

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate bond issuance at highest level in three years

Standard & Poor's indicated that global corporate bond issuance totaled \$543bn in the first two months of 2012 and included \$375bn in investment grade, \$68bn in speculative grade, and \$100bn in unrated bonds. It pointed out that new issuance in the first two months constituted the largest issuance in three years for the covered period. It said that bond issuance in Europe totaled \$240bn in the covered period, followed by the United States with \$170bn, emerging markets with \$78bn and other developed markets with \$56bn. Speculative grade issuance in the U.S. reached \$42bn and represented 61.8% of global speculative grade issues, followed by Europe with \$19bn (27.9%), emerging markets with \$4bn (5.9%) and other developed markets with \$3bn (4.4%). S&P noted that Europe accounted for 44.2% of global bond issuance in the first two months of the year, up from 35.3% in 2011; the U.S. represented 31.3%, marginally up from 30.6% in 2011 and other developed countries accounted for 10.3%, down from 12% in overall 2011. In contrast, the share of issuance from emerging markets dropped to 14.4% in the covered period from 22.2% in 2011 and 19% in 2010. It said the recent wave of better economic news in the U.S. and positive developments in Europe's crisis helped ease market volatility and spurred demand for corporate debt.

Source: *Standard & Poor's*

EMERGING MARKETS

Private equity investments up 64% to \$39bn in 2011

Private equity funds dedicated to emerging markets raised \$38.6bn in 2011, constituting an increase of 64.2% from \$23.5bn in 2010 a three-year high. Emerging Asia funds raised \$26.3bn, with China accounting for \$16.6bn and India for \$2.7bn. Latin America & Caribbean funds raised \$8.4bn with Brazil receiving \$7.1bn; followed by Central and Eastern Europe & Commonwealth of Independent States funds with \$1.8bn' Sub-Saharan Africa funds with \$1.3bn; MENA funds with \$423m; and multi-regional funds with \$350m. Emerging markets private equity fundraising accounted for 14.7% of global private equity fundraising last year, up from 11.2% in 2010. In parallel, private equity investments in emerging markets totaled \$26.9bn in 2011, constituting a decrease of 6.6% from \$28.8bn during 2010. Also, the number of transactions reached 876 deals in 2011 compared to 856 in the preceding year. The average deal was worth around \$30.6m last year relative to \$33.6m in 2010. Emerging Asia attracted 69.6% of private equity investments by value, followed by the CEE & CIS region with 13%, Latin America & the Caribbean with 12%, Sub-Saharan Africa with 4%, and the MENA region with 1.4%. India and China attracted 62% of emerging markets private equity investment. Emerging markets private equity investments represented 11.1% of global private equity investments in 2011, similar to the 11.3% share posted in 2010.

Source: *Emerging Markets Private Equity Association*

MENA

Region's creditworthiness declines

Institutional Investor magazine's semi-annual survey on global creditworthiness shows that creditworthiness in the Arab region declined marginally in the past six months. The average rating score of 19 Arab countries reached 45.3 points in March 2012, down by 0.6% from 45.6 in September 2011, and by 7.7% from 49.1 points in March 2011. The region's average score came above the global average of 44.1 points. The rankings of 12 Arab countries improved, six regressed and one remained unchanged; while the scores of nine countries improved, eight declined and two were unchanged from September 2011. Qatar is the country with the best creditworthiness in the region and ranked in 20th place worldwide, while Sudan has the highest probability of default in the Arab world and came in 174th place globally. Egypt posted the steepest decline in the region's ratings as its score dropped by six points or 13.1%, while Lebanon posted the steepest decline in the rankings as its rank dropped by six spots from the previous survey. The region's best performers in the past six months was Jordan, as its score rose by 3.6 points or 8.5% from the previous survey; while Algeria's rank improved by 10 spots, posting the highest increase in rankings among Arab countries. Norway remained the country with the best creditworthiness in the world while Somalia had the highest probability of default worldwide.

Source: *Institutional Investor, Byblos Research*

Arab cities' competitiveness trails rest of the world

The Economist Intelligence Unit's Global City Competitiveness Index for 2012 indicated that the average score of 9 Arab cities stood at 43 points, lower than the average score of cities in North America (62 points), Europe (54.5 points), and Asia Pacific (46.8 points); and higher than the average score of African cities (39.3 points). The index ranks 120 cities according to their demonstrated ability to attract capital, businesses, talent and visitors. It compares 120 of the world's major urban agglomerations using 21 qualitative and 10 quantitative indicators that are grouped under eight categories. The categories are Economic Strength, Institutional Effectiveness, Human Capital, Physical Capital, Financial Maturity, Global Appeal, Social & Cultural Character, and Environment & Natural Hazards. The EIU selected the 120 cities on the basis of their size and regional economic importance. Dubai came in 40th place globally and was the region's top-ranked city, followed by Abu Dhabi in 41st place, Doha (47th), Kuwait City (80th), Muscat (86th), Riyadh (106th), Cairo (113th), Alexandria (116th) and Beirut (117th). The average score of Arab cities was the worst in the world on the Institutional Effectiveness, Social & Cultural Character, and Human Capital sub-categories. It was better than that of African cities on the Physical Capital and Global Appeal sub-categories; while it ranked third on the Economic Strength sub-category, better than the average score of African and European cities.

Source: *Economist Intelligence Unit*

OUTLOOK

GCC

Non-hydrocarbon growth at 6% in 2012

Barclays Capital projected real GDP growth in the GCC economies at 5.4% in 2012 down from a growth rate of 7.5% in 2011, with hydrocarbon output decreasing to 5.7% in 2012 from 7.3% last year and non-hydrocarbon sector activity growing by 6% in 2012 relative to 6.6% in 2011. It expected GCC countries to maintain elevated crude oil production for the rest of the year despite the rapid increase in Libyan supply, as regional geopolitical tensions continue. It previously expected Saudi Arabia, Kuwait and the UAE to raise their oil production by 1.4 million barrel per day when the sanctions on Iran go into effect in July 2012. But it said that oil production rose faster than previously forecast, which would increase Saudi Arabia's annual average oil production to 9.9 million barrel per day (b/d) in 2012 from 9.3 million b/d in 2011, the UAE to 2.8 million b/d from 2.55 million b/d and Kuwait to 2.8 million b/d from 2.65 million b/d in 2011. As such, it projected real hydrocarbon GDP growth in Saudi Arabia, Kuwait and the UAE at 6.3%, 5.3% and 5.4%, respectively, in 2012 relative to 4.3%, 4.9% and 3.4%, respectively, in 2011. Further, Barclays Capital expected non-hydrocarbon growth to remain supported by ongoing expansionary fiscal policies. It noted that higher allocations to current spending, will boost domestic demand and non-hydrocarbon growth. It projected non-hydrocarbon growth at 13.5% in Qatar, 5.3% in Saudi Arabia and 3.9% in the UAE this year.

In parallel, Barclays Capital expected the continued increase in oil prices to strengthen the fiscal and current account balances of GCC countries. It projected the region's fiscal surplus to increase to 13% of GDP this year from 11% of GDP in 2011 and its current account surplus to grow to 22.2% of GDP in 2012 from 21.6% of GDP last year. It noted that this outlook would be affected by a potential military strike on Iran that could disrupt the flow of oil from the Strait of Hormuz. It estimated that closing the Strait of Hormuz would decrease GCC oil exports to at least 7.3 million b/d to 8.3 million b/d from the 14 million b/d to 15 million b/d that are currently exported through the Strait.

Source: Barclays Capital

EGYPT

Banking sector outlook to be affected by uncertainties

Business Monitor International expected the outlook on Egypt's banking sector to remain subdued this year in light of a weak economy, risks of currency devaluation, and elevated provisioning for loan losses. It anticipated net interest income to help support profitability in the near term, as yields on Treasury bills are likely to remain elevated. It did not anticipate an aggressive expansion in the balance sheets of banks operating in Egypt before 2013 at the earliest. It noted that the sector's aggregate assets expanded by only 0.2% year-on-year and that total loans grew by only 2.4% year-on-year at end-November 2011, as the sector's aggregate bond portfolio increased by 11.6% annually. It forecast political uncertainty to restrain new credit growth.

Further, BMI said that deposit inflows continue to slow down, raising concerns about the public's underlying confidence in the

sector. It noted that the system's stock of deposits increased by 4.5% year-on-year at end-November 2011 and posted the slowest pace of expansion since June 2005. It pointed out a rise in dollarization rates, with local currency deposits rising by 2% year-on-year at end-November 2011 relative to 16.5% at end-November 2010, and foreign exchange deposits growing by 14% annually at end-November 2011 compared to 1.5% a year earlier. It expected this trend to continue given ongoing risks of a forced and uncontrollable devaluation of the Egyptian pound over the coming months. In parallel, it anticipated the authorities to devalue the Egyptian pound by 15% against the US dollar. It said the devaluation will affect borrowers' repayment capacity, which is already suffering amid the stagnation in the broader economy. As such, it projected an increase in loan-loss provisioning, which would negatively affect banks' profitability in 2012. But it noted that the sector faces a slight currency mismatch, with foreign exchange loans accounting for 27.6% of the total credit and foreign exchange deposits representing 21.2% of the total at end-November 2011.

Source: Business Monitor International

NIGERIA

Real GDP to grow by 7.2% in 2012, non-oil sector to remain key driver of economic activity

Barclays Capital projected Nigeria's real GDP growth at 7.2% in 2012 relative to 7.4% in 2011, as economic growth at the start of 2012 was severely disrupted by protests against the lifting of fuel subsidies. But it said that higher average oil production and prices would strengthen oil-sector GDP and lead to stronger overall growth. It expected the agriculture, construction, trade and financial sectors to remain the key drivers of growth this year, as last year's overall growth was almost entirely driven by the non-oil sector. It said that security issues in the country are distracting the government from its development and reform agenda, and are delaying critical reforms such as the passage of the Petroleum Industry Bill. It noted that the delay in endorsing the bill has been costly, as it created considerable uncertainty in the sector and stalled the execution of projects.

Further, Barclays Capital indicated that the inflation outlook remains uncertain following the government's decision to raise fuel prices by nearly 50% in January 2012 when it partially removed fuel subsidies. It noted that inflation accelerated to 12.6% year-on-year in January from 10.3% in December 2011 on sharply higher food inflation, but eased to 11.9% year-on-year in February. It expected the partial lifting of the fuel subsidy to continue to pose upside risk to inflation, suggesting that monetary policy will likely remain tight this year. It expected inflation to reach 13.3% at end-2012 and to peak at around 14% in the middle of the year, in line with the Central Bank's upper limit of the 11% and 14.5% projection range for the first half of 2012. In parallel, Barclays Capital projected Nigeria's current account surplus at 6.4% of GDP in 2012 up from 5.1% of GDP in 2011, and its fiscal deficit to remain at 3% of GDP this year. Further, it said that foreign exchange reserves fluctuated around \$34bn and \$35bn since the beginning of the year, up from \$33bn at end-2011. It forecast foreign exchange reserves to reach \$37bn end-2012.

Source: Barclays Capital



ECONOMY & TRADE

GCC

Corporate profits up 26% to \$52bn in 2011

Corporate earnings of publicly-listed firms in the Gulf Cooperation Council (GCC) economies totaled \$52.3bn in 2011, constituting an increase of 26.3% from \$41.3bn in 2010. The increase was mainly driven by a 40% growth in commodity companies' earnings and a 17% increase in banks' profits; while the real estate sector continued its recovery with aggregate net income reaching \$2.4bn compared to losses of \$3.6bn in 2010. The telecommunications sector continued to drag overall earnings with a bottom-line drop of 23% due to a decline in revenues' growth and foreign exchange losses. Saudi Arabia led the region's corporate earnings with \$24.9bn in 2011 and accounted for 47.6% of the total. It was followed by Qatar with \$9.7bn, or 18.5% of the total, the UAE with \$9.15bn (17.5%), Kuwait with \$5.5bn (10.5%), Bahrain with \$1.7bn (3.3%) and Oman with \$1.4bn (2.6%). Corporate earnings in the UAE rose by 10.4% year-on-year, followed by the income of firms in Bahrain with a 64% growth, firms' earnings in Saudi Arabia with a 19.5% increase, the profits of corporates in Qatar with a 19.2% rise, and income of firms in Kuwait with a 5.6% growth; while the income of Omani companies regressed by 20.5% year-on-year.

Source: Kuwait Financial Center

SUDAN

Oil receipts to account for 20% of public revenues in 2012, tax receipts to contract by 10%

The government of Sudan projected total public revenues, including grants, at 23,695m Sudanese pounds in its 2012 budget, constituting an increase of 5% from 2011. It forecast non-oil revenues to rise by 22% this year and to account for 75% of overall government income compared to 67.5% last year. It expected oil revenues to represent 20% of total receipts in 2012 relative to 32.6% last year. In parallel, it estimated non-tax revenues to account for 55% of overall government income in 2012, followed by tax receipts at 39.5% of overall revenues, and grants at 5% of the total this year. It forecast non-tax revenues to increase by 15% year-on-year, tax receipts to drop by 10% in 2012, and grants to grow by 44%. Also, it projected revenues from taxes on income, profits & capital gains to drop by 11% year-on-year; receipts from tax on goods & services to decline by 7%; and for income from taxes on trade & international transactions to contract by 17%. The 2012 budget shows that revenues from taxes on goods & services would account for 62% of total tax receipts; income from taxes on trade & international transactions for 27.5% of tax revenues; and proceeds from taxes on income, profits & capital gains for 10% of overall tax receipts. In parallel, the government projected proceeds from the sale of goods & services to drop by 32% year-on-year, driven by a contraction of 36% in oil revenues. Further, the budget forecast income from government properties, which accounts for 8.5% of non-tax revenues, to rise by 131% year-on-year. In addition, it projected income from royalties, mostly transit fees of oil shipped from South Sudan, to jump by 145% this year to SG 6,560m and to account for 28% of overall revenues.

Source: Ministry of Finance, Byblos Research

CÔTE D'IVOIRE

Growth to rebound to 8% in 2012

The International Monetary Fund projected Côte d'Ivoire's real GDP to grow by around 8% in 2012 relative to a contraction of 4.7% in 2011. It also expected real non-oil GDP growth to improve to 3.5% this year compared to 2.7% last year. But it warned that the current uncertain global economic and financial environment poses a number of risks to the outlook. It said weak growth prospects in advanced economies would lead to a significant decline in oil prices. It added that a worsening of global financing conditions would make it more difficult to roll over some of the government-related entities' (GREs) maturing external debt, and would affect liquidity conditions in the banking system. It also projected the country's overall GDP growth to moderate to 2.3% in the near-term due to limited potential for further increases in oil production. Further, the IMF expected inflation to remain subdued at around 1.5% this year down from 1.9% last year, despite the uncertain global environment. In parallel, the IMF welcomed the government's efforts to strengthen public financial management and to improve the business climate. But it stressed the need for further progress to resolve problems at some state-owned enterprises, including publicly-owned commercial banks; ensuring that the electricity sector becomes financially viable in the medium term; and activate the new National Debt Management Committee. It noted that the planned gradual pace of fiscal tightening will strengthen public finances without undermining the economic recovery.

Source: International Monetary Fund

UKRAINE

Outlook revised to negative on high external refinancing needs

Standard & Poor's affirmed its 'B+/B' long- and short-term local and foreign currency sovereign ratings on Ukraine and revised its outlook to 'negative' from 'stable'. It also lowered the long-term national scale rating to 'uaA+' from 'uaAA-', and affirmed the transfer and convertibility assessment at 'B+'. It attributed the 'negative' outlook to increased risks about Ukraine's significant fiscal and external refinancing needs. It added that the ratings are constrained by the government's unwillingness to make further structural improvements to public finances, and by its highly leveraged financial sector that has a high level of non-performing loans (NPLs). It estimated the government's gross refinancing needs for 2012 at about \$10bn, of which \$2bn in maturing external debt; and the economy's refinancing needs in 2012 at around \$50bn this year. It noted that private sector companies other than banks hold 51% of Ukraine's external debt, followed by the public sector with 28%, and banks with 21%. It said that the lack of clarity over the direction of government policy about the ongoing negotiations with the IMF and Russian gas company Gazprom generated the increased risk aversion towards Ukraine's funding needs. S&P said that it would downgrade the ratings if the country's external liquidity remains under pressure, as highlighted by the currently suspended IMF program, the economy's lack of access to international capital markets, and sustained high current account deficits.

Source: Standard & Poor's



BANKING

GCC

Banking sectors to face funding gap in case of drop in European lending

Moody's Investors Service expected some banking systems in the Gulf Cooperation Council (GCC) countries to face funding gaps in case of a sustained decrease in lending from European banks to the region. It estimated total European bank lending to the GCC region at around \$237bn as of September 2011. Moody's indicated that the banking systems of Saudi Arabia, Kuwait and Oman are the least vulnerable, as European bank financing is equivalent to around 10% of GDP in each of the three economies. It added that these economies are not highly reliant on European funding and are the best positioned to withstand a sustained retrenchment. Also, it considered that the banking sectors of Qatar, the UAE and Bahrain's onshore retail banks are moderately vulnerable. It pointed out that European banks' financing in the UAE and Qatar is equivalent to 25% of GDP each; while that of Bahrain's onshore retail banking sector is equivalent to 75% of GDP but with banks' foreign assets matching their liabilities. It warned that a sustained withdrawal of foreign funding would be a structural issue for all three countries in the long-term, while any gap in funding would put pressure on the local economy. Further, it said that Bahrain's off-shore wholesale banks are highly vulnerable, given that European funding accounts for about 40% of the \$120bn in liabilities held by these banks.

Source: Moody's Investors Service

CHINA

Banks' profitability to erode in 2012

Standard & Poor's expected the profitability of Chinese banks to erode in 2012 due to a slowdown in China's domestic economy, a correction in the local property market, refinancing challenges surrounding sizable local government debt, and a possible softening of lending rates. It said that the economic slowdown would temper the growth of China's banking sector and affect its credit performance in 2012. It noted that the availability of new credit remains restrained as China tightened credit policies in 2011 to contain inflation, which put significant pressure on the liquidity positions of corporate borrowers. It pointed out that moderate deposit growth and a rigid regulatory cap of 75% on the loans-to-deposits ratio have constrained banks' capacity to lend further. It expected loan growth to slow down to between 12% and 14% in 2012 from 15.7% in 2011, and for the sector's aggregate loans-to-deposits ratio to come closer to the regulatory ceiling of 75% in 2012. Further, it said that Chinese banks' credit performance would be significantly worse than forecast if rigid government policies induce a liquidity squeeze in industries and segments that face refinancing uncertainties. As such, it pointed out that the expected rise in credit losses and a drop in net interest margins would decrease Chinese banks' profitability. However, S&P said that the banking sector's low NPL base and good earnings capacity, along with a still robust economy, give Chinese banks adequate room to absorb a possible moderate increase in credit losses. It added that the local regulator's increases in loan-loss reserve requirements pushed banks to increase their credit risk buffers in the past few years.

Source: Standard & Poor's

INDIA

Slower growth and tighter margins to affect banks' performance

Standard & Poor's expected the operating performance of Indian banks to remain weak in fiscal year 2012/13 due to slower economic growth, a drop in credit expansion, rising delinquencies, and tighter net interest margins. It expected the asset quality of Indian banks to remain weak in FY2011/12 and FY2012/13 due to the moderation in economic activity and high inflation, and interest rates. It also anticipated a sharp rise in restructured loans in FY2011/12 and FY2012/13. It forecast credit growth in India to decline to around 16% to 17% in FY2011/12 and FY2012/13, respectively, from around 23% in FY2010/11. It warned that the banks' asset quality would deteriorate further and weaken the credit profile of the industry if the economy slows significantly or if inflation or interest rates rise unexpectedly. As such, it expected the credit costs of banks to be high in the next few years. Further, it projected net interest margins to remain tight in FY2012/13 due to intensifying competition amid low credit growth, and borrowers' limited ability to absorb higher interest rates. It noted that the decline in asset quality and earnings would weaken the stand-alone credit profiles of a few Indian banks. It forecast the banks' risk-adjusted capital to increase by at least 100 to 200 basis points after the implementation of Basel III, which would strengthen the credit profiles of domestic banks over the next three to five years.

Source: Standard & Poor's

RUSSIA

Banks under pressure from weakening investor confidence

Moody's Investors Service indicated that banks operating in Russia are exposed to weakening investor sentiment due to the Eurzone crisis and reduced domestic growth expectations. It said that this environment is exerting liquidity pressure on the banks through restricted access to wholesale funding, higher credit risks, and delayed recoveries of problem loans. As such, it said that investor confidence would remain weak in this environment, constituting a credit negative for the banking system, as it will intensify the already existing credit and liquidity risks. It expected investors to request higher yields on Russian debt in 2012, which would increase the overall funding costs for Russian issuers. It noted that the continuing net capital outflows from Russia, which intensified in the second half of 2011 and totaled \$84bn last year, constitute a key indication of weak investor confidence. However, Moody's expected the liquidity support from the government to remain a key strength of the Russian banking system despite the challenging operating environment for banks this year. It anticipated an increase in government support to banks during the first half of the year, but it noted that support is likely to return to normalized levels in the second half of 2012 because of the growing budget deficit and the need to maintain inflation targets.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Brent falls below \$124 on concerns about Chinese demand

Brent crude prices declined below \$124 a barrel, after weak Chinese manufacturing data increased concerns that energy demand growth could weaken in the country. Brent crude prices declined 58 cents to \$123.6 a barrel on March 22 after settling at \$124.2 a barrel during the previous session. Also, U.S. crude prices decreased 76 cents to \$106.5 a barrel. Oil prices came under pressure from renewed worries about the Eurozone debt crisis affecting oil demand. U.S. crude stocks fell by 1.2 million barrels to 346.3 million barrels in the week to March 16th. Further, oil markets continue to be driven by the prospect of supply disruptions from Iran, but assurances from Saudi Arabia that it would make up for any supply shortfalls are restraining price hikes. South Korea stated that it would support an oil release from strategic reserves by industrialized countries to help contain high prices, but has yet to receive a request from the International Energy Agency.

Source: Thomson Reuters

Iraq approves Hormuz oil exports contingency plan

The Iraqi government approved a plan to expand its oil export routes by adding capacity in its northern fields and building a pipeline to ship oil from southern fields to Ceyhan in Turkey. It said that the plan aims to deal with any potential crisis should Iran close the Strait of Hormuz, which would halt about 80% of Iraq's oil exports. Iraq exports some 1.7 million barrels a day from its southern oil terminals, where vessels are loaded with crude oil and depart for various parts of the world via the Strait of Hormuz. Total Iraqi oil exports stand now at 2.2 million barrels a day.

Source: Thomson Reuters, Wall Street Journal

U.S. granted exemptions to 10 EU countries and Japan from economic sanctions

The United States granted exemptions from U.S. economic sanctions to 10 European Union countries and Japan as they have significantly reduced their purchases of petroleum from Iran. Banks and financial institutions from Belgium, Britain, the Czech Republic, France, Germany, Greece, Italy, the Netherlands, Poland, Spain and Japan will not be subject to penalties under the U.S. law. Further, Turkey announced that negotiations are underway to earn waivers from U.S. sanctions on crude oil imports from Iran. Turkey imports 34% of its oil and 20% of its natural gas from Iran.

Source: AFP

Sudan offers gold, iron and copper exploration licenses as collateral for external loans

Sudan offered gold, iron and copper exploration licenses as collateral to potential creditors as it is seeking external loans. As Sudan is suffering from an economic crisis, and is finding difficulties in obtaining loans from external creditors. The Sudanese Ministry of State has been tasked with providing the Finance Ministry with information and feasibility studies on potential metals exploration blocks. Sudan pays around \$600m a year in debt and interest repayments.

Source: Sudan Tribune

Base metals: Mixed performances with cautious investors

Prices of base metals were mixed in the past week, where investors became more cautious about trading. Three months aluminum and copper prices led the way higher in the past week, rising by 2.1% and 1.5%, respectively. Tin prices rose by just 0.5%, while zinc prices fell by 0.6% week-on-week. Also, lead and nickel prices fell by 1.5% and 1.4% week-on-week, respectively.

In parallel, China's copper demand remains low and inventories are at an elevated level. However, London Metal Exchange (LME) copper inventory has extended declines and is now 29% lower year-to-date. On the LME, the cash to three-month spread of copper increased to \$31.5 per ton on March 19 after stocks fell last week. This indicates a tightening futures market and a warning of higher prices ahead. China's copper stocks rose to a record high of 227,000 tons as of March 16, equivalent to around 1.6 weeks of domestic use. The rising stock level implies near-term copper surpluses, which has negatively impacted spot premiums. Indonesia announced an export ban on nickel ores to start in May 2012, which was previously planned to take effect in 2014. Indonesia is the world's largest exporter of nickel ores to China, accounting for 77% of China's imports in January.

Source: Standard Chartered

Precious metals: Gold extends losses amid weaker U.S. dollar

Precious metals prices declined in the past week, with gold extending losses and prices falling by 1.4% week-on-week. The renewed weakness in the U.S. dollar failed to support precious metals' prices. Further, gold investors have turned more cautious on gold, where fund managers reduced their net long positions in gold by 5% between March 6th and 13th. Spot gold prices remained unchanged at \$1,652 an ounce on March 22 in Singapore. Also, India raised the import tax on gold bullion to 4% from 2% starting March 17, and jewelry demand is expected to be affected by the increase. While major ETFs for palladium rose by 1.3% week-on-week, platinum saw investor outflows of 0.1%. Investors have been retreating from platinum since early March, after they increased their positions in January and February.

Source: Standard Chartered, 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	21,000
Tin	26,347	26,000	25,500
Zinc	2,209	2,200	2,450
(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								
Africa													
Algeria	-	-	-	-	BB	-2.6	10.7	1.9	4.8	1.7	2.1	13.7	1.3
Angola	BB- Stable	Ba3 Stable	BB- Stable	-	B Negative	7.9	29.9	17.4	28.2	8.9	-	12.0	10.7
Egypt	B Negative	B1 Negative	BB- Negative	BB+	CCC Stable	-9.9	76.2	13.8	73.4	7.8	128.6	-1.9	2.4
Ethiopia	-	-	-	-	B Stable	-2.1	39.4	-	165.9	-	-	-6.3	0.7
Ghana	B Stable	-	B+ Stable	-	BB Positive	-4.2	38.1	19.4	50.1	-	-	-6.5	7.7
Ivory Coast	-	-	-	-	CCC Stable	-6.4	93.3	48.7	108.3	-	-	1.0	1.7
Libya	BB Negative	-	B Stable	-	B Stable	-	-	8.6	-	2.0	-	-	3.6
Mauritania	-	-	-	-	-	-2.8	62.0	70.0	96.6	-	700.0	-7.5	0.3
Morocco	BBB- Stable	Ba1	BBB- Stable	BBB-	BB Stable	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+ Stable	-	BB- Stable	-	B Stable	0.4	15.7	5.0	12.4	0.4	-	13.5	2.6
Sudan	-	-	-	-	C Stable	-2.8	78.2	61.0	301.6	-	4,825	-7.3	2.3
Tunisia	BBB- Negative	Baa3 Negative	BBB- Negative	BBB	B Stable	-4.1	41.7	58.2	111.3	8.4	285.6	-5.7	3.2
Middle East													
Bahrain	BBB Negative	Baa1 Negative	BBB Negative	BBB+	BBB Stable	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+ Stable	BB- Stable	B Stable	2.4	9.2	3.0	10.9	2.1	14.3	7.8	0.8
Iraq	-	-	-	-	CCC Stable	-8.7	42.3	37.1	53.2	-	72.4	-0.9	1.7
Jordan	BB Negative	Ba2 Negative	-	BB	B Stable	-6.1	68.5	23.8	53.4	5.1	59.8	-6.7	6.4
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA-	A Stable	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B Positive	B1	B Stable	B	CCC Stable	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A Negative	A2	-	A	A Stable	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA- Stable	Aa2 Stable	-	AA-	AA Stable	7.7	38.2	70.1	115.5	7.8	703.9	32.6	2.9
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA-	BBB Stable	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	BB- Stable	CCC Stable	-11.0	27.5	11.0	36.8	-	43.6	-6.1	2.4
UAE	-	Aa2	-	AA-	BB Stable	5.8	18.5	44.4	53.5	7.2	293.3	10.3	0.6
Yemen	-	-	-	B- Negative	CC Stable	-7.1	42.9	18.0	58.4	-	244.4	-5.3	-1.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-	-3.8	41.5	65.5	304.5	-	352.6	-11.7	6.4
	-	Negative	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.1	17.8	84.7	90.3	19.3	240.1	1.6	4.0
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	1.7	12.9	67.7	138.4	40.5	312.9	5.9	1.5
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	BB	-4.4	34.4	72.3	189.9	24.6	256.0	-4.5	2.1
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	1.9	11.7	22.5	73.7	9.7	75.4	5.5	-0.7
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-0.8	40.3	44.2	184.9	28.6	361.8	-10.3	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-4.1	39.3	79.0	145.9	36.5	316.4	-3.9	4.2
	Negative	Negative	Stable	-	Positive								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2011



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	13-Mar-12	No change	24-Apr-12
Eurozone	Refi Rate	1.00	08-Mar-12	No change	04-Apr-12
UK	Bank Rate	0.50	08-Mar-12	No change	05-Apr-12
Japan	O/N Call Rate	0-0.10	13-Mar-12	No change	10-Apr-12
Australia	Cash Rate	4.25	06-Mar-12	Cut 25bps	03-Apr-12
New Zealand	Cash Rate	2.50	08-Mar-12	No change	26-Apr-12
Switzerland	3 month Libor target	0.00	15-Mar-12	No change	14-Jun-12
Canada	Overnight rate	1.00	08-Mar-12	No change	17-Apr-12
Emerging Markets					
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	22-Mar-12
South Korea	Base Rate	3.25	08-Mar-12	No change	13-Apr-12
Malaysia	O/N Policy Rate	3.00	09-Mar-12	No change	03-May-12
Thailand	1D Repo	3.00	25-Jan-12	Cut 25bps	21-Mar-12
India	Reverse repo rate	8.50	15-Mar-12	No change	17-Apr-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	21-Feb-12	No change	27-Mar-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	Apr-12
Nigeria	Monetary Policy Rate	12.00	30-Jan-12	No change	20-Mar-12
Ghana	Prime Rate	13.50	Feb-12	Raise 100 bps	01-Apr-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	9.75	07-Mar-12	Cut 75bps	18-Apr-12
Armenia	Refi Rate	8.00	07-Mar-12	No change	N/A
Romania	Policy Rate	5.50	03-Feb-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.15	14-Mar-12	Cut 3bps	N/A
Kazakhstan	Refi Rate	7.00	14-Feb-12	Cut 50bps	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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