

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Global trade to grow by 2.5% in 2012**

The World Trade Organization revised downward its projection for world trade growth in 2012 to 2.5% in real terms from its April forecast of 3.7%, and to 4.5% in 2013 from a previous forecast of 5.6% due to slowing global output growth. On the export side, the WTO anticipated a 1.5% increase in developed economies' exports, down from an earlier forecast of 2%, and a 3.5% rise in exports from developing countries and Commonwealth of Independent States (CIS) relative to a previous projection of 5.6%. On the import side, it forecast imports to developed economies to grow by 0.4% in 2012, down from an earlier forecast of 1.9%, and imports to developing countries and the CIS to rise by 5.4% relative to an earlier forecast of 6.2%. It attributed the easing of global trade growth to disappointing output and employment figures in the U.S., slower economic growth in China, and the continuous European sovereign debt crisis. In parallel, the WTO expected exports from developed economies to increase by 3.3% in 2013 and imports to these countries to grow by 3.4%; while it forecast exports from developing economies including CIS countries to increase by 5.7% in 2013 and imports to these economies to rise by 6.1%. It pointed out that risks to the forecast will remain to the downside as long as Europe continues to face high levels of financial uncertainty, and if other adverse events occur such as a slowdown in the Chinese economy or geopolitical tensions.

*Source: World Trade Organization*

##### **Reinsurance market faces significant challenges**

Standard & Poor's indicated that the global reinsurance market is currently characterized by excess capital, modest rate increases and macroeconomic uncertainty, and expected these conditions to continue for the next two to three years. It expected reinsurers' profitability to remain under pressure due to weak premium rate rises, low investment yields, and reduced benefits from reserve releases. It considered that the global reinsurance market faces significant challenges, despite a better-than-expected recovery from last year's losses. It noted that challenges include constrained earnings prospects, sluggish growth prospects in developed markets, low projected interest rates in the major economies, slow and fragmented premium rate increases, and a decrease in profits' contribution from reserve releases. It added that reinsurers' financial flexibility is still a weakness for the sector, which would make it difficult for certain players to access traditional capital markets in periods of stress. It noted that efficient allocation of capital to seize opportunities and growth from new risks around the globe will be essential to ensure the long-term viability of reinsurers. It anticipated that reinsurers would follow longer-term global economic growth trends and expand into emerging markets, as insurance penetration increases to support industrialization. It added that this growth is essential for companies' long-term viability as it provides access to new sources of revenue and earnings.

*Source: Standard & Poor's*

#### EMERGING MARKETS

##### **Balance-of-payment financing needs at 12.5% of GDP in 2012**

Credit Suisse projected emerging markets' government financing needs at 7.3% of GDP in 2012 and their balance-of-payments financing needs at 12.5% of GDP this year. It estimated Latin America's government financing needs at 8.1% of GDP in 2012, the highest among EM regions, followed by Asia excluding Japan at 7.2% of GDP, and Eastern Europe, the Middle East, and Africa (EEMEA) region at 6.7% of GDP. Hungary has the highest government financing needs in emerging markets at 18.8% of GDP, followed by Venezuela at 12.9% of GDP and India at 12% of GDP. Further, it forecast the EEMEA's balance of payments financing needs at 15.5% of GDP in 2012, the highest among EM regions, followed by Asia ex-Japan at 14.4% of GDP and Latin America at 5.4% of GDP this year. Hungary has the highest balance-of-payment financing needs this year at 43.5% of GDP, followed by Ukraine at 41.5% of GDP and Turkey at 23.3% of GDP. It noted that, excluding short-term debt amortization, emerging markets' balance-of-payments financing needs would reach 3% of GDP in 2012, with such needs estimated at 7.1% of GDP for the EEMEA region, 3.7% of GDP for Latin America and 1.3% of GDP for Asia ex-Japan.

*Source: Credit Suisse*

#### MENA

##### **Long-term outlook for private equity improves**

The 2012 Deloitte MENA Private Equity Confidence Survey indicated that General Partners (GPs) in private equity funds across the Middle East & North Africa are currently more optimistic about finding the right opportunities in the market and have a more positive outlook for the long-term prospects of private equity (PE) in the region. The survey revealed that 77% of GPs expect PE investment activity to increase in the next 12 months, 23% of them forecast activity to remain at the current level, while none of the respondents anticipate a fall in deal activity. Respondents expect the consumer & retail segment to attract the largest share of deal activity in the region over the next 12 months; followed by the food sector; the pharmaceutical, biotech & healthcare sector; and the power, oil, gas & mining sector. It added that Saudi Arabia, the UAE and Egypt will attract the largest share of deal activity over the next 12 months. Further, it noted that 50% of GPs expected exit activity in the MENA region to increase compared to 42% of respondents who think that it will stay the same. In parallel, the survey said that respondents identified exit opportunities, fund-raising, market regulation and shortage of quality investment opportunities as the biggest challenges and barriers to PE growth in the region. It identified capital market listing regulations and rules governing foreign ownership as the biggest legislative issues in the region. Further, the survey indicated that GP's confidence in the long-term growth prospects of the region's PE industry returned to its pre-crisis levels.

*Source: Deloitte*

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# OUTLOOK

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## GCC

### Non-hydrocarbon growth at 6.2% in 2012, fiscal surplus at 14% of GDP

Barclays Capital projected economic real GDP growth in the economies of the Gulf Cooperation Council at 5.5% in 2012 and 3.9% in 2013 compared to a growth rate of 7.3% in 2011, with hydrocarbon output decreasing to 4.4% in 2012 from 8.6% last year and non-hydrocarbon sector activity growing by 6.2% in 2012 relative to 6.5% in 2011. It said that oil production in key GCC oil producers maintained its upward trend despite expectations of a more pronounced global economic slowdown in the second half of the year and in 2013. It noted that Kuwait's crude production rose by 16.2% annually so far this year, followed by Saudi Arabia with an 8% increase and the UAE with a 3.6% growth. It expected Saudi Arabia's oil production to remain at the 10 million barrels per day level for the remainder of the year, constituting an increase of 200,000 barrels per day from an earlier forecast, as the Kingdom increases its production to stabilize global oil prices around \$100 per barrel. It projected non-hydrocarbon growth at 11.5% in Qatar, 6.2% in Saudi Arabia, 5.3% in Kuwait, 4.5% in each of Oman and Bahrain, and 3.8% in the UAE this year.

In parallel, Barclays projected the region's fiscal surplus to increase to 13.9% of GDP this year from 11.8% of GDP in 2011, with Kuwait posting the highest surplus of 32.3% of GDP in 2012, followed by Saudi Arabia with 15.9% of GDP, the UAE with 7.3% of GDP, Qatar with 6.9% of GDP and Oman with 3.8% of GDP. It forecast Bahrain's fiscal balance to post a deficit of 0.5% of GDP this year. Also, it projected the GCC's current account balance to post a surplus of 23.1% of GDP in 2012 relative to a surplus of 24.4% of GDP in 2011. It expected Kuwait to register the highest surplus in the region at 43.6% of GDP, followed by Qatar at 27.3% of GDP, Saudi Arabia at 25.8% of GDP, Oman at 16.4% of GDP, Bahrain at 12.3% of GDP and the UAE at 10.8% of GDP.

*Source: Barclays Capital*

## SUDAN

### Real GDP to contract by 8% in 2012, currency to remain under pressure

The Economist Intelligence Unit projected Sudan's real GDP to contract by 8% in 2012 compared to growth of 2.7% in 2011, reflecting the full economic impact of South Sudan's independence. It expected private consumption to decline due to the contraction in government consumption, lack of financing, and concerns over the political risks facing the current regime. But it forecast real GDP to grow by 2.7% in 2013 and 2.8% in 2014 after the economy adjusts to the loss of 75% of its oil fields and 20% of its population following the South's independence. Further, it said that inflation pressures in Sudan remain strong, partly reflecting the impact of a weakening Sudanese pound on the import bill and high energy costs. It anticipated further increases in energy costs due to the reduction in fuel subsidies announced in June 2012. It projected Sudan's average inflation rate at 31.5% in 2012, significantly exceeding the Central Bank of Sudan's (CBoS) target of 17%.

In parallel, the EIU said the CBoS devalued the exchange rate to 5.65 pounds against the US dollar for both commercial banks and foreign exchange bureaus in August 2012 in order to narrow the gap between the official and black market rates. However, it noted that the US dollar remains scarce, and the local currency continues to be under pressure amid concerns that a rapid resumption of South Sudanese oil exports and payment of oil export fees to Sudan are unlikely. It projected Sudan's foreign exchange reserves at \$298m at the end of 2012, equivalent to 0.4 months of import cover.

In parallel, the EIU pointed out that Sudan's three-year emergency austerity program, and recent amendments to the 2012 budget will not fully compensate for the loss of oil revenues. As such, it expected Sudan to post a fiscal deficit of 7.5% of GDP in 2012, significantly wider than last year's deficit of 4.1% of GDP. It considered that Sudan will struggle to attract investments in sectors other than in gold mining, and ruled out privatization of state-owned enterprises in the current unstable environment. It projected the current account deficit at \$3.3bn, or 4.7% of GDP, this year relative to a surplus of \$208m or 0.3% of GDP in 2011.

*Source: Economist Intelligence Unit*

## NIGERIA

### Real GDP growth projected at 6.6% in 2012 and 7% in 2013, challenges remain

Barclays Capital projected Nigeria's real GDP growth at 6.6% in 2012 relative to 7.4% in 2011, adding that activity is supported this year by a shift to positive growth in the hydrocarbon sector, improving demand in the context of lower inflation, and better conditions in the agriculture sector. But it noted that the government continues to face significant challenges such as persistent violence in the north of the country, poor electricity output, oil theft, and fuel shortages. It said the government made some progress about the establishment of the sovereign wealth fund, the approval of the petroleum industry bill, and improvements in the security situation. It estimated that economic performance will further improve next year with real GDP growth exceeding 7% in 2013. Further, it pointed out that inflation levels started to ease in the second half of the year after increasing by 12.9% annually in July 2012 relative to 10.3% in December 2011. It anticipated that the drop in inflation will be more pronounced in the coming months due to the Central Bank of Nigeria's (CBN) tight monetary policy, the recent strengthening of the currency, and a slowdown in food and transport inflation. As such, it expected inflation to reach 11% at end-2012 and to drop to a single digit by early 2013.

In parallel, Barclays Capital indicated that high global oil prices, growing offshore interest in local debt instruments, rising oil revenues and increasing capital inflows limited the depreciation risks for the naira. Further, it said that higher oil revenues increased significantly the country's savings in the Excess Crude Account to \$8bn and allowed the government to start repaying part of the outstanding fuel subsidies owed to fuel suppliers. It anticipated that Nigeria will meet its targeted fiscal deficit of 3% of GDP in 2012, provided that the government continues to contain fiscal spending over the rest of the year.

*Source: Barclays Capital*



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## ECONOMY & TRADE

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### GCC

#### Local-currency debt issuance to reduce dependence on global markets, diversify funding sources

The International Monetary Fund indicated that local-currency government and corporate debt issuance is relatively limited in the economies of the Gulf Cooperation Council (GCC) due to the abundance of liquidity and capital from oil & gas revenues, and relatively easy access to international capital markets. But it said that policymakers across the GCC are making strong efforts to develop their domestic debt markets. It noted that developed domestic debt markets would play a significant role in providing low-cost financing to governments and reducing their dependence on the banking sector. It added that GCC countries cannot continue to finance high-cost development projects through public budgets, given that their revenues are dependent on volatile oil prices. It pointed out that developing liquid and deep domestic debt markets in GCC countries would diversify financing risks, support further development of funded pension schemes, and enhance corporate governance. It noted that a well-functioning government securities market would also establish the benchmark yield curve for private sector issuers; create new financial products that improve financial efficiency; make monetary policy operations and monetary transmission mechanisms more efficient; and diversify financial risks. In parallel, the Fund said developing the region's domestic debt market will require public debt management, a diverse investor base, corporate governance, market transparency and integrity, as well as the technicalities of developing products and market platforms.

Source: *International Monetary Fund*

### SYRIA

#### Fiscal deficit to average 12.1% of GDP in 2012 and 2013

Business Monitor International projected Syria's budget deficit at 11.3% of GDP in 2012 and 12.9% of GDP in 2013, compared to a deficit of 5.7% of GDP in 2011. It expected the deficit to remain elevated even if the war ends in early 2013, and to average 11.1% of GDP during the 2013-16 period. It attributed the widening of the deficit to a fall in total revenues and an increase in overall expenditures. It anticipated government revenues to drop by 15.5% and 0.9% in real terms in 2012 and 2013, respectively, despite nominal increases of 9.5% this year and 18.9% next year. It noted that oil revenues, which accounted for 21.3% of budget revenues in 2009, fell significantly in 2012, and expected the downward trend to continue in 2013. It added that tax receipts will remain subdued given the regime's limited ability to collect taxes. Further, it forecast total spending to increase by 8.4% in real terms this year and by 4.9% next year. It expected capital expenditures to contract over the coming quarters as long-term investment projects are put on hold and as the government is using most of its available financing to fund its security forces. It added that the government is under significant pressure to cut its current expenditures given the collapse in tax revenues. As such, it anticipated the government to further reduce subsidies.

Source: *Business Monitor International*

### IRAQ

#### Construction sector to grow by 8% annually despite investment plan

Business Monitor International maintained its forecast of 7.9% average real growth for Iraq's construction sector between 2013 and 2017, despite the government's recently-announced \$250bn to \$275bn five-year infrastructure investment plan. It considered that the plan constitutes an encouraging sign that the government is making serious efforts to address the country's ongoing infrastructure deficit. But it noted that similar plans targeting the infrastructure sector have been previously approved by authorities, but with minor progress being effectively made. It attributed the government's inability to fully execute budgeted investments to weak institutions and a lack of governance, and considered that authorities have made little effort to address these deficiencies. It noted that improvements in project planning, as well as in tendering and due diligence processes, are crucial to ensure the success of a comprehensive investment plan. Also, BMI said that Iraq needs to reform its oil & gas sector, which is still far below potential, in order to secure the funding for the investment plan given that the latter will be predominantly financed by the government. Further, it noted that political and security instabilities remain key issues, as divisions within the political class would prevent spending from being approved.

Source: *Business Monitor International*

### ARMENIA

#### Yerevan ranks 92nd globally, 6th among CIS in credit ratings

In its semi-annual survey on the creditworthiness of 179 countries, *Institutional Investor* magazine ranked Armenia in 92nd place worldwide and in sixth place among the Commonwealth of Independent States (CIS) in the September 2012 survey. Armenia ranked in 92nd place globally and in fourth place among CIS economies in March 2012, as well as in 89th place globally and in fourth place in the CIS in the September 2011 report. The survey rates the creditworthiness of countries on a scale of zero to 100, with 100 representing countries with the lowest chance of debt default. The ratings are based on input provided by senior economists and sovereign risk analysts at leading global banks and money management and securities firms. On a global basis, Armenia ranked ahead of Zambia, Papua New Guinea and Argentina, and came behind Nigeria, Albania and Georgia. Armenia's ranking was unchanged from the March 2012 survey; while it dropped by three spots from the September survey, constituting the 50th steepest decline globally and the steepest drop among CIS countries. Armenia received a score of 37.5 points compared to 35.9 points in March 2012 and 39.8 points in September 2011. Its score was below the global average of 44.6 points and the CIS average of 38.6 points. Also, Armenia's score increased by 1.6 points, or 4.5% from March 2012, constituting the second smallest increase among the CIS numerically and the third smallest increase in percentage terms. Its score contracted by 2.3 points, or 5.8% from September 2011, constituting the steepest decline among the CIS countries both numerically and in percentage terms.

Sources: *Institutional Investor, Byblos Research*



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# BANKING

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## TUNISIA

### **Economic weakness to affect banks' performance**

Standard & Poor's maintained Tunisia's Banking Industry Country Assessment (BICRA) in 'Group 8', its industry and economic risk scores at '8' each. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. S&P noted that other countries in BICRA's 'Group 8' include Lebanon, Egypt, Georgia, Kazakhstan, and Nigeria. Further, it indicated that Tunisia's economic risk score indicates that economic resilience is at "very high risk", its credit risk in the economy at "extremely high risk", and its assessment of economic imbalances at "intermediate risk". It mainly attributed the assessments to the quick deterioration of fiscal and external deficits, weak asset quality at the system level, and high competition among banks in a fragmented industry. It said that non-performing loans reached 13.3% of gross loans at end-2011, but it noted that this figure is underestimated. Further, it noted that its industry score indicates that the country faces "very high risks" in its institutional framework and in its system-wide funding, and "high risks" in its competitive dynamics.

Source: Standard & Poor's

## MOROCCO

### **Ratings on leading banks affirmed, Central Bank cuts reserve requirement ratio**

Capital Intelligence affirmed the long- and short-term foreign currency ratings on Banque Centrale Populaire (BCP) and Banque Marocaine pour le Commerce et l'Industrie (BMCI) at 'BBB-' and 'A3', respectively. It also affirmed the Financial Strength Rating (FSR) of the two banks at 'BBB-' and maintained a 'stable' outlook on their ratings. It said that BCP's FSR is supported by its good level of capital adequacy, sound provisioning and adequate profitability, but is constrained by the bank's mixed liquidity profile and increasing level of NPLs. It pointed out that BMCI's FSR reflects its solid level of capitalization, good loan-loss provisioning and steady profitability performance despite some contraction in 2011. It noted, however, that the rating is still constrained by a high level of NPLs, which would further increase in 2012, and by a low deposit growth rate that weighs on the bank's net loans-to-deposits ratio.

In parallel, Bank Al-Maghreb reduced the reserve requirements ratio by 200 basis points (bps) to 4% from 6% on September 26, 2012 in order to ease a domestic liquidity squeeze in the context of a weak economic growth environment. It said that the cut in reserve requirements, which constitutes the first cut since March 2010 when BM cut the ratio by 200bps to 6%, would unlock MAD7bn, or \$817m. Further, Bank Al-Maghreb kept its main interest rate unchanged at 3%. BM has left interest rates unchanged for the past three years, except for a 25 bps rate cut in March 2012. Liquidity in the Moroccan banking sector has been tight over the past three years with loan-to-deposit ratios near 100%.

Sources: Capital Intelligence, Bank Al-Maghreb

## NIGERIA

### **Currency vulnerable to global uncertainties**

Citigroup indicated that the naira has been broadly stable so far this year, but that the currency remains vulnerable given the current uncertain global economic outlook, a possible fall in global oil prices and lower foreign exchange reserves. It said that the naira came under pressure in May and June 2012 despite the modest rebuilding of foreign exchange reserves in the first half of 2012, as the price of Brent crude fell below \$100 per barrel. It added that the Central Bank of Nigeria (CBN) met the increase in demand for foreign currency through the use of its reserves. But it noted that foreign currency reserves rebounded since mid-July, which helped restore local confidence in the naira. It noted that the CBN is keen to preserve the stability of the naira as it would help reduce inflationary pressures and maintain overall confidence. It expected the accumulation of foreign reserves to continue increasing as long as global oil prices remain above \$100 p/b, which would strengthen confidence in the local currency. But it warned that a fall in global oil prices and in foreign exchange reserves would significantly weigh on the naira's "soft peg". It added that the CBN will have to modify its exchange rate policy if foreign reserves fall below \$30bn.

Source: Citigroup

## CHINA

### **Banks' capital adequacy at 13%, liquidity ratio at 47% at end-June 2012**

The Institute of International Finance indicated that the net profits of banks operating in China reached \$53bn in the second quarter of 2012, constituting an increase of 2.9% from the preceding quarter and a rise of 23% from the same quarter last year. It said the drop in the net interest margin to 2.7% in the second quarter from 2.8% in the preceding quarter was offset by the increase in the volume of loans and securities. It pointed out that interest income accounts for almost 80% of the income of Chinese banks, but added that efforts by banks to contain costs strengthened profitability. It noted that the cost-to-income ratio, which reached a peak of 33.4% in the fourth quarter of 2011, stabilized at 29.5% in both the first and second quarters of this year. Further, it said that the banking system's aggregate assets rose by 20% in the first half of the year to \$20 trillion at end-June 2012, equivalent to 270% of GDP. It added that the sector's capital adequacy ratio was 12.9% at end-June 2012 compared to the regulatory requirement of 10.5%, while the liquidity ratio was 46.7% relative to the regulatory requirement of 25%. In parallel, the IIF indicated that outstanding non-performing loans increased by \$5bn in the previous 12 months to \$72bn, but strong loan growth stabilized the NPL ratio at 0.9%. It noted that the increase in NPLs suggests that Chinese banks are not immune to less favorable economic and financial conditions. In parallel, the IIF pointed out that the China Banking Regulatory Commission (CBRC) postponed the implementation of Basel III requirements by one year till the beginning of 2013 and extended the phase-in period, due to concerns about the potential adverse impact on the economy and the time needs by banks to meet the requirements.

Source: Institute of International Finance



# ENERGY / COMMODITIES

## Brent oil prices to reach \$113 a barrel in 2012

Brent crude prices are forecast to reach \$113 a barrel on average in 2012 and to drop to \$99 a barrel on average in 2013. Global oil demand is projected to reach 89.7 million barrels per day (b/d) in 2012, constituting an increase of 0.7% from 89.1 million b/d in 2011, and to increase to 90.7 million b/d in 2013. The Organisation for Economic Cooperation and Development (OECD) countries' demand is anticipated to account for 51.5% of global consumption; while non-OECD countries would represent 48.5% of total oil demand. In parallel, global oil supply is expected to reach 90.9 million barrels per day (b/d) in 2012, constituting an increase of 2.8% from 88.4 million b/d in 2011, and to increase to 92.3 million b/d in 2013. OPEC is expected to supply 41.5% of the global oil production while non-OPEC supply would account for 58.6% of the total.

In parallel, U.S. crude imports declined by 2.3 million barrels per day (b/d) week-on-week to 7.6 million b/d on September 26; while U.S. crude output increased by 232,000 b/d on a weekly basis to 6.5 million b/d. Also, distillate stocks in the U.S. rose by 482,000 barrels, against expectations of a 500,000 barrels rise to 127.7 million barrels on September 26th.

Sources: Citigroup

## Saudi Arabia to privatize electricity by 2014

Saudi Arabia aims to privatize its electricity sector by 2014 as part of a plan to liberalize the entire energy industry. The restructuring of the Kingdom's electricity sector will divide the Saudi Electricity Company (SEC), which is currently the sole provider of electricity in the Kingdom, into four smaller companies. The SEC plans to establish a state-owned power supplier, which will buy electricity from the four privatized firms and sell it to Saudi citizens. Demand for electricity has surged in Saudi Arabia over the past few years, reaching 51,000 megawatts in 2011, up 9% from the preceding year; and is expected to rise to 120,000 megawatts by 2030.

Source: Ahram Online

## Iraq and Jordan to build oil pipeline

Iraq and Jordan agreed on the construction of a pipeline to supply the Kingdom with crude oil and natural gas. The estimated quantity of oil to be pumped through the pipeline is at one million barrels a day (b/d). The two countries also agreed to allow Iraqi crude oil to transit through Jordan's Port of Aqaba. Also, Jordan and Iraq agreed to increase the volumes of crude oil provided to the Kingdom from 10,000 b/d to 15,000 b/d.

Source: Aswat al-Iraq

## QPI to invest in Egyptian refinery

Qatar Petroleum International (QPI) announced that it will join a consortium to invest over \$3.6bn to establish an oil refinery in Greater Cairo. The new refinery, Egypt Refining Company, is expected to start operations in 2016 and to benefit Egypt's economy. It is expected to reduce Egypt's diesel imports by up to 50% as it will produce more than 4.2 million tons annually of refined products and oil derivatives.

Source: Gulf Times

## Base Metals: Aluminum output to rise in 2013

Global aluminum refined production is projected to reach 47.6 million tons in 2012, constituting an increase of 5.2% from 45.3 million tons in 2011, and to increase to 50.8 million tons in 2013. Chinese aluminum production reached record highs in August 2012 at an annualized rate of 21 million tons. The rest of the world's production has slowly contracted by 3.9% year-on-year, as capacity closures have materialized in the Netherlands, Italy, Spain and Australia, but with only two smelters shut so far in 2012. In parallel, global aluminum demand is expected to reach 46.9 million tons in 2012, constituting an increase of 5.2% from 44.6 million tons in 2011, and to rise to 50.1 million tons in 2013. Further, global aluminum consumption growth is expected to slow down to 5.2% in 2012 from 9.1% in 2011, and to recover to 6.8% in 2013. Also, overall global aluminum production growth is forecast to slow down to 5.2% in 2012 from 7.7% in 2011, and to recover to 6.6% in 2013. Global aluminum prices are projected to average \$2,060 per metric ton in 2012, constituting a drop of 15% from \$2,423 per metric ton in 2011; and to rise to \$2,100 per metric ton in 2013.

Source: Citigroup

## Precious Metals: Gold price to rise above \$1,700 per ounce in 2013

Global gold production is projected to reach 4,585 tons in 2012, constituting an increase of 2.2% from 4,486 tons in 2011, and to increase to 4,688 tons in 2013. Global gold demand and supply are expected to balance in 2012. Total gold fabrication is expected to reach 2,689 tons in 2012, equivalent to 58.6% of global gold demand with jewellery goods accounting for 1,902 tons, or 70.7% of total gold fabrication and non-jewellery products with 787 tons (29.3%). It would be followed by physical bar investments with 1,097 tons (23.9%), official sector purchases with 493 tons (10.8%), ETFs investment with 190 tons (4.1%) and coins & medals with 116 tons (2.5%). Gold and silver prices are expected to outperform other precious metals in the near-term, as excess liquidity from global monetary easing measures works its way through the global financial system and as investors look to hedge inflation. Further, investors' interest in gold-linked securities increased due to continued concerns over the economic health of the developed world. Global gold ETF holdings stood at \$144.5bn in the third week of September. Gold prices are projected to average \$1,680 a troy ounce in 2012, constituting a rise of 6.8% from \$1,573 a troy ounce in 2011; and to rise to \$1,749 a troy ounce in 2013.

Sources: Citigroup, Byblos Research

Global Commodity Outlook				
(3-months LME, \$/ton)	2012e	2013f	2014f	2015f
Aluminum	2,060	2,100	2,175	2,250
Copper	7,965	7,965	7,775	7,500
Lead	2,060	2,090	2,200	2,250
Nickel	18,360	21,770	24,400	24,000
Tin	21,265	22,750	22,875	25,000
Zinc	1,955	2,040	2,125	2,220
(Spot price, \$/ounce)				
Gold	1,680	1,749	1,655	1,540
Palladium	649	744	925	925
Platinum	1,557	1,675	1,775	1,825
Silver	31.6	31.0	26.5	23.3

Source: Citigroup

# 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	13-Sep-12	No change	24-Oct-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	19-Sep-12	No change	05-Oct-12
Australia	Cash Rate	3.50	04-Sep-12	No change	02-Oct-12
New Zealand	Cash Rate	2.50	12-Sep-12	No change	25-Oct-12
Switzerland	3 month Libor target	0.00	13-Sep-12	No change	13-Dec-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	13-Sep-12	No change	24-Oct-12
Taiwan	Discount Rate	1.88	20-Sep-12	No change	27-Dec-12
South Korea	Base Rate	3.00	01-Oct-12	No change	11-Oct-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	17-Sep-12	No change	30-Oct-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	18-Sep-12	No change	18-Oct-12
South Africa	Repo rate	5.00	20-Sep-12	No change	22-Nov-12
Kenya	Central Bank Rate	13.00	05-Sep-12	Cut 350bps	Nov-12
Nigeria	Monetary Policy Rate	12.00	19-Sep-12	No change	20-Nov-12
Ghana	Prime Rate	15.00	10-Sep-12	No change	Nov-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	07-Sep-12	No change	26-Oct-12
Brazil	Selic Rate	7.50	29-Aug-12	Cut 50bps	10-Oct-12
Armenia	Refi Rate	8.00	04-Sep-12	No change	N/A
Romania	Policy Rate	5.25	27-Sep-12	No change	2-Nov-12
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	8.25	14-Sep-12	Raise 25bps	N/A



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