

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Downgrades outpace upgrades in first 9 months of 2012

Standard & Poor's indicated that it downgraded 65 issuers and upgraded 54 issuers in emerging markets (EM) in the first nine months of 2012, relative to 54 downgrades and 59 upgrades in the same period last year. It added that downgrades accounted for 13.1% of global downgrades down from 14.5% in the same period last year while upgrades represented 18% of global upgrades during the covered period. The agency downgraded 22 issuers representing \$25bn in rated debt in the first quarter, 18 issuers that total \$13bn in the second quarter, and 25 issuers that represent debt of \$77bn in the third quarter of 2012. Also, it upgraded 26 issuers worth \$264bn of rated debt in the first quarter, 17 issuers with \$27bn in the second quarter, and 11 issuers worth \$11bn in the third quarter of the year. In parallel, S&P downgraded 51 corporate issuers, representing \$29bn in rated debt, and upgraded 46 issuers worth \$66bn in the covered period. It also downgraded 14 sovereigns for a total of \$86bn, while it upgraded eight sovereigns for a total of \$239bn in the first three quarters of the year. Asia-Pacific had 27 downgrades worth a total of \$18bn and 23 upgrades representing \$252bn, followed by Latin America with 24 downgrades (\$18bn) and 22 upgrades (\$34bn) and Eastern Europe, the Middle East & Africa with 14 downgrades (\$79bn) and nine upgrades (\$19bn).

Source: Standard & Poor's

MENA

Net private capital inflows to stagnate at \$59bn in 2012

The Institute of International Finance projected total net private capital inflows to the Middle East & Africa region to reach \$58.9bn in 2012, lower by \$3.6bn from an earlier projection, and unchanged from 2011. It expected inflows to pick up significantly to \$86.5bn in 2013, mainly due to a shift in private flows to Egypt from net outflows of \$9bn in 2012 to net inflows of \$8bn in 2013. It indicated, however, that the estimated net private capital inflows to the region for 2013 will remain below the levels reached in each of the years between 2006 and 2010. The IIF anticipated that net private capital flows to the region will account for 5.7% of total net private inflows to emerging markets in 2012 and for 4.9% of such flows in 2013, compared to 5.5% share last year. It forecast net direct investment to decrease to \$40.8bn in 2012 from \$41.3bn in 2011, but to increase to \$49.3bn in 2013. Also, it estimated net portfolio investment to shift from outflows of \$3.6bn last year to inflows of \$2bn in 2012 and \$12.1bn in 2013. Further, it forecast net commercial bank lending to decrease to -\$1.3bn this year from \$4.6bn in 2011, and to considerably increase to \$6.5bn in 2013. It estimated net non-bank private lending to increase to \$17.4bn in 2012 and \$18.6bn in 2013, up from \$16.7bn in 2011. It also projected net lending by official creditors at \$5.3bn this year and \$6.6bn next year compared to \$1.9bn last year.

Source: Institute of International Finance

Reform momentum slows down

The World Bank/International Finance Corporation's Ease of Doing Business survey for 2013 indicated that countries in the Middle East & North Africa (MENA) implemented business reforms this year despite the challenges faced by their governments. The survey said that 9 out of 19 economies in the region implemented business reforms in the covered period. It recorded 12 reforms between June 2011 and June 2012 that make it easier to do business in the region, down from 18 regional reforms during the previous year. Saudi Arabia was the top ranked Arab economy, coming in 22nd place worldwide in terms of doing business. It was followed by the UAE in 26th place, Qatar (40th), Bahrain (42nd) and Oman (47th) as the top ranked Arab countries. The lowest ranked Arab economies were the West Bank & Gaza in 135th place, Syria in 144th place, Algeria (152nd), Iraq (165th) and Djibouti (171st). The rankings of 3 countries in the region improved while 15 declined year-on-year. The UAE's rank rose by 7 spots, the highest improvement regionally, while Yemen's rank regressed by 19 spots, posting the steepest decline in the region year-on-year. The survey noted that the region's most popular areas for reforms were getting credit, with 4 economies making improvements in the category; starting a business and paying taxes, as 2 economies implemented related reforms in each of these two categories, protecting investors (one economy), trading across borders (one country), getting electricity (one economy), and enforcing contracts (one country).

Sources: World Bank, International Finance Corporation

FDI total \$790bn in 2003-2011, GCC attracts 62%

Ernst & Young indicated that foreign direct investment (FDI) in Arab countries totaled \$790.2bn and increased at a compound annual growth rate (CAGR) of 5.1% between 2003 and 2011. FDI inflows reached \$43bn in 2003, \$58.5bn in 2004, \$72.9bn in 2005, \$118.8bn in 2006, \$68.5bn in 2007, \$202.7bn in 2008, \$99.6bn in 2009, \$62.4bn in 2010 and \$63.8bn in 2011. The Middle East was the main source of investments with 35% of the value of FDI during the 2003-11 period, followed by Western Europe with 24% and North America with 18%. The real estate, hospitality and construction sectors attracted \$327bn or 41.4% of total FDI during the covered period, followed by the energy sector with \$184.5bn (23.3%), the chemicals sector with \$100bn (12.7%), and the metals & mining sector with \$47.7bn (6%). Further, Arab countries attracted a total of 6,329 FDI-related projects that created about 1.1 million new jobs during the nine-year period. The number of FDI-related projects grew at a CAGR of 12.5% and that of FDI-created jobs rose by a CAGR of 6.3% during the 2003-11 period. There were 362 new projects in 2003, 359 projects in 2004, 479 projects in 2005, 693 projects in 2006, 584 projects in 2007, 1,070 projects in 2008, 993 projects in 2009, 861 projects in 2010 and 928 projects last year. The six GCC economies attracted 62.3% of the value of FDI projects, as well as 79.1% of the number projects and 65.3% of the jobs created during the 2003-2011 period.

Source: Ernst & Young

OUTLOOK

AFRICA

Sub-Saharan Africa' growth sensitive to Eurozone turmoil and China slowdown

The World Bank projected economic growth in Sub-Saharan Africa (SSA) at 4.8% in 2012 and 5.2% in 2013 relative to growth of 4.9% in 2011. It said that, excluding South Africa, growth is projected at 6% in 2012 and at 6.2% in 2013, making SSA one of the fastest-growing developing regions in the world. It forecast growth to reach or exceed 6% this year in almost one-third of SSA countries due to new mineral exports, a return to peace, and robust growth in the non-mineral sectors. It said that risks to the outlook are to the downside, as the global economy remains fragile, and weaker growth in China would further limit growth in the SSA resource-dependent economies. It noted that SSA exports have not been immune to market volatility from the Eurozone crisis or to the economic slowdown in China, which is an important market for the region's metal and mineral exporters.

In parallel, the World Bank estimated that a marked escalation of financial market tensions that would limit the ability of larger economies in the Eurozone to refinance their debt would lower SSA's real GDP growth by about 3.5 percentage points. It added that a credit squeeze in some of the Eurozone's periphery economies would decrease SSA's GDP growth by 0.8 percentage points. It noted that the possible cut in spending and expiration of tax cuts in the U.S. at the start of 2013 would result in direct losses of 0.3 percentage points to SSA's real GDP growth. Further, the World Bank said that a weaker global economy would impact SSA through trade and investment flows. It noted that the trade impact will be most severe for regional exporters of oil, other minerals and agro-industrial raw materials, as sales of these commodities are more sensitive to the global business cycle. It pointed out that tighter global financial conditions or deteriorating market confidence would affect FDI and short-term capital flows to SSA.

Source: World Bank

SOUTH SUDAN

Resumption of oil production to change economic outlook

The International Monetary Fund projected real GDP in South Sudan to contract by 55% in 2012, but to grow by 69.6% in 2013 following the resumption of oil production and exports. It expected the country's real non-oil GDP to contract by 27.2% in 2012 and by 7.3% in 2013, compared to growth of 47.5% in 2011. The Fund forecast South Sudan's annual average inflation rate at 54.8% in 2012 and 22.2% in 2013, compared to 47.3% in 2011. It expected the country's real per capita GDP to contract by 57.1% in 2012 and to grow by 66.3% in 2013, relative to a contraction of 12.3% in 2012. It estimated total investment at 8.1% of GDP in 2012 and 6.2% in 2013, down from 10.7% of GDP in 2011.

The Fund projected the central government's fiscal balance to post a deficit of 15% of GDP in 2012, but to shift to a surplus of 9.8% of GDP in 2013 when including grants, relative to a surplus of 4.5% of GDP in 2011. Also, it projected the central

government's fiscal balance to post a deficit of 17.2% of GDP in 2012 and to shift to a surplus of 7.6% of GDP in 2013 when excluding grants. It estimated public revenues to rise from 9.2% of GDP this year to 28.1% of GDP in 2013, and for total expenditures to decline from 26.3% of GDP in 2012 to 20.5% of GDP in 2013.

Further, the Fund estimated South Sudan's exports of goods & services to decline from 71% of GDP in 2011 to 19% of GDP in 2012, but to rebound to 54.5% of GDP in 2013; and for imports of goods & services to reach 30% of GDP in 2011 relative to 26.1% of GDP 2012 and 32.5% of GDP in 2013. As such, it anticipated South Sudan's trade balance to post a deficit of 3.7% of GDP in 2012, but to shift to a surplus of 32.1% of GDP in 2013 relative to a surplus of 47.9% of GDP in 2011. Further, it forecast the current account to post a deficit of 12.6% of GDP in 2012 and to shift to a surplus of 5.8% of GDP in 2013 compared to a surplus of 21.6% of GDP in 2011.

Source: International Monetary Fund

GHANA

Non-oil GDP growth to average 8.2% in 2012-13

The International Monetary Fund projected Ghana's real GDP growth at 8.2% in 2012, compared to a growth rate of 5% for Sub-Saharan Africa (SSA) and 3.4% for SSA's Middle-Income Countries (MICs). It expected the country's real non-oil GDP to grow by 8.8% in 2012 and 7.6% in 2013, relative to 8.7% in 2011, and compared to non-oil GDP growth of 7.4% in 2012 and 7.1% in 2013 in oil exporting countries. It also forecast real GDP growth at 7.8% in 2013 relative to growth of 5.7% in SSA and 3.8% for MICs. It estimated the country's annual average inflation rate at 9.8% in 2012, up from 8.7% a year earlier, and compared to average inflation of 9.1% in SSA and 6% in MICs. It also forecast the country's average inflation to increase to 10.9% in 2013. It expected the country's real per capita GDP to grow by 5.5% in 2012 and 5.1% in 2013, relative to growth of 2.7% in SSA this year and 3.5% next year. Further, it forecast broad money to grow by 34.5% this year and 22.7% next year. Claims on the non-financial private sector grew by 25.7% in 2010 and 29% in 2011.

The Fund projected the central government's fiscal balance to posts deficits of 5.6% of GDP in 2012 and 3.8% of GDP in 2013, when including grants, relative to a deficit of 4.1% of GDP in 2011. Also, it projected the central government's fiscal balance to post deficits of 7.7% of GDP in 2012 and of 5.3% in 2013, when excluding grants, relative to a deficit of 6.2% of GDP in 2011. It estimated total investment at 19.8% of GDP in 2012 and 20.1% of GDP in 2013, compared to 18.6% of GDP in 2011. It also forecast total government debt to reach 45% of GDP at end-2012 and to decline to 41.1% of GDP at end-2013. Further, it projected the country's current account deficit to remain wide but to shrink to 9.1% of GDP in 2012 and to 7% of GDP in 2013 from 9.2% of GDP in 2011. Further, the Fund expected the country's gross official reserves to reach 2.9 months of imports of goods & services at end-2012 and 3.1 months of import cover at end-2013, compared to 3.2 months at end-2011.

Source: International Monetary Fund



ECONOMY & TRADE

TURKEY

Investment grade status not imminent

Citigroup estimated the probability of upgrading Turkey's sovereign ratings to investment grade at 15% for Standard & Poor's, at 42% for Fitch Ratings and at 45% for Moody's Investors Service. It said that structural indicators such as government effectiveness, rule of law, regulatory quality, and control of corruption support an upgrade of the country's sovereign ratings. But it noted that standard macroeconomic indicators such as the country's poor inflation performance, real GDP growth, wide current account deficit, and budget deficit and public debt levels limit Turkey's prospects to earn an investment grade status. It pointed out that the probability of an upgrade to investment grade by Fitch would have increased to 75% if Turkey's inflation rate averaged 6% during the 2010-12 period and if its current account deficit averaged 6% of GDP during the same period. Further, Citigroup said that expectations of Fitch upgrading the ratings to investment grade constituted one of the key drivers of Turkish assets recently. It cautioned investors from formulating investment decisions under the assumption that Turkey will definitely be upgraded to investment grade this year.

Source: Citigroup

NIGERIA

Ratings affirmed, outlook stable

Fitch Ratings affirmed Nigeria's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-' and 'BB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'B' and the country ceiling at 'BB-'. It said the ratings' affirmation reflects a tighter fiscal position, an improvement in electricity supply, increased agricultural output which helped reduce imports, and an increase in international reserves. It noted that the partial elimination of the petroleum subsidy in January sent a strong message about the government's reform intentions, led to reforming the subsidy payment system and uncovered inefficiencies and fraud. It added that the partial lifting of the subsidy resulted in important gains to government revenues and international reserves. It estimated the cumulative increase in foreign exchange reserves at \$9.1bn so far this year. But it noted that reserves still represent only 4.5 months of current external payments, compared to almost eight months in 2008. It anticipated the government's fiscal balance to shift to a small surplus this year, constituting the first surplus since 2008. However, Fitch indicated that progress on structural reforms has not yet translated into higher growth levels, while vulnerability to oil price shocks, high inflation and governance challenges weigh on the ratings. In parallel, it said that Nigeria's banking system is still recovering with credit growth marginally positive in real terms due to high interest rates, limited lending opportunities and improved risk management. The agency said that the main drivers of a negative rating action on Nigeria would be a sustained drop in global oil prices and an inappropriate policy response, or a reversal of reforms.

Source: Fitch Ratings

ANGOLA

Sovereign wealth fund to invest in key infrastructure

Business Monitor International anticipated that Angola's launch of a \$5bn sovereign wealth fund would stimulate the country's ongoing economic diversification efforts and brings the country in line with the majority of OPEC economies. It said that directing a portion of the country's oil receipts to key sectors such as agriculture and infrastructure constitutes a necessary step to enhance job creation in the country, as well as to prepare the economy for an eventual decline in oil production. It noted that the Angolan Sovereign Fund (FSA) identified water, power generation and transport as key priorities to support the government's efforts to address the severe infrastructure deficit that continues to undermine economic progress and competitiveness. It pointed out that stimulating the agriculture sector will support the economy given the country's high dependence on food imports. Further, it said that the FSA's focus on investment in the real economy, rather than on stabilizing and reducing the country's public finance vulnerability to oil shocks, reflects the government's plans to increase capital expenditures over the coming years and demonstrates progress made in recent years towards improving the economy's resilience to shocks. In parallel, it indicated that the creation of the fund will increase transparency in the management and allocation of the country's oil revenues. But it said that the close ties of the fund's board with top-level government officials will increase concerns over corruption and oil wealth mismanagement in the country.

Source: Business Monitor International

ARMENIA

Government effectiveness improves

The World Bank's annual World Governance Indicators for 2011 show that Armenia's rankings improved on four out of six governance indicators included in the survey and regressed on two others. The indicators cover 214 countries and territories worldwide and are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Armenia ranked in 102nd place worldwide and in second place among 12 Commonwealth of Independent States in terms of Government Effectiveness, which measures the competence of the bureaucracy and the quality of public service delivery. Globally, Armenia came ahead of Suriname and El Salvador and ranked behind Sri Lanka and Kuwait, while it ranked behind Georgia and immediately ahead of Kazakhstan in the region. Armenia received a score of -0.09 points, up from -0.15 points in 2010 and better than the CIS average of -6.2 points. Also, 52% of countries and territories in the world had a better score than Armenia on this dimension of governance. In parallel, Armenia ranked 141st globally and second among CIS on the Control of Corruption Indicator. Globally, it came ahead of Guyana and Albania and ranked behind Mauritania and Algeria, while it ranked behind Georgia and immediately ahead of Moldova in the CIS. Armenia received a score of -0.58 points, up from -0.66 points in 2010, and better than the regional average of -0.94 points. Also, 34% of countries and territories in the world had a better score than Armenia on this dimension of governance.

Source: World Bank, Byblos Research



BANKING

JORDAN

Banking sector has high level of credit risk

Standard & Poor's Banking Industry Country Assessment (BICRA) classified Jordan in Group '7', and assigned an industry risk score of '6' and an economic risk score of '7'. 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. The agency noted that other countries in BICRA's Group '7' include Hungary, Indonesia, Ireland, Morocco, Portugal, and Russia. Further, it indicated that Jordan's economic risk score reflects "very high risks" in economic resilience and credit risk in the economy, as well as "low risks" in economic imbalances. It added that Jordan's industry score indicates that the country faces "high risks" in its institutional framework and competitive dynamics, as well as "intermediate risks" in system-wide funding. It said that the sector's funding is a comparative strength that is supported by the banks' generally low loan leverage. It noted, however, that the system's net external debt position deteriorated in 2008-2011 to almost break even point. It added that credit risk in the Jordanian economy is high, as around 35% of the sector's aggregate lending is concentrated on cyclical sectors, mostly construction and residential mortgages. It added that banks' exposure to the sovereign rose to about 20% of the sector's assets at end-June 2012.

Source: Standard & Poor's

MOROCCO

Banking sector's risks decline

Standard & Poor's maintained Morocco's Banking Industry Country Assessment (BICRA) in 'Group 7', while it reduced its industry risk score to '6' from '5' and upgraded its economic risk score to '7' from '8'. 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 7' include Indonesia, Jordan, Portugal, El Salvador, and Russia. Further, it indicated that Morocco's economic risk score reflects the upgrade of its economic resilience to "intermediate risk" from "high risk", as well as the assessment of its credit risk in the economy and economic resilience at "very high risk". It anticipated that the slowdown in economic growth will reduce credit demand and, in turn, limit economic imbalances. It added that concerns over real estate risks diminished. Further, S&P noted that Morocco's industry score reflects the change in the assessment of the country's system-wide funding to "high risk" from "intermediate risk", as well as the assessment of the institutional framework at "high risk" and the competitive dynamics at "intermediate risk". It said that liquidity in Morocco's banking system has deteriorated in recent years due to the rapid increase in lending without a proportionate increase in the deposit base.

Source: Standard & Poor's

IRAN

EU sanctions to negatively affect banking sector

Business Monitor International anticipated that the recently-approved European Union financial sanctions on Iran will contribute to the isolation of Iranian banks from the international financial system and will have a significant impact on the economy. It noted that the new policy that requires European traders to ask their governments for authorization before financing transactions with Iranian entities will increase the costs for Europeans trading with Iran, and will grant the EU more control of the goods that are traded. Further, it pointed out that the new asset freeze of key Iranian institutions would deter the flow of foreign reserves to Tehran, which will weaken its already depleting stock of foreign currency reserves. Also, it said that the new sanctions will increase the Iranian banking system's isolation from the global financial system. But it noted that the EU financial sanctions will have a relatively limited impact compared to existing U.S. sanctions, given that the U.S. Treasury has the right to exclude from the U.S. marketplace foreign firms that have relations with Iran's major financial institutions.

Source: Business Monitor International

CHINA

Interest rate liberalization poses challenges for banks

Moody's Investors Service indicated that the decision of the People's Bank of China to widen the range against which Chinese banks can benchmark their lending and deposit rates constitutes a step towards a fully liberalized sector, but added that it is a credit negative for the banks. It said that allowing banks greater flexibility in setting rates will narrow interest rate margins, as they will need to offer more competitive rates on their broad deposits and loans. It anticipated that liberalizing the interest rate system will depress commercial banks' net interest margins by 4 to 6 basis points in 2012 and would reduce their net profits by around RMB28.5bn or \$4.5bn, equivalent to a 3% drop from the system's net profits last year. It estimated that the negative impact on net interest margins will continue in 2013 with a drop of 10 to 13 basis points in margins and a fall of RMB79.6bn or \$12.6bn in net profits. Further, the agency pointed out that banks will face new challenges in liquidity management, as the broad liberalization of interest rates would encourage depositors to seek greater yields and would permanently introduce market-driven volatility into the entire funding structure. It also anticipated that the drive to maintain profitability would push banks to increase lending to higher-risk borrowers or become involved in complex business activities. It indicated that Chinese banks' ability to adapt to a fully market-driven pricing environment remains untested and would be subject to additional uncertainties. In parallel, it said that an increasingly liberalized interest rate environment will challenge banks' current management capacities, including business strategy, risk control and governance. It added that these issues come simultaneously with current risks posed by rising asset quality pressures and a slowing economy.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Global gas production to rise by 3% in 2013

Global gas production is projected to reach 3,411.7 billion cubic meters (bcm) in 2012, constituting an increase of 4.1% from 3,278.4 bcm in 2011, and to rise to 3,528 bcm in 2013. North America's gas production is forecast to reach 900.5 bcm in 2012, equivalent to 26.4% of global production. It would be followed by Eastern Europe & the Commonwealth of Independent States with 802.5 bcm of output (23.5%), the Middle East with 557 bcm of output (16.3%), Asia & Australia with 500 bcm (14.7%), Western Europe with 277 bcm (8.1%), Africa with 213.8 bcm (6.3%) and Central & South America with 160.9 bcm (4.7%). In parallel, global gas demand is projected to reach 3,348 bcm in 2012, constituting an increase of 4% from 3,219.6 bcm in 2011, and to rise to 3,479 bcm in 2013. Further, global gas consumption growth is expected to accelerate to 4% in 2012 from 2.1% in 2011. Also, overall global gas production growth is forecast to rise to 4.1% in 2012 from 3.1% in 2011, and to average 3.3% during the 2013-14 period. In parallel, U.S. natural gas Henry Hub prices are forecast to reach \$2.6 per million British Thermal Units (Btu) on average in 2012 and to rise to \$3.2 per million Btu on average in 2013. European natural gas prices are projected to average \$11.4 per million Btu in 2012 and to drop to \$10.6 per million Btu on average in 2013. Also, Japanese liquified natural gas prices are forecast to reach \$15.6 per million Btu on average in 2012 and to decrease to \$13.5 per million Btu on average in 2013.

Sources: *Economic Intelligence Unit, Byblos Research*

KRG agrees to export 250,000 b/d oil in 2013

The Kurdistan Regional Government (KRG) agreed to export 250,000 barrels of crude oil per day (b/d) in 2013 on the condition that the Iraqi government makes payments to the foreign oil companies in Kurdistan. Current KRG shipments are around 140,000 b/d and are forecast to rise to 200,000 b/d at end-2012. The oil payment disagreement is part of a broader dispute between Baghdad and Kurdistan over the control of oil and contested territories.

Source: *Thomson Reuters*

South Sudan to restart oil exports in three months

South Sudan is expected to restart its oil exports in three months, after the government ordered oil companies to resume production. Sudan is forecast to pump about 70% of its former capacity, and it would take up to one year to restore pre-fighting production levels. South Sudan reached a deal with Sudan to resume exports through northern pipelines after shutting down earlier this year its output of 350,000 b/d over export fees dispute.

Source: *Thomson Reuters*

Egyptian gas supply to resume next month

Egypt indicated that it is willing to resume the pumping of natural gas to Jordan after it recently stopped its supply to meet a sudden rise in domestic demand. Egypt agreed to send a new quantity of gas to Jordan within the next two weeks if its domestic energy situation improves. Egypt's gas shipments to Jordan have averaged 40 million cubic feet per day this year well short of the 220 million cubic feet per day outlined in an agreement inked in 2004.

Source: *Jordan Times*

Base Metals: Global steel output to grow in 2013

Global steel production is projected to reach 1,537.1 million tons in 2012, constituting an increase of 3.1% from 1,490.2 million tons in 2011, and to increase to 1,610.7 million tons in 2013. China's steel production is expected to reach 711.6 million tons in 2012, equivalent to 46.3% of global production. It would be followed by other Asian countries with 285.5 million tons of output (18.6%), the EU with 170 million tons of output (11.1%), members of the North American Free Trade Agreement (NAFTA) with 124.5 million tons (8.1%), and the Commonwealth of Independent States (CIS) with 113.6 million tons (7.4%). In parallel, global steel demand is forecast to reach 1,536.8 million tons in 2012, constituting an increase of 3% from 1,492.4 million tons in 2011, and to rise to 1,611.4 million tons in 2013. Chinese demand is forecast to reach 678.9 million tons in 2012, equivalent to 44.2% of global demand. It would be followed by other Asian countries with 320.1 million tons (20.8%), the EU with 162.1 million tons (10.5%), members of NAFTA with 130.1 million tons (8.5%), and the CIS countries with 50.8 million tons (3.3%). Global steel consumption growth is anticipated to slow down to 3% in 2012 from 6.5% in 2011, and to recover to 4.9% in 2013. In parallel, overall global steel production is forecast to grow by 3.1% in 2012 and by 4.8% in 2013. Also, global steel prices are forecast to reach \$664 per ton in 2012, constituting a drop of 11.4% from \$750 per ton in 2011; and to decrease to \$587 per ton in 2013. The decline in steel prices is attributed to weak global demand and lower raw material costs.

Sources: *Economic Intelligence Unit, Byblos Research*

Precious Metals: Gold market to post surplus in 2013

Global gold production is projected to reach 3,901 tons in 2012, and forecast to grow by 8% year-on-year to 4,215 tons in 2013. In parallel, global gold consumption is projected to reach 3,951 tons in 2012 and increase by an annual 4.2% to 4,118 tons in 2013. As such, global gold market balance is expected to post a deficit of 50 tons in 2012 before shifting to a surplus of 97 tons in 2013. Gold investments and consumption are anticipated to maintain growth despite of a Chinese economic slow down. Governments worldwide are projected to remain net buyers of gold during the 2012-14 period as they continue efforts to diversify their assets portfolios at times of economic uncertainty. Gold prices are forecast to average \$1,684 a troy ounce in 2012 and rise to \$1,803 a troy ounce in 2013.

Sources: *Economic Intelligence Unit, 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								
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
	Negative	-	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	13-Sep-12	No change	24-Oct-12
Eurozone	Refi Rate	0.75	04-Oct-12	No change	08-Nov-12
UK	Bank Rate	0.50	04-Oct-12	No change	08-Nov-12
Japan	O/N Call Rate	0-0.10	05-Oct-12	No change	30-Oct-12
Australia	Cash Rate	3.25	02-Oct-12	Cut 25bps	06-Nov-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
Emerging Markets					
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	2.75	11-Oct-12	Cut 25bps	09-Nov-12
Malaysia	O/N Policy Rate	3.00	06-Sep-12	No change	08-Nov-12
Thailand	1D Repo	2.75	17-Oct-12	Cut 25bps	28-Nov-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-Oct-12	No change	20-Nov-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	7.25	10-Oct-12	Cut 50bps	28-Nov-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	0.03	01-Oct-12	Cut 1bps	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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