

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Assets of sovereign wealth funds at \$4.8 trillion

TheCityUK estimated assets under management (AUM) of sovereign wealth funds (SWFs) at a record high \$4.8 trillion, constituting an increase of 9% from \$4.4 trillion in 2010. It said that AUM posted a third consecutive annual increase in 2011, despite some governments withdrawing capital in order to cover fiscal shortfalls. It indicated that SWFs funded by commodity exports totaled \$2.7 trillion at the end of 2011 and accounted for 56% of overall SWFs' assets; while non-commodity SWFs totaled \$2.1 trillion (44%). TheCityUK expected SWFs' assets to reach \$5.2 trillion by the end of 2012, as inflows from trade surpluses and commodity exports continue. It noted that assets of SWFs in Asia stood at \$1.9 trillion in 2011 and accounted for 40% of total SWFs' assets at the end of 2011, followed by the Middle East with \$1.7 trillion (35%), Europe with \$802bn (16.7%), the Americas with \$139bn (2.9%), Africa with \$130bn (2.7%), and others with \$120bn (2.5%). It said that the Abu Dhabi Investment Authority has the largest AUM globally with \$627bn or 13% of the total. In parallel, TheCityUK indicated that direct investments of SWFs totaled \$59bn in 2011, down about 25% from 2010 and 40% from the peak level of activity in 2009. It said that around \$14bn was invested in the financial services sector last year, down from around \$20bn in the previous year and from the \$82bn invested in 2008.

Source: *TheCityUK*

#### EMERGING MARKETS

##### Cross-border M&As up 22% to \$111bn in 2011

Figures released by the UN Conference on Trade & Development (UNCTAD) show that cross-border mergers and acquisitions in developing and transition economies totaled \$111bn in 2011, constituting an increase of 21.5% from \$87.1bn in 2010. Cross-border M&As in developing economies dropped by 4.8% year-on-year to \$78.8bn, while those in transition economies surged by 644.5% to \$32.2bn in 2011. In comparison, cross-border M&As in developed countries totaled \$396.3bn in 2011 and increased by 57.4% year-on-year, while global cross-border M&As reached \$507.3bn and rose by 49.7% last year. The UNCTAD said that cross-border M&As in South, East & Southeast Asia reached \$42.7bn in 2011 and increased by 33.2% year-on-year; followed by Southeast Europe & the Commonwealth of Independent States with \$32.2bn (644.5%), and West Asia with \$9.5bn (105.8%); while cross-border M&As in Latin America & the Caribbean dropped by 31.3% to \$20.3bn and those in Africa fell by 17.1% to \$6.3bn. UNCTAD noted that cross-border M&As in developing and transition economies accounted for just 22% of global M&As. In parallel, Greenfield projects in developing and transition economies reached \$550.4bn in 2011, up 1.3% year-on-year and accounted for 70.5% of global Greenfield projects. Greenfield projects in developing economies increased by 1.3% year-on-year to \$498.1bn and those in transition economies by 0.9% to \$52.3bn in 2011.

Source: *UNCTAD*

##### Bond and equity inflows at \$9bn in January 2012, AUM at \$901bn

Capital flows to emerging market equity and bond funds posted net inflows of \$9bn in January 2012, with bond inflows at \$2.2bn and equity inflows at \$6.8bn. Latin America accounted for \$942m or 42.9% of bond inflows; Emerging Europe, the Middle East & Africa (EMEA) for \$786m, or 35.8%; and Emerging Asia with \$467m or 21.3% of the total. Further, Emerging Asia posted \$4bn in inflows from equity funds in January 2012, followed by Latin America with \$1.6bn, and the EMEA region with \$1.1bn. Brazil was the biggest recipient of bond inflows with \$240m, or 10.9% of total inflows into emerging market bond funds in January 2012; while China was the largest recipient of equity inflows with \$1.4bn or 20.1% total inflows into emerging market equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$900.5bn at the end of January 2012, with bonds accounting for \$168.2bn and equities for \$732.3bn. The EMEA region had \$61.6bn in AUM in bonds, followed by Latin America with \$60.7bn and Emerging Asia with \$168.2bn. Further, Emerging Asia had \$466bn in equity-related AUM, followed by Latin America with \$142.8bn and EMEA with \$123.5bn. Mexico had \$18.7bn in bonds-related AUM, or 11% of the total; and China had \$152.2bn in equity-related AUM, or 21% of the total.

Source: *Barclays Capital, Byblos Research*

#### SOUTH SUDAN

##### Shutdown of oil production unsustainable

Standard Chartered Bank indicated that a complete shutdown of South Sudan's oil production is unlikely to be sustained for a long period of time given the country's reliance on oil exports. It noted that South Sudan confirmed that half of its oil production will be discontinued in early February, but that a complete shutdown has yet to be implemented. It said that South Sudan relies heavily on oil production for revenue collection, with oil proceeds accounting for 98% of the country's public revenues. It warned that a complete stop of oil production would lead to arrears and non-payment of government contracts. It noted that the Central Bank of South Sudan's foreign exchange reserves, which cover around three months of imports, are not enough to act as a buffer against a collapse in oil revenues. It added that official development assistance is unlikely to replace revenues lost from oil. It pointed out that lower foreign exchange inflows may lead to a depreciation of the South Sudan pound. It said that a weaker pound would increase upside risks to inflation. Further, Standard Chartered said that the oil dispute has led to South Sudan considering different options for the transportation of oil. But it noted that plans for a pipeline through Kenya, bypassing Port Sudan, are based on unrealistic cost and timing assumption. As such, it expected South Sudan to remain dependent on Sudan for oil transportation, as the alternative will not be as cheap or as easy as the authorities expect.

Source: *Standard Chartered*

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# OUTLOOK

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## EGYPT

### Implementation of credible policy reforms and government stability are key for external support

Barclays Capital expected Egypt's gross external financing needs to remain large at \$11.5bn in fiscal year 2011/12, to increase to \$14bn in FY2012/13, and to reach \$20bn over the next 18 months. It said that Egypt would need at least \$11bn of additional external financing over the next 18 months when assuming an 80% rollover of external debt and when considering the \$9.8bn decline in foreign currency reserves since June 2011. It said that the additional financing would allow Egypt to keep its reserves level at around 5.7 months of imports, which constitutes the minimum threshold that would help avoid further pressures on the Egyptian pound. It noted that the government received only about \$1.8bn out of the \$14bn in promised direct budgetary support and out of the \$10bn planned investments in major strategic sectors. It attributed the delay in fund disbursements to the lack of government stability, absence of a clear economic reform plan, and unease about the rapidly evolving and uncertain political outlook. As such, Barclays Capital indicated that Egypt needs to address these factors to secure a credible support package that raises confidence and convinces local and international investors to reengage in the country.

Barclays Capital considered that the government needs to implement a set of credible and well-sequenced policy reforms to ensure economic stability. It said that such reforms include measures that would address structural fiscal problems in a way that contains the deficit and brings the public debt back on a sustainable path over time. In parallel, Barclays Capital pointed out that Egypt would have to mobilize additional donor financing, as the \$3.2bn support package from the International Monetary Fund will not be enough to fund its financing gap. It said that even if the IMF increases its contribution to \$5bn, Egypt needs at least another \$5bn to \$6bn from other bilateral and multilateral donors to reassure local and domestic investors.

*Source: Barclays Capital*

## JORDAN

### Economy faces downside risks, outlook for 2012 increasingly challenging

The International Monetary Fund projected Jordan's real GDP growth at 2.8% in 2012 relative to 2.5% in 2011, adding that regional unrest, high commodity prices, and rising sovereign financing costs will adversely affect the Jordanian economy. It considered that the outlook for 2012 has become increasingly challenging in light of growing social pressures and heightened instability in the region. It noted that the Jordanian economy continues to face substantial downside risks, as higher prices of imported commodities would generate lower economic growth and higher fiscal and external deficits than the baseline projections. It added that regional political events, with possible spillovers to Jordan, would adversely affect economic activity through lower tourism receipts and FDI, and more costly access to capital markets. It added that a deepening of the European crisis would indirectly affect the economy, mostly through its adverse impact on regional oil exporters that constitute a major source of trade, external grants, remittances, tourism and invest-

ment flows to Jordan. It expected average inflation to pick up to 5.5% in 2012 relative to 4.5% in 2011, given the planned resumption of pass through of international oil prices.

In parallel, the IMF indicated that increased social spending has intensified pressures on the fiscal position, and called for tighter policies to reduce fiscal and external imbalances. It expected Jordan's overall budget deficit to narrow to 5.3% of GDP in 2012 relative to a deficit of 6% of GDP in 2011, and for the primary deficit, excluding grants, to narrow to about 6.7% of GDP this year. It attributed the projected narrowing of the deficits to significant fiscal consolidation in the 2012 budget aimed at mitigating risks related to the high public debt and debt servicing levels. It said that the budget focuses on raising domestic revenues and reducing current spending through a series of measures. It warned that failure to implement the planned measures would put upward pressure on inflation, increase external imbalances, and raise domestic borrowing costs. The Fund projected Jordan's current account balance to post a deficit of 7.5% of GDP in 2012 down from 9.5% of GDP last year.

*Source: International Monetary Fund*

## LIBYA

### Banks face high NPLs, deterioration of asset quality

The International Monetary Fund expected non-performing loans (NPLs) in the Libyan banking sector to increase sharply this year due to the economic disruption last year, which will delay some repayments, as well as due to the deterioration in asset quality, including physical destruction. It indicated that commercial banks had adequate capital buffers before the conflict, but that the quality of their assets has deteriorated. It added that NPLs in the banking system were equivalent to 17.2% of total loans at end-2010, constituting one of the highest ratios in the MENA region. But it noted that the risk-weighted capital adequacy was 17.3% at end-2010, well in excess of statutory requirements, while provisioning stood at 85%. It said that loans extended to parties linked to the former regime may be irrecoverable. It added that the threat of legal challenges to property seized by the former regime creates potential risks for the banking sector, especially if the properties had been used as collateral. It noted that the magnitude of these losses has not been estimated. As such, the IMF urged the authorities to develop a framework for addressing NPLs.

In parallel, the IMF expected the unfreezing of the Central Bank of Libya's (CBL) assets to provide foreign exchange liquidity to banks, which would normalize the demand for dinar banknotes and commercial banking operations. It noted that the lack of access to foreign exchange restricted the operations of commercial banks, undermined public confidence in banks, and prompted the private sector to hold dinar cash outside the banking system. Further, the IMF projected that net credit to the private sector to be broadly unchanged this year, with write-offs of NPLs offset by a pickup in new credit. It encouraged the CBL to provide commercial banks with a clear picture of the impact on their balance sheets of the recent conflict, and to ensure that they have sufficient capital to cover losses and to support credit creation during the reconstruction period.

*Source: International Monetary Fund*



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# ECONOMY & TRADE

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## WORLD

### Stable outlook for reinsurance industry

Standard & Poor's indicated that it has maintained a 'stable' outlook on the global reinsurance industry despite heavy insurance losses from massive catastrophes last year. It attributed its decision to the sector's capital surplus and strong enterprise risk-management capabilities. It said that the sector's enterprise risk management strategies are strong relative to the rest of the insurance industry, which has helped keep insurance and investment losses within risk tolerance levels. The agency noted, however, that capital levels vary widely across reinsurers. It expected the sector's future earnings to be limited by low interest rates and a relatively weak microeconomic environment. It added that reserve releases, which have supported the sector's earnings in recent years, are likely unattainable. In parallel, S&P indicated that it raised its combined-ratio estimate for the reinsurance sector to between 110% and 115%, from between 105% and 110%. It attributed the increase mainly to losses incurred from flooding in Thailand, as well as increased loss estimates from other catastrophes. It warned that it would revise this ratio if the industry fails to generate sufficient profitability or if a major shock to the industry capital occurs.

Source: *Standard & Poor's*

## SUDAN

### Modernizing agriculture would support growth

Business Monitor International indicated that modernizing the agricultural sector in Sudan would help diversify the economy away from oil, following the contraction of GDP and the loss of all oil proceeds due to the independence of South Sudan, and would potentially unlock vital new sources of growth over the long term. It said that increasing foreign interest and a renewed commitment by domestic policymakers to key sectors of the economy, such as agriculture, will help economic diversification. It added that the agricultural sector constitutes one of the growth opportunities in the country that were largely overlooked before the South's independence. It noted that the sector has a major impact on total employment, as it employs a large number of Sudanese. Further, significant improvements to the sector could help reduce Sudan's vulnerability to external shocks, including adverse weather conditions and high global commodity prices. It pointed out that the government is already implementing programs to develop the agricultural sector such as a \$65m plan to fund fodder, insecticides and irrigation infrastructure; and has allocated \$37.4m for land leveling and electrification projects. It said that the successful implementation of these projects would allow Sudan to become self-sufficient within three years. BMI indicated that the government's plan to revitalize the agricultural sector is supported by the private sector which is providing major investments. It said that non-Western firms have been more open to the idea of investing in Sudan, as Western companies are often limited by the international sanctions on the country.

Source: *Business Monitor International*

## ARMENIA

### Level of press freedom improves

In its annual survey on press freedoms in 179 countries, international organization Reporters Without Borders ranked Armenia in 77th place worldwide and second among the 12 members of the Commonwealth of Independent States (CIS). Armenia came in 101st place globally and in third place regionally in the previous survey. 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 reflects press freedom in each country based on events between December 2010 and November 2011. Reporters Without Borders assigns index scores in ascending order, the lower the score the higher is press freedom in a given country. Globally, Armenia ranked immediately ahead of Kuwait, Togo and Serbia; and came behind Guinea-Bissau, Seychelles and Maldives. Armenia ranked behind Moldova among CIS countries. Armenia received a score of 27 points in the 2011 survey, better than the global and the CIS averages of 54.4 and 39.3 points, respectively, as well as better than its score of 27.5 points in 2010. Finland and Norway had the highest level of press freedom globally, while Eritrea had the lowest level of press freedom worldwide.

Source: *Reporters Without Borders*

## DEM REP CONGO

### Mineral production drops sharply due to U.S. legislation

Business Monitor International indicated that mineral production in the eastern part of the Democratic Republic of the Congo fell sharply, as international companies are avoiding dealing in conflict minerals as a result of legislation passed by the U.S. Congress known as the 2010 Dodd-Frank Act. It said that the Act requires companies whose products use tantalum, tin, tungsten and gold to disclose the country of origin in their annual report to the U.S. Securities & Exchange Commission. It noted that many international companies have stopped buying minerals from the DRC following tighter U.S. legislation on trading in conflict minerals. It said that the situation led to an increase in poverty, mainly in the east of the country where mineral production has dropped. It noted that exports from the east fell by 90% following foreign firms' decision to stop accepting untagged minerals. In parallel, BMI said that conflict minerals constitute a source of funding that fosters instability in the eastern part of the DRC. It noted that militant groups have been weakened by the drop in mineral production, which constitutes a funding source for their operations. It expected the 2010 Dodd-Frank Act to ultimately help improve the security situation in the country, which constitutes a prerequisite for broad development. It also expected international firms to gradually develop monitoring mechanisms that will boost exports from the region. It noted that production is also moving to conflict-free areas.

Source: *Business Monitor International*



# BANKING

## JORDAN

### Trade and construction account for 46% of overall lending at end-2011

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD15.85bn at the end of 2011, constituting an increase of 9.7% from JD14.45bn at end-2010. The resident private sector accounted for 90% of the total, almost unchanged from a year earlier, followed by the non-resident private sector with 6.1%, public entities with 2.3%, and the central government with 1.4%. Foreign currency lending accounted for 11.4% of total lending relative to 11.8% in 2010. The distribution of credit by sector shows that general trade represented JD3.8bn, or 23.8% of total lending relative to 25% at end-2010. It was followed by construction with JD3.5bn, or 22% of the total; industry with JD2.3bn, or 14.5% of overall lending; public services & utilities with JD1.1bn or 7.2% of the total; transportation services with JD531.6m or 3.4% of credits; tourism, hotels & restaurants with JD493.7m, or 3.1% of loans; financial services with JD430.5m or 2.7% of credits; and agriculture with JD229.2m, or 1.4% of total loans. Further, other lending accounted for JD3.4bn, or 21.5% of total credits, of which JD413.7m were extended to buy shares. In parallel, loans & advances totaled JD13.5bn of overall credit, followed by overdrafts with JD2bn, and discounted bills with JD288m.

Source: Central Bank of Jordan, Byblos Research

## TURKEY

### Banks' capital adequacy solid, NPLs decline

The risk-weighted capital adequacy ratio of banks operating in Turkey reached 16.4% at the end of 2011 relative to 19% at the end of 2010 and 20.6% at end-2009. Also, the sector's shareholders' equity-to-total assets stood at 11.7% at end-2011 compared to 13.4% at end-2010 and 13.3% at end-2009. The sector's liquid assets reached 28.1% of total assets at end-2011 relative to 27.7% at end-2010 and 29.4% at end-2009. Further, the sector's loans-to-deposits ratio increased to 96.7% at end-2011 from 85.2% at the end of 2010 and 76.3% at end-2009; while loans accounted for 54.5% of total assets at end-2011, relative to 52.2% at end-2010 and 47.1% at end-2009. In parallel, total loans grew by 39% year-on-year compared to an increase of 34% in 2010 and a growth of 7% in 2009. Also, foreign currency deposits accounted for 33.1% of total deposits compared to 29.7% at end-2010, while foreign currency loans accounted for 29.3% of total loans at end-2011 compared to 27% at end-2010. The sector's non-performing loans reached 2.8% of total loans at end-2011, down from 3.8% at end-2010 and 5.6% at end-2009. Further, the sector's provisions-to-NPLs ratio regressed to 81.4% from 83.8% at end-2010 and 83.6% at end-2009. In parallel, banks' return on assets reached 1.6% in 2011, down from 2.2% in 2010 and 2.4% in 2009; while their return on equity reached 13.8% in 2011, down from 16.4% in 2010 and 18.2% in 2009. There were 48 banks operating in Turkey at end-2011. The 5 largest banks account for 66% of total assets, while the three largest private and the top 3 public banks account for 40% and 31% of the total, respectively.

Source: International Monetary Fund

## SYRIA

### Central Bank denies plans for managed float of exchange rate

The Central Bank of Syria (CBS) denied press reports that it is planning to introduce a managed float of its exchange rate regime. It said that a currency float would require a number of preliminary measures and that the CBS is focusing on reducing the gap between the official and black market currency rates. The CBS also announced that it will intervene in the market to defend the currency within one week. Last month, press reports indicated that the CBS is planning to introduce a partial float of the pound, which will allow the currency to devalue after demand for foreign currency drove a surge in black market rates. The move was supposed to allow the rate to be determined by the market and help narrow the gap between the official and black market rates. Also, a managed float regime was supposed to encourage private banks to sell foreign currencies at the market rate, which would increase the flow of foreign currencies in the system. Private banks have had to supply foreign currency at an exchange rate set by the CBS. 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 in January. 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, Syria Report

## INDIA

### Agency takes ratings action on Indian banks

Capital Intelligence affirmed the long- and short-term foreign currency ratings of ICICI Bank, IDB Bank, Axis Bank (ABL), IndusInd Bank (IIB), Bank of Baroda (BoB) and State Bank of India (SBI) at 'BBB-' and 'A3', respectively, with 'stable' outlooks. It also maintained the Financial Strength (FS) rating of ICICI Bank and ABL at 'BBB+', BoB at 'BBB' and IDBI at 'BB', while it downgraded SBI's FS rating to 'BBB-' from 'BBB' and upgraded that of IIB to 'BBB' from 'BBB-'. It assigned a 'stable' outlook to all FS ratings. It said that ICICI Bank's high level of wholesale borrowings remains an area of vulnerability given the tight monetary conditions in international markets. But it added that the bank's profitability ratios remain strong, asset quality improved further and the bank continues to be solidly capitalized. Further, it said that IDBI Bank's ratings are constrained by its weak profitability, low provision coverage ratio and a high level of restructured loans. Also, it indicated that ABL's ratings are underpinned by its diversified business base, capable management and overall good financial fundamentals; but it noted ABL's lower capital adequacy ratio and rising restructured loan portfolio. Further, it said that BoB's ratings are underpinned by its asset quality and profitability. But it warned from the worsening of key asset quality and profitability ratios due to the slowing economic growth and the challenging global environment. It pointed out that SBI's profitability continues to be good, but that the substantially higher credit costs have impacted both its net profits and return on average assets. It added that the provision coverage ratio remains below the sector average, but the bank's capital provides additional cover.

Source: Capital Intelligence



# ENERGY / COMMODITIES

## Brent prices above \$116 a barrel on lower U.S. inventories

Brent crude futures rose above \$116 a barrel on February 8, as the uncertainty over Greece's ability to resolve its debt problems was offset by a decline in U.S. crude inventories. Prices of crude Brent rose 12 cents to \$116.4 a barrel on February 8, its seventh straight day of gains. U.S. crude for March delivery rose 73 cents to \$99.1 a barrel, supported by an unplanned outage at a Canadian oil sands plant. The premium of Brent to U.S. crude oil declined to \$17 a barrel, after the spread widened to more than \$20 per barrel on February 6th, its highest since October.

Further, Brent prices are expected to range between \$115.3 and \$116.8 per barrel for one or two trading sessions before rising towards \$118.7 per barrel, while U.S. oil prices are projected to reach \$99.6 per barrel in the next session. Supply disruptions from Iran, which stated that it was ready to impose a ban on oil exports to the European Union, and clashes in Nigeria are expected to support oil prices in the near term. The U.S. Energy Information Administration increased its 2012 and 2013 forecasts for global oil demand growth, and said supply is expected to tighten as gains in non-OPEC production declined.

Source: Thomson Reuters

## Energy investments in the MENA region at \$180bn on 113 projects

The Middle East & North Africa (MENA) region is developing 113 new projects in power, water and energy valued at \$180bn. Saudi Arabia is investing \$100bn into King Abdullah City of Atomic & Renewable Energy, construction beginning in 2013, and 15 smaller projects in the Kingdom worth \$9bn. The United Arab Emirates is investing \$20bn in a nuclear power plant in Abu Dhabi, and a total of \$34.2bn on 20 projects in the seven emirates. Also, Qatar announced plans to build nine power and water facilities worth \$4.8bn over the next three years. Further, Bahrain will invest \$4.2bn in four ongoing projects, Kuwait will spend \$4bn on 17 projects, and Oman will invest \$2.9bn on 13 projects. Jordan has nine projects mainly in the water sector worth \$6.1bn, and Morocco is planning to invest \$3.8bn on renewable energy projects over the next two years. Further, Iraq and Egypt expect to invest a total of \$5.3bn each on power infrastructure plans over the coming two years.

Source: Ventures Middle East

## MENA capital requirements for energy projects at \$525bn in the next five years

The Arab Petroleum Investment Corporation estimated MENA's total capital requirements for energy projects during 2012-16 at \$525bn, unchanged from earlier forecasts despite the current political turmoil in the region. The estimated figure is the highest since the onset of the downturn caused by the 2008 global financial crisis. It expected Saudi Arabia to remain the dominant energy investor in the region with an estimated \$141bn during 2012-16. It is followed by the UAE, which is projected to invest \$76bn in the same period. Also, around two thirds of the energy capital investment potential continues to be located in Saudi Arabia, the UAE, Iran, Qatar and Algeria.

Source: Arab Petroleum Investment Corporation

## Base metals: Prices to rise in 2012 on easing monetary conditions

Prices of base metals remained under pressure in the last quarter of 2011, as the European debt crisis and stronger U.S. dollar continued to apply negative pressure on risk sentiment. Global activity in general and Chinese growth in particular continue to stand as key drivers for the metals markets in 2012. Base metals prices are expected to rise in 2012 on continued global easing in monetary conditions and the moderation of excessive global recession fears.

In parallel, LME aluminum inventories rose sharply in the final two months of 2011 and remained elevated so far in 2012 on higher financing costs. Aluminum prices rose to \$2,271 a ton on February 8th. While Chinese producers benefited from falling aluminum prices so far in 2012, rising grid power tariffs have largely offset those cost savings. In the medium term, large aluminum stocks globally are expected to affect prices, but Central Banks' easing of monetary policy is projected to support aluminum prices. Also, copper prices are expected to average \$2,200 a ton in the first quarter of 2012 and \$2,275 a ton in 2012.

Source: Danske Bank, Thomson Reuters

## Precious metals: Gold rise to \$1,750 an ounce on ongoing Greece's debt crisis

Spot gold prices rose 0.3% to \$1,750 an ounce on February 8 on news of a rescue package deal for Greece. Also, U.S. gold prices gained 0.2% to \$1,752.6 an ounce. The long-running euro zone debt crisis is expected to support sentiment for gold, as Central Banks around the world are projected to loosen monetary policies to prompt growth. However, risk in Europe would make it difficult for prices of other commodities to rise. The gold-to-silver ratio reached around 51, its lowest level in three months. The ratio was below 46 during most of 2011, compared to a near 30-year average of 64. Spot silver prices rose by 0.2% week-on-week to \$34.2 an ounce, leading the precious metals complex with a nearly 24% gain so far in 2012. Further, gold cash bullion increased 0.3% to \$1,725 an ounce on February 8, after it reached an all-time high of \$1,921 an ounce on September 6 on low demand.

Source: Thomson Reuters, Bloomberg

Global Commodity Outlook			
(3-months LME, \$/ton)	2011	2012f	2013f
Aluminum	2,434	2,225	2,500
Copper	8,814	8,750	10,750
Lead	2,377	2,250	2,600
Nickel	22,940	21,375	24,000
Tin	26,347	26,000	25,500
Zinc	2,209	2,200	2
(Spot price, \$/ounce)			
Gold	1,588	1,863	2,000
Palladium	732	700	850
Platinum	1,725	1,750	2,050
Silver	36	34	37

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
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
	Stable	Stable	Stable	-	Negative								
Egypt	B+	B1	BB-	BB+	CCC	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.5	-	-	257.5	-	-	-3.9	0.3
	-	-	-	-	Stable								
Ghana	B	-	B+	-	BB	-10.8	-	34.9	50.0	-	-	-11.6	10.9
	Stable	-	Stable	-	Positive								
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
	-	-	-	-	Stable								
Libya	BB	-	B	-	B	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
	Negative	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
	-	-	-	-	Stable								
Tunisia	BBB-	Baa3	BBB-	BBB	B	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
	Negative	Negative	Negative	Stable	Stable								
<b>Middle East</b>													
Bahrain	BBB	Baa1	BBB	BBB+	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
	Negative	Negative	Negative	Negative	Stable								
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CCC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
	Negative	Negative	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
	Positive	-	Stable	Stable	Stable								
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
	Negative	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	AA	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	BB-	CCC	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
	-	-	-	Stable	Stable								
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3
	-	-	-	Negative	Stable								

# 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	Negative	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	25-Jan-12	No change	13-Mar-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	24-Jan-12	No change	14-Feb-12
Australia	Cash Rate	4.25	06-Dec-11	Cut 25bps	06-Feb-12
New Zealand	Cash Rate	2.50	26-Jan-12	No change	08-Mar-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
<b>Emerging Markets</b>					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	Jan-12	No change	Mar-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	31-Jan-12	No change	09-Mar-12
Thailand	1D Repo	3.00	25-Jan-12	Cut 25bps	21-Mar-12
India	Reverse repo rate	8.50	24-Jan-12	No change	15-Mar-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	24-Jan-12	No change	21-Feb-12
South Africa	Repo rate	5.50	Jan-12	No change	29-Mar-12
Kenya	Central Bank Rate	18.00	01-Feb-12	No change	01-Mar-12
Nigeria	Monetary Policy Rate	12.00	30-Jan-12	No change	20-Mar-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	20-Jan-12	No change	16-Mar-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	5.50	02-Feb-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.18	01-Feb-12	Cut 4bps	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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