

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Islamic-compliant financial assets at \$1,300bn at end-2011

The UK Islamic Finance Secretariat (UKIFS) estimated the global market for Islamic financial services, as measured by Sharia compliant assets, at \$1,289bn at end-2011, constituting an increase of 14% from \$1,130bn at end-2010. Sharia-compliant assets grew at a compound annual growth rate of 20.4% during the 2006-11 period from \$509bn in 2006, to \$677bn in 2007, \$861bn in 2008 and \$933bn in 2009. It said that Islamic assets represented about 1% of the global financial market in 2011, with the largest centers in Malaysia and the Middle East. It attributed the development of Islamic finance to Sharia compliant institutions taking the opportunity to expand products and services that can be accessed by customers and investors. It added that Islamic finance has shown resilience during the past two years at a time when global recovery has slowed and conventional banking in Western countries has remained under pressure. Further, it noted that banks accounted for 93% of global Islamic assets at end-2011, followed by funds with 4.7% and Islamic insurance takaful with 2%. In parallel, it pointed out that banks and funds are major investors in sukuk, with sukuk issuance up 60% to a record \$84bn in 2011. It added that Malaysia is the dominant country in the global market, with sukuk issuance totaling \$58bn and accounting for 69% of total sukuk issuance in 2011.

Source: UK Islamic Finance Secretariat

EMERGING MARKETS

Corporate default rate at 0.33%, new issuance at record \$541bn in 2011

Standard & Poor's indicated that the emerging markets' corporate default rate dropped to 0.33% in 2011 from 0.67% in 2010, and that the speculative-grade default rate declined to 0.59% in 2011 from 1.25% in 2010. The agency noted that the aggregate one-year default rate among non-financial entities was 0.43% in 2011, significantly below the 1997-2010 long-term average of 3.27%. It added that the financial sector default rate also declined to 0.19%, lower than the 1997-2010 average of 1.35% and the default rate of 2.38% in 2009. S&P indicated that 65.2% of ratings in emerging markets were unchanged in 2011, down from 69.7% in 2010, but higher than 62.7% in 2009. Globally, 68.5% of ratings were unchanged in 2011, compared to 72.5% in 2010 and 64.4% in 2009. Also, it said that 16.1% of emerging markets entities had higher ratings at the end of the year than they did at its beginning; while 8.9% of entities had lower ratings at the end of 2011. As such, it noted that the downgrade-to-upgrade ratio stood at 0.55% in 2011, compared with 0.34% in 2010 and 3.46% in 2009. In parallel, it pointed out that new issuance activity in emerging markets rose to a record high of \$541bn in 2011 from \$483bn in 2010 and \$434bn in 2009. Emerging Asia accounts for 64% of total issuance last year, followed by Latin America with 22%, and Eastern Europe and the Middle East & Africa with 7% each.

Source: Standard & Poor's

MENA

Trade environment better than in most developing regions

The World Economic Forum's Enabling Trade Index for 2012 shows that the average score for the 15 Arab countries included in the survey reached 4.12 points in 2012, similar to the global average score of 4.13 points in 2012 and below that of East Asia & Pacific (4.28 points). But the Arab world had a better environment for trade than Europe & Central Asia (3.98 points), Latin America & the Caribbean (3.88 points), South Asia (3.59 points) and Sub-Saharan Africa (3.47 points). The index measures the extent to which individual economies have developed institutions, policies and services that facilitate the free flow of goods over borders and to destination. The index is composed of four sub-indices that are Market Access, Border Administration, Transport & Communications Infrastructure, and the Business Environment. The UAE was the region's top-ranked country on the index and came in 19th place globally, followed by Oman in 25th place, Saudi Arabia in 27th place and Bahrain in 30th place as the only Arab countries to rank among the top 30 worldwide among 132 countries. In contrast, Yemen (119th), Algeria (120th) and Mauritania (125th) were the lowest-ranked Arab economies.

Source: World Economic Forum, Byblos Research

Country risk in Arab world higher than global risk levels

Euromoney magazine's quarterly survey on global country risk shows that risks in the Arab world remain higher than global risk levels, as the average score of 20 MENA countries reached 43.18 points and that of Arab economies was 42.93 points in the first quarter of 2012 compared to the global average of 41.64 points. The MENA region's Political Risks score was 12.57 points, improving slightly from the previous quarter, but remained below the global average of 13.7 points; while the Economic Performance score was 14.58 points, unchanged from the previous quarter, relative to the global average of 13.15 points. Further, the region's Credit Ratings averaged 3.43 points, down by a marginal 1% from December 2011, while the Access to Bank Capital & Capital Markets score dropped by 20% quarter-on-quarter to 3.85 points. Also, the score on the Debt Indicators category reached 4.11 points relative to a global average of 4.06 points, while the region's score on Structural Assessments reached 4.58 points compared to a global average of 3.81 points. Qatar is the country with the best country risk ratings in the MENA region and ranked in 20th place globally, followed by Kuwait (28th) and Oman (32nd); while the lowest-ranked Arab countries are Libya that came in 141st place worldwide, Yemen (150th) and Mauritania (177th). Qatar had the lowest level of political risks in the region, and it ranked first regionally on the Economic Performance, Structural Assessments, Credit Ratings, and Access to Bank Capital & Capital Markets sub-indices.

Source: Euromoney, Byblos Research

OUTLOOK

MENA

Oil importers' near-term economic risks increase

The International Monetary Fund indicated that the near-term risks to macroeconomic stability of Arab countries in transition, mostly oil importers, have increased. It attributed the rise in near-term risks to the challenges of managing political change, urgent social demands, and an adverse external environment. It noted that these risks were also present in 2011, but currently many governments have narrower margins for policy maneuver, as they drew down their foreign exchange and fiscal buffers over the past year. It pointed out that last year's policy responses increased spending, which widened fiscal deficits, along with large current account deficits, led to losses of foreign currency reserves. It noted that private investors will likely remain in a wait-and-see mode as investment, tourists, and capital will take time to return to pre-2011 levels. It added that the international environment remains difficult, as the European Union, an important economic partner for many MENA oil importers, is projected to post near-zero growth in 2012; oil prices are expected to remain high; and spillovers from Syria would affect a number of countries in the region.

As such, it said that maintaining macroeconomic stability in the current environment will be challenging for the region's oil-importing countries. It noted that corrective measures are needed to reduce vulnerabilities, adding that governments must control spending on untargeted subsidies that mostly benefit the wealthy, and begin putting in place more effective social safety nets to protect the poor. It added that central banks may have to provide greater exchange rate flexibility to maintain stability. It estimated the oil importers' external financing needs at \$50bn in 2012, and pointed out that ensuring adequate financing is also a key priority. It noted that it will be important for an increase in international support, given that capital markets will not meet all of the financing needs.

Source: Business Monitor International

ARMENIA

Real GDP to grow by 4% in 2012, economy resilient to Eurozone turmoil

The European Bank for Reconstruction and Development (EBRD) projected economic growth in Armenia at 4% in each of 2012 and 2013, up from a January forecast of 3% for 2012, and compared to an average growth rate of 2.9% this year and 3.7% in 2013 in eight economies of Eastern Europe & the Caucasus (EEC) and to an average growth rate of 3.1% in 2012 and 3.7% in 2013 among the 33 countries of operations of the EBRD. It said that Armenia's projected growth rate for 2012 would make it the third fastest growing economy, along with Moldova, among EEC countries and the seventh fastest-growing economy, along with Moldova and Tajikistan, among EBRD countries. In comparison, the EBRD estimated Armenia's real GDP grew at 4.7% in 2011, constituting the third slowest economy among EEC countries last year. Further, the EBRD anticipated that economic activity in Armenia would expand by 5% on an annual basis in the fourth quarter of 2012 and by 4.6% in the last quarter of 2013, compared to growth of 5% in the fourth quarter of 2011. Armenia's projected growth

rate in the last quarter of this year would make it the second fastest-growing economy among EEC economies. In comparison, Armenia had the fourth fastest-growing economy among EEC countries in the fourth quarter of last year.

The EBRD indicated that the Armenian economy has shown resilience to the global economic instability and the Eurozone crisis so far, due in part to its lower integration with the European market. It added that the economy continues to benefit from large remittance inflows and substantial official financing. But it noted that immediate risks to the outlook are related to the uncertain external environment, in light of the country's dependence on remittances and export of few commodities. Also, the EBRD forecast Armenia's annual average inflation rate at 4.3% in 2012 relative to 7.7% in 2011. It said that Armenia's projected average inflation for 2012 would make it the fourth highest rate among EEC countries. In comparison, Armenia's annual average inflation rate was the third lowest last year among EEC countries.

Source: European Bank for Reconstruction and Development

YEMEN

Fiscal stability to depend on foreign aid

Business Monitor International indicated that Yemen's fiscal stability will heavily depend on external aid, as well as on the government's ability to reassert control over its hydrocarbon export infrastructure. It added that the deteriorating fiscal dynamics have made it increasingly difficult for the new government to function and have worsened an already grim economic situation. It pointed out that political unrest made fiscal stability increasingly dependent on foreign aid, and added that promises of aid can be slow to materialize and that fiscal stability is far from assured with the country still practically in a state of civil war.

BMI considered that the most likely scenario for Yemen consists of foreign aid slowly materializing and oil production remaining below potential. It noted that, under this scenario, oil production would average 175,000 b/d in 2012 compared to 155,000 b/d last year. It added that the promised aid is unlikely to materialize entirely, given the delays that are generally associated with large transfers of funds between governments. It forecast the deficit to fall to 4.2% of GDP in 2012 from an estimated 6.2% of GDP last year. But it pointed out that government spending would remain constrained by funding shortfalls. It forecast total spending to increase by 15% this year. It said that this is unlikely to be sufficient for the government to restart spending on all social services, or fully pay its public sector wage bill; and could raise questions about the government's ability to retain popular support. In parallel, BMI said that the best case scenario for Yemen is for aid to fully materialize and oil production to recover. It noted that oil production would have the potential to gradually improve to pre-crisis levels of 250,000 b/d compared to 115,000 b/d currently, if government forces are capable of preventing any major attacks on pipelines. As such, it considered that this scenario would allow government spending to recover to 2010 levels, which would facilitate a resumption of government services that have been reined in over the past year.

Source: Business Monitor International



ECONOMY & TRADE

IRAQ

Positive outlook for construction sector

Business Monitor International expected the Iraqi construction sector to out-perform its peers in the region and forecast the industry to grow by an average rate of 8.6% annually between 2012 and 2016. It indicated that the Iraqi government allocated \$4bn for the construction of residential housing projects over the next four years, which would be spent equally on social housing projects and low-cost housing. It said that the government also pledged \$1bn in interest-free loans for those who want to build their own houses, given that mortgage financing options are limited in the country. BMI said that the government's decisions reflect the high domestic demand for housing in the country, and estimated the housing deficit at 2.5 million residential units. It expected the positive trend in the housing sector to continue over the foreseeable future and to be driven by robust government spending, significant demand, and rising foreign interest in the sector. However, BMI warned that downside risks to the sector's outlook are significant. It said that rising instability stemming from increased sectarian tensions have the potential to curtail the flow of investment. It added that a more unstable institutional environment with increased security risks would result in higher costs for foreign firms, as the risks of project delays become elevated. But it said that the sector continues to appeal to less risk-averse firms such as Turkish, Emirati and South Korean companies, given that rewards outweigh the inherent risks.

Source: *Business Monitor International*

SUDAN

Economy faces significant challenges

The International Monetary Fund indicated that the economic conditions in Sudan deteriorated in 2011 with economic growth slowing down to 2.7%, inflation reaching 19% at end-2011, the overall fiscal deficit totaling 4% of GDP, and the current account registering a surplus of 2% of GDP. It said that preliminary information for 2012 does not show improvement in economic conditions. It said that the challenges confronting the country are significant and require suitable reforms to stabilize the economy. It added that additional work is needed to improve prospects for economic growth and job creation. The IMF recommended a short-term reform strategy that would include emergency measures to stabilize the economy such as fiscal consolidation, as well as a medium-term comprehensive structural reform program that would recalibrate the economy in line with the country's economic and financial potential. It encouraged the authorities to start implementing the appropriate policies to address the challenges facing Sudan.

Source: *International Monetary Fund*

ANGOLA

Outlook revised to 'positive' on improved economic policies

Fitch Ratings revised the outlook on Angola's long-term foreign and local currency Issuer Default Ratings (IDR) to 'positive' from 'stable' and affirmed the ratings at 'BB'. It also affirmed the short-term IDR at 'B' and Country Ceiling at 'BB-'. It attributed the outlook revision to prudent economic policies that have

helped rebuild and strengthen the country's public and external balance sheets. It said the policies would ensure that Angola is less vulnerable to an adverse oil price shock. It noted that Angola's economy is set for a period of sustained growth, supported by improved economic policies and better understanding of the risks associated with the commodity cycle. It pointed out that the budgeting process improved, which enabled better management of revenues and expenditures. Further, the agency considered that authorities need to improve the regulatory environment, governance and respect for the rule of law. It added that poor governance and corruption remain major impediments to addressing Angola's developmental challenges and an important constraint on the ratings. It noted that the government also needs to focus on developing the small formal private sector in order to reduce oil dependence, broaden the tax base and create employment opportunities. It added that reforms to improve the business environment and governance that would encourage non-oil investment are proceeding slowly. In parallel, Fitch said that a ratings upgrade is contingent on continued strong economic and balance sheet performance, improving governance and institutional quality, as well as creating a more vibrant non-oil private sector in the public sector.

Source: *Fitch Ratings*

DEM REP CONGO

Current account to remain in deficit

Business Monitor International expected the Democratic Republic of the Congo's (DRC) current account balance to continue posting a deficit over the next several years, due to a moderating export growth rate and a persistent services account deficit. It said that the DRC's chronic current account deficit highlights its reliance on imports for consumer products, refined oil, capital goods, and a large amount of its food consumption. It noted that the deficit is narrowing slowly as the mining industry is driving exports. It expected the value of mining production to increase by 25.6% in 2012 as new mines come online. But it pointed out that the country depends completely on imports of capital goods to develop and maintain the mining infrastructure across the country. As such, it forecast a 14% increase in imports in 2012, as mining demand remains high and rising incomes stimulate demand for imported consumer products. Further, it said that the DRC runs substantial deficits in the service and income accounts, as the repatriation of profits by mining firms, which are almost all foreign, contributes to a high income deficit. In parallel, BMI forecast the DRC's exports to continue to expand, and projected the current account balance to turn into a surplus over the longer term. It said that a strong surplus in the capital and financial accounts due to high levels of foreign investment will keep the overall balance relatively stable. However, it warned that the DRC is highly vulnerable to economic problems in its main export markets such as China and the Eurozone. It said that an economic slowdown in China or a sustained crisis in the Eurozone would affect the DRC's exports and would widen its current account deficit. The IMF projects the current account deficit at 13.3% of GDP in 2012 and 11.1% of GDP in 2013.

Source: *Business Monitor International*



BANKING

TUNISIA

Banks ratings downgraded on deteriorating economic conditions

Standard & Poor's lowered the long-term counterparty credit ratings on Arab Tunisian Bank (ATB) to 'BB' from 'BBB', Banque de l'Habitat (BH) to 'BB-' from 'BB+', Banque Tuniso-Koweitienne (BTK) to 'BB' from 'BB+' and Banque de Tunisie et des Emirats (BTE) to 'BB-' from 'BB'. It also lowered ATB's short-term counterparty credit to 'B' from 'A-3' and affirmed BTE's ratings at 'B'. Further, it downgraded the unsolicited public information 'pi' rating on Société Tunisienne de Banque (STB) to 'Bpi' from 'BBpi'. It has a 'stable' outlook on the ratings of ATB, BH and BTK, and placed the ratings of BTE on CreditWatch with negative implications. The agency attributed the rating actions to its earlier downgrade of the sovereign ratings due to deteriorating economic conditions and policy uncertainties in the country. It said that the downgrade of the sovereign credit ratings has a direct negative impact on the five Tunisian banks and could lead to a downward revision of the banks' capital and earnings. It noted that the ratings on ATB and BTK reflect the risks from operating in the country, as both banks are exposed to the country's economic slowdown given that they operate only in Tunisia. It noted that ATB also faces sovereign risks because it holds a sizable portfolio of Tunisian government debt. It considered that BH and BTE to be government-related entity, as the government owns a 58% stake in BH and a 39% share in BTE. It said that the 'Bpi' rating on STB is based on the risks involved in operating in Tunisia, the bank's weak capitalization, and large legacy problem assets. S&P said that it would lower the ratings on the five banks in case it further downgrades the sovereign ratings.

Source: Standard & Poor's

SUDAN

Central Bank takes measures to reduce currency gap with parallel market

The Central Bank of Sudan (CBoS) has started to implement a new mechanism to meet foreign currency demand for imports, with the objective to neutralize the parallel foreign exchange market. It said that the CBoS will consider foreign exchange requirements for new imports, regardless of the type of the imported commodity, at a new rate of 4.9 pounds per US dollar. It added that existing commitments denominated in foreign currency such as Murabahat and past dues do not fall under this category. It noted that foreign currency utilized to settle imports of wheat and sugar will continue to be at the official rate of 2.89 pounds per US dollar. The CBoS announced that the measures do not constitute a devaluation of the pound, as all other transactions in foreign currency will continue to be traded at the official rate, such as export proceeds and the sale of foreign currency to special accounts, namely foreign companies, non-governmental organizations and embassies. It added that it will accommodate the letters of credits that range between \$50,000 and \$100,000, as small importers are fuelling the parallel market. It pointed out that exchange bureaus will provide foreign currency to the public at the new rate of 5.2 pound per US dollar. It added that banks will purchase remittances of Sudanese living abroad at 4.9 pound per US dollar, while exchange bureaus will

purchase them at 5.2 pound per US dollar. The CBoS said that it will not issue circulars or clarifications about the measures. The US dollar is trading at 5.3 pound in the parallel market, well above the official rate of 2.89, indicating that the supply provided by the CBoS is below market demand. The IMF projects foreign currency reserves at \$0.1bn at the end of 2012 and 2013.

Source: Union of Sudanese Banks, Central Bank of Sudan

QATAR

Lending and deposits contract in April, liquidity tightens

Figures issued by the Central Bank of Qatar (CBQ) show that total assets reached QAR727.2bn at the end of April 2012, constituting an increase of 4.2% from end-2011 and a rise of 23.8% from end-April 2011. Loans totaled QAR430.6bn, increasing by 6.4% from end-2011 and by 4% from the preceding month. The monthly increase was mainly driven by a 13% month-on-month expansion in lending to the public sector, as lending to the private sector dropped by 1.1% due to a decline in lending to the real estate and consumer segments. Also, loans increased by 35.3% from end-April 2011, driven by public and private sector credit growth of 80% and 13% year-on-year, respectively. In parallel, aggregate deposits reached QAR348.4bn at end-April 2012, up 4.5% year-on-year but down 4.2% from end-2011. Also, government deposits decreased by 5% month-on-month compared to a 10% contraction in January 2012, and posted the fourth consecutive monthly drop. The loans-to-deposits ratio increased to 124% at end-April 2012 from 95.5% at year earlier. The rise in the loan-to-deposit ratio since the beginning of the year and the increase in inter-bank rates over the past six months reflect tighter liquidity in the sector.

Source: Central Bank of Qatar, EFG Hermes

GHANA

Central Bank intervention contains currency depreciation

The International Monetary Fund indicated that currency depreciation in Ghana is consistent with underlying economic factors, such as inflation differentials and a high current account deficit, but that the pace of the depreciation in recent months created challenges for exchange rate expectations. It noted that contributing factors included seasonally-strong demand for foreign currency and high domestic liquidity. It added that the rapid depreciation of the cedi in the first five months of this year has begun to feed into domestic prices, while adding to short-term balance of payments pressures through higher cost of imports. It pointed out that the large interventions by the Bank of Ghana (BoG) in January provided temporary relief, while more recent actions to tighten liquidity and raise domestic interest rates appear to have been more effective in halting the cedi's slide. The Fund encouraged the BoG to maintain a tight policy stance to help stabilize the currency and achieve its inflation target, while gradually rebuilding its stock of foreign reserves. It further suggested measures to improve the liquidity and functioning of the foreign exchange market as a way to reduce excessive exchange rate volatility.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil rebounds to \$104, gains to be short-lived given Eurozone debt crisis

Brent crude oil prices reversed early losses and climbed towards \$104 per barrel on May 31, as a rebound in the euro provided a modest boost to oil and other commodities. But the gains are likely to be short-lived given the debt crisis in the Eurozone. London Brent crude for July delivery was up 29 cents at \$103.76 per barrel, recovering from a low of \$102.9, but posting the biggest monthly drop since May 2010 of more than 13% this month. U.S. crude for July delivery was up 7 cents to \$87.89 per barrel with prices headed for a steep loss of more than 16% this month, the worst loss since late 2008. In parallel, U.S. crude prices have been weighed down by a rise in domestic oil stockpiles. The U.S. Energy Information Administration, said that crude oil inventories increased by 36 million barrels in the nine weeks to May 18, posting the largest nine-week stock build on record. Overall, prices of Brent ICE futures decreased by 13.4% in May to \$103.4 a barrel on May 31st, and prices of WTI NYMEX Futures rose by 16.1% in May to \$88.3 a barrel.

Source: Thomson Reuters

IMF recommends lifting of energy subsidies

The International Monetary Fund urged Ghana's authorities to eliminate the costly subsidies on fuel and energy consumption, which benefit predominantly the higher income groups. It said that the measures would generate monthly savings of about GH¢160m which are needed to protect more productive expenditures and allow for an expansion of well-targeted social programs in order to help the most vulnerable groups cope with the higher cost of living.

Source: International Monetary Fund

Iraq energy auction ends with little foreign interest

The Iraqi government closed an auction of energy exploration blocks with just three contracts awarded out of a potential 12, dampening hopes that the sale would cement its role as a key global supplier. The two-day sale constituted the first invitation extended to international oil companies to explore the Iraqi territory for energy deposits since 2003. The lack of interest from foreign investors was mainly attributed to the terms imposed by the government, which required foreign firms that agree to explore the blocks to work under fixed-price service contracts, and not to sign deals with the autonomous Kurdish region, or with any other sub-national authority, without the government's approval.

Source: Agence France Presse

BP resumes operations in Libya, Shell halts exploration

British oil giant BP announced that it would resume operations in Libya after they were suspended last year because of the conflict. BP has been present in Libya since 2007. In parallel, Royal Dutch Shell said it was halting oil exploration projects in Libya due to disappointing results, and as further exploration cannot be economically justified. But it noted that it would continue to study drilling opportunities in the country.

Source: Agence France Presse

Base metals: Macro factors dominate metal markets

Prices of base metals were mixed during the past week, with tin prices increasing by 2.8%, aluminum prices falling by 1.2% and copper prices remaining unchanged. Near-term risks are currently more skewed to the downside than to the upside, as any bad news on the macroeconomic level would stimulate renewed selling. Copper for three-month delivery fell by 0.7% to \$7,422.75 a metric ton on May 31 on the London Metal Exchange, the lowest level since December 29, 2011. The July-delivery copper fell by 0.6% to \$3.37 a pound on the Comex in New York, while copper for September delivery on the Shanghai Futures Exchange dropped 1.3% to \$8,559 a ton on May 31st. Copper prices fell by nearly 11% in May, constituting the third straight month of decline, and posted a decline of 15% from this year's peak of \$8,765 a metric ton. Also, worries about the health of the global economy have already dragged London copper prices down 26% from last year's record high of \$10,190 per metric ton.

In parallel, tin prices dropped 0.3% to \$19,700 from \$19,770 on May 30th, while zinc prices rose 0.4% to \$1,900 from \$1,893, lead prices increased by 0.7% to \$1,935 from \$1,922, aluminum prices grew 0.3% to \$2,014 from \$2,007 and nickel increased by 0.9% to \$16,460 from \$16,300.

Source: Standard Chartered, Bloomberg, Thomson Reuters

Precious metals: Gold prices to run worst monthly losses in 13 years

Gold is risking the worst run of monthly losses in almost 13 years as concern that Europe's fiscal crisis is escalating drove investors to seek the dollar as a haven over the precious metal. Spot gold fell 0.3% to \$1,558.75 an ounce while bullion prices dropped 6.2% in May, constituting the biggest drop this year as the dollar appreciated 5.2% against a six-currency basket that includes the euro. A fourth monthly decline would be the metal's longest run of losses since the period to August 1999.

Overall, the price of gold decreased by 6.4% in May to \$1,561.8 per ounce on May 31, while that of silver declined by 10% in May to \$27.86 an ounce. Palladium prices fell by 11.1% in May to \$608 per ounce and platinum prices dropped by 11% to \$1,402.2 per ounce.

Source: Bloomberg

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- 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+ Negative	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	-	-	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- Stable	B Stable	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+ Positive	-	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	BB Stable	Baa3 Negative	BBB- Negative	BBB Stable	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+ Negative	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 Stable	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- Stable	A Stable	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B Negative	B1	B Stable	B Stable	CCC Stable	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A Negative	A2	-	A Stable	A Stable	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA Stable	Aa2 Stable	-	AA- Stable	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- Stable	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- Stable	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								
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	23-May-12	No change	15-Jun-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	24-May-12	No change	19-Jul-12
Kenya	Central Bank Rate	18.00	May-12	No change	01-Jun-12
Nigeria	Monetary Policy Rate	12.00	21-May-12	No change	24-Jul-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	31-May-12	No change	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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