

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Volume of letters of credit unchanged in first four months of 2012

The aggregate volume of letters of credit sent through SWIFT totaled 1,529,932 in the first four months of 2012, constituting a 0.3% decrease from the same period last year. Letters of credit sent from the Asia-Pacific region stood at 995,839 and accounted for 65.1% of the global volume, followed by the Eurozone with 135,117 (8.8%), the Middle East with 128,889 (8.4%), Africa with 115,537 (7.6%), Non-Eurozone with 73,153 (4.8%), Latin America 40,782 (2.7%) and North America with 40,615 (2.7%). Also, the aggregate number of L/Cs sent from the Middle East increased by 12.5% in the first four months of year, followed by Africa (+3.2%), and Asia-Pacific (+0.7%); while L/Cs sent from the Eurozone dropped by 15.3%, followed by the Non-Eurozone (-5.1%) and Latin America with (-1.1%). L/Cs sent from North America remained unchanged during the covered period. In parallel, the total number of reimbursement authorizations stood at 218,433 in the first four months of 2012, constituting a 2.3% increase from the same period of 2011, due to increased traffic from Asia and Africa. The volume of authorizations in the Asia-Pacific region reached 123,289 in the covered period and accounted for 56.4% of the global aggregate volume, followed by the Middle East with 42,108 (19.3%), Africa with 25,339 (11.6%), Latin America with 18,348 (8.4%), Non-Eurozone with 5,368 (2.5%), the Eurozone with 2,679 (1.2%), and North America with 1,302 (0.6%).

Source: Citibank

MENA

Cost of living drops in majority of Arab cities

The annual survey on the cost of living in 214 cities around the world by Mercer Consulting showed that the rankings of 9 Arab cities increased and those of 11 cities dropped from the previous year. The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment. Mercer said the cost of housing is often the biggest expense for expatriates and plays an important part in determining the ranking of cities. Khartoum ranked in 26th place globally and came as the most expensive Arab city in 2012. It was followed by Djibouti in 44th place, Beirut (67th), Abu Dhabi (76th), and Dubai (94th). The rankings of Khartoum, Beirut, Riyadh, Algiers, Kuwait City, Tripoli, Muscat, Nouakchott and Manama rose, reflecting a comparative increase year-on-year in the cost of living in these cities. The least costly Arab cities are Muscat (179th), Jeddah (186th), Nouakchott (203rd) and Tunis (209th). Tripoli's ranking increased by 52 spots, posting the highest cost of living rise in the region; while Damascus' rank dropped by 43 spots, registering the steepest decline. The survey is conducted annually to help multinational companies determine compensation allowances for their expatriate workers.

Source: Mercer Consulting

EMERGING MARKETS

Fixed income trading volume down 9% to \$1,582bn in the first quarter of 2012

Trading in emerging markets debt instruments totaled \$1,582bn in the first quarter of 2012, constituting a decrease of 9% from \$1,739bn in the same quarter last year, but a 21% increase from \$1,302bn in the fourth quarter of 2011. Further, local instruments turnover totaled \$1,043bn, or 66% of overall trading volumes in the first quarter of 2012, constituting a 7% decrease from \$1,125bn in the first quarter of 2011, but an 8% rise from \$965bn in the fourth quarter of 2011. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$531bn in the first quarter of 2012, decreasing by 10% from \$589bn in the first quarter of 2011, but growing by 75% from \$304bn in the fourth quarter of 2011. Sovereign Eurobond volumes increased by 8.7% year-on-year to \$313bn, while the volume of traded corporate Eurobonds stood at \$206bn in the first quarter of 2012, down 23.4% from \$269m in the first quarter of 2011. Sovereign Eurobonds accounted for 20% of total debt trading relative to 17% in the first quarter of 2011, while corporate debt represented 13% of total trading compared to 17% in the first quarter of 2011. The most frequently traded instruments were Brazilian instruments with 16% of the total, followed by Mexican debt securities with 15%, Russian instruments with 8%, South African liabilities with 6%, and Turkish instruments with 5% of total emerging markets debt trading volume. Trading in Mexican obligations by 54%, in Brazilian debt rose by 34%, and trading in Russian instruments grew by 14% year-on-year.

Source: EMTA

Private capital inflows to decrease by 22% to \$775bn in 2012

The World Bank projected net private capital inflows to emerging markets at \$775.4bn in 2012, constituting a decrease of 21.6% from \$989bn in 2011. It expected net private inflows to be equivalent to 3.1% of developing economies' aggregate GDP in 2012 relative to 4.4% of GDP in 2011. It forecast net equity inflows to decrease by 17.8% to \$533.6bn, driven by a decline of 17.1% in net FDI to \$517.7bn and a 35.1% contraction in portfolio equity flows to \$15.9bn. It expected all private capital flows, except for bond flows, to contract in 2012 due to the tightening of global financial conditions and the increased uncertainties in the global economy since the summer of 2011. Also, it forecast net private debt inflows at \$241.8bn in 2012 relative to \$340bn in the previous year. It forecast net private inflows to reach \$953.2bn in 2013 and \$1,152bn in 2014, and to be equivalent to 3.4% and 3.7% of GDP in 2013 and 2014, respectively. Further, it expected net equity flows to reach \$647bn next year and \$775bn in 2014, and for net private debt inflows to reach \$306.2bn in 2013 and \$377.2bn in 2014. Also, it forecast net private debt inflows at \$306.2bn in 2013 and \$377.2bn in 2014.

Source: World Bank

OUTLOOK

GCC

Budget breakeven oil price to drop in 2012 for first time since 2003

Deutsche Bank projected the budget breakeven oil price of GCC economies at \$79.8 per barrel (p/b) in 2012, down from \$82 p/b in 2011, and compared to \$70.5 p/b in 2010, \$69.8 p/b in 2009 and \$49.7 p/b in 2008. The GCC's budget breakeven price, which is the price of oil needed to balance a government's budget for a given level of non-oil revenues and spending, would post the first annual drop since 2003. It noted that the breakeven oil price of GCC economies would increase at a compound annual growth rate of 15.5% during the 2006-12 period. It forecast Bahrain's budget breakeven price at \$127.2 p/b this year, the highest in the GCC; followed by Oman at \$91.6 p/b; the UAE at \$90 p/b; Saudi Arabia at \$78.3 p/b; Qatar at \$77.9 p/b and Kuwait at \$54.9 p/b. It said that Bahrain's budget breakeven price was \$119.4 p/b last year relative to \$52.4 p/b in 2006; followed by the UAE at \$99.1 p/b in 2011 compared to \$20.5 p/b in 2006; Oman at \$85.5 p/b in 2011 relative to \$43.2 p/b in 2006; Saudi Arabia at \$82.2 p/b in 2011 compared to \$38.7 p/b in 2006; Qatar at \$70.6 p/b in 2011 from \$43.4 p/b in 2006; and Kuwait with \$51.8 p/b last year and \$17.3 p/b in 2006.

Deutsche Bank said that Saudi Arabia and the UAE are the only countries that would see a drop in their breakeven oil prices this year, as some of the large one-off increases in spending that pushed up breakeven prices last year are set to be unwound this year. It attributed the rise in breakeven prices in the other GCC countries to increases in recurrent spending, partly in response to the Arab Spring. It said that Bahrain's position remains the most challenging in the region as oil and gas production is more or less flat, spending pressures remain high, and growth in the non-oil economy will remain weak. It noted that if Saudi Arabia's oil production remains at its 2011 level, its breakeven oil price would be higher by \$3.5 p/b. It noted that the rise in breakeven oil prices in recent years has left oil producers vulnerable to a correction in prices.

Source: Deutsche Bank

SYRIA

Economic activity to contract by 6.4% in 2012, pressure mounting on public finances and the exchange rate

The World Bank expected Syria's real GDP to contract by 6.4% in 2012, compared to a contraction of 3.1% in 2011 and a growth of 3.2% in 2010. Syria's projected contraction for 2012 would make it the worst performing economy among 10 countries in the MENA region and one of three economies to contract this year along with Yemen (-1.1%) and Iran (-1%). Also, Syria had the second worst economic performance among 10 MENA countries in 2011, better only than the Yemeni economy that contracted by 10.5% last year. Further, the World Bank forecast Syria's current account deficit at 16.5% of GDP in 2012 compared to deficits of 2.8% of GDP in 2011 and 0.6% of GDP in 2010. Syria's projected current account deficit for this year constitutes the second widest in the region after Lebanon that has a forecast deficit of 18.2% of GDP.

The World Bank indicated that the conflict in Syria contributed to the contraction of the economy, as the crisis led to the halt of FDI inflows and tourism receipts, as well as to the rapid depletion of foreign exchange reserves. It noted that tourist arrivals fell by 40% in 2011 due to the ongoing turmoil and violence. It considered that the government will have to offset the significant revenue losses associated with such declines and the widening trade deficit from alternative sources of income over the near-term. It said that such financing sources would increase pressure on Syria's public finances, as well as on the exchange rate and the country's foreign currency reserves. In parallel, the World Bank projected Syria's real GDP to grow by 2.5% in 2013, posting the second slowest growth rate in the MENA region next year, behind only the Iranian economy that is forecast to contract by 0.7%. It also expected Syria to post the second widest current account deficit of 6.7% of GDP in 2013, second to Lebanon's projected deficit of 17.8% of GDP.

Source: World Bank

EGYPT

Growth forecast revised downward on increasing political and economic challenges

Barclays Capital revised downward its projection of economic growth in Egypt to 3.2% in fiscal year 2012/13 that ends in June from an earlier forecast of 3.9%. It attributed the change to a weakening external environment, continued pressure on the fiscal and external accounts, and the increasing challenges to the political and economic outlook. It said that putting public finances back on a sustainable path requires comprehensive fiscal and monetary reforms, as well as the mobilization of resources to support these reforms. But it warned that persistent political instability and a lack of clarity about the political and security outlook would obstruct these reforms and keep Egypt dependent on official grants.

In parallel, Barclays said that securing resources to meet increasingly large external financing needs and building up the country's foreign currency reserves represent another challenge for Egypt. It projected the current account deficit to widen to 3.2% of GDP in FY2012/13 from 1.2% of GDP FY2011/12. Further, it said that widening deficits and the lack of credible steps to implement much-needed reforms due to political tensions are weighing heavily on Egypt's cost of borrowing.

It said that renewed concerns about weakening external demand, continued balance of payment strains, and persistently low foreign currency reserves will intensify pressure on the currency and on expectations of a devaluation of the pound. It noted that devaluation or a realignment of the currency could be a controlled process if a new government manages to gather domestic consensus about a reform program and mobilizes external financial support before September. But it pointed out that downside risks to this scenario have considerably increased, and warned that a disorderly devaluation would rapidly feed into inflation and increase borrowing costs for the sovereign. It forecast the exchange rate at 6.5 pounds against the US dollar in the third quarter and at 7 pounds in the fourth quarter of this year, relative to a current rate of 6.04 pounds per dollar.

Source: Barclays Capital



ECONOMY & TRADE

EGYPT

Sovereign ratings downgraded on rising political uncertainties

Fitch Ratings downgraded Egypt's long-term foreign currency Issuer Default Rating (IDR) to 'B+' from 'BB-' and the long-term local currency IDR to 'B+' from 'BB' with 'negative' outlooks on both ratings. It also lowered the country ceiling to 'B+' from 'BB-' and affirmed the short-term foreign currency IDR at 'B'. It attributed the downgrade and the 'negative' outlook to increased uncertainties surrounding the political transition, following the Supreme Constitutional Court's decision to annul parliamentary elections and dissolve parliament. It said that the two-notch downgrade of the local currency IDR reflects the rise in domestic financing challenges and the increased resort to foreign currency-linked domestic debt, which has equalized the risks to foreign currency and local currency debt service. The agency pointed out that the increasingly complicated political and policy-making process are delaying the implementation of macroeconomic and structural reforms needed to stimulate the recovery and ease financing strains. It added that the rerun of the parliamentary elections will, at the very least, delay the emergence of a workable and inclusive governance structure. It noted that political uncertainty would weaken confidence and heighten near-term economic and financial pressures facing the country. It added that this environment is not conducive to take major policy decisions to support the economic recovery, alleviate budget and external financing strains, and return the public finances to a sustainable path.

Source: Fitch Ratings

ARMENIA

Positive economic outlook, European contagion risks remain

The International Monetary Fund projected economic growth in Armenia at just below 4% in 2012 compared to 4.6% in 2011. It considered that Armenia's short- and medium-term outlook is positive, but warned about risks from Europe that could affect the economy through Russia. It forecast inflation to remain near the Central Bank of Armenia's target of 4% after dropping significantly last year. It said that the 2011 fiscal deficit was well below the IMF's target, reflecting restrained spending. It expected the deficit to be moderately wider in 2012, but still in line with targets. It noted that Armenia's current account deficit remains high despite narrowing significantly last year. The Fund pointed out that the authorities plan to implement further business, tax and pension reforms that, combined with the enhanced exchange rate flexibility, would improve productivity and support growth and diversification of exports. In parallel, the IMF approved the disbursement of \$50.7m to Armenia under the Extended Fund Facility and Extended Credit Facility, bringing total disbursement to about \$269.8m. The IMF approved the three-year \$403.8m EFF and ECF arrangement with Armenia in June 2010.

Source: International Monetary Fund

SUDAN

Government announces drastic austerity measures

The government of Sudan announced that it will devalue its currency, gradually remove fuel subsidies, raise revenues through a series of tax increases, and reduce the size of its government as part of an austerity package to stabilize the economy and deal with the loss of oil revenues. Further, it pointed out that it will reduce the size of the national and regional governments by as much as 56%, as well as implement measures to cut domestic spending and decrease the need for hard currency. It added that it will raise import taxes from 10% to 13% except for capital goods, basic goods and production inputs; and will increase the value-added tax from 15% to 17%. It will also double the income tax on banks from 15% to 30%, withdraw the Central Bank of Sudan's deposits at commercial banks, raise the banks' reserve requirements to 20%, and stop supplying foreign exchange bureaus with hard currency. It noted that the government would soften the impact of higher fuel prices for citizens by exempting basic food items such as wheat, flour and sugar from the new import tax. The Finance Ministry will submit a reviewed budget that will include the austerity measures and will base the budget on the customs exchange rate of 4.4 pounds to the dollar from 3.3 pounds in the original budget. It estimated that the final exchange for the revised budget could reach 5 pounds to the dollar. Sudan lost 75% of its oil revenue when South Sudan seceded in July 2011 and has yet to reach an agreement with South Sudan on transit fees for oil shipments through its pipelines. The loss of income resulted in a \$2.4 billion budget deficit, a surge in inflation to 30.4% in May 2012, and shortages of foreign currencies.

Source: Ministry of Finance, Bloomberg, Byblos Research

TURKEY

Sovereign ratings upgraded on improved public finances

Moody's Investors Service upgraded Turkey's government bond ratings by one notch to 'Ba1' from 'Ba2', and maintained the positive 'outlook' on the ratings. It attributed the upgrade to the significant improvement in Turkey's public finances and the resulting increased shock-absorption capacity of the government's balance sheet. It noted that the more challenging international economic environment and slowing domestic growth would not significantly affect the country's ongoing efforts to reduce its debt burden. It attributed the deficit reduction and primary surpluses achieved over the past two years to expenditure restraints rather than to revenue increases, despite the booming economy in the past two years. The agency added that the upgrade is driven by the set of policies that the government has been pursuing to address the main causes of the country's external vulnerabilities. It noted that external vulnerabilities include the large current account deficit that is the largest credit risk facing the country; the low savings rate, and the modest level of foreign exchange reserves. It pointed out that Turkey's current rating level is underpinned by its considerable economic strengths, such as its size, dynamism, and economic diversification.

Source: Moody's Investors Service



BANKING

JORDAN

Cost to stabilize banking sector at 21% of GDP in worst-case scenario

Standard & Poor's indicated that the Jordanian banking sector is underpinned by high stability, sufficient profitability to buffer periods of rising cost of risk, and a resilient depositor base, with retail deposits continuing to be the major source of funding for the sector. It said that the growth in non-performing loans decelerated, as it increased from 8.2% in early 2011 to about 8.5% at end-2011, but it expected the negative trend in asset quality to continue. It noted that the NPL coverage ratio has remained at about 52% due to satisfactory earnings capacity. Further, it said that credit growth has been broadly absent since the 2009 crisis, as the latter reduced opportunities in the equity and real estate markets despite measures to stimulate bank lending. It added that political uncertainty has hampered efforts to stimulate private sector growth as banks have been reluctant to expand domestic credit despite abundant reserves. It noted that private sector borrowing has not been crowded out, given the relatively low level of government debt held by domestic banks. It said that the low credit growth reflects the banks' limited opportunities to deploy capital other than in government debt. It pointed out that current efforts are focusing on favoring credit to small- and medium-sized enterprises, which currently represent only 9% to 10% of all credit facilities. S&P estimated the potential cost to the sovereign to stabilize the Jordanian financial system, in a reasonable worst-case stress scenario, at 21% of GDP.

Source: Standard & Poor's

DEM REP CONGO

Banking sector has large upside potential, faces several concerns

PricewaterhouseCoopers's survey on the banking sector in the Democratic Republic of Congo indicated that sector's main concerns revolve around the Central Bank's management capabilities, the country's major fiscal issues, lack of law enforcement, low level of bank penetration across the country, and the fact that most bank deposits are in US dollars while the Central Bank requires reserves to be placed in the local currency. The survey identified the availability of key skills, business continuity, currency fluctuations, improving revenue growth, risk of litigation and tax legislation among the most pressing issues facing banks in the DRC. It noted that the sector's strengths include a very open market with enormous upside potential, increasing trust in the system, rising choices for customers and the Central Bank's requirements for banks to move towards international standards. It added that banks identified foreign entrants and fiscal pressures as the top drivers of change in financial services in the DRC, followed by capital markets, government intervention, and regulation and reporting. Further, it said that banks acknowledge that the most important changes taking place in the financial services market include significant new banks entering the market for the first time, growing trust in the sector by the public, the significant rise in the number of bank accounts from a small base, growth in the number of small- and medium-sized enterprises, and increase in the capital requirements for banks operating in the DRC. In parallel, the survey pointed out that most of the participants believed that retail

banking is moderately competitive despite that this segment is viewed as very underdeveloped.

Source: PricewaterhouseCoopers

GHANA

Lending growing rapidly, NPLs are key challenge

Business Monitor International indicated that the high level of non-performing loans constitute the key concern for Ghana's banking sector, as NPLs accounted for 14.1% of total outstanding loans in April 2012. It noted that the level of NPLs declined significantly from the high of 18.7% in May 2010, but that the ratio is still elevated and is increasing again. It said that the mining & quarrying sector's NPLs ratio was 19.7% at end-February 2012, followed by the manufacturing sector at 18.3%, commerce & finance at 17.2%, and agriculture, forestry & fishing at 16.1%. It added that banks are also facing the challenge of a sharply-depreciating local currency and the associated preference for US dollars. In parallel, BMI projected the assets of banks operating in Ghana to expand by 30% in 2012 due to a supportive macroeconomic environment. It indicated that aggregate assets grew by 26.6% year-on-year to GH¢22.6bn, or \$13.3bn, at end-February 2012, equivalent to 32.4% GDP. It added that domestic assets increased at an annual rate of 26.3%, while foreign assets posted a faster growth rate of 47% at end-February 2012. It said that Ghana's banking sector remains relatively stable, and is benefiting from high capitalization levels and sound liquidity and profitability. It indicated that the capital adequacy ratio of banks operating in Ghana stood at 17.4% at end-February 2012, well above the 10% level considered to be prudent. Further, BMI noted that net loans and advances grew by 37.1% and credit to the private sector increased by 31.6% year-on-year in February 2012.

Source: Business Monitor International

INDIA

Outlook on banks changed to 'negative'

Fitch Ratings revised the outlook to 'negative' from 'stable' on the 'BBB-' long-term Foreign Currency Issuer Default Rating (IDR) of State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, IDBI Bank, ICICI Bank, Axis Bank, and the Export-Import Bank of India. It also affirmed the ratings on all the banks. It attributed its decision to its earlier revision of the outlook on India's long-term foreign- and local-currency IDRs to 'negative' from 'stable'. It noted that the outlook revision on the banks reflects their close linkages with the sovereign through their high exposure to domestic counterparties and holdings of domestic sovereign debt. It pointed out that pressures are building generally on the standalone credit profile of the banks, given India's weakening economic and fiscal outlook, inflationary pressures and slowing business reforms that, in turn, would put further pressure on their future asset quality. It added that such an environment would have a more pronounced impact on the viability ratings of banks that have concentrated exposures to problematic sectors. In parallel, Fitch said that the banks' customer deposit base, established domestic franchises and adequate capitalization support the ratings.

Source: Fitch Ratings



ENERGY / COMMODITIES

Brent prices decline to \$92 a barrel, lowest level in 18 months

Brent crude prices declined to their lowest level in 18 months to around \$92 per barrel on June 21, trading in a narrow range, due to slower Chinese demand. Also, the U.S. Federal Reserve extended its current program of selling short-term bonds and buying longer-dated ones to bring down borrowing costs, which further reduced oil prices. Further, concerns over economic uncertainty in the United States and Europe have dominated oil markets in recent months, often overshadowing supply and demand indicators. Brent crude prices fell by 51 cents to \$92.2 a barrel on June 21, while U.S. crude prices declined by \$1.1 to \$80.4 a barrel. Both Brent crude and U.S. crude prices fell by about 28% from their highs in March 2012. In parallel, the U.S. Energy Information Administration stated that domestic crude stockpiles rose by 2.86 million barrels last week, defying forecasts for a 1.1 million barrel decline.

Source: Thomson Reuters

Japan passes bill to insure Iran oil imports

Japan's lower house passed a bill to provide government guarantees on insurance for Iranian crude cargo. The bill will turn into law if passed by the upper house by the end of June. The Japanese government aims to provide protection coverage of up to \$7.6bn for each tanker carrying Iranian crude oil bound for Japan. Iranian oil accounted for nearly 9% of Japan's crude imports in 2011. An EU ban on member countries importing Iranian oil takes effect at the start of July and includes a ban on EU insurance firms from covering Iran's exports. Japan, South Korea, China and India buy two thirds of Iran's oil exports and rely on EU companies to insure them. These countries have cut purchases by about a fifth from the 1.45 million barrels per day they were buying in 2011.

Source: Thomson Reuters

Jordan to start importing LNG from Qatar by 2014

Jordan plans to import liquefied natural gas (LNG) from Qatar by 2014 to reduce rising energy costs. The government will invite bids to build an LNG terminal at the Red Sea Port of Aqaba within months. Jordan's energy bill is expected at more than \$5.5bn this year, or around 25% of its GDP. Jordan is turning to LNG to fuel its power plants after a gas pipeline from the Sinai region in Egypt was attacked repeatedly.

Source: Bloomberg

OPEC income up 33% in 2011 to \$1,026bn

The income of the 12-nation Organization of Petroleum Exporting Countries (OPEC) peaked at nearly \$1,026bn in 2011, increasing by 33.4% from \$769bn in 2010 and by 77% from \$579bn in 2009. Saudi Arabia received \$311bn in 2011, up 40.1% annually, followed by the UAE with \$101bn (+50.8%), Iran with \$95bn (+33.8%), Nigeria with \$90bn (+38.5%), Kuwait with \$85bn (+39.3%), Angola with \$68bn (+21.4%), Algeria with \$63bn (+26%), Venezuela with \$60bn (+50%) and Qatar with \$57bn (+54%). Libya was the only OPEC country posting a drop with its oil revenues decreasing by 70.5% to \$13bn from \$44bn in 2010.

Source: Energy Information Agency

Base metals: Structural pressures to increase aluminum prices

Aluminum prices are expected to increase in the coming years due to improving fundamentals. Aluminum prices fell to a two-year low of \$1,884 per ton on June 21, down from \$1,905 per ton on the previous day. Global production of aluminum is projected to rise by 13.2 million tons between 2011 and 2016, with China the major driver of growth and accounting for 8.9 million tons of total global growth over the five-year period.

In parallel, Russia's production is expected to increase by more than one million tons with new projects such as Boguchansk, and as existing plants expand. The UAE and Saudi Arabia will be the major contributors to aluminum production growth in the Middle East region. Further, world aluminium demand growth is forecast at 6% per year in the 2012-16 period. China's dominance is expected to increase, while demand from other regions, such as Europe and Japan, is expected to decline.

Source: Standard Chartered, Thomson Reuters

Precious metals: Gold prices decline below \$1,600 an ounce

Gold prices fell below \$1,600 an ounce on June 21 after the U.S. Federal Reserve failed to announce further monetary stimulus. Spot gold prices declined by 0.4% to \$1,599.2 an ounce on June 21, while U.S. gold futures for August delivery creased \$15.5 to \$1,600 an ounce. Gold had risen to \$1,641 an ounce earlier this month on hopes that the Federal Reserve would unveil quantitative easing measures to stimulate growth.

Silver for immediate delivery fell by 0.2% to \$28.4 an ounce. Also, palladium prices declined by 0.6% to \$626 an ounce, while platinum prices remained unchanged at \$1,483 an ounce. Holdings in the SPDR Gold Trust, the largest bullion-backed exchange-traded product, remained unchanged at a four-week high of 1,282 metric tons on June 20th. Central banks are expected to buy more gold bullion this year, as countries diversify their reserves.

Source: Bloomberg, Thomson Reuters

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	7.9	29.9	17.4	28.2	8.9	-	12.0	10.7
Egypt	B Negative	B1 Negative	B+ Negative	BB+ Negative	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 Stable	-	B+ Stable	-	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 Stable	-	B	-	-	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	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+ Positive	-	BB- Stable	-	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 Stable	Baa3 Negative	BBB- Negative	BBB	B	-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	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+ Stable	BB- Stable	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 Negative	Ba2 Negative	-	BB	CCC	-6.1	68.5	23.8	53.4	5.1	59.8	-6.7	6.4
Kuwait	AA Stable	Aa2 Negative	AA	AA-	A	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B Negative	B1 Stable	B	B	CCC	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A Negative	A2	-	A	A	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA Stable	Aa2 Stable	-	AA-	AA	7.7	38.2	70.1	115.5	7.8	703.9	32.6	2.9
Saudi Arabia	AA- Stable	Aa3 Stable	AA-	AA-	BBB	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	BB- Stable	CC	-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- Negative	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	BBB	-1.1	25.8	8.5	29.3	1.9	-	2.8	0.6
	Stable	-	-	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BBB	-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	Ba1	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	06-Jun-12	No change	05-Jul-12
UK	Bank Rate	0.50	07-Jun-12	No change	05-Jul-12
Japan	O/N Call Rate	0-0.10	23-May-12	No change	15-Jun-12
Australia	Cash Rate	3.50	05-Jun-12	Cut 25bps	03-Jul-12
New Zealand	Cash Rate	2.50	14-Jun-12	No change	26-Jul-12
Switzerland	3 month Libor target	0.00	14-Jun-12	No change	13-Sep-12
Canada	Overnight rate	1.00	05-Jun-12	No change	17-Jul-12
Emerging Markets					
China	One-year lending rate	6.31	07-Jun-12	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	21-Jun-12
South Korea	Base Rate	3.25	08-Jun-12	No change	12-Jul-12
Malaysia	O/N Policy Rate	3.00	11-May-12	No change	05-Jul-12
Thailand	1D Repo	3.00	13-Jun-12	No change	25-Jul-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	29-May-12	No change	21-Jun-12
South Africa	Repo rate	5.50	24-May-12	No change	19-Jul-12
Kenya	Central Bank Rate	18.00	01-Jun-12	No change	Jul-12
Nigeria	Monetary Policy Rate	12.00	21-May-12	No change	24-Jul-12
Ghana	Prime Rate	15.00	Jun-12	Raise 50bps	Aug-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	08-Jun-12	No change	20-Jul-12
Brazil	Selic Rate	8.50	30-May-12	Cut 75bps	11-Jul-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	6.00	06-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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