



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2.6% at end-April 2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.6% at the end of April 2012, up from 2.5% in March 2012, and compared to 2.4% in April 2011 and 1.8% at the end of 2011. It said that a total of 26 corporate debt issuers defaulted so far this year. The agency forecast the global speculative-grade default rate to increase to 3.1% by December 2012 and to reach 2.8% by April 2013. It said that these rates are relatively low compared to the historical average of 4.8% since 1983. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at end-April, unchanged from end-March 2012 and relative to 1.5% in April 2011 and 1.8% at end-2011. 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% at the end of April 2012, down from 17.2% at end-March 2012 but significantly up from 6% at end-April 2011.

Source: Moody's Investors Service

EMERGING MARKETS

Private equity investments in emerging economies to rise in next two years

A survey of private equity investors showed that 75% of limited partners (LPs) expect their commitments to emerging markets (EM) funds to increase over the next two years compared to 26% who anticipate an increase in their investments in developed markets funds in the same period of time. It said that 57% of LPs expect EM to account for 16% or more of their total private equity (PE) allocation over the next two years. It attributed the shift in PE allocations to optimism about the ability of EM economies to outperform developed markets. It noted that 72% of LPs anticipate their EM funds to deliver net returns of at least 16%, compared to 26% of LPs who predict their developed market funds to deliver the same returns. It added that 76% of LPs expect their China funds to generate returns of 16% or more over the next three to five years, followed by 71% of LPs that expect Southeast Asia funds to generate returns of 16% or more, 65% of LPs that cited Latin America funds, and 64% of LPs and 61% of LPs that cited Brazil and Turkey funds, respectively. It added that 28% of LPs are planning to begin investing in Brazil in the next two years, followed by 21% in Sub-Saharan Africa, 20% in India, 18% in China and 17% in the MENA region. In parallel, the survey pointed out that 57% of LPs cited fund management instability as their key concerns when committing to an EM private equity fund, followed by worries about portfolio company management talent for 36% of LPs, and corruption issues for 34% of LPs. It added that concerns about macro-level challenges in select markets, particularly political and regulatory risks, pose the most significant deterrents to new entrants, especially to Russia, Sub-Saharan Africa and the MENA region.

Source: EMPEA

MENA

Government subsidies total \$212bn in 2011, only 20% reach the poor

The International Monetary Fund indicated that the aggregate subsidies allocated by governments in the Middle East and North Africa (MENA) reached \$212bn in 2011, equivalent to 7.2% of the region's GDP. It said that fuel subsidies totaled \$164.5bn or 5.5% of GDP, followed by electricity subsidies with \$25.9bn or 0.9% of GDP, and food subsidies with \$21.9bn or 0.7% of GDP. It noted that governments provide substantial energy and food price subsidies to their populations to offer some relief from high commodity prices or to share the wealth from natural resources. But it pointed out that these policies are increasingly weighing on government budgets and debt levels, and are not the most efficient way to channel aid to the most vulnerable. It added that only 20% percent of subsidies reach the poor while the remaining 80% benefit those who are not in need. As such, it highlighted the need to replace wasteful price subsidy regimes with targeted social safety nets that better protect the poor. It said that social safety nets are more cost effective and leave more fiscal resources for other priority spending such as investment in infrastructure, education, and health, which would benefit populations at large. The IMF estimated that well-designed cash transfer systems in the region would typically result in about 50% to 75% of spending reaching the bottom 40% of the population, compared with 20% percent of the amount spent to subsidize fuel prices and 35% to subsidize food prices.

Source: International Monetary Fund

Global retailers heavily present in Arab markets

A survey of global retailers' international presence and expansion indicated that 53.1% of global retailers are present in the UAE, constituting the second highest concentration among 73 countries. It was followed by Saudi Arabia with 41.1% of global retailers (10th), Kuwait with 40.2% (12th), Bahrain and Qatar with 30.4% each (27th), Egypt with 23% (40th), Morocco with 18.4% (49th), Oman with 12% (64th), Libya with 4% (72nd), and Algeria with 1.5% (73rd). On a city basis, the survey showed that 53.8% of global retailers are present in Dubai, constituting the highest concentration among 208 cities worldwide. It was followed by Kuwait City with 39.5% of global retailers (8th), Riyadh with 37% (15th), Jeddah with 35% (19th), Abu Dhabi with 30.2% (36th), Doha and Manama with 29% each (42nd), Cairo with 22% (90th), Muscat with 10.3% (169th), and Rabat with 8.6% (180th). Further, the survey indicated that 61.2% of American retailers have at least one store in Dubai, constituting the second most favorable destination for U.S. retailers; followed by Kuwait with 49.3% as the third most favorable U.S. destination. It added that European retailers favor Arab countries, as the latter represent three of their top five target markets. Dubai is the most popular destination with 60.1% of European retailers having a presence there, followed by Kuwait City (44.3%), Riyadh (44.3%), and Jeddah (42.1%).

Source: CRBE

OUTLOOK

MENA

Currency devaluation risks on the rise

Business Monitor International considered that several currencies in North Africa and the Levant region are at risk of being devalued. It said that a combination of weak capital inflows, elevated global commodity prices, persistent political risks, and an overdependence on the Eurozone would result in a sustained deterioration in several countries' balance of payments positions, and put pressure on their fixed exchange rate regimes. It said that the Syrian pound was officially devalued on May 9 from SYP57 per US dollar to SYP62.4 per dollar, constituting the third devaluation since December 2011. It noted that the currency is trading at SYP70 per dollar on the black market, well below the official rate, and compared to an all-time low of SYP100 per dollar in early March. It noted that the ongoing crisis in Syria and international sanctions have had a significant impact on economic activity; and projected the Syrian pound to average 63 against the US dollar in 2012. Further, it forecast a devaluation of the Egyptian pound this year, with the pound trading at EGP7 per dollar at end-2012 compared to a current rate of EGP6.034 per dollar. It said that the prospects of securing external financing from the IMF and Saudi Arabia would provide Egyptian authorities with an ample financial cushion to defend the pound over the coming months. But it noted that the Central Bank of Egypt will be forced to continue using its reserves to defend the currency in the absence of a fundamental improvement in the economy's balance of payments position.

In parallel, BMI said that a sharp deterioration in the balance of payments dynamics of Morocco, Jordan and Tunisia is putting downside pressure on their currencies. It noted that the three countries have posted marked downturns in tourist inflows, FDI, and external demand for goods and services. It added that foreign currency reserves in these countries have started to drop at a relatively alarming rate and are now at multi-year lows. It pointed out that currency devaluation in these countries can be avoided at least until the end of 2012. But it warned that devaluation risks will continue to rise as long as the Eurozone economy remains depressed, which is affecting Morocco and Tunisia; or as long as the Syrian crisis continues, which is having knock-on effects on the Jordanian economy.

Source: Business Monitor International

DEM REP CONGO

Economic growth to average 6.2% in 2011-12, inflation to decline

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth at 6.5% in 2012 and 6.7% in 2013, compared to 6.9% in 2010. In parallel, it forecast growth at 5.4% in 2012 and 5.3% in 2013 for Sub-Saharan Africa (SSA), and at 5% in 2012 and 5.6% in 2013 for the Common Market for Eastern & Southern Africa (COMESA). It forecast the country's annual average inflation rate at 12.7% in 2012, down from 15.5% a year earlier, and compared to average inflation of 9.6% in SSA and 17.2% in COMESA. It also expected the country's average inflation to decline to 9.4% in 2013 relative to 7.5% for SSA and 11.1% for COMESA. It projected the DRC's real per capita GDP growth at 3.4% in 2012

and 3.6% in 2013 relative to 3.8% in 2011. Further, it anticipated broad money to grow by 17.5% this year and 16.2% next year relative to 24.6% last year. It added that claims on the non-financial private sector accounted for 39.8% and 40.3% of broad money in 2010 and 2011, respectively, relative to 54.2% and 56.4% for COMESA.

In parallel, the Fund projected the government's fiscal balance to post a deficit of 13.3% of GDP in 2012 and 11.1% of GDP in 2013, down from 15.3% of GDP in 2011. It estimated public revenues at 21% of GDP in 2012 and 21.5% in 2013, and total expenditures at 34.3% of GDP in 2012 and 32.6% of GDP in 2013. The IMF said that the country's external debt to official creditors dropped to 24.7% of GDP at end-2011 and 27.7% of GDP at end-2010 from 117.2% of GDP at end-2009 due to debt relief. Further, it projected the country's external current account deficits at 12.3% of GDP in 2012 and 11% of GDP in 2013, compared to 13.8% of GDP in 2011. The IMF expected the country's gross official reserves to reach 1.4 months of imports of goods and services at end-2012 and 1.6 months at end-2013, compared to 1.3 months at end-2011.

Source: International Monetary Fund

NIGERIA

Non-oil growth to average 6.9% in 2011-12, foreign currency reserves to increase

The International Monetary Fund projected Nigeria's real GDP growth at 7.1% in 2012 and 6.6% in 2013, down from 7.2% in 2011. In parallel, it forecast growth of 5.4% in 2012 and 5.3% in 2013 in Sub-Saharan Africa and of 7.1% in 2012 and 6.1% in 2013 for the region's oil exporting countries. It expected the country's real non-oil GDP to grow by 8% in 2012 and 7.3% in 2013, down from 8.6% in 2011, and relative to a growth rate of 7.7% in oil exporting countries this year and 7.4% next year. The Fund forecast Nigeria's annual average inflation rate at 11.2% in 2012 and 9.7% in 2013, relative to 10.8% a year earlier and compared to average inflation of 9.7% in 2012 and 8.3% in 2013 for oil exporting economies. It projected the country's real per capita growth at 4.2% in 2012 and 3.7% in 2013 compared to 4.3% in 2011. Also, it estimated the growth of broad money at 15% this year and 17.3% next year compared to 15.4% last year. The Fund forecast the fiscal balance to post surpluses of 2.9% of GDP in 2012 and 3.9% of GDP in 2013, compared to a surplus of 1.1% of GDP in 2011. It estimated public revenues at 29.4% of GDP in 2012 and 27.9% of GDP in 2013, and total expenditures at 26.5% of GDP in 2012 and 24% of GDP in 2013.

The IMF projected total investment at 22.1% of GDP in 2012 and 22.6% of GDP in 2013. Further, it expected the country's current account to post a surplus of 7.3% of GDP in 2012 and 5.3% of GDP in 2013, compared to 6.2% of GDP in 2011. In comparison, it forecast the region's oil exporting countries to post current account surpluses of 6.1% of GDP this year and 4.4% of GDP next year. The Fund expected Nigeria's gross official reserves to reach 5.4 months of imports of goods & services at end-2012 and 5.8 months at end-2013, up from 4.5 months of imports of goods & services at end-2011.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

Insurers face multiple challenges

A survey of CEOs of insurance firms in the MENA region shows that the high level of competition, regional political instability, and the continued impact of the 2007-08 global financial crisis constitute the sector's key challenges over the short- and long-terms. The survey attributed the over-competitiveness of the sector mainly to the high number of companies in each market. It noted that brokers are pushing prices down and making customers' retention more difficult. It added that multinational insurers that entered the market and the large global reinsurers are also supporting weak pricing across the region. It pointed out that a consolidation of local companies is unlikely to address this issue, and considered that the local industry needs to become more disciplined and to focus on the bottom-line. Further, it said that regional instability had the most immediate impact on companies with ambitions or plans to expand in the region by delaying or slowing down these initiatives. Also, the survey indicated that respondents identified the continued weak investment returns and difficult credit environment as main challenges following the global financial crisis. It said that respondents expected the credit environment to further deteriorate in the long-term and expressed concerns that volatility in equity and credit markets would make it difficult for companies to raise capital over the medium-term. Further, the survey said that all respondents encouraged regulators to take a stronger stance about consumer fraud, reporting and statutory violations, dealing with failing insurance companies, and improving risk management capabilities and reporting standards.

Source: Oliver Wyman, MENA Insurance CEO Club

SYRIA

Advertising spending down 30% in 2011

Deloitte & Touche estimated that total spending on advertising in Syria totaled \$33m in 2011, constituting a drop of 30% from \$45m in 2010. It noted that newspaper ad expenditures stood at \$15.4m and fell by 30.6% annually, followed by out-of-home ad spending with \$9.5m (-31.7%), television ads with \$3.8m (-28.3%), magazine ads with \$3.2m (-27.3%) and radio ads with \$1m (-23.1%), while digital ads remained flat at \$0.2m. It projected total advertising revenues in Syria to remain flat at \$33m in 2012. It forecast newspapers to account for \$15.3m or 46% of total advertising this year, followed by out-of-home ads with \$9.3m (28%), television ads with \$3.8m (11.4%), magazines with \$3.3m (10%), radio with \$1.1m (3.3%) and digital ads with \$0.4m (1.2%). In parallel, it forecast advertising spending in Syria to grow by a compound annual growth rate (CAGR) of 5.9% during the 2011-15 period. It estimated that ad spending in Syria would total \$42m and would account for 0.7% of total advertising revenues the Arab world in 2015. It forecast newspapers to account for 45% of total advertising in 2015, followed by out-of-home ads with 26.1%, television with 12%, magazines with 11%, radio with 4.1% and digital ads with 2% in 2015. Further, it projected digital ads to post a CAGR of 36% during the 2011-15 period, followed by radio with 13.8%, magazines with 9.3%, television with 7.4%, newspapers with 5.1%, and out-of-home with 3.3%.

Source: Deloitte & Touche

IRAQ

Inflationary pressures to persist

Business Monitor International indicated that headline consumer price inflation in Iraq reached 8.3% year-on-year in March and projected it to average 6.8% in 2012 relative to 5.6% in 2011 due to higher projected food and housing prices, and strong economic growth. It expected food prices to be high in 2012 as a result of the Ministry of Agriculture's decision on February 27 to ban the import of fruits and vegetables to boost local production. But it anticipated the impact of the ban to be moderate throughout the year, as the ban would be reversed if food prices continue increasing at a steady pace. It added that a continued increase in housing prices and strong expansion of aggregate demand will also fuel inflationary pressures over the coming months. It expected investment in the infrastructure and construction sectors to grow by 7.7% in 2012, but with most projects coming online by 2013 at the earliest. As such, it forecast prices to remain elevated this year, but to likely moderate in the coming years. It also expected Iraq's strong growth outlook, and the Central Bank of Iraq's loose monetary policy, to contribute to inflationary pressure in 2012. It added that money supply (M2) increased by 17.9% year-on-year in March, and is expected to continue to increase through 2012.

Source: Business Monitor International

CÔTE D'IVOIRE

Favorable near-term economic outlook

The International Monetary Fund indicated that Côte d'Ivoire's near-term economic outlook is favorable, with both upside and downside risks. It expected growth to pick up in 2012, supported by higher investment spending in construction, transport, and oil exploration. It forecast inflation to remain low despite upside risks. It said that the country's efforts to limit the budget deficit gradually from its high level in 2011 are appropriate, but that financing needs from regional markets are still high. It noted that the authorities made significant efforts to strengthen public financial management, improve the business climate, and reform the cocoa sector. But it pointed out that there were delays in implementing energy and financial sector reforms. It said that reaching financial sustainability in the electricity sector requires further actions, including tariff increases to cover a larger share of the generating cost. Further, it said that financial reforms should include the formulation of a financial sector development strategy that would reduce the costs of intermediation, enhance financial deepening, and facilitate private sector access to credit. It highlighted the need to make the National Public Debt Management Committee fully operational to ensure that debt is kept at a sustainable level following debt relief, while addressing the financing needs of the authorities' ambitious investment plans over the medium- and long-term. In parallel, the IMF approved the disbursement of \$100m to Côte d'Ivoire under the Extended Credit Facility arrangement, bringing total disbursements under the arrangement to about \$225m.

Source: International Monetary Fund



BANKING

EGYPT

Outlook on banking sector remains negative

Moody's Investors Service indicated that the outlook on Egypt's banking system remains 'negative', reflecting the country's challenging operating environment, the banks' high and rising exposure to Egyptian government debt, and the sector's weak capital and asset-quality metrics. It said that Egypt's operating environment will remain challenging over the next 12 to 18 months due to weak economic growth prospects and a negative investment climate. It expected the banks to further increase their already significant sovereign exposure, given the government's financing needs as its budget deficit is expected to reach 10% of GDP in fiscal year 2012. It noted that banks' holdings of government debt increased to 550% of equity in 2011 from 430% in 2010, linking banks' credit profiles directly to the credit risk of the sovereign. It noted that banks' capital levels are weak and that reported capital ratios overstate the extent of banks' current buffers, as high exposures to government securities have a risk-weight of zero. It expected the banks' asset-quality metrics to deteriorate over the outlook period, with the NPL ratio reaching between 15% and 18% by the end of 2013. Further, it considered that the banking sector faces increasing liquidity challenges as reflected by a decline in the banking system's core liquid assets to 17% of total assets at end-2011 from 23% a year earlier. It expected banks' profitability to be negatively affected from higher provisioning levels and subdued business growth.

Source: Moody's Investors Service

ANGOLA

Assets quality improves on arrears clearance

The Angolan banking system's a risk-weighted capital adequacy ratio reached 14.8% at the end of 2011 relative to 18.6% at the end of 2010 and 19.5% at end-2009. Further the sector's liquid assets reached 28.3% of total assets at end-2011 relative to 32% at end-2010, and were equivalent to 35.8% of short term liabilities relative to 32% at end-2010. Also, the sector's loans-to-deposits ratio reached 59.5% at end-2011 compared to 60.6% at the end of 2010 and 55.8% at end-2009; while credit to the private sector accounted for 94.6% of total credit at end-2011 relative to 95.6% at end-2010. Foreign exchange liabilities accounted for 53.6% of total liabilities compared to 53.7% at end-2010, and foreign currency loans represented 51% of total loans at end-2011 relative to 65% at end-2010. The drop in foreign currency lending is due to measures by the Banco Nacional de Angola that included reducing local currency reserve requirements from 25% to 20%. Also, the sector's non-performing loans declined from 8.6% of total loans at end-2010 to 2.4% of total loans at the end of 2011 due in large part to the clearance of arrears by the government. Provisions were equivalent to for 3.5% of net capital at end-2011, down from 24% at end-2010. In parallel, banks' return on assets reached 2.7% at end-2011, down from 3% in 2010 and 3.4% in 2009; while their return on equity reached 27.2% at end-2011, down from 32.1% in 2010, and 36.5% in 2009. The sector's net open position in foreign currencies was equivalent to 26.4% of capital at end-2011.

Source: International Monetary Fund

GHANA

Currency depreciation unlikely to reverse

Business Monitor International indicated that the Ghanaian cedi lost over 13% against the US dollar so far this year, constituting one of the worst performing currencies in Sub-Saharan Africa year-to-date. It attributed the depreciation to the persistent current account deficits on Ghana's balance of payments; high demand by firms that require mainly US dollars to pay for their imports; lower remittance inflows; low foreign demand for cedi-denominated assets relative to 2010; high demand from the Central Bank of Ghana (BoG) as it postponed payments from last year; and lack of consumer confidence in the cedi ahead of the December 2012 elections. It pointed out that commercial banks considered that demand for foreign currency is real, adding that speculation would not be a significant factor since Ghanaian banks run very small foreign exchange trading positions. It added that foreign exchange bureaus cited the dollarization of the economy and the December 2012 elections as contributory factors to the depreciation of the cedi. In parallel, BMI indicated that commercial banks, foreign exchange bureaus and consumers expected the depreciation of the cedi to persist throughout 2012 and that the cedi would be unlikely to recover to the level seen at the beginning of the year. It said that commercial banks considered that the new measures introduced by the BoG are inadequate and not likely to be effective. It noted that consumers had little confidence in the ability of the BoG to stabilize the cedi.

Source: Business Monitor International

INDIA

Banks must raise \$50bn to comply with Basel III

Fitch Ratings indicated that Indian banks have to raise up to \$50bn in additional equity under the Basel III capital regulations announced by the Reserve Bank of India (RBI), in addition to retained earnings. It said that most of the requirements are back-ended, with over 75% of needed capital to be added between financial year 2015/16 and FY2017/18. But it pointed out that the guidelines do not yet provide for a counter-cyclical capital buffer or additional capital for systemically important banks. The agency said that the immediate impact of the Basel III capital requirements is benign, with the common equity Tier One ratio for many Indian banks already close to 8% or higher. But it expected the need for capital injection to increase between FY2016 and FY2018, with loan growth outpacing internal capital generation and the minimum capital ratios accelerating. It anticipated that the state Bank of India and its associate banks will need the largest capital requirements, reflecting their significant share in the banking system; followed by the mid-sized and small government banks with weaker internal capital generation. It expected the large private banks to be better positioned due to their higher capital ratios and stronger profitability. It expected the government to inject around 50% of the \$40bn needed by State banks and that the remaining balance of up to \$20bn would be raised from the market. It anticipated that banks would face the risk of a sudden shortfall in capital during FY2016, which would require additional support by the sovereign and put further pressure on government finances.

Source: Fitch Ratings



ENERGY / COMMODITIES

Brent reaches four-month low, U.S. crude prices rise

Brent prices declined by 4 cents to below \$109.7 a barrel on May 17, having reached a four-month low earlier, while U.S. crude prices increased by 26 cents to \$93.1 a barrel. Weak investor sentiment in Europe weighed down on Brent prices due to concerns over the potential exit of Greece from the Eurozone. The Brent-WTI spread fell to a six-week low of \$15.5 a barrel on May 17, after widening to a one-month high of \$19.5 per barrel on the previous day. Further, U.S. crude inventories rose to their highest level in 21 years last week according to data released by the U.S. government. The International Energy Agency stated that it is ready to release emergency oil stocks if needed as it considered that oil prices are still high. Also, the oil market showed limited reaction to potential tightening of U.S. sanctions against Iran, while Iran is due to resume talks next week over its disputed nuclear program.

Source: Thomson Reuters

OPEC output rises to 32 million barrels per day in April

Crude oil production from the Organization of Petroleum Exporting Countries (OPEC) averaged 31.7 million barrels per day in April, up from 31.4 million barrels per day in March 2012. Production increases totaled 510,000 barrels per day from Angola, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia and the UAE, which were offset by a decline of 190,000 barrels per day from Algeria, Iran and Qatar. April's total production puts OPEC output in excess of the group's monthly ceiling of 30 million barrels agreed in December 2011. The ceiling doesn't include individual country quotas.

Source: Platts Survey

Iraq oil production to exceed Iran's supply by 2015

Iraq aims to more than double its oil output by 2015, which will place it in second place among OPEC producers, ahead of Iran. It is targeting production of 3.4 million barrels per day this year and more than 4 million barrels per day in 2013. Also, exports are expected to increase to 2.9 million barrels in 2013 from a current level of 2.5 million barrels. Iraq is currently producing oil at the highest rate since 1979, supported by foreign investors such as Exxon Mobil and BP that are developing new fields. The country produced 3.03 million barrels a day in April 2012, 7.7% higher than in March; while Iranian production declined to 3.2 million barrels per day during the same month. Iraq holds the world's fifth-largest oil crude reserves.

Source: Bloomberg

UAE to join world's 12 largest gas suppliers

The UAE announced that it will join the top 12 gas suppliers in the Gas Exporting Countries Forum (GECF). The GECF was established in 2008 and its members hold around 70% of the world's natural gas reserves. It currently includes Algeria, Bolivia, Egypt, Equatorial Guinea, Iran, Libya, Nigeria, Qatar, Oman, Russia, Trinidad & Tobago, and Venezuela. The UAE has proven reserves of six trillion cubic meters of gas, ranking it in fourth place globally.

Source: AFP

Base metals: Prices fall on worries about Greek exit from the Eurozone

Base metal prices continued to fall in the past week due to a stronger U.S. dollar and worries about a Greek exit from the Eurozone weighting on sentiment. Also, the latest news from China was bearish, with industrial production growth slowing to 9% year-on-year in April, down from 12% in March. Chinese copper production increased by 5.1% annually to 491 kilo tons in April 2012, while lead production declined by 3% to 358 kilo tons, and zinc production decreased by 11% annually to 385 kilo tons.

In parallel, the global platinum market is forecast to remain oversupplied in 2012, and prices are expected to remain between \$1,450 and \$1,750 per ounce. The market for palladium is predicted to shift into a deficit in 2012 and prices are expected to trade between \$620 and \$800 per ounce. On the New York Mercantile Exchange, palladium futures for June delivery declined by 1.2% to \$594 an ounce, while platinum futures for July delivery rose by 1% to \$1,432 an ounce.

Source: Standard Chartered, Bloomberg

Precious metals: Gold prices decline to 10-month low on concerns about Greece's finances

Gold prices fell to their lowest level on May 16 since early July 2011, as concerns about Greece's finances drained investors' appetites for risk and helped push the U.S. dollar higher. Prices of gold futures for June delivery declined by 1.3% to \$1,537 an ounce on the New York Mercantile Exchange, while prices of silver futures decreased by 3.2% to \$27.2 an ounce.

Also, bullion prices dropped to \$1,527 per ounce on May 16, the lowest level since December 29 and 21% below the record \$1,923.7 it reached on September 6, 2011. Gold prices are expected to range between \$1,520 and \$1,530 an ounce in the coming two months, while the long-term forecasts were lowered due to slow demand from Asia and continued selling by investors.

Source: MarketWatch, Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2011	2012f	2013f
Aluminum	2,424	2,224	2,400
Copper	8,833	8,429	10,000
Lead	2,391	2,191	2,500
Nickel	22,896	19,423	21,000
Tin	26,042	23,484	25,500
Zinc	2,212	2,085	2,350
(Spot price, \$/ounce)			
Gold	1,573	1,685	1,900
Palladium	733	696	850
Platinum	1,720	1,665	1,950
Silver	35	32	35

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-	Ba3	BB-	-	BB	7.9	29.9	17.4	28.2	8.9	-	12.0	10.7
Egypt	B	B1	BB-	BB+	CCC	-9.9	76.2	13.8	73.4	7.8	128.6	-1.9	2.4
Ethiopia	-	-	-	-	B	-2.1	39.4	-	165.9	-	-	-6.3	0.7
Ghana	B	-	B+	-	BB	-4.2	38.1	19.4	50.1	-	-	-6.5	7.7
Ivory Coast	-	-	-	-	CCC	-6.4	93.3	48.7	108.3	-	-	1.0	1.7
Libya	-	-	B	-	B	-	-	8.6	-	2.0	-	-	3.6
Mauritania	-	-	-	-	-	-2.8	62.0	70.0	96.6	-	700.0	-7.5	0.3
Morocco	BBB-	Ba1	BBB-	BBB-	B	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+	-	BB-	-	B	0.4	15.7	5.0	12.4	0.4	-	13.5	2.6
Sudan	-	-	-	-	C	-2.8	78.2	61.0	301.6	-	4,825	-7.3	2.3
Tunisia	BBB-	Baa3	BBB-	BBB	B	-4.1	41.7	58.2	111.3	8.4	285.6	-5.7	3.2
	Negative	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BB	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+	BB-	CCC	2.4	9.2	3.0	10.9	2.1	14.3	7.8	0.8
Iraq	-	-	-	-	CCC	-8.7	42.3	37.1	53.2	-	72.4	-0.9	1.7
Jordan	BB	Ba2	-	BB	B	-6.1	68.5	23.8	53.4	5.1	59.8	-6.7	6.4
Kuwait	AA	Aa2	AA	AA-	A	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B	B1	B	B	CCC	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A	A2	-	A	A	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA	Aa2	-	AA-	AA	7.7	38.2	70.1	115.5	7.8	703.9	32.6	2.9
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	BB-	CCC	-11.0	27.5	11.0	36.8	-	43.6	-6.1	2.4
UAE	-	Aa2	-	AA-	BB	5.8	18.5	44.4	53.5	7.2	293.3	10.3	0.6
Yemen	-	-	-	B-	CC	-7.1	42.9	18.0	58.4	-	244.4	-5.3	-1.3
	-	-	-	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								
Asia													
Armenia	-	Ba2	BB-	-	-	-3.8	41.5	65.5	304.5	-	352.6	-11.7	6.4
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BB	-1.1	25.8	8.5	29.3	1.9	-	2.8	0.6
	Stable	-	-	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-5.9	68.1	17.8	62.2	11.1	-	-2.8	0.6
	Negative	-	-	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								
Central & Eastern Europe													
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								
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
	Stable	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	24-Apr-12	No change	20-Jun-12
Eurozone	Refi Rate	1.00	03-May-12	No change	06-Jun-12
UK	Bank Rate	0.50	09-May-12	No change	07-Jun-12
Japan	O/N Call Rate	0-0.10	27-Apr-12	No change	23-May-12
Australia	Cash Rate	3.75	01-May-12	Cut 50bps	05-Jun-12
New Zealand	Cash Rate	2.50	26-Apr-12	No change	14-Jun-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	24-Apr-12	No change	20-Jun-12
Taiwan	Discount Rate	1.88	22-Mar-12	No change	28-Jun-12
South Korea	Base Rate	3.25	10-May-12	No change	08-Jun-12
Malaysia	O/N Policy Rate	3.00	09-Mar-12	No change	11-May-12
Thailand	1D Repo	3.00	02-May-12	No change	13-Jun-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	May-12	No change	01-Jun-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	27-Apr-12	No change	08-Jun-12
Brazil	Selic Rate	9.00	18-Apr-12	Cut 75bps	30-May-12
Armenia	Refi Rate	8.00	08-May-12	No change	N/A
Romania	Policy Rate	5.25	30-Mar-12	Raise 25bps	N/A
Bulgaria	Base Interest	0.14	01-May-12	Cut 1bps	N/A
Kazakhstan	Refi Rate	6.5	02-Apr-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	May-12	Cut 25bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A



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