

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Corporate downgrades outpace upgrades in first half of 2012

Fitch Ratings indicated that it downgraded 7.6% of global corporate issuers in the first half of 2012 compared to 5% in the first half of 2011, and upgraded 4.8% of the issuers it rates in the covered period relative to 7.4% in the same period of 2011. It noted that it upgraded 5.7% of corporate issuers in emerging markets and downgraded 4.3% of the region's issuers; while it upgraded 4.5% of developed markets issuers and downgraded 9% of the region's issuers in the first half of the year. The agency said that it downgraded 12.4% of corporate issuers in Europe, 6.2% of issuers in Asia-Pacific, 5.8% of issuers in Latin America, 5.7% of North American issuers and 2.8% of issuers in the Middle East & Africa in the first half of 2012. Also, it upgraded 8% of corporate issuers in Latin America, 5.9% of those in North America, 4.7% of those in the Middle East & Africa, 2.9% of European issuers and 2.7% of issuers in Asia-Pacific. In parallel, it downgraded 10.8% of rated banks & securities firms, 7.3% of finance, leasing companies & real estate investment trusts, 6.1% of industrial firms, and 2.7% of insurance firms; while it upgraded 8.4% of finance, leasing companies & real estate investment trusts, 5.5% of industrial issuers, 3.8% of insurers and 3.3% of banks & securities firms.

Source: Fitch Ratings

##### Cross-border M&A expected to drop by 34% to \$675bn in 2012

The Organization for Economic Cooperation and Development (OECD) projected cross-border mergers and acquisitions (M&A) at \$675bn in 2012, constituting a 34% decrease from over \$1 trillion in 2011. It said that cross-border M&A would account for 29% of total M&A in 2012 compared to 35% in 2011. It pointed out that the decline in international M&A is three-times faster than that of domestic M&A. It attributed the fast decline to concerns and uncertainties specific to the international investment climate, rather than to a broader downward trend in cross-border M&A. It expected outward M&A by companies in Europe to drop by 48% in 2012, posting the steepest decline among regions, followed by firms in the Middle East & Africa with a 38% contraction, and North America and Asia with a 26% fall each. Also, it forecast outward M&A by companies in Latin America & the Caribbean to increase by 130% in 2012, due to big intra-regional deals in the steel, airlines telecommunications, and retail sectors. In parallel, it expected inward M&A in Asia to post a 48% drop in 2012 constituting the steepest decline among all regions, followed by North America with a 39% decrease, Europe with a 29% fall and Latin America & the Caribbean with a 22% drop. It projected inward M&A in the Middle East & Africa to grow by 67% in 2012, with most of international investments directed at the energy and mining sectors.

Source: Organization for Economic Cooperation and Development

#### EMERGING MARKETS

##### Corporate debt maturing in 2012-16 totals \$197bn

Standard & Poor's indicated that \$191.6bn in emerging markets' (EMs) corporate debt will mature between 2012 and 2016, with \$20bn maturing in 2012, \$34.9bn in 2013, \$41.8bn in 2014, \$47.1bn in 2015 and \$47.9bn in 2016. Maturing corporate debt in emerging markets accounts for 2.4% of the \$8 trillion in maturing corporate debt around the world during the 2012-16 period. Emerging Asia has \$78.8bn in maturing debt during the covered period, or 41.1% of maturing EM corporate debt; followed by Eastern Europe, the Middle East and Africa with \$67.3bn (35.1%), and Latin America with \$23.7bn (23.7%). In parallel, non-financial maturing corporate debt in EMs total \$134bn and accounts for 70% of the region's total corporate debt and for 4.1% of global non-financial corporate debt maturing during the covered period. Also, financial corporate debt totals \$57.7bn and represents 30% of the region's total corporate debt and for 1.2% of global financial corporate debt maturing during the 2012-16 period. Further, investment grade corporate debt in EMs total \$121.3bn or 63.2% of the region's corporate debt and for 1.9% of global investment grade corporate debt maturing during the 2012-16 period; while speculative grade corporate debt in EMs total \$70.4bn or 36.7% of the region's corporate debt and for 4% of global speculative grade corporate debt maturing during the covered period.

Source: Standard & Poor's

#### MENA

##### Outbound M&A deals down 51% to \$11bn so far in 2012

Figures released by Standard & Poor's show that there were 106 merger & acquisition deals from the Middle East & North Africa region, including Turkey, in businesses or assets located outside the region in the year-to-mid August 2012 period, constituting an increase of 23.3% from 86 deals in the same period last year. Also, the aggregate value of M&A outbound deals from the region reached \$11.2bn in the covered period, down 51.1% from \$22.9bn in the same period last year. Also, there were 42 acquisitions, or 39.6% of the total, that took place in the second quarter of 2012, which represents the most active quarter since the second quarter of 2008. The financial sector ranks as the leading targeted industry among MENA foreign acquisition as of mid-August 2012 with 21 announced transactions or 19.8% of the total, followed by the consumer discretionary industry with 18 deals (17%) and the industrial sector with 13 transactions (12.3%). Also, Europe is the most targeted region for MENA foreign acquisitions with 62 deals or 58.5% of the total so far this year, compared to 47 acquisitions in the same period last year. In parallel, the aggregate value of outbound M&A deals from the region reached \$27.1bn in 2011, constituting an increase of 142% from \$11.2bn in 2010. The number of transactions increased to 139 in 2011 from 117 in 2010, but they fell by 48.9% to 93 in 2009.

Source: Standard & Poor's, Byblos Research

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# OUTLOOK

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## AFRICA

### Sub-Saharan Africa to account for 12% of global GDP by 2050

Citigroup anticipated that Sub-Saharan Africa's (SSA) contribution to global GDP would increase from 4% of the world's economy in 2010 to 7% of global GDP in 2030 and 12% of global GDP in 2050. It said that the region's growth potential is significant given the continent's positive demographics and the abundance of natural resources. It noted that policymakers must shift the region's current growth model to one that achieves greater global economic integration in order to unlock SSA's full potential. It pointed out that SSA's real GDP growth posted a sharp pick up in the 2000s compared to the previous two decades. It said that the rise in global commodity prices played an important role in the growth recovery in SSA. But it noted that commodities account for around one third of the overall recovery in growth, and encouraged SSA governments to focus on the remaining growth drivers in order to maintain the upward trend in the region's economic expansion. It noted that growth drivers include improved political stability, better economic policy, and a new wave of investments by corporates. Further, it pointed out that SSA can increase its integration in the global economy through expanding the services sector, developing the potential of manufacturing and agriculture, as well as improving public services and reducing poverty.

In parallel, Citigroup said that inward-looking economies with large populations and vast domestic markets such as the Democratic Republic of Congo, Ethiopia, Nigeria, Sudan and Tanzania would constitute the "new big five" in SSA. It noted that countries that are "coastal outward lookers" have the potential to develop a significant manufacturing export business, given their education level and developed infrastructure, and despite their smaller domestic markets. It added that intra-regional trade would provide the best means for economic growth for countries that are landlocked. Further, Citigroup considered that the main challenges for SSA policymakers are to take more fundamental decisions about infrastructure investment, improve the business operating environment, and develop a much clearer and more coherent picture about where their particular country would fit in the global economy in the future.

*Source: Citigroup*

## DEM REP CONGO

### Slowdown in China's growth and worsening security conditions are key risks to the outlook

Business Monitor International revised downward its projection of real GDP growth in the Democratic Republic of Congo (DRC) to 6% in 2012 from a previous forecast of 6.8%. It attributed the change to a downward revision of export figures and a worsening political situation in the Eastern part of the country. It noted that the mining sector, which has contributed to surging exports and large foreign investment, constitutes the key driver of such growth. It pointed out that a larger-than-expected slowdown in China's economic growth, which accounts for 48% of the DRC's exports, and worsening security conditions in the country, constitute the main two risks to the economy's outlook.

However, it said that the DRC's rich natural resources and large internal market give the country the potential for faster growth in the future. As such, it expected real GDP growth to range between 6% and 7% over the long term and to reach 8.5% in 2016 as new mines come online. It noted that a worsening political situation and weak metal prices pose downward risks to the DRC's long-term growth.

In parallel, BMI lowered its projections for real fixed capital investment growth to 6.5% in 2012 from 7.5% previously as lower metal prices, increasing regulatory hurdles, and political unrest weigh on investor sentiment. It expected investment growth to remain relatively robust given the country's profitable mineral resources. It anticipated that the government's role in fixed capital formation to grow as revenues rise, but it noted that the private sector will drive investment in large-scale works. In parallel, BMI said that the DRC's dependence on imported food, fuel, and capital goods is keeping net exports negative. But it expected exports to grow faster than imports as mining production rises and domestic production of consumer goods grows. It expected the trade balance to shift to a surplus by 2016.

*Source: Business Monitor International*

## ANGOLA

### Foreign exchange reserves not large enough to offset a sharp drop in oil prices

Standard & Poor's projected Angola's real GDP growth at 8% in 2012 and 6.3% in 2013 compared to an annual average growth rate of 3.4% in the 2009-11 period. It attributed the economic recovery to a rebound in oil & gas productions this year following weaker-than-anticipated oil production in 2011. It forecast growth to average at least 6% per year between 2012 and 2015, supported by higher production from the oil sector and continuing strong growth in the non-oil economy. The agency noted that the country is vulnerable to potential oil shocks given that oil generates more than 95% of exports receipts and 80% of public revenues, and accounts for about 50% of its GDP, as well as due to the government's underdeveloped capacity to adequately respond to such shocks.

In parallel, S&P projected Angola's fiscal surplus at 6% of GDP in 2012 relative to 11% of GDP in 2011, supported by strict expenditure controls and a conservative oil price assumption of \$77 per barrel. But it stressed the need for ongoing spending restraints and a fiscal buffer that would help accommodate any potential shocks. It considered that off-budget and contingent liabilities are limited, because the banking sector is small relative to GDP and because public-sector banking assets constitute only around 20% of the banking sector. Further, S&P indicated that Angola's external finances are a key strength, with usable reserves and current account receipts (CARs) entirely covering gross financing needs, and projected gross external financing needs to stand at around 70% of usable reserves and CARs annually to 2015. But it noted that foreign exchange reserves, which are equivalent to 5.5 months of current account payments per year, are not large enough to protect Angola from a sharp slide in oil prices. It expected the country's current account to remain in surplus through 2015 and to post surpluses of 9.5% of GDP in 2012 and 9.1% of GDP in 2013.

*Source: Standard & Poor's*



# ECONOMY & TRADE

## WORLD

### Reinsurers' underwriting results improve in first half of 2012

Fitch Ratings indicated that non-life reinsurers' underwriting results improved significantly in the first half of the year mainly due to sharp reductions in catastrophe-related losses, which declined to around 2% of earned premiums from 44% in first half of 2011. As such, it noted that major non-life reinsurers posted a significant drop in the underwriting combined ratio to 88% in the first half of 2012 compared to a ratio of 127.5% in the same period last year. Further, non-life net written premiums by major global non-life reinsurers reached \$39.8bn in the first half of the year, constituting an increase of 0.8% from \$39.4bn in the same period last year. The agency attributed the subdued growth to an overall improved pricing environment that was partially offset by a more cautious approach to growth following the significant losses last year. It added that the absence of reinstatement premiums, which were sizeable in the first half last year, contributed to such results. It noted that the shareholders' equity of non-life reinsurers reached \$345.1bn at end-June 2012, constituting an increase of 10.2% from \$313.1bn a year earlier due to solid underwriting profitability and higher unrealized gains. It projected non-life net written premiums to grow by 2% to \$118bn in 2012 and for the underwriting combined ratio to reach 92.1% this year relative to 109.1% in 2011. It also forecast catastrophe losses at \$6.2bn in 2012 compared to \$27.9bn last year. In parallel, Fitch said that net life premiums earned by major global life reinsurers increased by 8% to \$22.8bn in the first half of 2012; and that their shareholders' equity reached \$283bn at end-June 2012, up 6% from \$267bn a year earlier.

Source: Fitch Ratings

## EGYPT

### Sovereign ratings affirmed, outlook still negative

Moody's Investors Service affirmed Egypt's 'B2' government bond ratings and maintained the rating outlook at 'negative'. It also confirmed the country ceiling for foreign currency bank deposits at 'B3', the country ceiling for foreign currency bonds at 'Ba3' and the local currency bond and deposit ceilings at 'Ba1'. It maintained the short-term country ceiling for foreign-currency bonds at 'Not-Prime'. It attributed its decision to reduced political uncertainty, stabilization of Egypt's external payments position, progress towards stabilizing government financing and macroeconomic conditions, and the government's formal request for IMF support. It noted that the country's progress towards a political transition to civilian rule, reduced political uncertainty and increased stability following the presidential election have reduced political uncertainties and shored up investor confidence. It added that the Central Bank of Egypt's (CBE) net international reserves has stabilized at around \$15bn since March 2012 after dropping from a peak of \$36bn at end-2010, and that the CBE's net reserves would have fallen further without external donor support, mainly from Qatar and Saudi Arabia. It pointed out that the current level of reserves is more than adequate to cover Egypt's external debt payments due within the next 12 months. It added that the ability of the CBE to control the loss in official foreign exchange reserves reduced

the risk of a balance-of-payments crisis. It noted, however, that reversing the deterioration in the current account balance would be necessary to reduce further balance-of-payments risks.  
Source: Moody's Investors Service

## SUDAN

### Inflation rate at 42% annually in August

Figures released by the Central Statistics Office indicate that the Consumer Price Index in Sudan increased by 42.1% in August 2012 from August 2011, and by 4% month-on-month. Prices of recreation & culture increased by 104.5% year-on-year, followed by transportation (+96.8%), clothing & footwear (+57.7%), communication (+57.1%), health care (+53.2%), furnishing & household equipment (+49.2%), tobacco (+47.8%), miscellaneous goods & services (+42.9%), food & non-alcoholic beverages (+41.9%), restaurants & hotels (+16%), education (+15.3%) and housing, water, electricity & gas (+13.2%). Further, prices of recreation & culture increased by 22.3% month-on-month, followed by clothing & footwear (+12.3%), furnishing & household equipment (+5.2%), food & non-alcoholic beverages (+3.9%), transportation (+2.6%), restaurants & hotels (+1.6%), housing, water, electricity & gas (+1.5%), communication (+1.4%), miscellaneous goods & services (+1.2%), healthcare (+0.9%) and tobacco (+0.8%). In parallel, the price of education remains unchanged from the previous month. The high inflation rate is attributed to the rise in the prices of imported food and consumer goods. The government expected inflation to maintain its upward trend for the remainder of the year as the impact of scaled-back fuel subsidies has not taken its full effect and because the Central Bank of Sudan devalued the Sudanese pound last July to reduce the gap with the black market exchange rate.

Sources: Central Statistics Office, Byblos Research

## ARMENIA

### Economic competitiveness improves

The World Economic Forum's Global Competitiveness Index for 2012-13 ranked Armenia in 82nd place among 144 countries included in the index, up from 92nd place in the previous survey. It also ranked in sixth place among the nine members of the Commonwealth of Independent States (CIS), unchanged from the previous survey. Globally, Armenia ranked ahead of Guatemala and Trinidad & Tobago and came behind Macedonia and Croatia. It received a score of 4.02 points, up from 3.89 points in the 2011-12 survey and compared to the global average of 4.2 points and the CIS average of 4.04 points. Armenia ranked in 76th place on the Basic Requirements Sub-Index, which covers institutions, infrastructure, macroeconomic stability and health & primary education. It also ranked in 82nd place on the Efficiency Sub-Index that covers higher education, labor market efficiency, financial market development, and overall market efficiency; while it came in 98th place on the Innovation & Sophistication Sub-Index. The survey indicated that corruption is the most problematic factor for doing business in Armenia, followed by inefficient government bureaucracy, low access to finance, tax regulations, inadequate educated workforce, tax rates and inadequate supply of infrastructure.

Source: World Economic Forum, Byblos Research

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# BANKING

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## GCC

### International expansion to offset reduced domestic opportunities and concentration risks

A.T. Kearney considered that the key challenge for GCC banks over the near term is to balance growth targets with increasing cost pressure. It advised banks in the GCC countries to invest in retail banking infrastructure and capabilities, given that the retail segment has been a growth driver in most of the region recently. Further, it said that banks need to address untapped opportunities in wholesale banking, as corporate banking assets account for almost 75% of total banking assets in the GCC. But it noted that wholesale banking is still highly competitive, given that many banks focus on large corporate clients. It indicated that GCC firms are struggling to meet their financing needs given that banks are still hesitant to lend. As such, it encouraged banks to strengthen their investment banking franchise to better cater to large corporates and leverage the continuing disintermediation, as well as to target underserved segments such as mid cap firms. In parallel, A.T. Kearney said that GCC banks should redefine priorities for external growth and international expansion due to difficulties in achieving domestic growth and because of elevated concentration risks. It noted, however, that regional consolidation and expansion are still hampered by regulatory barriers and competition among GCC countries. It expected GCC banks to look for international expansion opportunities, mainly in Southeast Asia and the Commonwealth of Independent States. Further, it pointed out that banks in the region should leverage the potential of Islamic banking.

Source: A.T. Kearney

## EGYPT

### Government securities account for record high 35% of bank assets

Business Monitor International projected the aggregate loans of banks operating in Egypt to increase by 10% in 2012 and 13% in 2013, and forecast total deposits to increase by 9% in 2012 before accelerating to 14% in 2013, in case of a more pronounced recovery in the real economy. It attributed the slowdown in private sector lending to banks' heavy exposure to high-yielding government debt instruments, which is limiting new lending to the private sector and crowding out private investment. But it noted that bank's heavy exposure to government debt instruments enhanced their profitability as yields on one-year Treasury bills continue to fluctuate around 16%. It said that government securities accounted for a record high 34.6% of the sector's total assets, while outstanding loans fell by 8% annually in real terms and were equivalent to 36% of total assets at the end of April 2012. Further, it pointed out that credit penetration in Egypt is maintaining its downward trend, with the loans-to-GDP ratio falling to a record low of 33.1%. It noted that the under-developed state of the domestic banking sector has left the industry in a position where its main function is to help finance the government's budget deficit rather than lend to the private sector. As such, it did not expect lending activity to pick up as long as yields on local T-bills continue to trade near record highs, and despite a pressing need among small- and medium-sized enterprises for easier access to credit.

Source: Business Monitor International

## INDIA

### NPLs on the rise

Fitch Ratings anticipated the non-performing loans ratio (NPLs) in India's banking sector to exceed its initial forecast of 3.75% in fiscal year 2012/13 that ends in March 2013, due to continuing pressures on the economy. It noted that the absolute cumulative gross NPLs at India's five largest banks, which account for over 33% of the system assets, increased by around 62% annually in the first quarter of FY2012/13; while their restructured assets posted a significant rise during the covered quarter. It said that the weakening in India's real GDP growth in FY2011/12 and in the first quarter of the current fiscal year is yet to be fully reflected on the banking system's asset quality. It expected the sector's stressed assets, including unseasoned restructured loans, to reach around 10% by FY2012/13 from 6.7% in FY2009/10. In parallel, Fitch said that the loan diversification of large state-owned banks, as well as their funding stability and access to capital indicate that they can withstand significant pressure on their funded and unfunded asset exposures. But it noted that asset-quality performance at state-owned banks has lagged that of private banks, which highlights the need to further strengthening their risk underwriting and monitoring mechanisms. It noted that state banks need to address these issues, as large stocks of stressed assets will weigh on the banks' ability to raise the capital required under Basel III.

Source: Fitch Ratings

## CHINA

### Rapid credit growth to raise problem loans and hurt solvency

Fitch Ratings indicated that Chinese banks' aggressive expansion would lead to large loan repayment problems and would undermine their solvency. It said that slowing economic growth and declining corporate profitability in China started to affect asset quality and earnings of the banking sector in the first half of 2012. It noted that Chinese banks continue to expand their balance sheets, with the sector's assets growing by 11.9% in the first six months of the year, constituting the second-fastest first-half growth on record. It expected the sector's aggregate assets to reach \$32 trillion at end-2012 relative to \$9 trillion at end-2008. In parallel, it noted that overdue loans rose by 32% at rated banks, but accounted for only 1.3% of gross loans in the first half of the year. It said that most of the deterioration occurred in the corporate portfolio, and that retail delinquencies would rise in coming quarters given the large amount of micro-enterprise lending booked as retail credit. It added that annualized loan impairment charges fell by 0.3% in the first half of the year, reflecting further increases in future credit costs for some banks. It noted that problem loan figures constitute a signal of the direction of asset-quality trends rather than reflect the magnitude of problem loans. It expected banks' profitability to weaken in the second half of 2012, as rising delinquencies necessitate higher loan impairment charges and greater regulatory examination. It said that annualized pre-provision profits accounted for 2% to 4% of gross credit exposure for listed banks in the first half of 2012, showing that a modest asset-quality shock would exhaust the sector's aggregate earnings.

Source: Fitch Ratings



# ENERGY / COMMODITIES

## Brent prices above \$116 a barrel

Brent crude for October delivery rose by 10 cents to \$116.1 a barrel on September 13, while U.S. crude prices rose by 16 cents to \$97.2 a barrel. The increase in oil prices was mainly attributed to investors' expectations of further stimulus action ahead of the U.S. Federal Reserve policy announcement in attempts to stimulate the U.S. economy. Further, the U.S. Energy Information Administration stated that crude stocks rose less than expected, increasing by 1.99 million barrels and below expectations of a 2.6 million barrels rise.

In parallel, crude imports rose by 821,000 barrels per day (b/d) week-on-week to 4.45 million b/d on September 12th. Crude output fell by 204,000 b/d week-on-week to 6.9 million b/d on September 12, and decreased by 502,000 b/d year-on-year. Also, distillate stocks rose by 1.48 million b/d, against expectations of a 500,000 b/d rise to 128.6m b/d on September 12th.

Sources: Citigroup, Thomson Reuters

## World oil demand to increase in 2013

The Organization of the Petroleum Exporting Countries expected world oil demand to reach 88.74 million b/d in 2012, constituting an increase of 1% from 87.89 million b/d in 2011, and to rise to 89.55 million b/d in 2013. It noted that spillovers from the slowing global economy constitute the main downside risk to this outlook. It said that several factors could impact the forecast of oil demand growth, such as global GDP growth, retail petroleum prices, and weather. It pointed out that adverse changes in these variables would reduce global oil demand growth forecast by 20% in 2013.

Source: OPEC

## Qatar seeks to be Shell's top shareholder

Qatar Investment Authority (QIA), the country's sovereign wealth fund, aims to raise its equity stake in British multinational oil and gas company Royal Dutch Shell to 7%, making it the top shareholder ahead of Blackrock's 5% stake. QIA's current stake is under 3%. QIA has previously bought stakes in French oil major Total SA, and European utilities Energias de Portugal and Iberdrola. Royal Dutch Shell operates multi-billion dollar natural gas projects in Qatar.

Source: Thomson Reuters

## Non-OPEC oil supply to grow by 1.4% in 2012

The Organization of the Petroleum Exporting Countries projected non-OPEC oil supply to reach 53.15 million b/d in 2012, constituting an increase of 1.4% from 52.44 million b/d in 2011. OECD countries are expected to produce 20.87 million b/d of oil in 2012, equivalent to 39.3% of total non-OPEC supply. This would be followed by former Soviet Union countries with 13.35 million b/d of output (25.1%), developing countries with 12.4 million b/d of output (23.3%) and China with 13.35 million b/d of supply (7.9%). It said that world oil supply averaged 89.8 million b/d in August 2012.

Sources: OPEC, Byblos Research

## Base Metals: Global Steel prices to decline in 2013

Global steel production is projected to reach 1,560.2 million tons in 2012, constituting an increase of 4.7% from 1,490.2 million tons in 2011, and to increase to 1,637.6 million tons in 2013. China's steel production is expected to reach 720 million tons in 2012, equivalent to 46.1% of global production. It would be followed by other Asian countries with 285.5 million tons of output (18.3%), the EU with 178 million tons of output (11.4%), members of the North American Free Trade Agreement (NAFTA) with 124.5 million tons (8%), and the Commonwealth of Independent States (CIS) with 113.6 million tons (7.3%). In parallel, global steel demand is expected to reach 1,558 million tons in 2012, constituting an increase of 4.4% from 1,492.4 million tons in 2011, and to rise to 1,638.3 million tons in 2013. Chinese demand is expected to reach 684.1 million tons in 2012, equivalent to 43.9% of global demand. It would be followed by other Asian countries with 321.6 million tons (20.6%), the EU with 172.4 million tons (11.1%), members of NAFTA with 129.5 million tons (8.3%), and the CIS countries with 52 million tons (3.3%). Global steel consumption growth is expected to slow down to 4.4% in 2012 from 6.5% in 2011, and to recover to 5.3% in 2013. In parallel, overall global steel production is forecast to grow by 4.7% in 2012 and by 5% in 2013. Also, global steel prices are projected to reach \$670 per ton in 2012, constituting a drop of 10.6% from \$750 per ton in 2011; and to decrease to \$587 per ton in 2013. The decline in steel prices is attributed to weak demand and lower raw material costs.

Sources: Economic Intelligence Unit, Byblos Research

## Precious metals: Gold prices above \$1,700 per ounce

Gold prices rose above \$1,700 an ounce on September 13, as investors await the U.S. Federal Reserve announcement of new rounds of monetary easing, in an attempt to stimulate the world's largest economy. The price of gold is expected to increase if a loose monetary policy materializes, as traders will rush to purchase the precious metal to hedge against inflation. Spot gold prices increased by 0.1% to \$1,730.3 an ounce on September 13, while the U.S. gold futures contract for December delivery declined by 0.1% to \$1,732.7 an ounce. Gold rose by 11% so far this year due to slowing economic growth, while holdings in bullion-backed exchange-traded products expanded to a record 2,489.1 metric tons.

Sources: Thomson Reuters, Bloomberg

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	06-Sep-12	No change	04-Oct-12
UK	Bank Rate	0.50	06-Sep-12	No change	04-Oct-12
Japan	O/N Call Rate	0-0.10	09-Aug-12	No change	19-Sep-12
Australia	Cash Rate	3.50	04-Sep-12	No change	02-Oct-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	05-Sep-12	No change	23-Oct-12
<b>Emerging Markets</b>					
China	One-year lending rate	6.00	06-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	20-Sep-12
South Korea	Base Rate	3.00	09-Aug-12	No change	13-Sep-12
Malaysia	O/N Policy Rate	3.00	06-Sep-12	No change	08-Nov-12
Thailand	1D Repo	3.00	05-Sep-12	No change	17-Oct-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	13.00	05-Sep-12	Cut 350bps	Nov-12
Nigeria	Monetary Policy Rate	12.00	24-Jul-12	No change	19-Sep-12
Ghana	Prime Rate	15.00	Aug-12	No change	10-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	7.50	29-Aug-12	Cut 50bps	10-Oct-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	0.04	01-Sep-12	Cut 4bps	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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