

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps down 23% to \$235bn in first quarter

Trading in emerging markets Credit Default Swaps (CDS) reached \$235bn in the first quarter of 2012, constituting a 23% decrease from \$306bn in the same period last year and a 1% increase from \$234bn in the fourth quarter of 2011. The most frequently traded sovereign CDS contracts were those of Brazil at \$51bn, followed by Turkey at \$24bn and Mexico at \$18bn; while the most frequently traded corporate CDS contracts were those on Gazprom at over \$5bn and Pemex at \$1bn. The survey covered data on CDS contracts for 19 emerging economies and 9 emerging market corporate issuers from 13 major international banks and broker-dealers. It noted that the results confirm a trend of declining secondary market liquidity in the CDS of emerging markets, as first quarter volumes have been historically much higher than the preceding quarter, while they were practically flat during the first quarter this year. It attributed the declining trend of CDS volumes to a number of factors including speculation that the Greek restructuring might not trigger CDS, which proved wrong; an expected ban of 'naked short' CDS contracts in Europe; and higher standards in capital requirements resulting from anticipated regulatory changes. But it noted that it is unclear whether these factors were fully reflected in CDS volumes, or if a further volume decline would occur.

Source: EMTA

Bank account penetration rate at 41%

Figures issued by the World Bank show that 41% of adults above 15 years old in developing economies had an individual or a joint account at the end of 2011 at a formal financial institution, which is defined as a commercial bank, credit union, cooperative, post office or microfinance institution. East Asia & Pacific (EAP) had the highest account penetration rate at 55%, followed by Europe & Central Asia (ECA) at 45%, Latin America & the Caribbean (LAC) at 39%, South Asia (SA) at 33%, Sub-Saharan Africa (SSA) at 24%, and the Middle East & North Africa (MENA) at 18%. In parallel, 17% of adults in developing economies had a savings account at a formal financial institution, compared to 45% in high-income economies and 22% worldwide. The EAP region had a penetration rate for savings accounts of 28%, followed by SSA at 14%, SA at 11%, LAC at 10%, ECA at 7%, and the MENA at 5%. Further, 8% of adults in developing economies took a new loan from a formal financial institution last year, below the global average of 9% and the high-income economies average of 14%. New loans penetration was highest in EAP and SA at 9% each, followed by ECA and LAC at 8% each, and the MENA and SSA regions at 5% each. Also, 3% of adults have an outstanding mortgage compared to 24% of adults in high-income economies.

Source: World Bank

MENA

Logistics environment deteriorates in Arab world

The World Bank's Logistics Performance Index for 2012 showed that the overall logistics environment in the Arab World regressed in the past two years, as the region's average score receded to 2.74 points from 2.80 points in 2010, and was lower than the average score of 2.87 points for 155 countries worldwide. The LPI provides a cross-country assessment of the logistics gap among countries and reflects perceptions of the logistics environment of trading partner countries. It is based on a survey of operators on the ground worldwide who provided feedback on the logistics friendliness of the countries in which they operate and those with which they trade. The rankings of eight Arab countries improved and nine declined, with Morocco and Mauritania being included for the first time in the index at the 50th and 127th place, respectively. Also, the scores of eight Arab countries improved and nine regressed from the previous survey. The UAE remained the highest ranked Arab country at 17th place globally and is the only Arab country among the top 30 globally in terms of logistics readiness. It was followed by Qatar (33rd) and Saudi Arabia (37th). In contrast, Iraq (145th), Sudan (148th) and Djibouti (154th) were the lowest-ranked Arab economies. Singapore has the best logistics performance in the world while Burundi came last.

Source: World Bank, Byblos Research

Arab advertising market to reach \$5bn in 2012, television has 40% share

Deloitte & Touche projected the advertising market in the Arab world to reach \$4.9bn in 2012, constituting an increase of 3.5% from the previous year. It expected Saudi Arabia to remain the largest ad market in the region at \$775m and to account for 15.8% of the total, followed by the UAE with \$664m (13.5%), Egypt with \$530m (10.8%), Kuwait with \$395m (8%), Morocco with \$307m (6.3%), Qatar with \$193m (3.9%), Lebanon with \$145m (3%), Iraq with \$121m (2.5%), Jordan with \$110m (2.2%) and Bahrain with \$72m (1.5%) as the 10 largest advertising markets in the region. Further, it estimated the pan Arab ad market at \$1.4bn this year, up from \$1.35bn last year. It forecast television to account for \$2bn or 40.4% of total advertising, followed by newspapers with \$1.7bn (35%), out-of-home ads with \$407m (8.3%), digital with \$285m (5.8%), radio with \$275m (5.6%) and magazines with \$243m (5%). Further, it projected the Arab ad market to grow by a compound annual growth rate of 5.9% during the 2011-15 period, with digital advertising posting the highest growth rate at 35.4% during the covered period, followed by radio with 7.4%, television with 5.9%, out-of-home with 5.5%, newspapers with 1.6% and magazines with 1%.

Source: Deloitte & Touche

OUTLOOK

MOROCCO

Deteriorating external finances to increase currency risks

Business Monitor International indicated that Morocco's balance of payments position is steadily deteriorating, as high international commodity prices and weak growth in the Eurozone are taking their toll on the current account; while financial account inflows are failing to cover the shortfall. It projected the country's current account to widen to a record high \$9.5bn, or 9.4% of GDP, this year compared to \$8bn or 8% of GDP last year. It said that the improvement in the financial account surplus will be insufficient to cover the current account deficit, and forecast the foreign currency reserves to continue declining throughout the year. It said that the Bank al-Maghrib's stock of foreign currency reserves declined by 17.5% year-on-year in February 2012 to \$19.1bn, its lowest level in over six years and down from \$26.5bn in mid-2008. It added that goods import cover fell below the five-month mark at end-2011 for the first time in over a decade and compared to over nine months at the beginning of 2009. It anticipated foreign currency reserves to cover four months of imports by end-2012. As result, it pointed out that the risk of currency devaluation is rising. But it expected the authorities to maintain the currency at its current level this year, as several factors discourage the implementation of a devaluation.

BMI said that a weaker dirham would increase consumer prices as well as the pressure on the country's subsidy bill. It added that weaker dirham, which is currently pegged to a currency basket weighted heavily to the euro, would be unlikely to have much of an effect in terms of easing import demand, given the lack of domestic substitutes for most of the country's imports. It noted that a pick-up in tourism activity during the summer would ease the near-term pressure on the external accounts. However, BMI warned that a dirham devaluation would become an increasingly significant risk and the external account stability would begin to look more fragile if current trends persist beyond 2012.

Source: Business Monitor International

ANGOLA

Economic prospects positive, downside risks remain

The International Monetary Fund expected Angola's economic prospects over the next few years to remain positive, given the current projections for oil prices and the strong reform momentum envisaged in the authorities' medium-term plans. It added that policymakers are appropriately focusing on three key issues. First, it said that the economy is subject to uncertainty stemming from oil prices, oil production, and the still evolving institutional setting. It added that these sources of volatility affect budget implementation, and would amplify the negative effects of stops and starts of public investment on the economy. But it pointed out that the authorities are strengthening fiscal mechanisms to sustain the hard-won gains in macroeconomic stability and support the implementation of their ambitious development plans. Second, it considered that the new foreign exchange law for oil companies will involve the shift of a large share of their financial transactions from offshore to domestic

banks. It expected this measure to increase the scope for domestic financial intermediation and serve as a channel to promote increased competition and financial innovation. But it encouraged the authorities to strengthen prudential supervision prior to the gradual implementation of the law. Third, it said that economic policies must support the structural transformation and diversification of the economy. It encouraged authorities to support growth through further improvements in human and physical capital; a continued decline in inflation; and improvements in the business environment in order to enable greater private sector contribution to economic development. In parallel, the IMF noted that authorities will need to address these issues against an improving global backdrop, but where downside risks remain elevated. It warned that low growth in several advanced economies would indirectly affect Angola through lower export demand and increased investor risk aversion.

Source: International Monetary Fund

AFRICA

Sub-Saharan Africa to grow by 5.4% in 2012, economic prospects differ across region

The International Monetary Fund projected real GDP growth in Sub-Saharan Africa (SSA) at 5.4% in 2012 despite the weaker global economic environment, and compared to a global growth of 3.5% this year. It said that the region continues to enjoy robust growth as it is relatively isolated from the negative factors affecting growth in most advanced countries. It added that SSA is also benefiting from one-off factors such as new natural resource production coming on stream, and the recovery from drought and civil conflict in West Africa. It noted that growth from domestic demand has been relatively self sustaining due to improved economic policies, higher foreign exchange reserves, and lower government debt; while rising levels of investment and consumption have been critical to growth.

In parallel, the IMF said that economic prospects differ across the region. It noted that some middle-income countries are performing less strongly because of their greater exposure to developments in Europe. It added that oil producers are projected to record robust growth of 7.1% this year compared to 6% last year because of new production coming on stream in Angola and higher output levels in Nigeria. It expected low-income countries to continue posting strong growth of 5.9% in 2012. However, it considered that SSA's outlook is subject to substantial downside risks. It noted that the renewed turbulence in the Eurozone financial markets would adversely affect both exports and investment flows across the region. But it noted that this would slow rather than disrupt growth in most countries. It pointed out that a surge in oil prices would pose serious challenges for oil-importing countries and increase external financing needs.

In parallel, the Fund expected monetary policy to remain focused on restoring price stability in countries still experiencing high inflation, while it encouraged a more accommodative policy in countries where inflation prospects are lower.

Source: International Monetary Fund



ECONOMY & TRADE

SYRIA

Annual inflation rate at 31% in March, Aleppo hardest hit

Figures issued by the Central Bureau of Statistics show that the Consumer Price Index increased by 31% in March 2012 from March 2011 and by 15.4% from end-December 2011. The prices of alcoholic beverages & tobacco rose by 42.6% year-on-year in March 2012, followed by the prices of various goods & services with a 40.1% increase, food & non-alcoholic beverages (+39.3%), household equipments & supplies and ordinary maintenance works (+37.1%), clothes & shoes (+29.6%), hotels & restaurants (+28.6%), transportation (+20.7%), housing, water, electricity, gas & other fuel oils (+20.2%), entertainment & culture (+18.5%), education (+14.6%), health care (+8.1%) and communications (+3.6%). In parallel, the Consumer Price Index increased by 34.2% annually in Aleppo, followed by Lattakia with a 33.7% rise, Tartous (+32.6%), Al-Hassakeh (+32%), Rural Damascus (+31.7%), Damascus (+30.1%), Dar'aa (+29.2%), Homs (+29.1%), Deir-ez-Zor (+28.4%), Al-Sweida (+28.2%), Al-Rakka (+28.2%), Quneitra (+28.1%) and Hama (+28%). The ongoing turmoil, disruption in economic activity and of supply routes, and international sanctions have led to significant shortages of basic goods and household items.

Source: Central Bureau of Statistics

TUNISIA

Ratings downgraded to below investment grade on deteriorating economic prospects

Standard & Poor's lowered Tunisia's long- and short-term foreign currency sovereign credit ratings to 'BB/B' from 'BBB-/A-3' and long- and short-term local currency ratings to 'BB/B' from 'BBB/A-3'. It also downgraded the Central Bank of Tunisia's long- and short-term foreign currency issuer credit ratings to 'BB/B' from 'BBB-/A-3' and the long- and short-term local currency ratings to 'BB/B' from 'BBB/A-3'. The outlook on the long-term ratings is 'stable'. The agency attributed the downgrade to weaker-than-expected economic, fiscal and external performance, as well as to significant medium-term policy uncertainties. Also, it did not expect Tunisia's transitional government to be able to take proactive corrective measures that would be consistent with an investment grade rating. It expected the recovery to be slow, mainly due to the weak economic environment in the European Union, which is Tunisia's largest export market and main source of FDI and tourists. It said that increased government spending led to a sharp deterioration in public finances, and forecast the fiscal deficit to reach 7% of GDP in 2012. It added that lower tourism receipts and a widening trade deficit led to a weaker external liquidity position, as both narrow net external debt and gross external financing needs have risen sharply. It said the current account deficit widened significantly to around 7.5% of GDP in 2011 and anticipated that it will remain above 5% of GDP through 2015. It projected Tunisia's gross external financing needs at 109% of this year's current account receipts and useable reserves. In parallel, S&P indicated that the ratings are constrained by the country's fragile banking system and its weak asset quality.

Source: Standard & Poor's

KUWAIT

Private sector vulnerable to external shocks

The International Monetary Fund indicated that Kuwait's private sector is exposed to external risks and that adverse external shocks would affect the sector's cross-border investments, given its sizable wealth held abroad. It said that a worsening of the sovereign debt crisis in Europe would lead to a further tightening of global financial markets, which would impact the private sector's debt roll-over risk. It estimated Kuwait's cross-border private sector investments at \$51.4bn in 2010, equivalent to 41.4% of GDP and including \$37.9bn (30.5% of GDP) in portfolio investment and \$13.5bn (10.9% of GDP) in FDI. As such, it said that a regional or global event would affect Kuwait's private sector investments abroad, with a particular impact on investment companies. It pointed out that GCC countries account for about 40% of the private sector's portfolio investments and 50% of its FDI. It noted that the large share of private sector investment in the GCC makes the economy vulnerable to financial market fluctuations in the region. It added that the private sector's exposure to the rest of the MENA region accounts for 7% of portfolio investment and 20% of FDI. As such, it considered that the impact of developments in other Arab countries on Kuwait's private sector investments is limited in view of relatively small exposures. It added that an event in Greece, Ireland, Italy, Portugal or Spain would also have a limited impact on private sector investments, as the latter's exposure to these countries is small.

Source: International Monetary Fund

ARMENIA

Hotel occupancy rate at 52%, RevPAR up 10% in 2011

Global hotel consulting firm HVS indicated that the average occupancy rate at Yerevan hotels was 51.6% in 2011 compared to 49.4% in 2010, posting the sixth highest rate among 12 cities covered by the firm in the Commonwealth of Independent States (CIS) last year. Also, the occupancy rate at Yerevan hotels increased by 4.5% in 2011 compared to a contraction of 1% in 2010. The growth in occupancy rates at Yerevan hotels was the second lowest among CIS cities last year. Also, the occupancy rate at Yerevan hotels grew by a compound annual growth rate of 1.7% during the 2007-11 period, the second fastest rate in the region. In parallel, the average rate per room at Yerevan hotels reached €2 in 2011, the third lowest rate in the region and compared to €8 in 2010. The average rate per room dropped by 6% annually during the 2007-11 period, posting the third steepest decrease in the region. Further, revenues per available room (RevPAR) at Yerevan hotels were €2 in 2011, the fourth lowest RevPAR in the region, and compared to €9 in 2010. Also, RevPAR at Yerevan hotels dropped by 4.4% during the 2007-11 period. HVS expected the number of branded hotel rooms in Yerevan to remain unchanged at 450 rooms this year and to account for 2% of the region's total number of branded hotel rooms. But it forecast the number of branded hotel rooms in Yerevan to double during the next five year and to post the fifth highest increase in the region.

Source: HVS



BANKING

WORLD

Global financial institutions need \$556bn to meet Basel III targets

Fitch Ratings estimated that the 29 global systemically-important financial institutions, which represent \$47 trillion in total assets, would need to raise \$566bn in common equity to satisfy the new Basel III capital rules, which represents a 23% increase relative to their current aggregate common equity of \$2.5 trillion. It said that the banks face both market and supervisory pressures to meet these targets earlier, despite that Basel III will not be fully implemented until end-2018. It added that banks will likely pursue a mix of strategies to address the shortfalls, including retention of future earnings, equity issuance, and reducing risk-weighted assets. It estimated that, in the absence of equity issuance, the median bank would be able to meet its shortfall by using three years of retained earnings, which would constrain dividend payouts and share buybacks. Further, Fitch said that the capital increase would imply an estimated reduction of more than 20% in the banks' median return on equity (ROE) to approximately 8% to 9% from about 11% over the past several years. It considered that Basel III requirements would create a tradeoff for financial institutions between declining ROE, against stronger capitalization and lower risk premiums. It added that banks that target ROE of between 12% and 15% will have to reduce their expenses and increase pricing. It pointed out that banks may seek to increase ROE by favoring riskier activities that maximize yield on a given unit of Basel III capital, as it is impossible for regulators to perfectly align capital requirements with risk exposure.

Source: Fitch Ratings

JORDAN

NPLs on the rise, sector meets Basel III standards

Figures released by the International Monetary Fund show that the risk-weighted capital adequacy ratio of banks operating in Jordan reached 18.2% at the end of 2011 relative to 20.3% at the end of 2010 and 19.6% at end-2009. The IMF indicated that the sector's capital adequacy is significantly above the Central Bank of Jordan's (CBJ) regulatory minimum of 12%. It added that most banks operating in Jordan meet the capital adequacy requirements of Basel III and that the banks' capital is mainly composed of Tier One funds. The sector's equity-to-total assets stood at 12.7% at end-2011 compared to 13.1% at end-2010 and 13% at end-2009. Further, the private sector loans-to-GDP ratio stood at 71.9% of GDP at end-2011, relative to 72.6% at end-2010 and 75.1% at end-2009. Also, the sector's non-performing loans (NPLs) reached 8.5% of total loans at end-2011, increasing from 8.2% at end-2010 and 6.7% at end-2009; while they increased to 36.5% of capital and reserves at end-2011 from 31.7% at end-2010 and 26.4% at end-2009. Further, the sector's provisions against NPLs stood at 56.3% at end-2011 relative to 52.4% at end-2010. The IMF said the CBJ is working on harmonizing definitions, classifications and methodologies to calculate various Basel III metrics, and that it is revising its liquidity definitions to align them with Basel III. It noted that the revised ratios will not fall short of Basel III requirements, given that the two largest banks in Jordan are heavily liquid.

Source: International Monetary Fund

CÔTE D'IVOIRE

Liquid assets at 51% of total assets, NPLs ratio at 16%

The risk-weighted capital adequacy ratio of banks operating in Côte d'Ivoire reached 9.8% at the end of 2011 relative to 12.5% at the end of 2010 and 10.2% at end-2009. Also, the sector's capital-to-total assets stood at 5.5% at end-2011 compared to 6.8% at end-2010 and 6% at end-2009. The sector's liquid assets reached 51% of total assets at end-2011 relative to 42.6% at end-2010 and 42.1% at end-2009; while they reached 64.1% of total deposits at end-2011 compared to 55.6% at end-2010 and 55.9% at end-2009. Also, the sector's liquid assets were equivalent to 101.2% of short-term liabilities at end-2011 relative to 93.8% at end-2010 and 87.3% at end-2009. Further, the sector's loans-to-deposits ratio decreased to 71% at end-2011 from 87.2% at the end of 2010 and 92.8% at end-2009; while loans accounted for 56.4% of total assets at end-2011, relative to 67% at end-2010 and 69.5% at end-2009. In parallel, the sector's non-performing loans reached 15.9% of total loans at end-2011, slightly down from 16.2% at end-2010. Further, the sector's provisioning rate regressed to 67.2% from 77.4% at end-2010 and 74.3% at end-2009; while NPLs net of provisioning reached 5.2% of total loans at end-2011 up from 4.2% at end-2010 and 4.3% at end-2009.

Source: International Monetary Fund

CHINA

Ratings on largest banks affirmed, outlook stable

Fitch Ratings affirmed at 'A' the long-term foreign-currency (FC) Issuer Default Ratings (IDRs) of China's five largest state-owned commercial banks, the Industrial & Commercial Bank of China (ICBC), China Construction Bank (CCB), Bank of China (BoC) and Agricultural Bank of China (ABC); and that of Bank of Communications (BCOM) at 'A-' with 'stable' outlooks. It also affirmed the short-term FC IDRs of ICBC, CCB and BOC at 'F1' and that of BCOM at 'F2'. It said that the ratings on the banks continue to be closely linked to China's sovereign rating, given that the government is the largest shareholder in each of the banks and has a long track record of providing solvency and asset quality support to the institutions. Further, the agency indicated that credit growth averaged 95% for each of the five banks from end-2008 to end-2011, compared with nominal GDP growth of just 47%. It added that this disparity raises questions about the ability of borrowers to repay the large increase in leverage. As such, it expected asset quality to come under increasing pressure in 2012-13, but it noted that this may not be reflected in NPL ratios until a significant deterioration occurs. It said that funding and liquidity have been under increasing pressure across the sector as deposit growth slows and liquid assets further diminish, with state banks' reporting historically thin cash buffers. Fitch noted that the banks' higher capitalization and loan loss reserves, along with solid profitability, are sufficient to cover a few percentage points rise in NPL ratios. But it pointed out that beyond such deterioration, state support would be necessary.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil steadies above \$105 despite weak economic data

Brent crude oil prices steadied above \$105 per barrel on May 24 despite weak economic data from China and Europe. Brent crude oil fell 53 cents to \$105.03 per barrel on May 23, a five-month low, but then rebounded to trade around \$105.7 a barrel on May 24th. It had earlier reached a high of \$106.7 a barrel before the release of Chinese and European economic data. U.S. crude prices increased 55 cents to \$90.5 a barrel on May 24, after settling at \$89.9 a barrel on the previous day, the lowest close for front-month U.S. crude since October 21, 2011. Oil investors are worried that failure to agree on a deal about Iran's nuclear plans could lead to an open conflict in the Arab Gulf region that would reduce oil supply. Oil prices dropped by around 20% over the last three months as the global supply balance improved, inventories increased and the risk of a halt to exports from the Middle East diminished. Analysts noted that energy demand is falling in Europe and growing more slowly than expected in some emerging economies.

Source: Thomson Reuters

Jubilee field oil production averages 67,000 barrels per day

Oil production in Ghana's Jubilee oil field is averaging 67,000 barrels of oil per day so far in 2012, with a cumulative production of 33 million barrels. Gross production is expected to average between 70,000 and 90,000 barrels per day in 2012 and field capacity of 120,000 barrels per day is projected to be reached in early 2013. Tullow Oil, the major stakeholder in the Jubilee oil field, stated that in order to produce oil at its maximum capacity, it plans to reposition some of the wells and install an alternative completion design in one of the affected wells.

Source: Ghana Business News

Iraq oil revenues increase by 3.8% in April

Iraq's revenues from oil sales increased by 3.8% month-on-month to \$8.8bn in April 2012, the highest value since 1989. April crude exports reached 75.3 million barrels and were sold at an average price of \$116.8 per barrel, down from \$118 per barrel in the previous month. Also, exports from the southern city of Basra increased by 10.4% to 2.12 million barrels per day in April after the start-up of a new offshore loading facility in March. On the other hand, exports from the northern city of Kirkuk dropped by 0.2% in April to 0.39 million barrels per day.

Source: Dow Jones Newswires

Iran plans to build new oil terminal

Iran announced plans to build a new oil terminal at Bandar Jask on the Gulf of Oman and outside the Strait of Hormuz, with the aim to protect its exports against potential problems in the Gulf. The new terminal will be connected to the Caspian Sea port of Neka in northern Iran. The planned terminal is expected to have a storage capacity of 20 million barrels of oil and cost around \$2.2bn to build. Tehran has threatened to block the Strait of Hormuz over the dispute of its nuclear program.

Source: Thomson Reuters

Base metals: Prices volatile on concerns about Greece

Prices of base metals were volatile during the past week, where copper for three-month delivery fell by 1.9% to \$7,595 a metric ton on May 24, the lowest level since January 10, due to concerns that Greece may quit the Eurozone. On the London Metal Exchange, aluminum prices declined by 0.6% to \$2,017 a ton, zinc prices decreased by 1.8% to \$1,878 a ton, and lead dropped by 1.7% to \$1,931.5 a ton. Also, nickel prices fell by 0.5% to \$16,811 a ton, while tin declined by 1.8% to \$19,360 a ton.

Copper LME stocks declined by 37 kilo tons month-on-month on May 22nd. China remains critical for the base metals outlook, as the government turned its focus from tightening to easing fiscal spending. The Chinese government is expected to spend CNY36.3bn on subsidies for energy-saving home appliances, vehicles and machinery. Therefore, prices of base metals are expected to increase over the coming year. Chinese copper demand increased by 22% annually in April 2012, followed by nickel demand rising by 9% in April and aluminum demand increasing by 8% year-on-year. Also Chinese demand for lead rose by 4% annually in April, while that for zinc increased by 3% year-on-year.

Source: Standard Chartered, Bloomberg

Precious metals: Resilient demand for gold supported by jewelry demand

Demand for gold was relatively resilient in the first quarter of 2012, with global demand falling by just 4.6% annually, while the price of gold rose by 22% from the first quarter of 2011. Jewelry demand from Russia, Egypt, Indonesia, Taiwan, and China rose significantly during the first quarter of 2012. The higher price of gold was caused by lower demand from South Korea, Saudi Arabia and Turkey. Overall, jewelry demand dropped by 6.3% in the first quarter of the year, with Indian demand down by 19%. Gold supply remains modest, as mine production rose by 3% and scrap supply increased 11% annually during the first quarter of 2012. Gold prices declined by 0.5% to \$1,554 an ounce on May 24 and dropped to a one-week low of \$1,533.7 an ounce in the previous day.

Source: World Gold Council, Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2011	2012f	2013f
Aluminum	2,424	2,161	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	BB	Baa3	BBB-	BBB	B	-4.1	41.7	58.2	111.3	8.4	285.6	-5.7	3.2
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

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	11-May-12	No change	05-Jul-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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