

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### MENA

##### FDI at \$19.3bn in first half of 2012

Foreign direct investment (FDI) in Arab countries reached \$19.3bn in the first half of 2012 and accounted for 38% of global FDI in the covered period. The UAE was the largest Arab FDI recipient with \$5.7bn, equivalent to 29.7% of total FDI inflows to Arab countries. It was followed by Saudi Arabia with \$4.8bn (25%); Egypt with \$2.2bn (11.2%); Jordan with \$1.6bn (8.4%) and Oman with \$1.33bn (6.9%) as the region's top five recipients. Further, the region attracted a total of 411 FDI projects in the first half of 2012, which accounted for 39% of total FDI-related projects globally during the covered period. The UAE attracted 140 projects or 34.1% of FDI-related projects in the region, followed by Saudi Arabia with 68 projects (16.5%); Qatar with 47 (11.4%); Oman with 34 (8.3%) and Bahrain with 29 (7.1%). Also, the survey indicated that FDI in Arab countries contributed to the creation of 40,743 new jobs in the first half of the year, with the UAE leading the region with 11,734 FDI-created jobs or 28.8% of the region's total. It was followed by Saudi Arabia with 9,208 jobs (22.6%); Egypt with 4,685 (11.5%) and Oman with 4,319 (10.6%). In parallel, the real estate, hospitality and construction sectors attracted \$5.1bn or 26.6% of total FDI value in the region during the covered period, followed by the chemicals sector with \$3.6bn (18.4%), and business services with \$3.2bn (16.6%).

Source: Ernst & Young

##### Equity markets up 4% in first 10 months of 2012

Arab stock markets increased by 4.3% and GCC equity markets rose by 3.9% in the first 10 months of 2012 compared to drops of 13.1% and 10.1%, respectively, in the same period last year. Activity on the Egyptian stock market increased by 57.2% in the first 10 months of 2012 and posted the best performance among Arab markets during the covered period. It was followed by the Dubai financial market with a 19.7% increase, the Abu Dhabi equity market with an 11.3% growth, Saudi Arabia's stock exchange with a 5.8% rise and the Tunis exchange with a 3.6% improvement. In parallel, the Casablanca equity market dropped by 13.8% and posted the worst performance among Arab stock markets in the covered period. It was followed by the Iraqi stock exchange with a 12.4% drop, the Bahrain bourse with a 7.6% decline, the Damascus financial market with a 7.5% fall, the Beirut stock exchange with a 5.7% decrease, the Amman bourse with a 3.9% contraction, the Palestine equity market with a 3.8% retreat, the Qatar exchange with a 2.7% decline, the Kuwait bourse with a 0.8% drop and the Muscat equity market with a 0.6% decrease. In comparison, emerging market equities rose by 8.7% and global equities grew by 10% in the first 10 months of the year. Arab stock markets declined by 0.9% in October compared to a decrease of 0.8% in emerging market equities and a drop of 0.7% for global equities.

Sources: Local Stock Markets, Dow Jones Indices, Byblos Research

##### M&A up 109% to \$15.7bn in first nine months of 2012

Figures issued by Thomson Reuters show that the value of mergers and acquisitions (M&A) targets in the Middle East reached \$15.7bn in the first nine months of 2012, constituting an increase of 109.3% from \$7.5bn in the same period last year; while the number of M&A deals stood at 333 in the covered period, up 2.1% from 326 deals in the same period last year. M&A transactions in the Middle East amounted to \$5.6bn through 120 transactions in the first quarter of the year, \$6bn through 122 transactions in the second quarter, and \$4bn through 91 deals in the third quarter. The telecom sector was the main target industry in the region with \$6.4bn or 40.8% of total M&A value; followed by the financial sector with \$2.5bn (15.7%); the industrial sector with \$1.6 (9.9%); the retail sector with \$1.3bn (8.1%); and the real estate sector with \$1.2bn (7.9%). In parallel, the UAE was the main targeted M&A country in the Middle East with 25% of total M&A in the region in the first nine months of 2012; followed by Egypt with 20.3%; Kuwait (19.8%); Iraq (13.3%) and Saudi Arabia (7.5%). Further, Qatar was the most active acquirer in the region in the covered period with 42.6% of the total; followed by the UAE with 20%; Kuwait (9.8%); Saudi Arabia (9.7%) and Egypt (6%).

Source: Thomson Reuters

#### IRAN

##### Tehran urged to address its anti-money laundering deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), declared that it remains "particularly and exceptionally" concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's engagement with the FATF. It reiterated its call to all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. It also repeated its call to its members and other jurisdictions to apply counter measures to protect their financial sectors and the international financial system from the ongoing and substantial money laundering and terrorist financing risks originating from Iran. The FATF also urged jurisdictions to protect against correspondent relationships being used to bypass or evade counter measures and risk mitigation practices, and to take into account money laundering and terrorism financing risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. The FATF warned that, if Iran fails to take concrete steps to improve its AML/CFT regime, it will consider calling on all countries and jurisdictions to strengthen counter measures in February 2013.

Source: Financial Action Task Force

# OUTLOOK

## EMERGING MARKETS

### BRIC banking sectors resilient to Eurozone spillovers

Standard & Poor's anticipated that the banking systems in Brazil, Russia, India, and China (BRIC) would remain resilient to spillovers from the Eurozone crisis, mainly because of their limited direct financial links with EU member countries. It noted that BRIC banking sectors will catch up with those of developed economies, as BRIC banks will find profitable growth opportunities. But it noted that credit growth and housing price gains constitute growing risks to BRIC banks, mainly in China. It pointed out that risks to India's banking sector derive from the country's low income level and weak foreclosure law, which increase credit risks despite moderate leverage in the private sector. It added that the high degree of government ownership and sizable direct lending would create market distortions.

S&P said that banking-sector risks in China reflect the country's low income level, rapid annual average growth in credit and in inflation-adjusted real estate prices over the past few years, and high private-sector leverage. It added that risks include an institutional framework with limited disclosure, strong government interference, and highly deposit-funded system. But it noted that these risks will remain relatively stable over the next few years unless the economy experiences a slowdown in growth. Further, it said that risks to Russia's banking sector reflect its moderate income level, intermediate economic imbalances and very high credit risk. It added that risks include weak banking regulation and supervision, inadequate governance and transparency, market distortions from the high share of state-owned banks and relatively unstable funding sources. The agency indicated that Brazil's banking sector posts the lowest risk among the BRICs, India and China's banks show moderate risk levels, while Russia's banking sector presents the highest risk.

*Source: Standard & Poor's*

## GCC

### Region's fiscal balance to post deficit by 2014 with a \$30 drop in oil prices

The International Monetary Fund anticipated that a slowdown in global economic growth from an intensification of the Eurozone crisis would adversely affect the Gulf Cooperation Council's (GCC) economies through lower oil export revenues and disruptions of capital flows. It said that the region's high dependence on hydrocarbon export revenues makes it vulnerable to sharp declines in global oil prices and global energy demand. It noted that a prolonged drop in global oil prices from a slowdown in global demand would result in a weakening of external and fiscal balances and would have an adverse impact on financial and economic conditions.

The IMF estimated that a \$30 drop in global oil prices starting in 2013 would shift the region's fiscal balance to a deficit by 2014. It noted that all GCC economies would post fiscal deficits by 2017 under this scenario, with Bahrain and Oman posting a deficit of 16% of GDP each and Saudi Arabia showing a double-digit fiscal deficit. Also, it projected Bahrain, Oman, Qatar

and Saudi Arabia to post current account deficits by 2017, with Oman posting the widest deficit of 17% of GDP. Also, the Fund forecast the region's public external assets to grow at a slower pace under this scenario and to reach \$2.2 trillion by end-2017 relative to \$3 trillion under the baseline scenario. It noted that external assets would provide a significant cushion in the event of a severe oil shock. It projected the GCC's fiscal surplus under the baseline scenario to increase to 14.6% of GDP this year from 12.7% of GDP in 2011, but to drop to 11.2% of GDP in 2013. It projected the GCC's current account balance to post surpluses of 23.6% of GDP in 2012 and 21.1% of GDP in 2013 relative to a surplus of 24.1% of GDP in 2011. It attributed the declines in the fiscal and current account surpluses in 2013 to a drop in oil revenues and continued increases in government spending. The IMF encouraged the region's governments to reduce fiscal risks and improve the fiscal outlook by containing increases in spending that are hard to reverse and, instead, by prioritizing growth-enhancing investments in infrastructure.

*Source: International Monetary Fund*

## NIGERIA

### Non-oil GDP growth to average 7.6% in 2012-13

The International Monetary Fund projected Nigeria's real GDP growth at 7.1% in 2012 and 6.7% in 2013, down from 7.4% in 2011. In parallel, it forecast growth at 5% in 2012 and 5.7% in 2013 for Sub-Saharan Africa and at 6.7% in 2012 and 6% in 2013 for the region's oil exporting countries. It expected the country's real non-oil GDP to grow by 7.9% in 2012 and 7.3% in 2013, down from 8.8% in 2011, and relative to a growth rate of 7.4% in oil exporting countries this year and 7.1% next year. The Fund forecast Nigeria's annual average inflation rate at 11.4% in 2012 and 9.5% in 2013, relative to 10.8% a year earlier and compared to average inflation of 9.8% in 2012 and 8.2% in 2013 for oil exporting economies. It projected the country's real per capita GDP growth at 4.2% in 2012 and 3.9% in 2013 compared to 4.5% in 2011. Also, it estimated the growth of broad money at 12.7% this year and 20.5% next year, compared to 15.4% last year. Claims on the non-financial private sector posted a contraction of 5.2% in 2010 compared to a growth of 3% in 2011.

In parallel, the Fund forecast the fiscal balance to post a deficit of 0.4% of GDP in 2012, but to shift to a surplus of 2.8% of GDP in 2013, relative to a surplus of 0.2% of GDP in 2011. It estimated public revenues to decline from 26.4% of GDP this year to 25.8% of GDP in 2013, and for public expenditures to decrease from 26.8% of GDP in 2012 to 23% of GDP in 2013. The IMF projected total investment at 22.2% of GDP in 2012 and 21.5% of GDP in 2013, relative to 22.1% of GDP in 2011. Also, it expected the country's current account to post a surplus of 3.5% of GDP in 2012 and 3.1% of GDP in 2013, compared to surplus of 3.6% of GDP in 2011. In comparison, it forecast the region's oil exporting countries to post current account surpluses of 3.8% of GDP this year and 3% of GDP next year. Further, the Fund expected Nigeria's gross official reserves to reach 5.5 months of imports of goods & services at end-2012 and 6 months at end-2013, up from 4.5 months of imports of goods & services at end-2011.

*Source: International Monetary Fund*



---

# ECONOMY & TRADE

---

## KUWAIT

### Sovereign ratings at risk from political unrest

Fitch Ratings indicated that a significant escalation of public unrest in Kuwait would put at risk the country's current sovereign ratings despite that Kuwait has the strongest sovereign external balance sheet among rated countries. It said that rare large-scale street protests and unprecedented public criticism of the ruling family emerged following a change in the electoral law. But it pointed out that Kuwait's relatively open political institutions reduce the risk of major civil unrest. Further, the agency said that prolonged political deadlock would also weaken the ratings through its impact on the economy. It noted that the public sector constitutes a key driver of the economy, with 80% of Kuwaiti nationals on the public payroll, and pointed out to the private sector's limited development. It added that the execution of government projects and of the 2010-14 Development Plan have been delayed due to difficulties in reaching a political consensus. In parallel, Fitch estimated Kuwait's sovereign net foreign assets at \$323bn at the end of 2011, equivalent to 191% of GDP. It noted that Kuwait's budget posted double-digit surpluses since 1999 due to large oil receipts, which led to its strong external position and public finances. It projected Kuwait's budget surplus at 27% of GDP in fiscal year 2012-13 and at 22% of GDP in FY2013-14, relative to 31% of GDP in FY2011-12. As such, it expected the country's growing sovereign net foreign assets to continue to enhance its capacity to deal with economic shocks.

Source: Fitch Ratings

## IRAQ

### Fiscal surplus projected at 2% of GDP in 2013

Citigroup indicated that the Iraqi Cabinet ratified the 2013 draft budget that includes spending of 138 trillion Iraqi dinars and revenues of IQD119 trillion, leading to a deficit of IQD19 trillion, equivalent to 13% of GDP. It said that the revenue figures are based on an average global oil price of \$90 per barrel and exports of 2.9 million barrels of oil per day in 2013, including 250,000 barrels from the Kurdistan Regional Government. But it estimated spending at IQD115 trillion in 2013, equivalent to an execution rate of around 83% of budgeted expenditures, in line with historical averages. It forecast revenues at IQD118 trillion in 2013, similar to the government's projections, but based them on a higher average oil price of \$99 p/b and lower oil exports of 2.77 million barrels per day in 2013. As such, it projected Iraq's fiscal balance to post a surplus of 2% of GDP in 2013 relative to a forecast surplus of 5.7% of GDP in 2012. Also, it expected Iraq's fiscal breakeven oil price to drop to \$96.4 p/b in 2013 compared to \$102.2 p/b in 2012 and \$99.3 p/b in 2011. In parallel, Citigroup said that the government's recently announced \$275bn five-year infrastructure investment plan reflects Iraq's significant infrastructure requirements. It noted that the plan's implementation requires capital spending of \$55bn per year, equivalent to 50% of GDP. It considered that such spending would be difficult to achieve due to the government's limited implementation capacity, political gridlock, security issues, red tape and corruption. As a result, it forecast annual capital spending at around \$35bn over the next five years.

Source: Citigroup

## ARMENIA

### Business environment improves significantly

The World Bank/International Finance Corporation Doing Business 2013 report ranked Armenia in 32nd place among 185 countries worldwide in terms of ease of doing business, improving from 50th place in the 2012 survey. Armenia ranked ahead of Belgium, France and Slovenia, and came behind the Netherlands, Portugal and Austria. Also, Armenia ranked in second place among 11 Commonwealth of Independent States behind Georgia, improving from third place in the previous survey. The index is a composite of 10 sub-indices of business regulation that track the time and cost to meet government requirements in business start-up, expansion, operations, and insolvency. Armenia ranked in 11th place globally on the Starting a Business indicator, down one spot from the previous survey; in 46th place in terms of Dealing with Construction Permits, up 3 positions from 2012; and in fourth place on the Registering Property indicator, unchanged from last year's survey. Also, Armenia ranked 40th in terms of ease of Getting Credit, down two positions from 2012; in 25th place in terms of Protecting Investors, up 73 spots year-on-year; and in 108th place in terms of Paying Taxes, up 44 spots year-on-year. Further, it regressed by one position on the Trading Across Borders category to the 107th place, while it remained in 91st place on the Enforcing Contracts category. Finally, Armenia ranked in 63rd place on the Resolving Insolvency indicator, unchanged year-on-year.

Source: World Bank, International Finance Corporation

## AFRICA

### Eurobond issuance to accelerate

Moody's Investors Service anticipated that regional African governments will increase their Eurobond issuance over the medium- to-long-term to finance part of their large infrastructure needs estimated at \$90bn annually. It said that such needs will promote further international issuance by government-related institutions as the latter will have the option to use existing government bonds as a benchmark. As such, it expected Eurobond issuance to result in a wider participation of local governments, corporates and financial institutions in international debt capital markets. But it forecast funding through international debt issuance to continue to account for a limited portion of gross capital inflows to the region over the short-term. It said that access to international capital markets has remained limited in Africa, with only 13 out of 54 countries in Africa having issued debt instruments denominated in foreign currency on the international markets. It attributed the limited issuance to the availability of alternative sources of external financing for governments and the public sector such as multi-lateral financing, bilateral financing, commercial banks loan, and other private creditors. It noted that Africa remains the most dependent region on multilateral and bilateral financing compared to other emerging regions. It pointed out that multilateral and bilateral financing accounted for more than 75% of public and publicly-guaranteed external debts in Africa at end-2011, while commercial bank loans and international bond issuance each accounted for 10% of external liabilities.

Source: Moody's Investors Service



# BANKING

## SYRIA

### **Damascus asked to clarify status of anti-money laundering measures**

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Syria has previously taken significant steps towards improving its AML/CFT regime. It noted, however, that Syria has not made sufficient progress in implementing its action plan, despite its high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its strategic AML/CFT deficiencies. The FATF noted that certain AML/CFT deficiencies remain and encouraged the authorities to continue to work on addressing them and to implement their action plan to address the shortcomings. It said that Syria's action plan includes providing adequate legal basis to implement and enforce the United Nations Security Council Resolution 1373; implementing adequate procedures for identifying and freezing terrorist assets; and ensuring that appropriate laws and procedures are in place to provide mutual legal assistance. The FATF encouraged Syria to demonstrate that its remaining deficiencies have been addressed to enable the organization to properly evaluate the country's progress.

*Source: Financial Action Task Force*

## EGYPT

### **Currency depreciation still likely**

Business Monitor International expected Egypt's exchange rate to depreciate to 6.15 pounds against the US dollar at the end of 2012 relative to a current value of 6.10 pounds to the dollar. It said that fundamental pressures on the pound are to the downside, despite that risks of a one-off devaluation have gradually decreased since end-June 2012. It noted that risks of a balance of payments crisis have eased due to a gradual stabilization of the domestic political and economic environment, and to rising chances of Egypt signing a Stand-By Arrangement with the International Monetary Fund. It pointed out that the Central Bank of Egypt (CBE) is currently intervening less frequently on the market and is overseeing a policy of managed depreciation. It added that the CBE's stock of foreign currency reserves fell by 50% since January 2011 as it defended the currency from a more pronounced sell-off and a sharp deterioration in the economy's balance of payments. It noted that the authorities are currently confident that they would allow the currency to depreciate without initiating a renewed period of capital flight. It pointed out that the weakening of the pound will help support the economic recovery by enhancing competitiveness.

*Source: Business Monitor International*

## QATAR

### **Public sector lending drives assets growth**

Figures issued by the Central Bank of Qatar show that total assets reached QAR789.5bn at the end of September 2012, constituting an increase of 2.2% from the previous month, a growth of 13.1% from end-2011 and a rise of 21.8% from end-September 2011. Loans totaled QAR482.7bn, increasing by 19.3% from end-2011 and by 0.6% from the preceding month. Total loans grew by 32.2% year-on-year driven mainly by the

strong growth in public sector loans that posted an increase of 66% year-on-year compared to a rise of 20% in private sector loans during the covered period. In parallel, aggregate deposits reached QAR430.9bn at end-September 2012, up 19.6% year-on-year and by 18.5% from end-2011. Total deposits rose by 2.5% from the preceding month, driven by public sector deposits that posted an increase of 10% month-on-month. The loans-to-deposits ratio increased to 112% at end-September 2012 from 101.3% a year earlier, but remained below the peak ratio of 124% reached in April 2012.

*Source: Central Bank of Qatar*

## SUDAN

### **Progress in anti-money laundering efforts, deficiencies remain**

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that certain strategic AML/CFT deficiencies remain in Sudan despite the country's high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its AML/CFT deficiencies. The FATF encouraged Sudan to address its remaining deficiencies and to continue the process of implementing its action plan. It noted that Kahrtoum's action plan includes implementing adequate procedures for identifying and freezing terrorist assets; ensuring a fully operational and effectively functioning Financial Intelligence Unit; and implementing a supervisory program for the regulators to ensure compliance with the provisions of the new law and regulations.

*Source: Financial Action Task Force*

## UKRAINE

### **Banking sector vulnerable to currency devaluation and economic slowdown**

Fitch Ratings indicated that the Ukrainian banking sector is highly exposed to currency devaluation and to continued economic slowdown. It anticipated the hryvnia to depreciate by 10% against the US dollar by the end of the year. But it noted that a larger change in the exchange rate remains a significant risk, which would erode banks' capital, further weaken asset quality, and increase deposit's volatility. It added that the sector's capital ratios would come under further pressure in the event of a larger devaluation of the local currency due to weaker loan quality, asset inflation and foreign currency losses. It noted that loans in foreign currency accounted for 51% of retail lending and for 39% of the sector's total loans at end-June 2012. It added that a further reduction in the system's dollarization rate would be difficult to achieve given the current pressure on the hryvnia. Further, it said that continued weak economic activity would gradually damage banks' asset quality and performance. It noted that the sector's loans-to-GDP ratio of 60% at end-June 2012 remains high relative to regional and similarly-rated peers. However, the agency indicated that Ukraine's banking sector is currently more resilient to negative shocks than in 2008 due to its recapitalization during the past four years, banks' more seasoned loan books, as well as greater experience in crisis and problem loan management, lower proportion of lending in foreign currency, and significantly less third-party external debt.

*Source: Fitch Ratings*

# ENERGY / COMMODITIES

## Brent oil prices to stay above \$100 a barrel in 2013

Brent crude prices are forecast to reach \$111 a barrel on average in 2012 and to drop by 6.8% to \$103.4 a barrel on average in 2013. Global oil demand is projected to reach 91.3 million barrels per day (b/d) in 2013, constituting an increase of 1.3% from 90 million b/d in 2012. The Organization for Economic Cooperation and Development (OECD) countries' demand is anticipated to account for 49.4% of global consumption in 2013; while non-OECD countries would represent 50.6% of total oil demand. In parallel, global oil supply is expected to reach 93.6 million barrels per day (b/d) in 2013, constituting an increase of 2.6% from 91.2 million b/d in 2012. OPEC is expected to supply 42.8% of the global oil production while non-OPEC supply would account for 57.2% of the total. Global oil supply is forecast to grow in coming periods due to strong growth in OPEC output and in North American production. Also, non-OPEC output is projected to grow by an annual average of 1.6% during the 2013-14 period as some of the disrupted supply in 2012 is restored and North American non-conventional oil production continues to expand. The oil market is expected to shift to a surplus during the 2012-14 period. In parallel, prices of Brent ICE futures decreased by 2.6% in October to \$109.1 a barrel, and prices of WTI NYMEX Futures declined by 6.5% to \$86.6 a barrel in October.

Sources: Economic Intelligence Unit, Byblos Research

## MENA countries to invest \$250bn in power sector

Countries in the Middle East & North Africa region plan to invest \$250bn in the power sector during the 2013-17 period to meet fast-growing regional electricity demand. Power capacity in the MENA region is projected to rise by 7.8% annually, equivalent to a five-year capacity increment of 124 gigawatts. The investments cover further development, transmission and distribution of power production. The GCC countries are expected to commit \$104.7bn in funds between 2013 and 2017, equivalent to 41.8% of total investments. They would be followed by Mashreq countries with \$61.1bn (24.4%), Iran with \$49.2bn (19.7%) and the Maghreb sub-region with \$31.2bn (12.5%).

Sources: Arab Petroleum Investments Corporation, Byblos Research

## KRG resumes independent crude oil exports

The Kurdistan Regional Government (KRG) resumed exports of its crude oil independently of the Iraqi government. Two of the world's largest trading houses, Trafigura and Vitol, acquired their first Kurdish light oil cargoes in October to sell on the international markets. Kurdish oil is projected to be transported to Turkey for shipment, bypassing export ports in southern Iraq. Kurdish export volumes are expected to reach 12,000 b/d by the end of October 2012.

Source: Business Monitor International

## Iran and Syria arrange gasoline-for-diesel swap

Syria and Iran executed a gasoline-for-diesel barter deal in October in a step to overcome imposed international sanctions aimed at cutting them off from needed fuel supplies. As such, Iran delivered 34,500 tons of diesel to Syria in return for a similar volume of gasoline.

Source: Thomson Reuters

## Base Metals: Aluminum demand to grow in 2013

Global aluminum demand is projected to reach 43.8 million tons in 2012 and to increase to 46.1 million tons in 2013. China's aluminum consumption is forecast to reach 20 million tons in 2013, equivalent to 43.4% of global demand. It would be followed by the EU with 6.5 million tons (14.1%), the U.S. with 4.7 million tons (10.2%), Japan with 2.1 million tons (4.5%), India with 1.8 million tons (3.9%) and South Korea with 1.4 million tons (3%). In parallel, global aluminum production is projected to reach 46.3 million tons in 2012, and to rise to 48.2 million tons in 2013. China's aluminum production is expected to reach 20 million tons in 2013, equivalent to 41.4% of global supply. It would be followed by Russia with 4.1 million tons of output (8.5%), Canada with 2.9 million tons of output (6.1%), the EU with 2.7 million tons (5.6%) and the U.S. with 2.2 million tons (4.6%). Further, global aluminum consumption growth is anticipated to slow down to 3.4% in 2012 from 5.7% in 2011, and to recover to 5.3% in 2013. Also, overall global aluminum production growth is forecast to slow down to 3.8% in 2012 from 7.6% in 2011, and to recover to 4.2% in 2013. Global aluminum prices are projected to average \$2,031 a metric ton in 2012, constituting a drop of 15.3% from \$2,398 a metric ton in 2011; and to rise to \$2,150 a metric ton in 2013.

Sources: Economic Intelligence Unit, Byblos Research

## Precious Metals: Gold jewelry consumption to ease in 2012

Global gold demand is projected to reach 3,951 tons in 2012 and to rise to 4,118 tons in 2013. Global gold jewelry consumption is expected to reach 1,893 tons in 2012, equivalent to 47.9% of global gold demand. Global gold jewelry demand is forecast to decrease by about 4.1% in 2012 due to the global economic slowdown. China's jewelry consumption is forecast to reach 559 tons in 2012, equivalent to 29.5% of global jewelry demand. It would be followed by India with 482 tons (25.5%), the U.S. with 107 tons (5.7%), Turkey with 64 tons (3.4%) and Saudi Arabia with 50 tons (2.6%). China is anticipated to surpass India as the world's largest jewelry consumer during 2012. In parallel, the price of gold decreased by 2.5% in October to \$1,727 a troy ounce on October 31, while that of silver declined by 6.5% in October to \$32.4 a troy ounce. Palladium prices dropped by 3.3% in October to \$611.4 a troy ounce and platinum prices decreased by 4.7% to \$1,580 a troy ounce. Gold prices are projected to average \$1,680 a troy ounce in 2012 and to rise to \$1,800 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								
<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	-	Stable								
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+	-	B	-4.3	43.4	20.4	59.4	-	-	-6.5	3.2
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-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	-	Positive								
Sudan	-	-	-	-	C	-2.9	73.1	60.5	397.9	-	-	2.1	-
	-	-	-	-	Stable								
Tunisia	BB	Baa3	BBB-	BBB	CCC	-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	Positive								
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
	-	-	-	-	Negative								
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-	BB	-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	-	Positive								
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	-	Stable								

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	24-Oct-12	No change	12-Nov-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	25-Oct-12	No change	06-Dec-12
Switzerland	3 month Libor target	0.00	13-Sep-12	No change	13-Dec-12
Canada	Overnight rate	1.00	23-Oct-12	No change	04-Dec-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	24-Oct-12	No change	12-Nov-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	28-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	0.04	01-Nov-12	Raise 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



Economic Research & Analysis Department  
Byblos Bank Group  
P.O. Box 11-5605  
Beirut - Lebanon  
Tel: (961) 338 100  
Fax: (961) 217 774  
E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

---

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



---

# BYBLOS BANK GROUP

---

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605  
Riad El Solh - Beirut 1107 2811 - Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## SYRIA

---

Byblos Bank Syria S.A.  
Damascus Head Office  
Al Chaalan - Amine Loutfi Hafez Street  
P.O.Box: 5424 Damascus - Syria  
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4  
Fax: (+ 963) 11 3348205  
E-mail: byblosbanksyria@byblosbank.com

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14  
Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807  
(+ 964) 780 9133031/2  
(+ 964) 1 7177493  
E-mail: baghdadbranch@byblosbank.com.lb

## UNITED ARAB EMIRATES

---

Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+ 971) 2 6336050 - 2 6336400  
Fax: (+ 971) 2 6338400  
E-mail: abudhabirepoffice@byblosbank.com.lb

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362  
Fax: (+ 374) 10 535296  
E-mail: infoarm@byblosbank.com

## CYPRUS

---

Limassol Branch  
1, Archbishop Kyprianou Street  
Loucaides Building  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+ 357) 25 341433/4/5  
Fax: (+ 357) 25 367139  
E-mail: byblosbankcyprus@byblosbank.com.lb

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Rue Montoyer 10  
Bte. 3, 1000 Brussels - Belgium  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: byblos.europe@byblosbankeur.com

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House - Suite 5  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 207 493 3537  
Fax: (+ 44) 207 493 1233  
E-mail: byblos.europe@byblosbankeur.com

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## SUDAN

---

Byblos Bank Africa  
Khartoum Head Office  
Intersection of Mac Nimer and Baladiyya Streets  
P.O.Box: 8121 - Khartoum - Sudan  
Phone: (+ 249) 1 56 552 222  
Fax: (+ 249) 1 56 552 220  
E-mail: byblosbankafrica@byblosbank.com

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

## DEMOCRATIC REPUBLIC OF CONGO

---

Byblos Bank RDC S.A.R.L  
Avenue du Marché No. 4  
Kinshasa-Gombe, Democratic Republic of Congo  
Phone: (+ 243) 81 7070701  
(+ 243) 99 1009001  
E-mail: byblosbankrdc@byblosbank.com

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293

