

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity-backed buyout deals at \$46bn in first quarter of 2012

Figures issued by research provider Preqin show that the aggregate value of private equity-backed buyout deals totaled \$46.3bn in the first quarter of 2012, constituting a decrease of 20% from the preceding quarter. Also, the number of equity-backed buyout deals stood at 663 in the covered quarter, similar to the quarterly average in each of 2010 and 2011. Preqin said that the strong deal volume, along with subdued deal value, indicate that smaller-sized deals have grown significantly in recent quarters. Buyout transactions in North America accounted for \$25.3bn or 54.6% of the global aggregate value of buyouts, followed by Europe with a two-year low of \$12.7bn (27.4%), and Asia & the Rest of the World with \$8.3bn (18%). The aggregate value of deals in Europe dropped by 47% from the preceding quarter, followed by Asia & the Rest of the World with a decrease of 27.2% quarter-on-quarter, and North America with a contraction of 17% from the fourth quarter of 2011. Also, leveraged buyout deals accounted for 62% of the aggregate value and for 44% of the total number of deals; while add-on deals represented 35% of the total number of deals. Private equity-backed buyout deals valued at less than \$250m accounted for 82% of the total number of deals, constituting an increase of four percentage points from the previous quarter. In parallel, the aggregate value of exits stood at \$46.4bn in the first quarter of 2012, up 11% from the preceding quarter for a total of 283 exit deals.

Source: Preqin

Sovereign wealth fund's AUM at \$4 trillion at end-2011

Research provider Preqin indicated that sovereign wealth funds (SWF) had \$4.62 trillion in assets under management (AUM) in early 2012, constituting an increase of 15% from \$3.98 trillion at end-2011 and compared to \$3.59 trillion at end-2010, \$3.22 trillion at end-2009 and \$3.05 trillion at end-2008. It attributed the increase in AUM mainly to the fact that many of the funds that were launched in recent year are currently fully operational or are preparing to invest their capital. It said that 85% of SWFs invested in public equities in 2011; while 76% invested in fixed income; 59% in private equity; 56% in real estate; 61% in infrastructure and 36% in hedge funds. In comparison, 83% of SWF invested in public equities in early 2012, 82% invested in fixed income, 57% placed funds in private equity, 56% in infrastructure, 54% in real estate, and 38% in hedge funds. The survey said that 88% of the SWFs that invest in real estate make their investment directly relative to 61% that make them indirectly through private real estate funds. It pointed out that debt and distressed funds are favored by 55% and 45% of SWFs, respectively; while 40% have a preference for core-plus vehicles. It said that only 10% of SWFs like to invest in real estate funds of funds.

Source: Preqin Sovereign Wealth Fund Review

EMERGING MARKETS

Remittance inflows to increase by 7% to \$399bn in 2012

The World Bank revised upwards its estimate for remittance inflows to developing economies to \$372bn in 2011 from a December forecast of \$351bn, constituting an increase of 12.1% from \$332bn in 2010 and accounting for 74.3% of global remittance flows. It also projected remittance inflows to developing economies to rise by 7.2% to \$399bn in 2012 and to grow by 7.8% to \$430bn in 2013. It said the inflows will account for 74.9% and 75.3% of global remittance flows in 2012 and 2013, respectively. It expected inflows to East Asia & Pacific to reach \$115bn in 2012 and to account for 28.8% of remittances to developing economies, followed by South Asia with \$104bn (26.1%), Latin America & the Caribbean with \$66bn (16.5%), Europe & Central Asia and the Middle East & North Africa with \$45bn each (11.3%, each), and Sub-Saharan Africa with \$24bn (6%). Also, it forecast the growth rate of remittance inflows to Europe & Central Asia at 8.8%, followed by Latin America & Caribbean at 7.6%, South Asia at 7.4%, East Asia & Pacific at 7.3%, Sub-Saharan Africa at 6.3%, and the Middle-East & North Africa at 5.1%. In parallel, the World Bank projected remittance inflows to middle-income countries at \$369bn and to low-income countries at \$30bn in 2012, compared to \$344bn and \$28bn in 2011, respectively. Inflows to middle-income countries would account for 92.5% of remittances to developing economies in 2012.

Source: World Bank, Byblos Research

FDI outflows down 3.3% to \$430bn in 2011

Preliminary figures released by the UN Conference on Trade & Development (UNCTAD) show that foreign direct investment outflows from developing and transition economies reached \$429.6bn in 2011, constituting a decrease of 3.3% from \$444.1bn in the preceding year. FDI from developing economies dropped by 6.8% year-on-year to \$356.5bn in 2011, while outflows from transition economies reached an all-time high of \$73.1bn, up 18.7% from 2010. UNCTAD attributed the drop in FDI outflows from developing economies to significant declines in outward FDI from Latin American & the Caribbean and a slowdown in the growth of investments from developing Asia. UNCTAD noted that FDI from developing and transition economies accounted for 25.8% of global FDI outflows last year. It said that FDI from East Asia reached \$182.1bn in 2011, followed by Latin America & the Caribbean with \$79.4bn, transition economies with \$73.1bn, South-East Asia with \$59.5bn, West Asia with \$18.1bn, South Asia with \$15.2bn, and Africa with \$2.1bn. Further, FDI from West Asia rose by 41.1% year-on-year, followed by South-East Asia with 36.2%, transition economies with 18.7% and South Asia with 1%; while FDI from Africa dropped by 58.2%, Latin America & the Caribbean by 29.3%, and from East Asia by 5.9%.

Source: UNCTAD

OUTLOOK

MENA

Oil supply shock and Eurozone crisis are key near-term risk to oil importing economies

The International Monetary Fund projected real GDP growth in the oil-importing economies of the MENA region at 2.2% in 2012 relative to 2% in 2011. It said a regional oil supply shock and a worsening of the Eurozone crisis constitute the main near-term risks, as they would have a substantial impact on oil importers' output and external balances. It noted that rising energy prices are likely to increase import bills in the largest oil importers; while a decline in mineral prices would adversely affect the region's mining exports. It expected Maghreb countries to face additional pressure due to reduced demand from European trading partners, and anticipated Jordan and Lebanon to continue to be affected by negative spillovers from Syria. It added that continuing concerns over social instability and policy uncertainty would lead to a slow recovery in tourism activity and private investment this year. The Fund expected the fiscal deficit of oil-importing economies to widen marginally to nearly 7.6% of GDP this year from 7.3% of GDP last year, and for their aggregate current account deficit to deteriorate to 4.1% of GDP in 2012 from 3.5% of GDP in 2011. It forecast the annual inflation rate of oil-importing economies at 9.2% in 2012 and 9.7% in 2013 relative to 9.5% last year. It expected inflation pressures to pick up in countries with planned cutbacks in subsidies, while weak aggregate demand and falling international food prices are likely to dampen inflation in other countries.

In parallel, the IMF encouraged countries facing diminishing foreign currency reserves to mobilize external financing in the near-term. It noted that excessive reliance on domestic financing in a low-growth environment would crowd out credit to the private sector, put pressure on domestic interest rates, worsen fiscal positions, and further slow the recovery. It also warned that exchange rate regimes would come under pressure as investors lose confidence.

Source: International Monetary Fund

SUDAN

Real GDP to contract by 7.3% in 2012, non-oil activity to shrink by 0.4%

The International Monetary Fund projected real GDP in Sudan to contract by 7.3% in 2012 and 1.5% in 2013 compared to a contraction of 3.9% in 2011. It forecast the country's non-oil real GDP to contract by 0.4% in 2012 and 0.9% in 2013, relative to growth of 1.8% in 2011, and compared to non-oil growth of 4.4% and 4.3%, respectively, for oil exporters in the MENA region. It expected Sudan's oil production to decline from 300,000 barrels per day in 2011 to 100,000 b/d in each of 2012 and 2013. It forecast Sudan's annual average inflation rate at 23.2% in 2012 and 26% in 2013, up from 18.1% in 2011. Also, it forecast broad money to grow by 30.8% this year and 28.3% next year, up from 17.5% in 2011.

In parallel, the Fund projected the fiscal deficit at 3.9% of GDP in 2012 and 3.4% of GDP in 2013, relative to a deficit of 2.9% of GDP in 2011. It estimated public revenues to decline from 15.1% of GDP in 2011 to 10.4% of GDP in 2012 and 10% of

GDP in 2013, and for total expenditures to regress from 18.4% of GDP in 2011 to 14.7% of GDP this year and 13.9% of GDP next year. Further, it forecast the government's non-oil revenues to regress from 8.4% of GDP last year to 7.8% of GDP this year and 8% of GDP next year. It also forecast the non-oil fiscal deficit to contract from 12.7% of non-oil GDP last year to 7.6% of non-oil GDP this year and 6.3% of non-oil GDP next year.

The IMF expected Sudan's public debt to reach 109% of GDP at end-2012 and 105% of GDP at end-2013, up from 73.1% at end-2011. It also forecast total gross external debt at 77.8% of GDP in 2012 and 91% of GDP in 2013, up from 60.5% of GDP in 2011. Further, the Fund estimated Sudan's exports of goods & services to decline from \$12.4bn in 2011 to \$6.3bn in each of 2012 and 2013; and for imports of goods & services to contract from \$10.5bn in 2011 to \$8.8bn in 2012 and \$8.5bn in 2013. It forecast the country's current account balance to shift to a deficit of \$2.4bn, equivalent to 4.6% of GDP in 2012, and a deficit of \$1.9bn or 4% of GDP in 2013, relative to a surplus of \$1.3bn or 2.1% of GDP in 2011. The Fund expected the gross official reserves to reach \$0.1bn at end-2012.

Source: International Monetary Fund

ARMENIA

Real GDP growth at 3.8%, fiscal deficit at 3.1% of GDP in 2012

The International Monetary Fund projected economic growth in Armenia at 3.8% for 2012 and 4% for 2013 compared to growth in oil importing countries in Caucasia & Central Asia (CCA) of 5.3% in 2012 and 5.2% in 2013 and to growth in CCA countries of 5.6% in 2012 and 5.4% in 2013. It forecast Armenia's annual average inflation rate at 4% in 2012 and 4.2% in 2013 relative to 7.7% in 2011, compared to 4.1% and 6.3% for the region's oil-importing countries in 2012 and 2013, respectively. Also, it expected broad money to grow by 13.5% this year and 12.5% next year compared to 23.6% in 2011. The Fund projected the government's fiscal balance to post deficits of 3.1% of GDP in 2012 and 2.3% of GDP in 2013, relative to 2.7% of GDP in 2011. It estimated public revenues at 20.8% of GDP in 2012 and 20.9% of GDP in 2013, relative to 20.1% of GDP in 2011; and total expenditures at 25.1% of GDP this year and 24.4% of GDP next year, compared to 25.7% of GDP last year.

The IMF expected Armenia's public debt to increase to 37.6% of GDP at end-2012 and 38.7% of GDP at end-2013 from 35.1% at end-2011. It also forecast total gross external debt at 66.7% of GDP at end-2012 and 64.3% of GDP at end-2013 relative to 65.5% of GDP in 2011, and compared to external debt in CCA countries of 48.5% of GDP in 2012 and 46.4% of GDP in 2013. Further, the Fund estimated Armenia's exports of goods & services to rise to \$2.5bn in 2012 and \$2.7bn in 2013 from \$2.4bn in 2011, and for imports of goods & services to grow to \$4.9bn in 2012 and \$5bn in 2013 from \$4.7bn in 2011. It projected the country's current account deficit at \$1.2bn or 11% of GDP in 2012 and at \$1bn or 9.5% of GDP in 2013, relative to \$1.2bn or 12.3% of GDP in 2011. The Fund expected the country's gross official reserves to reach \$1.8bn at end-2012 and at end-2013, marginally down from \$1.9bn at end-2011.

Source: International Monetary Fund



ECONOMY & TRADE

WORLD

Corporate default rate at 2.3% at end-March 2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults increased to 2.3% at the end of March 2012 from 2% at the end of February and 1.8% at the end of 2011, but decreased from 2.6% at the end of March 2011. It said that 20 corporate issuers defaulted in first quarter of the year, including 11 that defaulted in March. The agency indicated that some of the defaults were related to the same corporate family, or represented the second defaults from issuers that had previously defaulted in recent years. It forecast the global speculative-grade default rate to increase to 3% by December 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at the end of the first quarter, compared to 1.8% in the last quarter of 2011 and 1.6% a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 17.2% at the end of the first quarter, down from 24.1% at the end of the preceding quarter, but significantly up from 7.7% a year ago.

Source: Moody's Investors Service

GCC

Assets under management at \$26.5bn

The aggregate value of private assets under management (AUM) in the Gulf Cooperation Council (GCC) countries stood at \$26.5bn at the end of 2011, with the GCC asset management industry consisting of about 100 asset management companies and 328 funds. Capital managed by Saudi Arabia country funds accounted for \$17.5bn or 66% of total AUM, followed by Kuwait country funds with \$4.3bn (16.3%) and GCC/MENA-mandated funds with \$3.6bn (14%); while funds in the UAE, Qatar, Oman and Bahrain accounted for the remaining \$1.1bn (4%). Also, money market funds accounted for \$14bn or 52.6% of total AUM in the GCC region, followed by equity funds with \$11.1bn (42%), while the remaining \$1.4bn (5.3%) is divided between specialized funds and fixed income funds. Further, Islamic funds managed \$17bn, or 64.2%, in assets at end-2011; while conventional funds managed \$9.5bn or 35.8% of the total. In parallel, there were 133 GCC/MENA-mandated funds, accounting for 40.5% of the region's total funds, at end-December 2011; followed by Saudi Arabia country funds with 112 funds (34%), Kuwait country funds with 47 funds (14.3%), UAE country funds with 18 funds (5.5%), Qatar country funds with 12 funds (3.7%), Oman country funds with five funds (1.5%) and one country fund for Bahrain. The number of equity funds stood at 211 at end-2011, followed by money market funds with 56, specialized funds with 39 and fixed income funds with 22. Also, there were 175 conventional funds and 153 Islamic funds at end-March 2012.

Source: Kuwait Financial Center

DEM REP CONGO

Economy faces significant challenges

The World Bank indicated that the Democratic Republic of Congo's (DRC) fragile macroeconomic stability faces significant challenges. It said that the fiscal balance is maintained on a cash basis rather than on a commitment basis, and that the continued use of this method over sustained periods of time undermines the credibility of fiscal policy. It added that security concerns affect the composition of spending as the defense budget is usually fully executed, while the execution rate is much lower for other ministries. It pointed out that there is no formal deposit insurance scheme, and that failures in banking supervision pose a fiscal risk as bank deposits tend to be implicitly guaranteed by the fiscal agent. It noted that the DRC remains at risk of debt distress, as authorities have contracted new debt following the debt relief by the country's creditors, which is resulting in higher debt-to-GDP ratios. In parallel, the World Bank considered that the DRC's primary challenge is to raise the level of transparency and accountability at public institutions. It noted that publicly-announced policies are not implemented; budgets approved by Parliament are not respected; government agencies are managed as sovereign entities and not as institutions of the state; revenue agencies are paid for mobilizing revenues and not for delivering public services; and some public agencies request payment for services that are no longer being delivered. It pointed out that poor governance has a large impact on firms operating in the country, but that the extent of the impact depends on the size of the company. It added that poor governance limits the performance of small and medium-sized enterprises and slows their growth rate substantially; while large telecommunications and mining companies are challenged by the tax and regulatory authorities in a more formal manner that also raises the cost of doing business.

Source: World Bank

INDIA

Outlook revised to negative

Standard & Poor's revised the outlook on India's long-term sovereign rating to 'negative' from 'stable' and maintained the rating at 'BBB-'. It attributed the change in outlook to "at least a one-in-three likelihood of a rating downgrade" in case of a continuous deterioration of the country's external position, diminishing growth prospects, or slowing progress on fiscal reforms. It said that India's investment and economic growth slowed, and its current account deficit widened, which resulted in a weaker medium-term credit outlook. It expected the government to face challenges in implementing policy measures to improve its fiscal and macroeconomic indicators in the near future, given the current unfavorable political environment. It pointed out that India's large fiscal deficit and debt levels, as well as its lower middle-income economy, constrain its ratings. Further, the agency expected India's gross external financing needs to increase to 92% of current account receipts and international reserves in FY2012/13 from 88% in FY2011/12. It said that higher dependency on external portfolio equity flows increases the vulnerability of the economy to external shocks.

Source: Standard & Poor's



BANKING

UAE

NPLs to increase significantly in 2012

The International Monetary Fund expected non-performing loans (NPL) in the UAE's banking sector to rise significantly this year due to the ongoing restructuring of Dubai Holding, the potential restructuring of other Government-Related Entities' (GRE) debt, and distressed real estate companies. It said that NPLs in Dubai's banking sector reached 10.6% of gross loans at end-2011 and 4.6% of gross loans in Abu Dhabi, constituting a threefold increase in both emirates from their pre-crisis levels in 2008. It noted that the UAE's banking sector maintained its profitability despite higher provisioning, and anticipated profitability to remain constrained by cautious credit growth and the ongoing provisioning required to cover potential NPLs. However, the IMF said that its preliminary stress tests show that the banking system maintains significant buffers to address a further deterioration in asset quality. But it noted that some individual banks with high loan concentration in the real estate sector may have fewer buffers to deal with shocks. In parallel, the IMF expected the UAE Central Bank to continue to closely monitor the liquidity of individual banks and encourage them to proactively manage liquidity risks. But it noted that domestic banks increased their liabilities to foreign banks since the second half of 2011. As such, it warned that a foreign funding shock would generate some foreign currency liquidity tightening despite the sector's comfortable liquidity level. Further, the Fund warned that GREs would increasingly turn to domestic banks for their funding needs in case they face difficulties in external market financing. It stressed the importance of avoiding channeling bank funding to non-viable GREs in order to maintain the integrity of the banking system.

Source: International Monetary Fund

BAHRAIN

Negative outlook on banking sector

Moody's Investors Service indicated that the outlook on Bahrain's retail banking system remains 'negative', reflecting the fragile operating environment that is resulting in slow economic growth prospects and increased downside risks over the 12 to 18 months. It said that these conditions will weigh on retail banks' domestic asset-quality and profitability metrics. It expected the private-sector's confidence, investment appetite and FDI to remain low over the outlook period, leading to weak business growth prospects for banks. It forecast the aggregate NPLs ratio for the largest banks to likely exceed 8% by end-2012 from around 7.5% at end-2011. It said that risks from weak loan performance will mainly be in the real-estate sector and at small and mid-sized enterprises in cyclical industries like tourism and retail trade, which account for around 21% of the country's GDP. It expected the ongoing social unrest to likely prevent a near-term recovery in these sectors to pre-crisis levels. However, the agency expected banks to continue to have an adequate earnings capacity in order to absorb elevated levels of provisioning expenses. It said that systemic risks will be mitigated by banks' healthy liquidity and relatively strong capital positions despite weakening asset quality and profitability.

Source: Moody's Investors Service

NIGERIA

Banking sector's recovery to take time

Business Monitor International revised downward its growth forecasts for Nigeria's banking sector in 2012, adding that the sector's recovery is likely to be more subdued than previously anticipated. It projected the sector's aggregate assets to grow by 10% in 2012 and for deposits to increase by 18%, compared to previous projections of 22% growth for each. But it expected the sector's expansion to accelerate in the long-term, with the restoration of confidence and the emergence of profitable lending opportunities. It said that the sector's aggregate assets stood at NGN12.31 trillion or \$76.94bn at end-2011, constituting a contraction of about 5.5% from end-2010. It attributed the subdued performance in large part to the stagnation in lending, which remained at about NGN8 trillion, or \$50bn, ever since the Asset Management Corporation of Nigeria (AMCON) intervened to buy back bad debt from struggling institutions. It noted that clients' loans represent a relatively stable share of 60% to 65% of total assets. However, it noted that credit to the private sector increased by 39.1% year-on-year in February 2012 and grew by 40% in January, posting the highest growth rate in nearly three years due to a relatively low base in 2011. In parallel, BMI said that the Nigerian banking sector's landscape was characterized last year by mergers and acquisitions; changing regulations to strengthen the industry and avoid the drawbacks of the past; and the introduction of Islamic banking.

Source: Business Monitor International

CHINA

Banking sector has stable outlook

Moody's Investors Service stated that China's banking sector outlook is 'stable'. It said the 'stable' outlook reflects real GDP growth of about 8% this year, an environment that will allow Chinese banks to maintain profitability and manage a likely gradual rise in credit costs; as well as the banks' solid capital and loss-reserve levels, their strong deposit funding base, and very low vulnerability to external liquidity shocks. However, the agency expected non-performing loans to rise in the next 12 to 18 months as loans made during the credit boom of 2009 and 2010 come due when China's economic growth moderates. The agency identified three areas of concern for China's banking sector. First, it said that the continued downward correction in property prices is increasing risks to real estate borrowers and to banks with loans collateralized by property. Second, it noted that the sector's exposure to local governments raises risks in the case of slowing revenues to local administrations from reduced economic growth, the weak property market, and rising debt repayment pressures. Third, it pointed out that sectors such as wholesale and retail, manufacturing, and small- and medium-sized enterprises are susceptible to economic down-cycles and weak exports. However, Moody's noted the moderate relaxation of China's tight monetary policy, which will provide more flexibility for the People's Bank of China to address risks in the financial sector.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Brent steady at \$118 as investors remain cautious

Brent crude prices declined below \$119 a barrel on April 26 due to easing concerns of a disruption in Iranian oil exports and with higher U.S. crude stocks. U.S. Federal Reserve policy makers said that they expect growth to accelerate in the U.S., boosting speculation that fuel demand will rise. Brent crude prices fell 16 cents to \$118.9 a barrel on April 26 after settling at \$119.1 on the previous day. Also, U.S. crude prices decreased 12 cents to \$104 a barrel.

Further, the prospect of a loss of supplies from Iran helped drive oil markets higher this year, but evidence of rising output from other OPEC producers capped gains. Total OPEC output is running at an all-time high at 37.5 million barrels per day. Also, U.S. government data showed that a large buildup in U.S. crude inventories is pushing oil prices down, although a drawdown in refined fuel stocks provided some relief. The U.S. Energy Information Administration estimated that U.S. crude stocks rose almost 4 million barrels in the week to April 20, up for a fifth week in a row, while U.S. gasoline stockpiles fell by a larger-than-expected 2.24 million barrels.

Source: Thomson Reuters

Egypt's suspension of gas deal with Israel to yield benefits

Egypt's unilateral termination of its gas supply deal with Israel is expected to have a minor impact on Egypt's balance of payments and fiscal position. Egypt's total annual export revenues from the Israeli gas deal is estimated at \$230m, and the receipts dropped significantly since the onset of the revolution. Also, petroleum revenues account for around 20% of Egypt's fiscal revenues, which would also limit the impact of the deal's suspension on the country's fiscal position. Merrill Lynch said that the Egyptian authorities can increase the country's revenue stream over the medium-term by diverting gas supplies to other markets. Further, Egypt's selling price is estimated at around \$2.5 per million BTU compared to a selling price in Israel of \$3.8 per million BTU and relative to \$7.6 per million BTU in July 2005 when the agreement was signed, and at \$11.3 per million BTU in May 2008 when the gas started to flow to Israel.

Source: Merrill Lynch

Petrochemical projects in GCC at \$19bn

Petrochemical projects implemented in the Cooperation Council (GCC) economies are worth \$19bn, while projects with an estimated value of \$81bn are in different stages of planning. Saudi Arabia has \$12bn in projects being implemented and another \$41bn of future projects, constituting the highest such value among GCC countries. Saudi Arabia's petrochemical output is expected to account for 60.7% of the region's aggregate output by 2015, followed by Qatar with 14%, the UAE with 10.5%, Oman with 7.4%, Kuwait with 6.3% and Bahrain with 1.2%. Also, the region's total petrochemical output is projected to grow at a CAGR of 6.5% during the 2009-2015 period, with the UAE's output increasing by 23%, followed by Oman with a 9.6% rise, Qatar with 9%, Kuwait with 5.7% and Saudi Arabia with 4.3%; and that of Bahrain remaining unchanged.

Source: Kuwait Financial Center

Base metals: Copper prices rebound but still face headwinds

Prices of base metals were mixed in the past week, but copper prices rose above the key level of \$8,000 per ton on April 26 after falling below that level on April 16th. Copper prices reached \$8,121 per ton on April 26 on the London Metal Exchange. Fund managers are less bullish on copper prices, with net long positions in the U.S. falling by 25% week-on-week on April 24 to a 14-week low. This is a result of concurrent increases in short positions and a sharp decline in long positions.

In parallel, the latest production and import data for copper and aluminum show that China posted strong growth in March, where refined copper output rose by 8.5% year-on-year. Also, semi-finished copper products in China rose by 13.7% annually in March, primary aluminum output increased by 12% and semi-finished aluminum products rose by 7% year-on-year. Chilean copper producers expect the market to stay in deficit in 2012, although Chilean output is officially expected to rise by 10% in 2012 from a 3% decline in 2011.

Source: Standard Chartered, Bloomberg

Precious metals: Physical investors cut platinum holdings

Precious metals' prices declined in the past week, as physical investors were broadly neutral on gold, silver and palladium ahead of the U.S. Federal Reserve policy meeting on April 25th. However, physical investors aggressively reduced their holdings in platinum. Also, major platinum ETF holdings fell by 1.3% week-on-week on April 24 to the lowest level since late February. Anglo Platinum, the world's largest platinum producer, reported a 24% drop in platinum output during the first quarter of 2012.

Further, fund managers increased their net long positions in U.S. gold futures by 2.5% week-on-week as of April 17, but physical ETF holdings have been declining since end-March 2012. Also, Chinese imports of silver, palladium and platinum fell significantly year-on-year in the first quarter of 2012. However, weak supply data from South Africa is expected to provide support to platinum and palladium prices.

Source: Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2011	2012f	2013f
Aluminum	2,424	2,254	2,500
Copper	8,833	8,829	10,750
Lead	2,391	2,279	2,600
Nickel	22,896	21,298	21,000
Tin	26,042	25,734	25,500
Zinc	2,212	2,210	2,450
(\$Spot price, \$/ounce)			
Gold	1,573	1,810	2,000
Palladium	733	721	850
Platinum	1,720	1,752	2,050
Silver	35	33	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	-	BB 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-	B 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+	BB Stable	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+ Stable	BB- Stable	CCC 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-	-	BBB	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	04-Apr-12	No change	03-May-12
UK	Bank Rate	0.50	05-Apr-12	No change	09-May-12
Japan	O/N Call Rate	0-0.10	10-Apr-12	No change	27-Apr-12
Australia	Cash Rate	4.25	03-Apr-12	Cut 25bps	01-May-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	17-Apr-12	No change	05-Jun-12
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	Mar-12	No change	24-Apr-12
Taiwan	Discount Rate	1.88	22-Mar-12	No change	28-Jun-12
South Korea	Base Rate	3.25	13-Apr-12	No change	10-May-12
Malaysia	O/N Policy Rate	3.00	09-Mar-12	No change	03-May-12
Thailand	1D Repo	3.00	21-Mar-12	No change	02-May-12
India	Reverse repo rate	8.00	17-Apr-12	Cut 50bps	18-Jun-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 100bps	N/A
Turkey	Base Rate	5.75	18-Apr-12	No change	29-May-12
South Africa	Repo rate	5.50	29-Mar-12	No change	24-May-12
Kenya	Central Bank Rate	18.00	Apr-12	No change	May-12
Nigeria	Monetary Policy Rate	12.00	20-Mar-12	No change	21-May-12
Ghana	Prime Rate	14.50	Apr-12	Raise 100bps	Jun-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	16-Mar-12	No change	27-Apr-12
Brazil	Selic Rate	9.00	18-Apr-12	Cut 75bps	30-May-12
Armenia	Refi Rate	8.00	10-Apr-12	No change	N/A
Romania	Policy Rate	5.25	30-Mar-12	Raise 25bps	N/A
Bulgaria	Base Interest	0.15	01-Apr-12	No change	N/A
Kazakhstan	Refi Rate	6.5	02-Apr-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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