

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Gold demand down 5% to 2,091 tons in first half of 2012**

The global demand for gold totaled 2,091 tons in the first half of 2012, constituting a decline of 5% from 2,209.3 tons in the first half of 2011. Global gold demand reached 990 tons or the equivalent of \$51.2bn in the second quarter of 2012, constituting a decline of 10.1% from 1,101 tons (\$59.8bn) in the first quarter of this year and a drop of 7.1% from 1,065.8 tons (\$51.6bn) in the second quarter of 2011. The investment sector was the main driver in the slow down, with demand reaching 709.4 tons in the first half of 2012, down 2.8% from 729.6 tons in the same period last year. Also, investment sector demand totaled 302 tons or the equivalent of \$15.6bn in the second quarter of 2012, down 26% from 407.4 tons (\$22.1bn) in the previous quarter and by 23% from 390.3 tons (\$18.9bn) in the same quarter last year. Jewelry demand totaled 906.4 tons in the first half of this year, constituting a decline of 13% from 1,042.3 tons in the first half of 2011; while demand for jewelry reached 418.3 tons in the second quarter of 2012, down 15% from the same quarter last year.

China and India generated 36% of global demand for gold and 45% of global jewelry demand in the second quarter of 2012. India's gold demand reached 181.3 tons in the second quarter of 2012, down 38% year-on-year; while China's purchases of gold totaled 145 tons in the second quarter of 2012, down 7% year-on-year. Further, Central Banks continued to be net buyers of gold with their purchases surging by 25% to 254.2 tons in the first half of 2012. Official sector purchases accounted for \$13.4bn or 12.2% of the overall gold demand in the first half of this year; and for \$8.1bn or 16% of the total in the second quarter of 2012.

*Source: World Gold Council*

##### **Corporate default rate at 2.8% in July 2012**

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.8% at the end of July 2012, down from a revised rate of 2.9% at the end of June, and compared to 1.8% at the end of 2011 and 1.9% at the end of July 2011. It said that a total of 40 rated corporate debt issuers have defaulted so far this year, three of which defaulted in July. The agency forecast the global speculative-grade default rate to increase to 3.1% by the end of 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 2% at end-July, unchanged from the previous month's level. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 18.3% at end July 2012, down from 19.3% at end-June but up from 8.9% a year earlier.

*Source: Moody's Investors Service*

##### **Corporate bond issuance at \$1.4 trillion in first half of 2012**

Standard & Poor's indicated that global corporate bond issuance totaled \$1,439bn in the first half of 2012, constituting the second lowest figure in the past five years for the first six months of the year. It included \$883bn in investment grade, \$183bn in speculative grade, and \$372bn in unrated bonds. It pointed out that corporate bond issuance reached \$543bn in the second quarter and \$543bn in the first quarter of 2012. It said that bond issuance in Europe totaled \$526bn in the first half and accounted for 36.6% of global bond issuance, followed by the U.S. with \$483bn (33.6%), emerging markets with \$271bn (18.8%), and other developed markets with \$158bn (10.1%). Speculative grade issuance in the U.S. reached \$115bn and represented 62.8% of global speculative grade issues, followed by Europe with \$38bn (20.8%), emerging markets with \$22bn (12%) and other developed markets with \$8bn (4.4%). S&P said that increased investor anxiety due to the current sovereign crisis in parts of Europe restrained demand for new debt. It added that the still fragile U.S. economy, increased regulations, the prospect of a weaker-than-expected economic growth in China, and instability in certain parts of the Middle East increased the global uncertainty and, in turn, raised borrowing costs.

*Source: Standard & Poor's*

#### EMERGING MARKETS

##### **Fixed income trading volume down 17% to \$1,413bn in second quarter of 2012**

Trading in emerging markets debt instruments totaled \$1,413bn in the second quarter of 2012, constituting a decrease of 11% from \$1,582bn in the first quarter of 2012 and a 17.1% decrease from \$1,704bn in the same quarter last year. Further, local instruments turnover totaled \$987bn, or 70% of overall trading volumes in the second quarter of 2012, constituting a 5% drop from \$1,043bn in the first quarter of this year and a 19% decrease from \$1,213bn in the second quarter of 2011. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$419bn in the second quarter of 2012, decreasing by 21% from \$531bn in the first quarter of 2012 and dropping by 13% from \$481bn in the second quarter of 2011. Sovereign Eurobond volumes increased by 5.3% year-on-year to \$240bn, while the volume of traded corporate Eurobonds stood at \$158bn in the second quarter of 2012, down 28.5% from \$221bn in the second quarter of 2011. Sovereign Eurobonds accounted for 57% of total debt trading relative to 47% in the second quarter of 2011, while corporate debt represented 38% of total trading compared to 46% in the second quarter of 2011. The most frequently traded instruments were Brazilian instruments with 21.1% of the total, followed by Mexican debt securities with 17.2%, Russian instruments with 9.7%, Turkish instruments with 5% and Singaporean liabilities with 4.3% of total emerging markets debt trading volume. Trading in Brazilian debt rose by 74%, trading in Russian instruments grew by 17% and trading in Mexican obligations increased by 1% year-on-year.

*Source: EMTA*

# OUTLOOK

## SYRIA

### **Economy to contract by 5.5% in 2012, oil production to drop**

The United Nation's Economic and Social Commission for Western Asia (ESCWA) expected Syria's real GDP to contract by 5.5% in 2012 following a contraction of 2% in 2011. It said that political unrest has had a direct adverse effect on the economy last year, especially on the tourism industry. It noted that the country's political and economic outlook remain highly volatile. Syria's projected real GDP for this year is the lowest among the 14 ESCWA countries, and posted the second worst economic output in the region last year.

In parallel, the ESCWA forecast consumer price inflation in Syria to average 10% in 2012 relative to 6% in 2011, and compared to an inflation rate of 5% for the ESCWA region. Syria's projected inflation rate would make it the third highest rate in the ESCWA regions, behind Sudan with inflation projected at 19.3% and Yemen at 12% for 2012. ESCWA attributed Syria's high inflation rate partly to the depreciation of the Syrian currency. It pointed out that the exchange rate is under pressure with the Syrian pound gradually depreciating on the black market since the onset of the unrest in March 2011. It said that the black market rate fell by around 50% between end-February and December 2011, while the official rate depreciated by around 20% during the same period. It noted that the threat of currency devaluation forced the Central Bank of Syria to impose restrictions on transactions in foreign currency and abandon the peg to the IMF special drawing rights. It pointed out that Syria currently has official, private banks, and black market foreign currency exchange rates.

In parallel, the ESCWA anticipated a widening in Syria's fiscal deficit due to the European Union sanctions on oil exports and the decline in economic output. It expected Syria's crude oil production to drop almost by 40.5% this year to 0.22 million barrels a day from 0.37 million barrels a day last year, especially that operators are leaving the country.

*Source: ESCWA*

## AFRICA

### **Deterioration of Eurozone crisis to severely impact economies with trade and financial ties**

Business Monitor International expected African countries with extensive trade and financial ties with Europe, a reliance on foreign direct investment and dependence on foreign trade, to be the most vulnerable to a breakup of the Eurozone. It considered that Algeria, Cameroon, Ghana, Mauritius, Morocco, Mozambique, South Sudan, Tunisia, and the 14 countries of the West African Economic & Monetary Union to be the most exposed economies to the European crisis. But it noted that African countries with strong export links to China, stable balance of payments positions, large domestic markets, and large foreign currency reserves would be protected from a deterioration of the Eurozone crisis. It pointed out that such countries include Angola, the Democratic Republic of Congo, Ethiopia, Kenya, Nigeria, South Africa, Uganda and Zambia. BMI noted that Tunisia is the most exposed to an export shock, as its

exports to the Eurozone are equivalent to 26.6% of its GDP, followed by the Republic of Congo (24.5%), Equatorial Guinea (18.6%), Algeria (15.9%), Côte d'Ivoire (14.6%) and Morocco (14.6%). Further, it expected African countries with stronger balance of payments positions, such as Africa's major oil producers, to weather an export-shock better than those that are currently running large current account deficits. But it noted that oil and industrial metals are vulnerable to significant market corrections, which would result in African oil-exporters facing serious balance of payments issues.

In parallel, BMI indicated that European banks account for nearly 25% of cross-border lending in Africa, but they dominate the market in some African states. As such, it noted that deleveraging would cause European banks to abandon operations abroad. It said this risk is highest for Mozambique, Mauritius and the Seychelles, where European banks play a key role in the financial sector. Further, it added that the underdeveloped African banking systems and their weak links to the international financial markets will shield African banks from a crisis abroad. But it noted that countries with less developed financial systems would still be affected through a fall in remittances from Europe. Further, it considered that the euro's volatility would be severely damaging to highly fragile African economies that rely on commodity exports, given that the CFA Franc and Moroccan dirham are both pegged to the euro and that commodity transactions are settled in US dollars.

*Source: Business Monitor International*

## LIBYA

### **Real GDP growth at 86% in 2012 as economy rebounds**

Business Monitor International projected Libya's real GDP growth at 86.4% in 2012, constituting the fastest growing economy in the world. But it said that Libya's growth figure is misleading given that real GDP contracted by 61.7% in 2011 and that much of the recovery is being driven by the hydrocarbon sector. It forecast net oil exports to increase by 410% in 2012 compared to an annual contraction of 82% in 2011. It said that the surge in oil production and exports will have a positive impact on Libya's fiscal and external accounts. As such, it expected the budget balance to shift to a surplus of 7.7% of GDP in 2012 due to the rebound in hydrocarbon revenues and anticipated that pressures to loosen fiscal policy will remain elevated into 2013. It added that most of the new spending will be in the form of current expenditures. It considered that the willingness and ability to undertake longer-term capital spending would be undermined by the still transitional nature of the government. Further, it considered that policy uncertainty and the tense security environment are likely to undermine fixed investment patterns over the coming year, despite significant reconstruction needs. It pointed out that a more pronounced rise in fixed investment is unlikely to materialize until a government that has the popular mandate to pursue long-term Greenfield projects is in place. In parallel, it forecast household consumption to post a robust recovery in the second half of the year and in 2013, as spending would be supported by measures such as the Central Bank lifting limits on deposit withdrawals, in addition to the improving inflationary outlook.

*Source: Business Monitor International*

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# ECONOMY & TRADE

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## EGYPT

### Gross external financing need at \$18bn in fiscal year 2012/13

Merrill Lynch projected Egypt's gross external financing need at \$17.9bn in fiscal year 2012/13, constituting an increase of 42.1% from \$12.6bn in FY2011/12. It said that the country's financing needs include \$6.7bn, or 37.4% of overall needs, to finance the current account deficit, \$5.8bn (32.4%) to fund the amortization of T-bills denominated in US dollars, \$2.9bn (16.2%) for the amortization of short-term debt, and \$2.5bn (14%) to finance the amortization of long-term debt. But it noted that potential bilateral and multilateral aid pledges to Egypt are adequate to bridge the country's external financing gap and minimize the need for a currency adjustment. It forecast external financing flows to Egypt at \$21.1bn in FY2012/13 compared to \$1.1bn in FY2011/12. It noted that the flows include \$8.8bn in long-term debt financing, of which \$7.7bn in potential disbursement of a facility from the International Monetary Fund and other multilateral aid, as well as support from GCC countries. It added that the banking sector will fully roll-over the amortization of \$5.8bn in T-bills denominated in US dollar given that the sector holds net foreign assets of \$13bn. Also, Merrill Lynch assumes \$2.9bn in short-term debt financing, \$2.5bn in portfolio investments and \$1bn in foreign direct investment in FY2012/13. However, it pointed out that the materialization and timing of multilateral support is critical to avoid pressures on foreign exchange reserves and currency devaluation at end-2012.

Source: Merrill Lynch

## IRAQ

### Rejection of supplementary budget to affect economic outlook

Business Monitor International projected Iraq's budget surplus at 9.4% of GDP and 7.6% of GDP in 2012 and 2013, respectively, due to high hydrocarbon revenues, which accounted for 98.1% of total revenues in 2011. It expected current expenditures to grow faster than revenues, as the government seeks to strengthen public support; and forecast investment spending to slow as a result of the ongoing political crisis that is delaying approval of spending on much-needed infrastructure projects. It said that the failure to approve the supplementary budget by the Iraqi Parliament will slow down investment spending and reforms, and negatively affect the country's economic outlook, given the importance of government spending to the overall economy. It attributed the Parliament's rejection of the supplementary budget law, which included a 9.3% increase in spending from the original budget approved in February 2012, to the current political crisis in the country. It noted that risks of a further rise in populist spending are significant, given the opposition's ongoing calls to increase current spending. In parallel, BMI expected public expenditures to grow faster than revenues over the medium-term, as the government would keep fiscal policy loose to appease the population and support the economy. It said that this will gradually narrow the fiscal surplus to an annual average of 4.7% of GDP over the 2013-16 period.

Source: Business Monitor International

## ARMENIA

### Country risk level lower than regional peers, ranks 78th globally

*Euromoney* magazine's quarterly survey on global country risk ranked Armenia in 78th place among 184 countries worldwide and in fourth place among 12 Commonwealth of Independent States (CIS) in the second quarter of 2012. Armenia's overall score reached 44.2 points compared to the global average of 42.19 points, and to the average score of 34.7 points for the CIS. Globally, Armenia ranked ahead of Barbados, Azerbaijan and Sri Lanka, and came behind Georgia, Jordan and El Salvador. Also, it had lower risks than Azerbaijan, Ukraine and Moldova and higher risks than Russia, Kazakhstan and Georgia among the CIS. Armenia's Political Risk score was 15.25 points, better than the global average of 13.91 points and the CIS average of 10.94 points; while its Economic Performance received 14.61 points, above the global average of 13.31 points and the CIS average of 12.30 points. Further, Armenia's Credit Ratings score was 2.81 points compared to the global average of 3.25 points and the CIS average of 1.89 points; while its score on Access to Bank Capital & Capital Markets was 3.38 points relative the global average of 3.73 point and the CIS average of 2.95 points. Also, Armenia's score on Debt Indicators reached 3.26 points relative to the global average of 4.11 points and the CIS average of 3.25 points.

Source: *Euromoney*, *Byblos Research*

## AFRICA

### China's changing economic model poses regional risks

Standard & Poor's anticipated that the rebalancing in China's economic growth model, which is currently driven by investments and exports, towards a consumption-driven model, to present serious risks to countries in Sub-Saharan Africa (SSA). It said that commodity-producing economies in SSA such as the Democratic Republic of Congo, Zambia, and South Africa are the most at risk, as the boom in China's capital spending that led to a strong increase in imports of metals and minerals from SSA will ease. It added that oil exporters in SSA such as Nigeria and Angola would be less affected in the short-term, given that Chinese demand for energy products will continue to be underpinned by the growth in its domestic auto market. But it noted that the shift in China's growth model will present new opportunities for exporters of agricultural products and for economies with an expanding manufacturing base. In parallel, S&P pointed out that China's growth has had a strong impact on SSA economies, but that this impact has been concentrated in five countries that together account for for 95% of the region's exports to China. It said that Angola accounts for 42% of SSA's exports to China, followed by South Africa with 27%, Sudan with 16%, the Republic of Congo with 8% and the DRC with 5%. It noted that the figures underestimate the actual trade ties between SSA and China as some shipments do not go directly to China, but transit through other destinations.

Source: *Standard & Poor's*



# BANKING

## JORDAN

### Private sector lending up 4.5% in first half of 2012

The Monetary Policy Committee (MPC) of the Central Bank of Jordan indicates that total assets reached JD38bn at the end of June 2012, constituting a rise of 0.9% from end-2011 and an increase of 4% from end-June 2011. Resident private sector loans rose by 4.5% from end-2011 to JD15.6bn, while credit facilities to the non-resident private sector decreased by 2.5% to JD949.3m, leading to an increase of 4.1% in overall private sector lending in the first half of the year. Resident private-sector lending accounted for 40.9% of total assets at end-June 2012, up from a 40.2% share a year earlier. In parallel, resident private sector deposits reached JD20.2bn, up 1.6% from the end of 2011 and by 7% from a year earlier. Also, deposits of non-bank financial institutions rose by 4.2% from end-2011 to JD288.7m. The central government's deposits reached JD625.8m, down 1.8% from end-2011, while those of public non-financial institutions increased by 13% to JD371.3m. Further, claims on the public sector increased by 7.2% to JD7.9bn in the first half, with claims on the central government accounting for 93.9% of lending to the public sector. Claims on the public sector accounted for 20.9% of total assets at end-June 2012 compared to 16.8% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD4bn, down 28.2% from JD5.6bn at end-2011; while capital accounts and allowances rose by 4.1% to JD5.6bn. Deposits with foreign banks reached JD5bn at end-June 2012, up 17.4% from end-2011, and the sector's foreign liabilities dropped by 3.8% to JD5.9bn.

Source: Central Bank of Jordan, Byblos Research

## SUDAN

### Credit facilities up 13.3% year-on-year

Figures released by the Central Bank of Sudan indicate that credit facilities extended by commercial banks operating in Sudan totaled SDG21.5bn at the end of June of 2012, constituting an increase of 13.3% from SDG19bn a year earlier. The distribution of lending by sector shows that local businesses represented SDG3.6bn, or 16.6% of the total relative to 15.2% at end-June 2011. Also, agriculture represented SDG2.9bn, or 13.3% of the total; industry with SDG2.6bn, or 11.9% of overall lending; construction with SDG2.4bn (11.2%); imports with SDG1.3bn (5.9%); transportation with SDG1.3bn (5.8%); lending to local governments with SDG668.6m (3.1%); exports with SDG667.6m (3.1%), lending to non-bank financial institutions with SDG251.9m (1.2%), energy and mining with SDG44.3m (0.2%), and warehousing with SDG37.4m (0.2%). Further, other lending accounted for SDG5.9bn, or 27.5% of total credits. In parallel, lending to the industrial sector increased by 27.8% year-on-year, export credits grew by 25.6%, loans to local businesses expanded by 23.6%, credit to agriculture sector improved by 11.7%, and imports financing expanded by 11%.

Source: Central Bank of Sudan, Byblos Research

## TUNISIA

### Sector's vulnerabilities significantly higher than officially reported

The International Monetary Fund indicated that the economic downturn led to the deterioration in the quality of the banks' portfolio, as more than 50% of total bank credit is provided to the industrial, trade and tourism sectors. It said that the sector's vulnerabilities are significantly higher than officially reported in banks' balance sheets due to a Central Bank of Tunisia's (CBT) circular that allowed banks to reschedule loans due from companies affected by the political turmoil of 2011. It noted that the reclassification of these loans as non-performing loans would increase the sector's NPL ratio by about 5 percentage points. It added that loans to public enterprises are not classified because of a presumed government guarantee, while weak reporting practices and deficiencies in the supervisory framework undermine the quality of reported figures by banks. In parallel, the Fund indicated that stress tests revealed that the banking sector may face large recapitalization needs to meet the current 8% regulatory minimum, due to the underestimation of existing losses and the likelihood of a worsening in loan quality. It noted that the minimum capital adequacy requirements are too low considering the risks faced by the Tunisian banking system. In parallel, the IMF said that most banks are currently heavily dependent on CBT's liquidity injection. It encouraged the CBT to develop an exit strategy to gradually decrease its large liquidity support to banks while continuing to meet banks' liquidity needs.

Source: International Monetary Fund

## ANGOLA

### Banks' capital adequacy solid, NPL ratio stable

The risk-weighted capital adequacy ratio of banks operating in Angola reached 19.2% at the end of March of 2012 relative to 14.8% at the end of 2011 and 16.4% at end-2010. Also, the sector's capital-to-assets ratio stood at 14.8% at end-March 2012 compared to 14.4% at end-2011 and 13.7% at end-2010. The sector's liquid assets reached 27.6% of total assets at end-March 2012 relative to 28.3% at end-2011 and 32% at end-2010, and accounted for 30.6% of total liabilities at end-March compared to 30.3% at end-2011 and 39.4% at end-2010. Further, the sector's loans-to-deposits ratio decreased to 59% at end-March from 59.5% at the end of 2011 and from 61.2% at end-2010. Also, foreign currency loans accounted for 50.5% of total loans at end-March relative to 50.9% at end-2011 and 63.9% at end-2010. The sector's non-performing loans reached 2.5% of total loans at end-March 2012, up from 2.4% at end of 2011 but down from 2.6% at end-2010. Banks' provisions reached 4.6% of capital at end-March 2012, up from 3.5% at end-2011 and 3.8% at end-2010. There were 52 authorized financial institutions operating in Angola at end-March 2012. In parallel, the IMF pointed out that Angola's financial system faces vulnerabilities given the risky domestic and external environment in which it operates, capacity constraints in banking supervision, inadequate bank corporate governance, high dollarization, and liquidity shifts linked to large oil sector transactions.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Brent prices above \$115 a barrel

Brent crude for October delivery rose by 96 cents to \$115.9 a barrel on August 23, while U.S. crude prices increased by 79 cents to \$98.1 a barrel. The increase in oil prices was mainly attributed to renewed hopes for another round of monetary stimulus by the U.S. Federal Reserve. Further, the U.S. Energy Information Administration stated that crude stocks declined by 5.41 million barrels to 360.8 million barrels and above the expectations of a 400,000 barrels drop. In parallel, crude imports declined by 510,000 barrels per day (b/d) week-on-week to 8.21 million b/d on August 22, but it was offset by last week's one million b/d increase. Distillate stocks grew by 992,000 b/d, close to expectations of a one million b/d rise to 125.2m b/d on August 22nd. Also, the Dow-Jones UBS Brent Crude Sub-index increased by 6.3% in July, while the WTI Crude Oil Sub-index rose by 3.2% during the month.

Source: Citigroup, Thomson Reuters

## Global oil demand growth to decelerate

The International Energy Agency cut its global oil demand forecasts for 2012 and 2013, due to expectations of a slowdown in economic growth in 2013. It expected world economic expansion at 3.6% in 2012, and world oil consumption to grow by 800,000 b/d in 2013 down from 900,000 b/d this year. Production by OPEC members fell by 70,000 b/d to 31.39 million barrels in July 2012, due to lower output from Iran, Angola and Libya. It was partly offset by higher supply from Iraq, the UAE and Qatar. Global supply rose by 300,000 b/d to 90.7 million barrels in July, with 60% of the increase coming from non-OPEC nations.

Source: Bloomberg

## South Sudan oil pipeline through Kenya to cost \$3bn

The South Sudanese government announced that the 2,000 km oil pipeline project through the Kenyan port of Lamu is expected to cost \$3bn. The pipeline is expected to transport between 700,000 and one million barrels of crude oil per day. The two-year construction plan of the pipeline is expected to begin in June 2013. South Sudan will invest in the project and have its crude reserves as guarantee for financiers. Oil receipts account for 98% of South Sudan's public revenues. South Sudan views the pipeline project as an alternative transit route to ship its oil, as it has been totally dependant on Sudan's oil installations and port to export its crude.

Source: Thomson Reuters

## Iraqi oil output overtakes Iran

Iraq has overtaken Iran as the second-largest OPEC oil producer for the first time since the late 1980s. Iraq produced more than 3 million barrels per day (b/d) in July 2012; while Iranian oil output fell below the 3 million b/d level for the first time in more than 20 years, dropping to 2.9 million b/d in the same month. Despite Iraq making strong progress in increasing its output, the drop in Iranian production was the main factor behind the switch in the production ranking. Also, Baghdad is aiming for an oil output of 3.4 million b/d by the end of this year with plans to produce 12 million b/d by 2017.

Source: Financial Times

## Base metals: Copper prices fall on lower Japanese exports

Copper prices declined due to lower Japanese exports, undermining prospects for global demand. Japanese copper shipments declined by 8.1% in the first two weeks of August from a year earlier. Copper for December delivery declined by 0.3% to \$3.5 a pound on August 23, while the London Metal Exchange's three-month contract fell by 0.4% to \$7,580 a metric ton. Copper stockpiles monitored by the LME fell by 0.1% to 234,175 tons, and orders to withdraw the metal from warehouses increased by 21% to 45,275 tons. Further, the Dow-Jones UBS Aluminum Sub-index decreased by 1.7% in July, while the Copper Sub-index declined by 2.3%. Also, the Dow-Jones Nickel Sub-index declined by 5.3% but the Lead Sub-index increased by 3.1% last month. Overall, the Dow-Jones Industrial Metals Sub-index declined by 2.5% in July.

Source: Bloomberg, Dow Jones Indices

## Precious metals: Gold reaches its highest level since early May

Gold and silver prices both rose to their highest levels in more than three months on August 23, due to hopes for a monetary stimulus by the U.S. Federal Reserve. Economic stimulus is expected to raise the inflation outlook, benefiting gold, which is seen as a hedge against rising prices. Spot gold prices rose by 0.7% to \$1,665.1 an ounce on August 23, its highest level since May 1st. Also, U.S. gold futures contracts for December delivery gained 1.5% to \$1,665.7 an ounce. The strength of the euro also helped increase demand for gold, keeping it on course for its seventh session of gains. Spot silver increased by more than 2% to \$30.5 an ounce, its highest level since early May.

In parallel, interest in gold is on the rise on speculation of further monetary stimulus globally. Holdings of the SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, continued to rise, reaching a three-month high of 1,282 tons on August 22nd. The Dow-Jones UBS Gold Sub-index increased by 0.4% in July, while the Silver Sub-index rose by 1.1% during the month. Also, the Dow-Jones Platinum Sub-index decreased by 2.5% last month. Overall, the Dow-Jones Precious Metals Sub-index increased by 0.5% in July.

Source: Thomson Reuters, Dow Jones Indices

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	1,557	1,800
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								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-3.6	9.9	2.8	5.7	1.2	2.6	10.3	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	12.6	30.9	18.0	47.1	7.5	-	12.0	-
	Stable	Stable	Stable	-	Negative								
Egypt	B	B1	B+	BB+	CCC	-9.9	76.4	14.8	44.6	6.7	127.8	-2.0	-
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.6	37.3	26.5	276.7	-	-	-6.3	0.2
	-	-	-	-	Stable								
Ghana	B	-	B+	-	BB	-4.3	43.4	20.4	59.4	-	-	-6.5	3.2
	Stable	-	Stable	-	Positive								
Ivory Coast	-	-	-	-	CCC	-5.7	67.9	47.3	100.0	-	-	1.0	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	-	-	15.1	28.2	2.0	-	4.4	-
	-	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-1.5	92.4	92.2	100.0	-	560.0	-6.5	0.01
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	B	-6.9	54.4	24.6	81.2	8.9	131.3	-7.4	2.3
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	1.1	17.9	4.2	7.5	0.4	-	13.5	9.7
	Positive	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-2.9	73.1	60.5	397.9	-	-	2.1	-
	-	-	-	-	Stable								
Tunisia	BB	Baa3	BBB-	BBB	B	-3.2	42.4	47.9	105.5	9.3	309.3	-7.4	1.1
	Stable	Negative	Negative	Stable	Stable								
<b>Middle East</b>													
Bahrain	BBB	Baa1	BBB	BBB+	BB	-2.3	36.5	138.6	65.1	6.2	354.8	4.2	-
	Negative	Negative	Stable	Negative	Stable								
Iran	-	-	B+	BB-	CCC	0.2	9.0	3.4	9.8	1.5	11.3	10.7	3.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CCC	7.4	86.9	76.8	61.4	-	83.1	7.9	1.5
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	CCC	-6.0	70.6	21.6	53.9	4.8	71.0	-9.5	1.4
	Negative	Negative	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	31.0	4.1	18.0	25.3	7.0	126.1	41.8	-
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-5.6	136.2	174.5	536.4	14.7	92.5	-14.4	2.3
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	8.2	5.1	11.5	19.1	-	65.7	13.2	0.2
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	8.0	32.5	72.6	123.1	9.1	642.6	28.4	-
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	15.2	7.5	16.3	29.8	2.1	19.7	24.4	13.0
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	CC	-	-	-	87.7	-	-	-	1.1
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	BB	2.9	16.9	41.0	59.3	6.6	445.1	9.2	5.5
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-4.4	42.5	18.0	72.4	-	157.5	-3.5	-
	-	-	-	Negative	Stable								



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Asia</b>													
Armenia	-	Ba2	BB-	-	-	-2.7	35.1	65.5	453.3	-	357.9	-12.3	0.4
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BBB	-1.1	25.8	9.1	31.5	1.7	-	2.8	58.9
	Stable	-	Stable	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BBB	-5.9	68.1	15.5	62.9	11.1	96.5	-2.8	16.8
	Negative	Stable	Negative	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BBB	5.7	10.9	76.1	136.2	29.7	432.4	7.6	8.4
	Stable	-	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.5	17.0	87.9	132.3	17.8	-	1.9	1.7
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	BB	-4.1	33.0	67.4	175.7	23.7	246.9	-4.2	2.6
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.8	9.6	22.5	71.9	9.7	-	5.5	-
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba1	BB+	BB	B	-1.3	39.4	39.7	167.4	29.5	454.2	-9.9	13.4
	Stable	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-4.0	36.5	76.4	142.1	34.9	-	-5.6	7.0
	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	01-Aug-12	No change	13-Sep-12
Eurozone	Refi Rate	0.75	02-Aug-12	Cut 25bps	06-Sep-12
UK	Bank Rate	0.50	02-Aug-12	No change	06-Sep-12
Japan	O/N Call Rate	0-0.10	09-Aug-12	No change	18-Sep-12
Australia	Cash Rate	3.50	07-Aug-12	Cut 25bps	04-Sep-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
<b>Emerging Markets</b>					
China	One-year lending rate	6.00	05-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	01-Aug-12	No change	13-Sep-12
Taiwan	Discount Rate	1.88	21-Jun-12	No change	27-Sep-12
South Korea	Base Rate	3.00	09-Aug-12	Cut 25bps	13-Sep-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	31-Jul-12	No change	17-Sep-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	16-Aug-12	No change	18-Sep-12
South Africa	Repo rate	5.00	19-Jul-12	Cut 50bps	20-Sep-12
Kenya	Central Bank Rate	16.50	Aug-12	Cut 150bps	01-Sep-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	5.50	06-Aug-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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