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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Bank funding conditions tighten in second quarter of 2012

The Emerging Markets Bank Lending Conditions Survey indicated that the Lending Conditions Index reached 48.6 in the second quarter of the 2012, unchanged from the previous quarter and compared to 53 in the same quarter of 2011. The survey said that the index remained below 50 for the fourth consecutive quarter, implying a continued deterioration in overall lending conditions. The survey revealed that 20.6% of respondent banks indicated that demand for commercial and industrial loans decreased in the second quarter of 2012, while 20.2% of respondents considered that demand for commercial real estate loans dropped. Also, it noted that 15.8% of respondents acknowledged that residential real estate loans declined in the second quarter of 2012 compared to 10.7% of respondents who considered that demand for consumer loans contracted. The survey added that emerging market banks continued to tighten their credit standards in the second quarter of 2012. In parallel, the survey revealed a further tightening in bank funding conditions in the second quarter of the year, but at a slower pace than in the preceding quarter. Also, it noted that 48% of the responding banks reported an overall tightening in international funding conditions, compared with 41% in the previous quarter, and relative to 26.8% that acknowledged an overall tightening in domestic funding conditions. The results of the survey are based on responses from 132 banks domiciled in emerging market economies. The survey is addressed to senior loan officers, chief credit officers or other senior officers in equivalent positions at 200 banks based in emerging market countries.
Source: Institute of International Finance

Trading in Credit Default Swaps down 9% to $218bn in second quarter of 2012

Trading in emerging markets Credit Default Swaps (CDS) reached $218bn in the second quarter of 2012, constituting a 9.2% decrease from $240bn in the same quarter last year and a 7.2% decrease from $235bn in the first quarter of 2012. The drop in CDS trading was mainly due to a slowdown in China's economy during the second quarter, the surge of instability in the Eurozone and a 45% quarter-on-quarter decline in emerging markets' bond issuance. The most frequently traded sovereign CDS contracts were those on Brazil at $35bn, followed by Russia at $32bn and Turkey at $29bn; while the most frequently traded corporate CDS contracts were those on Gazprom at $6bn and Pemex at $2bn. 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.
Source: EMTA

MENA

Equity markets up by 1.9% in first seven months of 2012

Arab stock markets increased by 1.9% and GCC equity markets rose by 2.8% in the first seven months of 2012 compared to drops of 8.9% and 6%, respectively, in the same period last year. Activity on the Egyptian stock market increased by 32.1% in the first seven months of 2012 and posted the best performance among Arab markets during the covered period. It was followed by the Dubai financial market with a 14% increase, the Tunis exchange with a 11% improvement, Saudi Arabia's stock market with a 7.2% rise and the Abu Dhabi equity market with a 4.3% growth. In parallel, the Iraqi stock exchange dropped by 16% in the first seven months of 2012 and posted the worst performance among Arab stock markets. It was followed by the Casablanca stock market with a 10.7% drop, the Palestine equity market with a 7.3% retreat, the Amman stock exchange with a 7.2% contraction, the Muscat equity market with a 5.9% decrease, the Doha bourse with a 5.5% decline, the Damascus financial market with a 5% fall, the Bahrain bourse with a 4% drop, the Beirut stock exchange with a 2.6% decrease, and the Kuwait bourse with a 1.6% decline. In comparison, emerging market equities rose by 3.5% and global equities grew by 5.4% in the first seven months of the year. Arab stock markets rose by 1.5% in July compared to increases of 1.2% for emerging market equities and 1.1% for global equities.
Source: Local stock markets, Dow Jones Indices, Byblos Research

Eqyity issuance down 40% in first half of 2012

Figures issued by Thomson Reuters show that equity capital markets issuance in the Middle East reached $5bn during the first half of 2012 through 34 issuances, constituting a decrease of 40% from $8.3bn in the same period of 2011. The telecommunications sector accounted for $2.2bn or 44% of total issuance, followed by the financial sector with $1.3bn (26%). Also, debt issuance in the region rose by 51% to $16.9bn compared to $11.2bn in the same period last year. Further, the volume of mergers and acquisitions (M&A) increased by 137% to $14.3bn through 239 deals from $6bn in the same period of 2011, with the financial sector constituting the main target industry in the region with $4.3bn, followed by the telecom sector with $4.2bn, and the industrial sector with $1.5bn. Also, the value of syndicated loans stood at $18bn in the first half of 2012, down 19% from $22.3bn in the same period last year. In parallel, investment banking and advisory fees in the Middle East stood at $234.8m in the first half of 2012, constituting a rise of 5% from $223.7m in the same period last year. Syndicated lending fees totaled $61.3m during the first half and accounted for 26.1% of the overall fee pool, followed by fees from M&A deals with $59.6m (25.4%), equity capital markets deals with $59m (25.1%) and debt capital markets fees with $54.9m (23.4%). Debt capital markets fees increased by 118.7% while M&A fees fell by 19.5% year-on-year.
Source: Thomson Reuters

OUTLOOK

SYRIA

Real GDP to contract by 14% in 2012, foreign currency reserves face depletion by end-2013

The Institute of International Finance projected Syria's real GDP to contract by 14% in 2012 compared to a contraction of 6% in 2011. It attributed the contraction in activity to the large reduction in agriculture output and further declines in investment and net exports due to the escalation of fighting and economic sanctions. It warned that the contraction in output would exceed 20% in 2012 if the fighting continues through the end of the year. The IIF said that foreign direct investment and tourism, which drove economic growth during the 2003-10 period, have dried up. It estimated tourism receipts to have dropped from 11% of GDP in 2010 to 4% of GDP in 2011, and to drop further to 0.6% of GDP 2012. It also estimated net FDI to have dropped from $1.5bn in 2010 to $0.6bn in 2011, and to recede to $0.1bn in 2012.

In parallel, the IIF expected Syria's fiscal deficit to widen to 14% of GDP in 2012 from 8% of GDP in 2011 due to the planned increase in government spending, weaker tax revenues, and lower oil receipts. It forecast Syria's oil exports to drop to 100,000 barrels per day in 2012 relative to 130,000 b/d in 2011. It noted that the government is financing most of the fiscal deficit through borrowing from the domestic banking system. Further, it projected the current account deficit to widen to 13.1% of GDP in 2012 from 9.2% of GDP last year. It said the volume of merchandise exports fell by 12% in 2011 and is expected to drop by 20% in 2012, with non-oil exports dropping by 17% this year. Also, it forecast imports to fall by 21.5% this year, with non-oil imports falling by 20%.

The IIF pointed out that the large fall in foreign exchange receipts, along with an estimated $5bn in capital flight last year, have led to a sharp decline in official foreign currency reserves to $10.8bn, equivalent to 4.4 months of imports of goods & services at end-2011, from $19.5bn or 7.6 months of import cover in 2010. It projected Syria's foreign exchange reserves to decline to $1.1bn at end-2012, equivalent to 0.6 months of import cover. It warned that the expected widening of the current account and fiscal deficits, and continued capital flight, will deplete Syria's official reserves by end-2013 assuming no significant financial support from the regime's allies. It estimated total capital flight between March 2011 and July 2012 at $10.5bn, equivalent to 21% of GDP. It projected the average weighted exchange rate, which assigns a weight of 60% to the official exchange rate and 40% to the black market rate, at 81.5 pounds against the US dollar this year.

Source: Institute of International Finance

EGYPT

Bank lending capacity insufficient to finance deficit by 2014

Citigroup considered that Egyptian banks still have extra lending capacity to finance the fiscal deficit in 2012 and 2013, but expected the sector to effectively run out of money to lend to the government by 2014 if it does not reduce lending to the private sector. It noted that the government's financing needs, which exceeded $65bn during the 2007-11 period, were fully financed by net lending from the banking sector. It added, however, that the government's financing requirements are accumulating at a significantly faster pace than the growth rate of banks' lending capacity. As a result, it considered that the current fiscal stance in Egypt looks unsustainable. It noted that uncertain global liquidity, rising yields on international debt, and domestic political instability, indicate that raising foreign capital is becoming increasingly difficult for Egypt. As such, it expected the government's dependence on the domestic banking sector to continue to increase. It said the share of government lending in total credit has increased by 15% over the past four years to 65% of total credit, while the sector's claims on government represents 54% of total assets.

Also, it said that shifting more lending away from the private sector towards the public sector would weaken banks' asset quality and reduce lending to private sector development and investment which would hamper GDP growth and reduce public revenues. It added that the government will have to increase yields on its debt in order to make banks more willing to finance the debt, which would raise sovereign borrowing costs and further erode fiscal sustainability. It pointed out that direct borrowing from the Central Bank of Egypt would lead to the monetization of the debt which has a negative impact on monetary stability. It noted that this would reduce the CBE's independence and erode confidence in monetary policy.

Source: Citigroup

SUDAN

Austerity measures and high inflation to hurt economic activity in 2012

Business Monitor International revised downward its projections of Sudan's real GDP to a contraction of 1.4% in 2012 from 1.1% previously, due to high inflation and increasing government cutbacks. It said that inflation levels started to rise dramatically due to the rising cost of food and imported goods on the back of a weak Sudanese pound. It noted that the government is facing a large budget deficit, currently estimated at around $2.4bn, which it has begun to tackle through a series of cost-cutting measures. But it noted that the government plans to maintain military spending at current levels.

It said that the reduction in fuel subsidies, increase in public transport tariffs, and the depreciation of the pound will keep inflation elevated over the coming months, which will erode the purchasing power of households. As such, it revised downwards its projections for private consumption growth to 2% in real terms in 2012 from 5% previously. In parallel, BMI expected private investment to target Sudan's untapped potential in gold and other mining operations and to benefit from the mining sector's relatively strong growth over the medium-term. But it cautioned this investment activity will be constrained by the recent political unrest and poor business environment. It anticipated that public investment will be subdued, as austerity measures will delay infrastructural improvements and other projects. But it said that the government intends to invest in the sugar industry to help reduce the country's reliance on imported food.

Source: Business Monitor International

JORDAN

Ratings affirmed, vulnerabilities remain

Standard & Poor's affirmed Jordan's long- and short-term foreign and local currency sovereign credit ratings at 'BB/B' and kept the outlook on the long-term ratings at 'negative'. It also maintained the transfer & convertibility assessment at 'BBB-'. It said that the ratings are constrained by the vulnerability of the economy to regional economic and political shocks, and by its limited fiscal flexibility. But it noted that the ratings are supported by strong donor support that funds most of the country's large current account deficit. It added that commodity price inflation and spillovers from regional instability have translated into slower-than-expected economic growth, weaker external balances, and larger fiscal deficits. It pointed out that grants and the government's fiscal measures have partially helped the country meet its fiscal and external financing needs. However, it noted that the government's efforts have not fully offset the decline in foreign currency reserves, the increase in government debt, and structurally weaker public finances. It added that the increasing dependence on donor support is limiting the government's medium-term planning capabilities and is becoming an increasing vulnerability. It said the $2bn Stand-by Agreement with the IMF would alleviate short-term liquidity constraints to some extent and could strengthen donor appetite to meet Jordan's financing needs. S&P expected the disbursement of foreign grants to help narrow the current account deficit to 8.2% of GDP in 2012 from 10% of GDP in 2011, and to increase reserves to 6 months of current account payments coverage by end-2012 from a low of 5.4 months last year. It forecast the budget deficit at around 6% of GDP in 2012, with foreign grants equivalent to 4.5% of GDP compared to 6% of GDP last year. It said that the budget deficit, excluding grants, would reach 10.5% of GDP in 2012 relative to 12.2% of GDP last year.
Source: Standard & Poor's

QATAR

Business optimism retreats on global uncertainties

The D&B Business Optimism Index shows that the level of optimism in the Qatari non-hydrocarbon sector reached 27 points in the third quarter of 2012, down from 36 points in the previous quarter and unchanged from the same quarter last year, as five of the six categories forming the index retreated. D&B indicated that the non-hydrocarbon sector's outlook moderated due to the uncertain state of the global economy and the Eurozone crisis. The Volume of Sales sub-index decreased by 16 points to 33 points, as 53% of the non-hydrocarbon sector firms are anticipating an increase in their sales, while 20% are expecting a decline. The Net Profits sub-index fell by 18 points to 17, the New Orders sub-index dropped by 10 points to 40, and the Level of Stocks sub-index decreased by 10 points to 21 points. The survey indicated that 52% of firms expect an improvement in their order book status; and 31% of the respondents are expecting their inventory levels to improve relative to 59% that are expecting it to remain unchanged. Also, the Level of Selling Prices sub-index remained steady at 6 points, as 23% of the respondents anticipate their selling price to increase, while 17% expect a decline. In parallel, 40% of the respondents do not anticipate any negative factors to impact their business operations in the third quarter, while 30% of the respondents identified the current business environment in Qatar as a key factor influencing their business operations.
Source:Dun & Bradstreet

SUDAN

Austerity measures to gradually restore fiscal sustainability

The International Monetary Fund indicated that fiscal measures in Sudan's revised budget for 2012, which derives from the government's Three-Year Emergency Program adopted in 2011, include important steps to raise non-oil revenues and consolidate expenditures while strengthening social safety nets. It anticipated that the implementation of these measures will contribute to gradually restore fiscal sustainability. It also expected the Central Bank of Sudan's reform of the exchange rate regime to gradually help restore external stability. Further, the IMF underscored the need for continued policy reforms to ensure medium-term macroeconomic stability that would enable more inclusive economic growth, improve job creation and contribute to poverty reduction. Last June, 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. The government considered that the austerity measures will save around $1.5bn and are sufficient to support the economy and close the country's financing gap.
Source: International Monetary Fund

DEM REP CONGO

Tax reforms face obstacles

Business Monitor International indicated that the effective reform of the Democratic Republic of the Congo's (DRC) tax system is unlikely in the near future despite the significant loss of government revenues through tax evasion, corruption and mismanagement. It estimated that almost $100m in paid taxes were appropriated by corrupt officials and local governments in 2008 and 2009. It said that institutional and political obstacles prevent the formulation of a new law; while the government's weak control over mineral-rich areas would obstruct its enforcement. As such, it identified the lack of political will, institutional weakness and the complexity of the current tax system as the major obstacles to meaningful reforms of the DRC's tax system. It noted that the current governing alliance lacks political consensus for drafting such reforms. It pointed out that local authorities have strong incentives to block reforms, as they currently benefit from a fractured system that allows them to profit from taxes withheld from the central government. Further, it said that filing taxes in the DRC is a complicated process, involving various ministries and levels of government, all of which would have to be coordinated in order to reform the system.
Source: Business Monitor International

EMERGING MARKETS

BRIC banks to face deterioration in asset quality

Standard & Poor's expected the weak and uncertain global economic outlook, the financial and credit crisis in the Eurozone, and austerity programs in advanced markets to put pressure on the economies and the credit profiles of banks in Brazil, Russia, India, and China (BRIC) over the next 12 to 24 months. It said that a slowdown in growth in China, Brazil and particularly in India would weaken the asset quality and earnings of banks in these countries. But it noted that a moderate slowdown in Brazil and China will not erode the fundamental credit profiles of their financial institutions. It expected Russia's banking industry to continue its recovery for at least the next two years from the severe recession of 2008 and 2009. Further, it said that banking sectors of Brazil, Russia, and China will experience a moderate deterioration in asset quality and earnings, while large banks in these countries will be resilient to a global slowdown. It anticipated that the stand-alone credit profiles of Indian banks to come under pressure due to the more significant weakening of their asset quality and earnings. It said that the Brazilian banking sector is the least risky among BRIC banking systems, while that of Russia is the riskiest.

According the S&P, the Chinese and Indian banking systems have low risk funding profiles, Brazil's stable domestic customer deposits broadly cover loans, while Russian banks are comparatively riskier due to a lack of long-term financing in ruble and their significant proportion of foreign currency deposits. It noted that the state owns and controls a significant part of the banking industry in BRIC countries, as the state controls 80% of the banking sector in China, while the Indian government owns 68% of the banking sector, and the Russian state holds 60% of domestic banks. As such, S&P expected BRIC governments to intervene in their respective banking sectors, in case of need, in order to avoid unexpected deterioration in local banks' financial condition.

Source: Standard & Poor's

TUNISIA

Removal of Central Bank Governor raises concerns about independence of monetary policy

Moody's Investors Service indicated that the removal of the governor of the Central Bank of Tunisia (CBT) Mustapha Nabli from his post after he clashed with senior government officials over economic policy is "credit negative". It said that economic fragility and the ongoing political transition towards democracy meant that replacing the CBT governor sends the wrong signal to Tunisia's partners, as it creates uncertainty about the future of the country's monetary policy. It added that the dismissal of Mr. Nabli reflects the government's intervention in the financial and banking sector and potentially undermines the CBT's independence, which is critical for macroeconomic stability. It noted that the new governor would need time to familiarize himself with all the key issues confronting the CBT. It added that his appointment is likely to delay the implementation of banking sector reforms, such as the much-needed restructuring of the public banks and a strengthening of bank supervision.

Source: Moody's Investors Service

NIGERIA

Banking sector to sustain positive performance

Business Monitor International anticipated the Nigerian banking sector to maintain its good performance due to expectations of a positive long-term economic outlook and rapidly expanding demand for financial services. It said that the Nigerian banking sector has outperformed much of the rest of the economy, posting strong earnings in the first half of 2012 and surpassing the broad slowdown in the country's economic activity. It forecast the sector's aggregate assets and lending to grow each by 14% this year. It expected the commercial banking sector to maintain its strong growth levels, as investor sentiment rises and the need for greater access to finance expands along with Nigeria's rapidly growing economy. Further, BMI said that banks in Nigeria have been subjected to increased minimum capital requirements and tighter regulations in order to make them more resilient to future shocks and to restore confidence in the sector. It noted that Nigerian banks are currently the most capitalized banks in Africa, and that the average non-performing loan ratio reached 4.5% compared to 30% prior to the reforms. It expected Nigerian banks to have easy access to capital and expansion of operations given the positive economic outlook and investor sentiment optimism.

Source: Business Monitor International

ANGOLA

Bank competition to increase due to favorable outlook

Business Monitor International expected competition within Angola's banking sector to increase over the coming years due to robust economic growth prospects, improving financial regulations, rising levels of liquidity and low rates of banking penetration. It added that the sector's solid fundamentals are attracting growing foreign interest. It considered that the sector’s favorable growth prospects are underpinned by oil-driven economic growth and strong foreign capital inflows. It noted that the banking sector's stability strengthened in recent years through the implementation of stabilization measures, such as rigid foreign exchange restrictions and increases in bank reserve requirements. It expected the country's current account to maintain a healthy surplus over the coming years, which would have positive implications for domestic liquidity. It added that a stabilizing currency and an increasingly credible Central Bank would contain inflation levels and, in turn, would support asset growth. In parallel, it pointed out that the low level of banking services penetration, estimated at around 11%, illustrates the sector's vast growth potential, but also reflects the highly uneven nature of the country's economic boom. It attributed the strong credit growth in the real estate and construction sectors in recent years to oil-derived wealth that is concentrated in a small fraction of the population. It added that banks are reluctant to lend to non-oil sectors, as they remain relatively risk averse following the liquidity crisis of 2009. It pointed out that the consumer lending segment remains largely undeveloped. It said that Angola's large informal economy, financial illiteracy and poor infrastructure represent major challenges to the development of a broad-based banking sector.

Source: Business Monitor International

Brent prices close to $89 a barrel

Crude oil for September delivery rose by 85 cents to $89 a barrel on August 2, the largest gain since July 19th. Prices rose ahead of the European Central Bank's meeting to discuss steps to contain the Eurozone's debt crisis and as U.S. fuel stockpiles declined. U.S. crude inventories decreased by 6.5 million barrels last week, the biggest decline in more than seven months, and higher than expected one million barrels drop. Also, U.S. gasoline supplies declined by 2.2 million barrels last week. The average daily volume for Brent rose by 17% in June to 716,752 contracts per day. OPEC oil supply fell by 450,000 barrels per day in July to 31.2 million barrels per day. Further, U.S. crude stockpiles fell by 1.6 million barrels last week due to lower imports. Oil prices continue to be supported by worries about supply from Iran. Overall, prices of Brent ICE futures increased by 8.2% in July to $105.8 a barrel on July 31st, and prices of WTI NYMEX Futures rose by 5.3% in July to $89.9 a barrel.
Source: Bloomberg, Thomson Reuters

U.S. imposes new sanctions on Iran

The United States passed a new set of sanctions against Iran on August 1 aiming to penalize banks, insurance companies and shippers that help Iran sell its oil. The bill is based on oil trade sanctions that prompt Japan, South Korea, India and others to reduce their purchases of Iranian oil. The U.S. also announced sanctions against foreign banks that help Iran sell its oil, specifically China's Bank of Kunlun and Iraq's Elaf Islamic Bank. The U.S. government added that measures will be taken against firms that have dealings with the National Iranian Oil Company or the Central Bank of Iran, or that help Iran buy U.S. dollars or precious metals.
Source: Thomson Reuters

UAE and Australia sign deal for uranium supply

Australia signed a 15-year deal with the UAE to provide it with uranium fuel once the UAE nuclear power plants are operational by 2017. The deal covers uranium supply for four nuclear units. The UAE's Federal Authority of Nuclear Regulation granted a license to Abu Dhabi's Nuclear Energy Corporation for the construction of the country's first two nuclear reactors. The first of four reactors is scheduled to start operating in 2017 and the others by 2020. Australia is the biggest producer of uranium fuel in the world and holds around 40% of the world's uranium reserves.
Source: Gulf News

Chevron enters Kurdistan

International oil company Chevron became the second oil major after ExxonMobil to acquire licenses in the Kurdistan region in Iraq. It will buy an 80% stake into two blocks, Rovi and Sarta, which are located in the north of Erbil and were previously held by a subsidiary of India's Reliance Industries. Chevron's partner on the block, OMV E&P, will hold the remaining 20% stake. The exploration and appraisal activity on the two blocks have been limited since Reliance's acquisition in 2007. Also, testing was completed on Sarta block during 2011, but there was no specific data on the reserves potential or flow rates.
Source: Business Monitor International

Base metals: Aluminum prices to decline on slower growth in China

Aluminum smelters are facing a challenging environment in 2012, as aluminum cash prices have weakened sharply, reaching a year low of $1,810 per ton in June 2012. However, Chinese smelter production is expected to further grow through 2012, reaching production rates of 20.5 million tons during June. Also, Shanghai aluminum prices averaged between $2,450 per ton and $2,500 per ton so far in 2012, supporting higher cost smelters operating in China.

In parallel, aluminum production declined in Australia as 9% of total production has been permanently shut so far in 2012. Aluminum prices declined by 0.1% to $1,889 a metric ton on August 2nd. Also, prices are expected to remain weak, weighed down by the rest of the base metals complex and slowing economic growth in China. However, the metal is expected to receive substantial support at around $1,800 per ton, supported by higher oil prices in 2012.
Source: Business Monitor International, Citigroup

Precious metals: Gold prices fluctuate around $1,600 per ounce

Gold prices fluctuated around $1,600 an ounce on August 2, although they were capped by uncertainty over whether the European Central Bank will take action to tackle the region's debt crisis. Spot gold prices increased by 0.2% to $1,602.1 an ounce on August 2, after losing 0.9% on the previous day. Also, the U.S. gold futures contract for December delivery declined by 0.1% to $1,605.6 an ounce.

Also, the Central Bank of South Korea said it bought 16 tons of gold in July, boosting the country's gold holdings by nearly 30% to 70.4 tons as it aims to diversify its foreign reserves. Overall, the price of gold increased by 0.8% in July to $1,617 per ounce on July 31, while that of silver rose by 1.6% in July to $28 an ounce. Palladium prices increased by 1.2% in July to $591.5 per ounce and platinum prices declined by 2.2% to $1,420 per ounce.

Global Commodity Outlook

(3-months LME, $/ton)	2011	2012f	2013f
Aluminum	2,424	2,084	2,200
Copper	8,833	8,114	9,000
Lead	2,391	2,063	2,300
Nickel	22,896	18,728	21,000
Tin	26,042	22,266	25,500
Zinc	2,212	2,018	2,250
(Spot price, $/ounce)			
Gold	1,573	1,688	1,900
Palladium	733	665	800
Platinum	1,720	1,652	1,850
Silver	35	32	35

Source: Standard Chartered

COUNTRY RISK METRICS

Africa

Countries	S&P	Moody's	Fitch	CI	EIU	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 (%)
Algeria	-	-	-	-	BB								
	-	-	-	-	Stable	-2.6	10.7	1.9	4.8	1.7	2.1	13.7	1.3
Angola	BB-	Ba3	BB-	-	BB								
	Stable	Stable	Stable	-	Negative	7.9	29.9	17.4	28.2	8.9	-	12.0	10.7
Egypt	B	B1	B+	BB+	CCC								
	Negative	Negative	Negative	Negative	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	-	B+	-	BB								
	Stable	-	Stable	-	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	-	B								
	-	-	Stable	-	Stable	-	-	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								
	Stable	-	Stable	Stable	Stable	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+	-	BB-	-	B								
	Positive	-	Stable	-	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	Baa3	BBB-	BBB	B								
	Stable	Negative	Negative	Stable	Stable	-4.1	41.7	58.2	111.3	8.4	285.6	-5.7	3.2

Middle East

Countries	S&P	Moody's	Fitch	CI	EIU	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 (%)
Bahrain	BBB	Baa1	BBB	BBB+	BB								
	Negative	Negative	Stable	Negative	Stable	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+	BB-	CCC								
	-	-	Stable	Stable	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	Ba2	-	BB	CCC								
	Negative	Negative	-	Stable	Stable	-6.1	68.5	23.8	53.4	5.1	59.8	-6.7	6.4
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B	B1	B	B	CCC								
	Negative	Stable	Stable	Stable	Stable	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A	A2	-	A	A								
	Negative	-	-	Stable	Stable	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA	Aa2	-	AA-	AA								
	Stable	Stable	-	Stable	Stable	7.7	38.2	70.1	115.5	7.8	703.9	32.6	2.9
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	-	CC								
	-	-	-	-	Stable	-11.0	27.5	11.0	36.8	-	43.6	-6.1	2.4
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	5.8	18.5	44.4	53.5	7.2	293.3	10.3	0.6
Yemen	-	-	-	B-	CC								
	-	-	-	Negative	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-	-	-								
	-	Negative	Stable	-	-	-3.8	41.5	65.5	304.5	-	352.6	-11.7	6.4
China	AA-	Aa3	A+	A	BBB								
	Stable	-	Stable	Stable	Stable	-1.1	25.8	8.5	29.3	1.9	-	2.8	0.6
India	BBB-	Baa2	BBB-	BBB-	BBB								
	Negative	Stable	Negative	Stable	Stable	-5.9	68.1	17.8	62.2	11.1	-	-2.8	0.6
Kazakhstan	BBB+	Baa2	BBB-	-	BBB								
	Stable	-	Stable	-	Stable	1.7	12.9	67.7	138.4	40.5	312.9	5.9	1.5
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-2.1	17.8	84.7	90.3	19.3	240.1	1.6	4.0
Romania	BB+	Baa3	BBB-	BBB-	BB								
	Stable	-	Stable	Negative	Stable	-4.4	34.4	72.3	189.9	24.6	256.0	-4.5	2.1
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	1.9	11.7	22.5	73.7	9.7	75.4	5.5	-0.7
Turkey	BB	Ba1	BB+	BB	B								
	Stable	Positive	Stable	Stable	Stable	-0.8	40.3	44.2	184.9	28.6	361.8	-10.3	1.0
Ukraine	B+	B1	B	-	CCC								
	Negative	Negative	Stable	-	Positive	-4.1	39.3	79.0	145.9	36.5	316.4	-3.9	4.2

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	20-Jun-12	No change	01-Aug-12
Eurozone	Refi Rate	0.75	05-Jul-12	Cut 25bps	02-Aug-12
UK	Bank Rate	0.50	05-Jul-12	No change	02-Aug-12
Japan	O/N Call Rate	0-0.10	12-Jul-12	No change	09-Aug-12
Australia	Cash Rate	3.50	03-Jul-12	Cut 25bps	07-Aug-12
New Zealand	Cash Rate	2.50	26-Jul-12	No change	12-Sep-12
Switzerland	3 month Libor target	0.00	14-Jun-12	No change	13-Sep-12
Canada	Overnight rate	1.00	17-Jul-12	No change	05-Sep-12
Emerging Markets					
China	One-year lending rate	6.00	05-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	20-Jun-12	No change	01-Aug-12
Taiwan	Discount Rate	1.88	21-Jun-12	No change	27-Sep-12
South Korea	Base Rate	3.00	12-Jul-12	Cut 25bps	09-Aug-12
Malaysia	O/N Policy Rate	3.00	05-Jul-12	No change	06-Sep-12
Thailand	1D Repo	3.00	25-Jul-12	No change	05-Sep-12
India	Reverse repo rate	8.00	18-Jun-12	No change	31-Jul-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	26-Jul-12	No change	16-Aug-12
South Africa	Repo rate	5.00	19-Jul-12	Cut 50bps	20-Sep-12
Kenya	Central Bank Rate	16.50	10-Jul-12	Cut 150bps	Aug-12
Nigeria	Monetary Policy Rate	12.00	24-Jul-12	No change	19-Sep-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	20-Jul-12	No change	07-Sep-12
Brazil	Selic Rate	8.00	11-July-12	Cut 50bps	29-Aug-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	0.08	01-Aug-12	Cut 8bps	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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