact on the ranking of countries in the region. As such, the rankings of 8 Arab countries improved and 12 declined, while the level of press freedoms improved in only Mauritania and Tunisia and regressed in the remaining 18 Arab countries. It added that the freedoms that have been newly-implemented are fragile and could easily be lost. Mauritania had the highest level of press freedom in the Arab world, ranking in 67th place globally, while 14 out of 20 Arab countries came in the third tier globally. Djibouti's rank dropped by 49 spots in 2011 and Bahrain's score posted the steepest annual decline in the region.

Source: Reporters Without Borders

Arab world ahead of developing economies in cellular, broadband and Internet penetration

Figures released by the International Telecommunication Union (ITU) estimated fixed telephone lines penetration in the Arab world at 9.7 lines per 100 inhabitants in 2011 compared to a penetration rate of 11.6% in developing economies. The total number of fixed telephone lines in Arab states reached 35 million in 2011 and accounted for 5.3% of developing economies' fixed lines. Also, the ITU estimated mobile cellular penetration in Arab states at 96.7 subscriptions per 100 inhabitants in 2011, up from 88% in 2010 and relative to 78.8% in developing economies. The total number of mobile cellular subscriptions in Arab states reached 349 million in 2011 but accounted for just 7.7% of subscriptions in developing economies.

Further, Arab states' Internet penetration reached 29.1 users per 100 inhabitants in 2011 relative to 24.1 in 2010, and compared to 26.3% in developing countries. The ITU estimated the number of Internet users in the Arab world at 105 million in 2011, up from 85 million in 2010 and accounting for 7% of emerging economies' users. In parallel, the ITU estimated that mobile broadband penetration in the Arab world rose to 13.3 users per 100 inhabitants in 2011 from 10.2% in 2010, compared to 8.5% in developing economies. It estimated the total number of Arab mobile broadband subscribers at 48 million in 2011 relative to 36 million in 2010. In addition, the penetration rate of fixed broadband in Arab states was 2.2 users per 100 inhabitants in 2011, relative to 4.8% in developing economies. The total number of fixed broadband subscriptions in Arab economies was estimated at 8 million in 2011.

Source: International Telecommunication Union

SYRIA

EU tightens sanctions against Damascus

The European Union imposed new sanctions on Syria's financial and oil sectors. The sanctions froze the assets that are under the jurisdiction of the 27-member EU of the state-owned Industrial Bank, Popular Credit Bank, Savings Bank, Agricultural Cooperative Bank, and the Syrian-Lebanese Commercial Bank, the Lebanese subsidiary of the Commercial Bank of Syria that was sanctioned by the EU in October 2011. The asset freeze also targeted three joint-ventures of the state-owned General Petroleum Corp, namely the Deir ez-Zur Petroleum Company, Ebla Petroleum Company and Dijla Petroleum Company. Last December, the EU imposed additional sanctions on Syria's oil and financial sectors. The sanctions banned Syrian banks from opening new branches in EU member states and from establishing joint ventures or correspondent banking relationships with European financial institutions.

Source: European Union, Wall Street Journal

OUTLOOK

WORLD

Global growth reduced to 3.3% in 2012 on Euro Area problems, developing economies to expand by 1.2%

The International Monetary Fund reduced its forecast for global economic growth to 3.3% in 2012 from projections of 4% last September. It attributed the revision mainly to an expected mild recession in the Euro Area economy this year as a result of the rise in sovereign yields, the effects of banks' de-leveraging on the real economy, and the impact of additional fiscal consolidation. It also expected growth in emerging and developing economies to slow because of the worsening external environment and a weakening of domestic demand. As such, it revised downward its forecast for real GDP growth in emerging and developing economies to 5.4% this year compared to a September projection of 6.1%, and that of advanced economies to 1.2% in 2012 relative to a September forecast of 1.9%. The Fund also revised downwards growth in developing Asia to 7.3% from a September forecast of 8%, in Sub-Saharan Africa to 5.5% from 5.8% previously, in the Commonwealth of Independent States to 3.7% from 4.4%, in Latin America & the Caribbean to 3.6% from 4%, and in Central & Eastern Europe to 1.1% from 2.7%. It maintained its growth forecast for the MENA region at 3.2%.

In parallel, the IMF warned of a sharp rise in downside risks to global economic growth and of a hard landing in key emerging markets. It said that a more protracted bank de-leveraging process and sizable contractions in credit and output constitute the most immediate risks to global growth. It noted that the occurrence of such scenario would reduce the Euro Area's real GDP growth by 4 percentage points and, in case of a more intense financial contagion to the rest of the world and spillovers through international trade, global output would be lower by about two percentage points. It also expressed concerns about geopolitical oil supply risks. It noted that the impact of an oil supply shock would be large, given the limited inventories and spare capacity buffers, as well as the still-tight physical market conditions. Further, it said that a slowdown in real estate and credit markets in emerging economies, driven by a loss in confidence, would have a severe impact on economic activity in these markets.

Source: International Monetary Fund

EMERGING MARKETS

Net private capital inflows to drop by 18% to $910bn in 2012

The Institute of International Finance expected total net private capital inflows to emerging markets to reach $746bn in 2012, constituting a drop of 18% from $910bn in 2011. It said that it reduced its capital flows projections by $338bn for 2012 from a September forecast, and reduced its 2011 estimate by $143bn because of the intensifying tensions in the Euro Area. It added that it revised downwards its forecast for inflows to Emerging Europe by $143.2bn; to Emerging Asia by $189bn; to Latin America by $5bn and to the Middle East & Africa by $0.8bn in 2012. It attributed the large downwards revision in Emerging Europe's inflows to close banking ties with the Euro Area that resulted in substantial spillovers; while the revision in Emerging Asia's inflows reflects the withdrawals of equity and debt holdings by European investors. It expected, however, that the impact of the Euro Area crisis on capital flows to emerging economies to fade, especially in the second half of 2012 and into 2013. As such, it projected total net private capital inflows to emerging markets to increase to $893bn in 2013.

The IIF forecast net direct investment to emerging economies to marginally decrease to $420bn in 2012, but to increase to $441m in 2013 from $428m in 2011. It estimated net portfolio investment in emerging markets at $44bn last year and expected inflows to increase to $76bn in 2012 and $116bn in 2013. Also, it forecast net commercial bank lending to post net inflows of $38bn in 2012 and $98bn in 2013 relative to $137bn in 2011. It said that the Euro Area crisis has damaged the willingness and ability of investors and lenders to supply financing to emerging economies. It estimated net non-bank private lending to drop to $211bn in 2012 and $240bn in 2013 from $301bn in 2011. It also projected net lending by official creditors to decrease to $43bn this year and $34bn next year from $47bn last year.

Source: Institute of International Finance

GCC

Volatile global economy to impact region's growth prospects

Standard & Poor's expected the Gulf Cooperation Council (GCC) economies to continue to be affected by a sharply diverging and volatile global economic environment in the coming two years. It considered that economic growth in GCC countries in 2012 and 2013 will depend on global economic trends and on oil prices. It expected that average real GDP growth in most GCC economies to slow down in 2012 and to pick up again in 2013. As such, it projected growth in the UAE to slow in 2012 to 4% from 5.5% last year, in Kuwait to expand by 5% this year relative to 6.5% in 2011, and in Saudi Arabia to slow to about 4% this year. It forecast real GDP growth in the UAE at 4.5%, in Saudi Arabia at 3.5% and in Kuwait at 5% in 2013.

Further, S&P said that global oil prices, which constitute one of the main drivers of GCC economies, will remain highly sensitive to even relatively small changes in global economic conditions. It expected Brent oil prices to remain within a range of $100 to $120 per barrel in 2012 and to support economic growth in the GCC region. It noted that geopolitical risks present potential upside lift to this forecast. But it warned that a more pronounced downturn in economic activity in developed markets and weaker economic growth in emerging markets would push prices lower to a range of $70 to $80 per barrel in the second half of 2012. In parallel, S&P indicated that the forced de-leveraging of the banking sector in Europe and the high volatility in international bond markets would also impact GCC economies. It said that Euro Area banks would reduce their non-European exposures as they attempt to consolidate and strengthen their balance sheets. As such, it noted that a loss of risk appetite by international investors from further turmoil on sovereign debt markets would weigh on GCC growth.

Source: Standard & Poor's

ECONOMY & TRADE

ARMENIA

Yerevan has 12th highest external financing needs among developing economies in 2012

The World Bank estimated Armenia's external financing needs at 17.6% of GDP in 2012, constituting the 12th highest external funding requirements among developing countries this year. It defined external financing needs as the scheduled payments on short- and longer-term debt to private creditors, plus the current account deficit relative to GDP in 2011 times the projected nominal GDP for 2012. Armenia tied with Latvia, came ahead of Bulgaria with 16.6% of GDP and Lithuania with 16.4% of GDP; while it ranked behind Moldova with 17.8% of GDP and Romania with 18% of GDP. The World Bank said that Armenia posted the fourth highest current account deficit last year among the 30 developing economies with external financing needs exceeding 10% of GDP and has the 20th highest level of debt repayment among such economies. It estimated Armenia's current account deficit at 12.7% of GDP in 2011, tying with Georgia and coming behind Laos (14% of GDP), Nicaragua (16.3% of GDP) and Lebanon (20.6% of GDP). It also estimated Armenia's debt payments this year at 4.9% of GDP. It warned that countries with high-levels of indebtedness would be particularly vulnerable to a tightening of international credit conditions this year. Regionally, Belarus' external financing needs are equivalent to 18.2% of GDP and those of Ukraine at 16.3% of GDP.

Source: World Bank

ANGOLA

Favorable economic prospects for 2012

The International Monetary Fund estimated Angola's real GDP growth at 3.4% in 2011, mainly due to high growth in the non-oil sector as oil production faced some difficulties last year. It added that inflation eased to 11.4% at end-2011 supported by a broadly stable exchange rate. It said that Angola's current account balance posted a surplus of 11.4% of GDP last year due to higher oil prices, while foreign exchange reserves reached 5.3 months of imports at end-2011. It noted that the fiscal balance posted a surplus of 12.5% of GDP in 2011, up from 7% of GDP in 2010, with the government containing the non-oil primary deficit at about 44% of non-oil GDP. It pointed out that delays in oil revenue transfers to the Treasury generated an unanticipated financing burden on the budget in the first 9 months of 2011, but added that the pace of transfers picked up in the fourth quarter of the year. It expected a further correction in early 2012 to ensure that budgetary financing levels are appropriately contained. In parallel, the IMF indicated that Angola's macroeconomic prospects for 2012 are broadly favorable, with new oil fields expected to boost production above 1.8 million barrels per day. It said, however, that the outlook is sensitive to developments in global oil prices. It expected the implementation of the government's budgetary plans to produce a significant reduction in the non-oil fiscal deficit and help reduce inflation towards single digits. It projected Angola to further increase its foreign reserves in order to provide a stronger buffer against oil revenue volatility given the uncertain global environment.

Source: International Monetary Fund

GHANA

Containing spending is key near-term challenge

Fitch Ratings indicated that Ghana's ability to contain spending in an election year constitutes a key near-term challenge, as fiscal discipline has been problematic in previous election years. It added that the government forecast robust real GDP growth of 9.4% in 2012, which would help contain the budget deficit at 4.8% of GDP in 2012. As such, it pointed out that the risk of fiscal slippage, through high wage increases and election-related spending, remains significant. It noted that public sector wages constitute the largest single expenditure item in the budget and absorb over 40% of total revenues. Further, it said that Ghana's tax revenues in 2011 were15.4% higher than initially forecast, which underscores the government's continued commitment to improve revenue collection by broadening the tax base, increasing compliance, and modernizing the collection system. It added that Ghana's strong economic growth of 13.6% in 2011 also supported the robust gains in revenue collection. It noted that the Ghana Revenue Authority expects tax revenues to increase by a further 28.3% in fiscal year 2012/13. It said that stronger tax revenue collection was complemented by lower-than-budgeted expenditures during the last fiscal year, despite the government's decision to fast track arrears repayments. It noted that this led to a below-than-expected budget deficit last year. In parallel, Fitch noted the progress on structural reforms that would reduce the likelihood of fiscal slippage, such as full cost recovery on utility tariffs, rationalizing the civil service pay structure, and expenditure management.

Source: Fitch Ratings

AFRICA

Private capital inflows to drop by 5% to $46bn in 2012

The World Bank projected net private capital inflows to Sub-Saharan Africa (SSA) at $45.8bn in 2012, constituting a decrease of 5% from $48.2bn in 2011. Private inflows to the region would account for 5.7% of capital inflows to developing economies in 2012, the second smallest share of such inflows among all regions after the MENA region. The World Bank expected net private inflows to be equivalent to 3.5% of the SSA's aggregate GDP in 2012 relative to 3.9% of GDP in 2011. It forecast net equity inflows to increase by 2% to $40.3bn, driven by a marginal increase of 0.6% in net FDI to $35.8bn and a 15.4% rise in portfolio equity flows to $4.5bn. Also, it forecast net private debt inflows at $5.5bn in 2012 compared to $8.7bn last year. It indicated that SSA would account for 7% of FDI and 7.2% of portfolio equity inflows to developing economies in 2012, representing the fourth highest share in each category of inflows among all developing regions. It forecast net private inflows to reach $60bn in 2013, and to be equivalent to 4.4% of GDP. Further, it expected net equity flows to increase to $52bn next year and net private debt inflows to rise to $8bn in 2013.

Source: World Bank

WORLD

Global bank ratings likely to decline in 2012

Moody's Investors Service indicated that several factors are currently weakening banks' credit profiles globally, such as the deteriorating sovereign creditworthiness, particularly in the Euro Area; significant economic uncertainty; and elevated funding spreads and reduced market access at a time when many banks face large debt maturities. It said that these factors would weigh on the standalone credit assessments of banks in advanced economies as well as on their debt and deposit ratings this year. It expected these factors to affect the ratings of global banks in the near-term as well as banks in Europe exposed to financial market disruption. It expressed concerns about the ability of many European banks to retain the confidence of investors and counterparties and to fully refinance substantial 2012 term debt maturities. In parallel, it said that the credit profiles and ratings of banks operating in more stable environments, and that of banks with strong, retail-oriented business and funding profiles will be less affected. But it noted that the highly interconnected financial markets and economies imply elevated uncertainty for all banks.

Source: Moody's Investors Service

SYRIA

Central Bank allows managed float of pound

The Central Bank of Syria (CBS) announced plans to introduce a managed float of its exchange rate regime, which will allow the pound to devalue after demand for foreign currency drove a surge in black market rates. The move will allow the rate to be determined by the market and will help narrow the gap between the official rate and the black market rate. The CBS said it will still intervene in the market when it deems necessary. It noted that introducing a managed float regime will encourage private banks to sell foreign currencies at the market rate, which would increase the flow of foreign currencies in the system. Prior to the announcement, private banks have had to supply foreign currency at an exchange rate set by the CBS. It also hoped that this would also impact the black market rate and exert some control over the de facto devaluation of the currency. The pound traded officially at about 47.5 to the dollar until last November. But the CBS raised the rate to about 54 pounds in December and to 57 pounds early this month. The black market rate is reported to be as much as 70 pounds per dollar. The CBS said that it has spent $3bn from a $5bn fund to defend the currency and finance trade since protests erupted.

Source: Bloomberg, Financial Times

QATAR

Public sector, real estate and retail segments drive lending growth in 2011

Figures issued by the Central Bank of Qatar (CBQ) show that total assets reached QAR 698bn at the end of 2011, constituting an increase of 7.8% from end-November 2011 and a rise of 22.1% from end-2010. Loans reached QAR 404.8bn, constituting an increase of 3.1% month-on-month and a rise of 28.3% from end-2010, driven by public and private sector credit growth of 45% and 19% year-on-year, respectively. Lending to the real estate and retail sectors constituted the main drivers of private sector credit growth. Government spending is expected to continue to drive lending demand in Qatar as the share of government loans-to-total loans increased to 37% at end-2011 from 33% a year earlier. In parallel, aggregate deposits reached QAR 363.6bn at end-2011, up 5.7% month-on-month and 18.5% year-on-year. Public sector deposits constituted the key driver of deposit growth last year, as they increased by 75% year-on-year. The loans-to-deposits ratio increased to 111.3% at end-2011 compared to 102.8% a year earlier.

Source: Central Bank of Qatar, EFG Hermes, Byblos Research

GHANA

Central Bank to stop currency depreciation

Business Monitor International indicated that the Ghanaian cedi depreciated by over 5% against the US dollar so far this year. It attributed the depreciation to high import demand, US dollar strength, foreign investor risk aversion, a lack of local confidence in the cedi and high seasonal demand for foreign exchange. It added that the Central Bank of Ghana (CBG) did not intervene to support the currency as it let the market determine the exchange rate. However, BMI expected downside pressures on the cedi to weaken as seasonal effects are fading and as the CBG is stepping into the market in an attempt to stop the cedi's continuous depreciation. It said that the CBG will introduce new measures that include a more regular and robust intervention. As a result, it expected the cedi to return to its previous levels of GHS1.64-1.77 per dollar over the short term. It said that oil revenues would also support the currency, but it noted that the uncertainty surrounding the December 2012 legislative elections will likely increase risk aversion and lead to a preference for the US dollar. In parallel, Citigroup said that Ghana's fiscal deficit has historically affected the value of the cedi and the inflation levels, mainly in election years. As such, it expected the CBG to tighten its monetary policy in the shor term to compensate for Ghana's pre-election fiscal position.

Source: Business Monitor International, Citigroup

RUSSIA

Banks' outlook revised downward to 'stable'

Fitch Ratings revised the outlook of foreign-owned Raiffeisenbank, Citibank, Rosbank, Nordea Bank, Danske Bank and SEB Bank to 'stable' from 'positive' and affirmed their long-term Issuer Default Ratings (IDRs) at 'BBB+'. It also affirmed the long-term IDRs of state-owned banks Sberbank, Vnesheconombank, Bank VTB and Russian Agricultural Bank at 'BBB' with 'stable' outlooks. It attributed the outlook revision on the long-term IDRs of state-owned banks to similar actions earlier on Russia's long-term foreign and local currency IDRs. It said that the ratings of all four banks continue to be underpinned by the high probability of support from the Russian authorities, in case of need, given their majority state ownership, close association with the government; and the track record of providing both new equity and subordinated debt to the banks during the recent crisis. In parallel, it said that the revision of the outlooks on the Long-term IDRs of foreign-owned banks reflect the reduced likelihood of an upgrade of Russia's Country Ceiling following the change in the sovereign outlook. It added that the ratings of foreign-owned banks reflect the high probability of support from their majority shareholders.

Source: Fitch Ratings

Brent rises above $110 as the Federal Reserve expects lower interest rates

Brent crude prices rose above $110 per barrel on January 26, extending gains on hopes of demand growth revival after the U.S. Federal Reserve stated that it will keep interest rates low. Also, worries about supply on tensions with Iran added support to oil prices. Brent crude prices gained 80 cents to $110.6 per barrel on January 26, reversing two days of losses. Further, U.S. crude gained 41 cents to $99.8 per barrel. Crude oil inventories increased by 3.6 million barrels in the week to January 20, higher than the expected 800,000 barrel increase. U.S. stockpiles of distillates dropped by 2.5 million barrels, while gasoline inventories declined by 390,000 barrels against expectations for a 1.9 million barrel rise.
Source: Thomson Reuters

South Sudan and Kenya sign MoU to build oil pipeline

South Sudan and Kenya signed a memorandum of understanding (MoU) that aims to build an oil pipeline from South Sudan to the Kenyan port of Lamu. The two countries will negotiate transit fees for the oil pipeline. Further, South Sudan stopped all of its oil production due to Sudan's confiscation of the South's oil that is transported through the former's pipelines. In parallel, the African Union High Level Panel (AUHIP) put forward a two-part proposal, first to arrange a transitional period of 30 days during which South Sudan will continue to transport oil through Sudan until an agreement on transit fees is reached. The second part of the proposal suggests some financial compensation of oil passing through Sudan since the date of South Sudan's independence.
Source: Sudan Tribune

EU imposes new sanctions on Iran

The European Union imposed new sanctions on Iran's oil sector. It attributed the new sanctions to rising concerns over the nature of Iran's nuclear program. The sanctions prohibited the import of crude oil and petroleum products from Iran into the EU; and banned the import, purchase and transport of such products. They also prohibited the import of petrochemical products from Iran into the EU, as well as the export of key equipments and technologies for this sector to Iran. The EU also banned new investments in petrochemical companies in Iran, as well as joint ventures with such enterprises. The EU said that concluded contracts can still be executed until July 1, 2012. The EU imported around 5.8% of its total oil imports from Iran in 2010.
Source: European Union, Bloomberg, Wall Street Journal

Iraq's oil production at 4 million bpd by 2015

The Institute of International Finance expected Iraq's crude oil production to gradually increase to around 4 million bdp by 2015 and to 8 million bpd by 2020, relative to an average production of 2.36 million bdp in 2010. It said that the forecast depends on internal political developments and the evolution of global market conditions for oil. It expected Iraq to overtake Iran as the second largest producer within OPEC after Saudi Arabia in the next few years.
Source: Institute of International Finance

Base metals: Higher prices on strong Chinese imports

Prices of all base metals rallied in the past week, building on their recent strong performance, and due to a weaker U.S. dollar and continued confidence that a European banking crisis will be avoided. Lead was the best performer rising by 7% week-on-week on January 24, followed by nickel, that rose by 5% week-on-week and zinc which rose by 4% week-on-week. Aluminum and copper also advanced by 1% and 2% week-on-week, respectively. Figures on China's trade data showed very strong import figures for base metals. Refined copper imports in China increased by 78% in 2011 to 407 kilo tons. Also, aluminum imports rose by 165% to 51 kilo tons and refined zinc imports increased by 53% to 54 kilo tons.

Base metals are expected to experience a difficult and volatile year, despite a strong start in 2012 could be sustained in the first quarter. Overall, copper and tin are projected to outperform other base metals, while lead and zinc are expected to lag the metals complex due to record inventories and a significant slowdown in Chinese economic activity.
Source: Standard Chartered, Business Monitor International

Precious metals: Prices increase with rising risk appetite

The prices of precious metals increased in the past week, with improved risk appetite helping to boost investor inflows. Silver was the best performer increasing by 7% week-on-week on January 24; while gold continued its steady trend upwards, rising 1% week-on-week. Also, palladium prices increased by 5% week-on-week, while platinum prices rose by 2% on a weekly basis.

In parallel, U.S. net speculative positions have turned slightly more bullish, rising by 2% week-on-week to 136,000 contracts. Further, major physical ETFs for gold remained unchanged in recent weeks at around 75.7 million ounces. The platinum group metals have seen different investor flows in the past month, with platinum remaining in favor with physical investors. Also, major ETFs for platinum rose by 1.4% in volume terms so far in 2012, while major ETFs for palladium declined by 0.4%.
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	34

Source: Standard Chartered

COUNTRY RISK METRICS

Countries	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 (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	BB								
	-	-	-	-	Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	BB-	Ba3	BB-	-	B								
	Stable	Stable	Stable	-	Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	B+	B1	BB-	BB+	CCC								
	Negative	Negative	Negative	Negative	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	-	B+	-	BB								
	Stable	-	Stable	-	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	-	B	-	B								
	Negative	-	Stable	-	Stable	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
Morocco	BBB-	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+	-	BB-	-	B								
	Stable	-	Stable	-	Stable	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
Tunisia	BBB-	Baa3	BBB-	BBB	B								
	Negative	Negative	Negative	Stable	Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BBB								
	Negative	Negative	Negative	Negative	Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	-	-	-	-	CCC								
	-	-	-	-	Stable	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB	Ba2	-	BB	B								
	Negative	Negative	-	Stable	Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B	B1	B	B	CCC								
	Positive		Stable	Stable	Stable	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
Oman	A	A2	-	A	A								
	Negative	-	-	Stable	Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA-	Aa2	-	AA-	AA								
	Stable	Stable	-	Stable	Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	-	-	-	BB-	CCC								
	-	-	-	Stable	Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	-	-	-	B-	CC								
	-	-	-	Negative	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 Negative	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 Negative	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	13-Dec-11	No change	25-Jan-12
Eurozone	Refi Rate	1.00	12-Jan-12	No change	09-Feb-12
UK	Bank Rate	0.50	12-Jan-12	No change	09-Feb-12
Japan	O/N Call Rate	0-0.10	21-Dec-11	No change	24-Jan-12
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-Dec-11	No change	15-Mar-12
Canada	Overnight rate	1.00	17-Jan-12	No change	08-Mar-12
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	13-Dec-11	No change	Jan-12
Taiwan	Discount Rate	1.88	13-Jan-12	No change	29-Mar-12
South Korea	Base Rate	3.25	13-Jan-12	No change	09-Feb-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	16-Dec-11	No change	24-Jan-12
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	22-Dec-11	No change	24-Jan-12
South Africa	Repo rate	5.50	Jan-12	No change	29-Mar-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	30-Jan-12
Ghana	Prime Rate	12.50	Dec-11	No change	Feb-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	02-Dec-11	No change	20-Jan-12
Brazil	Selic Rate	10.50	18-Jan-12	Cut 50bps	07-Mar-12
Armenia	Refi Rate	8.00	10-Jan-12	No change	N/A
Romania	Policy Rate	5.75	06-Jan-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.22	01-Jan-12	No change	N/A
Kazakhstan	Refi Rate	7.50	01-Jan-12	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A

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