

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

EMEA corporate bond issuance at €384bn in first half of 2012

Fitch Ratings indicated that corporate bond issuance in the Europe, Middle East & Africa region (EMEA) totaled €383.7bn in the first half of 2012 compared to €96.9bn raised in 2011. New issues included €345.9bn in investment-grade and €37.7bn in speculative-grade bonds. It noted that the financial sector raised €111.6bn, or 55.1% of total EMEA new corporate bond issuance in the first half of the year, including €204.1bn (96.5%) by the banking & finance segment and €7.5bn (3.5%) by the insurance industry. Further, it noted that the non-financial sector raised €163.7bn, equivalent to 42.7% of total EMEA corporate bond issuance in the first half of 2012, including €56.4bn (34.5%) by industrial firms; €1.9bn (31.7%) by energy, utilities & transportation industries; €31.8bn (19.4%) by telecoms, media & technology firms; and €23.6bn (14.4%) by retail, leisure & consumer product companies. It added that newly extended loans reached €21.2bn in the first half of 2012, and included €300.1bn in syndicated loans and €1.1bn in leveraged loans. Fitch Ratings noted that outstanding rated EMEA corporate bonds reached €3.8 trillion at the end of June 2012, and covered bonds totaled an additional €1.9bn.

Source: Fitch Ratings

MENA

M&A deals up 18% to \$ 26bn so far in 2012

Figures released by Standard & Poor's show that there were 307 merger & acquisition deals in the Middle East & North Africa region, including Turkey, as of mid-August 2012, constituting an increase of 10.8% from 277 deals in the same period last year. Also, the aggregate value of M&A deals in the region reached \$25.9bn in the covered period, up 18.2% from \$21.9bn in the same period last year and compared to \$27.9bn in full year 2011. The financial sector was the most active with 75 announced transactions or 24.4% of the total, followed by the industrial sector with 58 deals (18.9%), and consumer discretionary industry with 40 transactions (13%). France Telecom's mandatory tender offer to acquire a 95% stake in The Egyptian Company for Mobile Services for \$4.5bn in April 2012 constituted the largest foreign acquisition in the region this year and the fifth largest foreign M&A deal ever in the region. Also, the recent offer by Qatar Telecom to acquire the remaining 47.5% stake in Kuwait's National Mobile Telecommunications Company for \$2.2bn pushed the year-to-date M&A total value in the region to slightly below that of full year 2011. In parallel, the aggregate value of M&A deals in the region reached \$27.9bn in 2011, constituting a decrease of 22% from \$35.8bn in 2010. The aggregate value of M&A deals peaked in 2007 at \$63.9bn, just before petroleum prices exceeded \$145 per barrel in 2008. The number of transactions increased to 452 in 2011 from 431 in 2010, but they fell by 42.3% to 335 in 2009.

Source: Standard & Poor's

Venture capital funds raise \$300m, transactions total 46 in 2011

The MENA Private Equity Association indicated that the number of venture capital (VC) deals in the region totaled 46 transactions in 2011 compared to 36 in 2010, 38 in 2009, 21 in 2008 and 20 in 2007. As such, 120 transactions took place in the 2009-11 period compared to 62 deals in 2006-08. It said that the IT & software sector accounted for 46% of the total number of VC deals between 2006 and 2011, followed by the manufacturing sector with 13%, the telecommunications sector with 7%, and the media, services and consumer goods sectors with 4% each. It estimated that Morocco accounted for 57% of total VC transactions during the 2006-11 period, followed by Lebanon and Egypt with 9% each, the UAE with 6%, Tunisia with 5% and Jordan with 3%. In parallel, it indicated that VC funds raised \$1.8bn between 2000 and 2011, with \$300m raised in 2011, \$194m in 2010, \$34m in 2009, \$318m in 2008 and \$164m in 2007. It said the capital that was raised in 2011 accounts for 16.8% of the aggregate funds raised since 2000, and constitutes a 34.5% increase in cumulative funds since 2006. It considered that the industry's challenges include the enforceability of certain traditional VC investment terms and structures, as well as the lag in both the regulatory structures and the legal framework. It noted, however, that the MENA region witnessed a 28% annual growth in the number of VC deals and transactions related to small- and medium-sized enterprises executed in 2011.

Source: MENA Private Equity Association

Algeria is largest recipient of inter-Arab investment, UAE is biggest investor in the region in 2011

Figures released by the Arab Investment & Export Guarantee Corporation show that inter-Arab investments totaled \$6.8bn in 2011, constituting a decrease of 83.7% from \$12.5bn in 2010. The figures for 2011 cover five Arab countries only compared to 10 countries for the 2010 figures. However, the figures for the five countries that had data for both 2011 and 2010 show that total inter-Arab investments increased by 53% year-on-year. Algeria received \$5.3bn in Arab investments and accounted for 78.4% of the total, making it the largest recipient of such capital flows last year. It was followed by Egypt with \$1bn or 15.4% of the total, Jordan with \$265m (3.9%), Tunisia with \$121m (1.8%) and Yemen with \$31m (0.5%). Inter-Arab investments increased in Algeria and regressed in the other four economies year-on-year. The services sectors received 86.8% of inter-Arab investments last year, followed by industry with 4.4%, agriculture with 3.2%, while investments in other sectors accounted for the remaining 5.6%. In parallel, the UAE was the largest source of inter-Arab investments with \$5.8bn or 85.5% of the total, followed by Qatar with \$231m, Saudi Arabia with \$219.6m and Kuwait with \$89m, as the four economies accounted for 93.4% of total inter-Arab investments.

Source: Arab Investment & Export Guarantee Corporation

OUTLOOK

EMERGING MARKETS

Promising outlook for frontier equity markets, obstacles remain

Citigroup indicated that investors' interest in frontier equity markets (FM) is increasing relative to few years ago due to better growth prospects, less attractive 'mainstream' emerging markets, diversification benefits, cheap valuations relative to the past, low correlations with developed markets, and improvement in the understanding of the asset class. It estimated FM's assets under management (AUM) at about \$15bn compared to nearly \$880bn in emerging markets funds. It said there are about 100 funds following some part of the FM space, with many more funds investing a very small part of their assets in FM stocks off-benchmark. It noted that 22% of the AUM are in funds focusing on Africa and the Middle East, 21% in Pan-Frontier funds, 15% in MENA funds, 14% in Sub-Saharan Africa funds, 5% in Frontier Europe funds, and the remaining 23% are invested in other FM regions or countries. Further, 70% of surveyed FM fund managers said their funds saw inflows last year, while 50% said interest in FM has increased last year. It noted that around 50% of survey participants have neutral expectations about the performance of the asset class over the next six months, but their expectations shift to "mildly bullish" and "very bullish" for the next three years.

In parallel, investors consider that there are several obstacles that limit their investment activity in FMs, as 44% of them identified higher risk profile as the most important obstacle, with concerns ranging from politics and transparency to corporate governance and accounting standards. Also, around 35% of participants identified low liquidity, small size and high transaction costs as the second most common investor concern; followed by the relative lack of understanding and limited data availability and analyst coverage of FM markets (15%); and disappointing performance (5%) given that FM as a group have not lived up to expectations over the past five years.

Source: Citigroup

MENA

Jump in global food prices to cost 0.4% of GDP or 1.1% of foreign currency reserves

The World Bank indicated that the Middle East and North Africa region is vulnerable to increases in food prices given its status as a top net importer of grains, and would be negatively affected by another potential rise in global food prices. It considered that the effects at the macroeconomic level of a jump in prices would depend on the extent of import food dependency, fiscal space and the level of food commodity stocks in different countries. It added that the recent rise in food prices has coincided with a stronger US dollar, which increased import costs in countries whose currencies have weakened relative to the dollar such as the transition economies in North Africa, as well as Iran, Algeria and Morocco. It estimated that a rise in the global prices of grains and sugar would increase the MENA region's food import bill by an additional 0.42% of GDP or 1.09% of its foreign exchange reserves. It estimated such costs at 1.01% of GDP or 5.42% of foreign exchange reserves for oil importers, 0.53% of GDP or 1.76% of reserves for non-GCC oil exporters,

and 0.12% of GDP or 0.24% of reserves for GCC oil exporters.

Further, the World Bank said that MENA countries with high cereal imports and wide fiscal deficits face price and quantity risks, and considered them to be the most vulnerable at the macroeconomic level. It said that Syria typically faces low quantity risks, but this year the conflict has prevented farmers from harvesting crops and interrupted the normal functioning of food distribution chains and sugar refineries in parts of the country. It added that price risks in Syria have increased due to weakened macroeconomic fundamentals. It pointed out that quantity risks are highest for Lebanon and Jordan; while Egypt, Tunisia and Morocco are less dependent on food imports but are vulnerable to a food price shock, due to limited fiscal space. It considered that the GCC economies and middle-income oil exporters are insulated from food price shocks as they have ample fiscal space for international food purchases. It added that Iraq is vulnerable to a quantity risk, but its vulnerability to price risk is limited because its fiscal situation has improved.

Source: World Bank

ANGOLA

Positive medium-term economic outlook, dependence on oil is key vulnerability

Barclays Capital projected Angola's real GDP growth at 7% in 2012 and 6.7% in 2013, compared to an annual average growth rate of 3.7% in the 2010-11 period. It expected the economic outlook to be positive over the medium term due to relatively high oil prices and new oil output coming onstream. It added that oil production is forecast to average 1.8 million barrel per day (b/d) in 2012 and to exceed 2 million b/d in 2013. It pointed out that that high oil prices since 2009 have helped the country achieve a solid growth outlook, significant twin surpluses, relatively low public debt and record levels of reserves. It noted, however, that Angola's reliance on a single commodity is a main point of vulnerability, as it is almost entirely dependent on oil for its export receipts that account for more than 95% of total exports. It added that low governance levels constitute another key weakness compared to peers in Sub-Saharan Africa.

In parallel, Barclays forecast Angola's fiscal balance to post a surplus of 6.1% in 2012 compared to a surplus of 10.2% of GDP last year. It said that policymakers have made progress in implementing reforms with the help of an IMF-backed program, which allowed the government to clear sizeable arrears. It highlighted the need to continue reforming the country's fiscal framework, including enhancing governance and transparency in the flow of oil funds. It projected the current account surplus at 8% of GDP in 2012 and 7.8% of GDP in 2013 relative to 10% of GDP last year. It said that the country's external reserves reached a record high of \$32.6bn in June 2012 relative to \$27.3bn or 6.9 months of imports at end-2011. It noted that the country's strong foreign exchange reserve position has allowed authorities to keep the local currency within a very narrow range, which helped facilitate continued disinflation since end-2010. It expected inflation to average 10.5% in 2012 relative to 13.5% in 2011.

Source: Barclays Capital



ECONOMY & TRADE

EGYPT

Sovereign ratings removed from CreditWatch negative

Standard & Poor's affirmed Egypt's long- and short-term foreign and local currency sovereign credit ratings at 'B/B' and removed the ratings from CreditWatch negative. It maintained the transfer and convertibility assessment at 'B', and has a 'negative' outlook on the long-term ratings. It attributed its decision to the fact that the ruling party and the military are moving toward a working arrangement, which would lead to an improvement in medium-term policy-making. It considered that this would help the authorities address some of Egypt's pressing structural challenges, and would help stabilize the country's weak public sector finances and external position. It would also enable the authorities to achieve sufficient political and policy consensus to facilitate the external and domestic financing that are necessary to fund the fiscal deficit and support the Egyptian pound. It estimated the government's net borrowing needs at EGP163bn, equivalent to 9.1% of GDP, in FY2012/13 compared to a government estimate of EGP135bn or 7.6% of GDP. S&P said that the 'negative' outlook reflects the risks of an escalation in political or social tensions, as well the risks of change in the willingness of donors and multilateral lenders to extend much-needed support in case Egyptian authorities are unable to effectively address ongoing economic, fiscal and external challenges.

Source: Standard & Poor's

ARMENIA

Sovereign ratings affirmed on decreasing fiscal and external imbalances

Fitch Ratings affirmed Armenia's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-', short-term foreign currency IDR at 'B' and Country Ceiling at 'BB'. It said that the outlook on the long-term IDRs is 'stable'. The agency attributed its decision to the gradual decrease in Armenia's fiscal and external imbalances, as the fiscal deficit narrowed to 2.8% of GDP in 2011 from 5% of GDP in 2010. It expected the deficit to converge to the medium-term target of 2% of GDP, which would allow the public debt to stabilize at around 45% of GDP. It noted, however, that the debt level is very sensitive to exchange rate movements, given that 84% of the debt stock is denominated in foreign currency, which makes external and fiscal sustainability closely linked. It noted that funding costs will rise over the medium-term, which increases the importance of stabilizing or reducing the public debt, and forecast foreign currency reserves to stay flat or decline in 2013 due to large repayments of foreign debt next year. It added that Armenia's external finances constitute a weakness, as the current account deficit narrowed in 2011 but still reached 11% of GDP, well above its pre-crisis level. It was also the third widest among 'BB'-rated sovereigns. It pointed out that 50% of the current account deficit is financed by external borrowing, which is increasing the country's net external indebtedness. In parallel, Fitch considered that Armenia's ability to absorb further external shocks remains weaker than in 2008, as public and external debt have multiplied. It pointed that any shortfall in capital inflows would increase the risks of currency devaluation.

Source: Fitch Ratings

TURKEY

Economy on track for soft landing

Fitch Ratings indicated that the Turkish economy is making solid progress in returning to a sustainable growth rate, and is narrowing its current account deficit and reducing inflation. It noted that the economy overheated and generated large macro-economic imbalances in 2011, which made it vulnerable to a sharp correction. It projected real GDP growth at 2.8% in 2012 and 4.5% in 2013, and forecast current account deficit at \$60bn or 7.5% of GDP in 2012 and at \$59bn or 6.6% of GDP in 2013. It said that strong export growth is helping to offset a more abrupt slowdown in domestic demand, as well as in narrowing the trade deficit. It added that Turkey increased its exports to the Middle East and North Africa to offset the drop in exports to the European Union, with Iran and Iraq accounting for 67% of the growth in its exports. Further, it pointed out that capital inflows have been more than sufficient to finance the current account deficit and roll over Turkey's external debt in 2012, despite global uncertainties and funding strains from the EU which is the source of 75% of the country's FDI stock and 83% of its international bank lending. It also noted that the structure of Turkey's financing improved since the second half of the year, with lower dependence on short-term debt, portfolio inflows and the repatriation of overseas assets. However, Fitch said that Turkey's current account deficit and external financing needs are still large, leaving it vulnerable to a sudden stop in international capital inflows. It added that exporters' exposure to Middle Eastern markets also presents risks.

Source: Fitch Ratings

ANGOLA

Ratings affirmed, outlook stable

Standard & Poor's affirmed Angola's long-term foreign and local currency sovereign credit ratings at 'BB-', short-term foreign and local currency sovereign credit ratings at 'B' and transfer and convertibility assessment at 'BB-'. It also maintained a 'stable' outlook on the ratings. It said Angola's ratings are supported by its large hydrocarbon resources, strong growth prospects, and low government and external debt levels. It noted that the ratings are constrained by weak institutions, an underdeveloped non-oil sector, persistent double-digit inflation, and political succession risks and related political tensions. But it expected policy continuity to be maintained after the upcoming presidential elections scheduled for the end of August. It added that Angola is vulnerable to potential oil shocks given its hydrocarbon-dependent economy and the government's underdeveloped capacity to adequately respond to such shocks. S&P expected the oil sector to continue to grow in the medium-term, with production averaging at least 1.8 million barrels per day, which would help strengthen the fiscal and external balance sheets. It also expected the non-oil economy to perform strongly in the medium-term, led by services and infrastructure. It forecast Angola's fiscal surpluses to average at least 5% of GDP in the 2012-15 period, but added that sizable off-budget activities create borrowing requirements unrelated to the headline deficit in some years. It projected the current account balance to post surpluses of 8% of GDP per year over the next few years.

Source: Standard & Poor's



BANKING

JORDAN

Trade and construction account for 43% of overall lending at end-June 2012

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD17.1bn at the end of June 2012, constituting an increase of 7.9% from JD15.8bn at end-2011 and a rise of 9.9% from JD15.6bn at the end of June of 2011. The resident private sector accounted for 87.3% of the total, slightly down from 90.1% at end-June 2011, followed by the non-resident private sector with 5.5%, the central government with 5%, public entities with 2.1%, and financial institutions with 0.1%. Foreign currency lending accounted for 10.8% of total lending, down from 12% at end-June 2011. The distribution of lending by sector shows that general trade represented JD3.8bn, or 22.3% of the total relative to 23.8% a year earlier. It was followed by construction with JD3.6bn, or 21% of the total, down from 21.3% at end-June 2011; industry with JD2.4bn, or 14% of overall lending; public services & utilities with JD1.8bn or 10.7% of the total; transportation services with JD540.7m or 3.2% of credit; tourism, hotels & restaurants with JD511m, or 3% of the total; financial services with JD447.6m or 2.6% of credit; and agriculture with JD252.7m, or 1.5% of overall lending. Further, other lending accounted for JD3.6bn, or 21.3% of total credit, of which JD384.2m were extended to buy shares. In parallel, loans & advances totaled JD14.6bn of overall credit, followed by overdrafts with JD2.2bn, and discounted bills with JD285.7m.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Banks' ratings affirmed

Standard & Poor's affirmed its 'B/B' long-and short-term counterparty credit ratings on National Bank of Egypt, Banque Misr, and Commercial International Bank with a 'negative' outlook, and removed the ratings from CreditWatch negative. It attributed its decision to its earlier affirmation of the sovereign ratings and their removal from CreditWatch negative. It said the risks of deterioration in the sovereign's creditworthiness remain, but they are no longer immediate. It pointed out that the banks face significant sovereign risk because they hold a high amount of government debt compared with their equity base and earnings capacity. It said the ratings on National Bank of Egypt and Commercial International Bank factor the risks related to operating in the country, as they would not withstand a scenario where Egypt defaults on its obligations. It added that the 'negative' outlook indicates that a prolonged deterioration in the three banks' operating environment would have a negative impact on their standalone credit profiles.

Source: Standard & Poor's

RUSSIA

Banks' capital adequacy declines

The risk-weighted capital adequacy ratio of banks operating in Russia reached 14.7% at the end of March of 2012, unchanged from end-2011 and down from 18.1% at end-2010. The capital-to-assets ratio increased marginally to 12.9% at end-March from 12.6% at end-2011, but was down from 14% at end-2010; while the sector's liquid assets reached 23.2% of total assets at

end-March 2012 relative to 23.9% at end-2011. Further, customer loans accounted for 56.5% of total assets at end-March, relative to 55.9% at end-2011 and 53.7% at end-2010; while total loans grew by 28.2% year-on-year in 2011 compared to an increase of 12.6% in 2010. The sector's non-performing loans reached 6.8% of total loans at end-March 2012, up from 6.6% at end of 2011 but down from 8.2% at end-2010. Further, the sector's loan-loss provisions reached 7% of total loans, down from 8.5% at end-2010. The 5 largest banks account for 50.2% of total assets, while the sector's aggregate assets were equivalent to 76.3% of GDP at end-2011.

Source: International Monetary Fund, Central Bank of Russia

KUWAIT

Banking sector's resiliency improves

The Institute of International Finance indicated that Kuwait's banking sector is better positioned to face the spillovers of external shocks, such as the Eurozone crisis, as it has become more resilient than it was prior to the 2008 financial crisis. It noted that stronger banks are characterized by high asset quality, robust capital positions and enhanced risk management; while weaker banks are exposed to sectors that were adversely affected by the global recession, such as commercial real estate, the stock market and construction. But it said that banking sector indicators continue to show progress as the NPLs ratio declined to 7.3% in 2011 from its peak of 11.5% in 2009, while provisions for NPLs increased to 85% in 2011 from a low of 67% in 2009. It added that the real estate market, which accounts for almost 25% of total outstanding credit, has been displaying signs of recovery. It noted that the capital adequacy ratio stood at 18.5% at end-2011, of which 16.9% was Tier One, comfortably meeting Basel III requirements. However, the IIF said that the lack of lending opportunities has kept private sector credit growth subdued despite access to a strong deposit base. It noted that banks' exposure to investment companies constitutes a primary concern, due to the latter's vulnerabilities.

Source: Institute of International Finance

UAE

Liquidity tightens in June 2012

Figures issued by the Central Bank of the UAE show that total assets reached AED1,732.7bn at the end of June 2012, constituting an increase of 4.2% from end-2011 and a rise of 1.5% from end-June 2011. Loans totaled AED1,090.4bn, increasing by 1.5% from the preceding month and by 1.8% from end-2011. The growth in lending was mainly attributed to higher loan disbursements to the corporate segment. In parallel, aggregate deposits reached AED1,107bn at end-June 2012, up by 3.5% from end-2011 but down 1.7% year-on-year. Total deposits declined by 1.6% from the preceding month driven by a drop in government deposits of 9.9% month-on-month. The loans-to-deposits ratio was 98.5% at end-June relative to 100.1% at the end of 2011 and 93.8% at the end of June 2011, reflecting a relative tightening of liquidity in the system. Total investments by banks reached AED150.7bn at end-June 2012, increasing by 5.3% year-on-year. The sector's capital adequacy ratio decreased marginally to 20.8% at end-June 2012 from 20.9% at end-March 2012, and from 21% a year earlier.

Source: Central Bank of the UAE, EFG Hermes



ENERGY / COMMODITIES

Brent prices above \$112 a barrel

Brent crude for October delivery rose by 32 cents to \$112.9 a barrel on August 30, while U.S. crude prices dropped by 33 cents to \$95.1 a barrel. The increase in oil prices was mainly attributed to the uncertainty in investor sentiment ahead of the U.S. Federal Reserve meeting on ways to improve global economic growth, while a potential strike by Norwegian oil workers also supported prices. Further, the U.S. Energy Information Administration stated that crude stocks rose more than expected, increasing by 3.78 million barrels compared to expectations of a drop of 1.5 million barrels. In parallel, crude imports rose by 1.29 million barrels per day (b/d) week-on-week to 9.5 million b/d on August 29. Distillate stocks grew by 873,000 b/d, over expectations of a 200,000 b/d rise to 126.1m b/d on August 29th.

Source: Citigroup, Thomson Reuters

Qatar is world's largest LNG exporter

Qatar's heavy investment in vertically integrated Liquefied Natural Gas (LNG) infrastructure, geographic location, cost advantage and economies of scale have allowed it to become the world's largest LNG exporter and to strategically adapt to market changes. Qatar's production capacity reached its peak of 77.5 million tons per annum as its major 20 year LNG development plan is almost finished, with average utilization rate of 95% as most production has been contractually committed. Qatar achieved a blended LNG export price of \$9.6 per million BTU in FY2011/12 while the LNG composite fiscal breakeven price in FY2012/13 budget stands at \$5.6 per million BTU.

Source: Merrill Lynch

South Sudan to restart oil production in December

South Sudan announced that it expects to restart some of its oil output in December of this year and to increase production after June 2013, as it reached an agreement on fees with Sudan that allows oil exports from the South to flow across Sudan. South Sudan indicated that even when the deal is signed, it will take months to repair the damage to production equipment and for the first tankers to be loaded. But Sudan said the deal is contingent on border security agreement before oil flows resume. South Sudan halted its output of about 350,000 barrels per day in January as a result of the dispute, erasing the source of 98% of its revenues.

Source: Thomson Reuters

UAE's oil production capacity at 3 million barrels per day by end-2012

The UAE is expected to expand its crude oil production capacity to 3 million barrels per day (b/d) by the end of 2012 from its current production level of 2.8 million b/d. The bulk of the capacity increase this year will come from the Zakum oil fields, while production at the Murban-Bab field had also increased. Abu Dhabi plans to invest \$60bn over the next five years to boost production capacity to 3.5 million b/d.

Source: Thomson Reuters

Base metals: Copper prices expected to rise in coming months

Base metal prices decreased last week on uncertainties that China, the world's top consumer would launch significant economic stimulus measures, while tension ahead of a meeting of central bankers in the United States also restrained investors' risk appetite. Copper prices rose 0.5% to \$7,613.8 a metric ton on the London Metal Exchange, while Aluminum prices declined 0.2% to \$1,889.8 a ton on August 30th. Base metal prices are expected to increase in the second half of 2012 if the U.S. Federal Reserve announces another round of quantitative easing and if China avoids a hard economic shortfall. Consumption of refined material has increased in China, while demand in the EU, Russia and Japan has weakened. Copper, the most cyclically-sensitive base metal, is expected to benefit from strong Chinese demand and from the improvement in risk sentiment that monetary easing should provide. The market is currently overly optimistic regarding copper output, and Copper prices are expected to average at around \$7,940 a metric ton by end-2012 and \$8,150 a metric ton in 2013.

Source: Danske Research, Bloomberg

Gold prices close to \$1,660 an ounce

Gold prices remained stable, trading in a tight range ahead of a speech by Federal Reserve Chairman Ben Bernanke that could strengthen expectations of a third round of quantitative easing to stimulate the U.S. economy. Spot gold prices increased by 0.2% to \$1,659.9 an ounce on August 30, while U.S. gold futures for December delivery were down 7 cents to \$1,662.3 an ounce. In parallel, gold's gains lifted silver prices by 0.3% to \$30.8 an ounce. Also, currency and financial effects have overpowered the demand for precious metals, but it is expected that gold and silver prices will weaken like other assets despite macroeconomic uncertainty. Further, platinum prices rose by 0.8% to \$1,522.8 an ounce, while palladium prices increased by 0.9% to \$633.5 an ounce. Global demand for gold is expected to fall by 2.2% in 2012 and 1.6% in 2013. Overall, a significant surplus of 378 tons of gold will need to be absorbed by ETFs and purchasers of coins and medals to balance the gold surplus in 2012, which is expected to rise to 1,097 tons in 2013.

Source: Thomson Reuters, Citigroup

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								
Africa													
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								
Middle East													
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								
Asia													
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								
Central & Eastern Europe													
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	No change	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	No change	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
Emerging Markets					
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	No change	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	No change	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	Aug-12	No change	05-Sep-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	05-Jun-12	No change	N/A
Romania	Policy Rate	5.25	30-Mar-12	Cut 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	23-Mar-12	Cut 25bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A



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