

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Private equity-backed buyout deals at \$258bn in 2011**

Figures issued by research provider Preqin show that the aggregate value of private equity-backed buyout deals totaled \$258.2bn in 2011, constituting an increase of 18.2% from \$218.4bn in 2010. Also, the number of equity-backed buyout deals stood at 2,751 in 2011 relative to 2,450 deals in 2010. Buyout transactions in North America accounted for \$122.7bn or 47.5% of the global aggregate value of buyouts, followed by Europe with \$95.4bn (37%), and Asia & the Rest of the World with \$40bn (15.5%). The aggregate value of deals in Asia & the Rest of the World increased by 36%, followed by Europe with a rise of 34%, and North America with growth of 4.3%. Also, leveraged buyout deals accounted for 56% of the aggregate value and for 40% of the total number of deals; while add-on deals represented 13% of aggregate value and 36% of the total number of deals; and growth capital deals accounted for 6% and 14% of the total value and number of deals, respectively, in 2011. Private equity-backed buyout deals valued at less than \$100m accounted for 55% of the total number of deals, while those at over \$1bn represented 47% of the aggregate value of transactions in 2011. In parallel, the aggregate value of exits stood at \$302.5bn in 2011, constituting the highest such value on record. Preqin attributed the increase in deals and exits last year to a post-Lehman high for deal flow and an all-time high for exit activity in the second quarter of 2011, as private equity firms began to exit some of their investments made during the 2005-07 period.

*Source: Preqin*

##### **Commercial real estate investments up 25% to \$400bn in 2011**

Preliminary figures released by Jones Lang LaSalle show that global direct commercial real estate transactions totaled \$400bn in 2010, constituting an increase of 24.6% from \$321bn in 2010, but still about half the peak of \$758bn reached in 2007. Jones Lang LaSalle indicated that commercial real estate continued to attract capital from investors who are looking at investment opportunities not only domestically, but also within their own regions and other regions globally, despite the domestic, regional and global economic headwinds. It said that investments in the Americas rose by 59.8% year-on-year to \$155bn; transactions in Europe, the Middle East & Africa increased by 18.4% to \$161bn; while activity in Asia Pacific remained similar to the strong performance of 2010 at \$84bn despite several natural disasters across the region. It added that activity in the fourth quarter of 2011 marked the second time investment volumes have exceeded \$100bn this year and the third time in the past three years, along with the fourth quarter of 2010. It expected global real estate investments in 2012 to match those of 2011, despite the downside risks from the Eurozone sovereign debt crisis on transactional volumes.

*Source: Jones Lang LaSalle*

#### MENA

##### **Region's economic freedom regresses**

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2012, a broad indicator of economic freedom in 179 countries, shows that economic freedom among Arab countries regressed year-on-year, as the region's average level of economic freedom reached 59.7% in 2012, relative to 60.6% in 2011 and 60.4% in 2010. The level of economic freedom in the region came slightly above the global level of 59.5%. The index evaluates individual economies on the basis of 10 broad factors of economic freedom. Among the 17 Arab countries covered by the survey, the rankings of 8 countries improved and 9 declined, while the level of economic freedom improved in 7 countries, declined in 9 economies and remained unchanged in one country. Bahrain remains the most economically-free country among Arab economies, ranking as the 12th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide; while Syria, Algeria and Libya are the lowest ranked regional economies. Bahrain and Qatar's economies came in the 'mostly free' category, while seven countries had economies that are 'moderately free', seven were 'mostly unfree', and only Libya had a 'repressed' economic system. The Arab economies scored above the global average in the Trade Freedom, Fiscal Freedom, Government Spending, and Labor Freedom categories.

*Source: Heritage Foundation, Wall Street Journal*

##### **Private capital inflows retreat by 4% to \$23.3bn in 2011**

The World Bank estimated net private capital inflows to the Middle East & North Africa at \$23.3bn in 2011, constituting a decrease of 3.7% from \$24.2bn in 2010 and accounting for 2.4% of capital inflows to developing economies, the smallest share of such inflows among all regions. The World Bank said that net private inflows were equivalent to 2% of the MENA region's aggregate GDP in 2011 relative to 2.4% of GDP in 2010. It added that net equity inflows declined by 14% to \$19.5bn, driven by a drop of 16.3% in net FDI to \$19bn, while net portfolio equity inflows reached \$0.5bn relative to zero in the previous year. Also, net private debt inflows totaled \$4.3bn in 2011 compared to \$1.5bn in the preceding year. The MENA region accounted for 3.4% of FDI, 1.2% of private debt flows and 1% of portfolio equity inflows to developing economies last year, representing the smallest share in each category of inflows among all developing regions. The World Bank forecast net private inflows to reach \$15.1bn in 2012 and \$22.2bn in 2013, and to be equivalent to 1.2% of GDP in 2012 and 1.6% of GDP in 2013. It expected net equity flows to drop to \$14bn this year but to increase to \$20bn next year, and for net private debt inflows to fall to \$1.2bn in 2012 but to slightly increase to \$2.3bn in 2013.

*Source: World Bank*

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# OUTLOOK

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## MENA

### **Growth at 3.2% in 2012, key risks are regional turmoil and European crisis**

The World Bank projected economic growth in the Middle East & North Africa at 3.2% in 2012, up from an estimated growth rate of 2.4% in 2011 and compared to growth of 5.4% for developing nations and 2.5% for the global economy. It expected countries in the region with poor resources and abundant labor to grow by 3.4% in 2012 compared to 1.8% in 2011, and projected real GDP growth in economies with rich resources and abundant labor at 2.2% in 2012 relative to 0.1% in 2011. It also forecast growth in oil importing countries to accelerate from 1.8% in 2011 to 2.5% in 2012 and 3.6% in 2013. It attributed the region's subdued growth in 2012 to deteriorating external conditions as well as domestic instability and local challenges. It said that the ongoing political tensions in the region will restrain economic growth for the next few years. It noted that its projections assume that intra-country conflicts would stabilize in one form or another during 2012, so that the impact of disruptions on economic activity begins to wane by 2013.

It indicated that the MENA region is highly exposed to an exacerbation of the European crisis, with strong and broad links through trade, tourism arrivals, migrant remittances and, to a lesser degree, finance. It added that policy decision-making has become exceptionally more difficult with the advent of the Arab Spring, and policies may now have to shift once more to fend off the adverse effects from the situation in Europe. The World Bank noted that economic deterioration in Europe will reduce demand for the region's exports, diminish the availability of commercial finance, and lower commodity prices. It pointed out that the region's oil exporters will be affected through reduced oil demand and lower oil prices, while oil importers will be affected through a fall in trade and to some extent in remittance inflows. It noted that the region will feel more severely the impact of a global downturn than in 2008-09, given the already difficult economic conditions of many countries because of recent uprisings.

The World Bank indicated that regional and global uncertainties would weigh on the region's economies that have large fiscal and current account deficits. It said that a significant slowdown in Europe would substantially widen the fiscal deficits of oil importers in the region. Further, it noted that countries with high-level of indebtedness would be particularly vulnerable to a tightening of international credit conditions.

*Source: World Bank*

## AFRICA

### **Sub-Saharan Africa not immune to global downturn**

The International Monetary Fund expected Sub-Saharan Africa's growth outlook to remain strong and sustained in 2012. It said that Sub-Saharan Africa posted solid economic performance in 2011 with real GDP growth exceeding 5% and export shares remaining high, despite a threatening global environment. It noted that good economic policies provided a platform for higher growth, more investment and reduced poverty.

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The IMF indicated that risks to the region's solid growth increased because of rising uncertainties and the global economic turmoil, mainly in Europe. It warned that declines in global activity and commodity prices will have inescapable consequences for the region's exports, and hence its output, incomes, and government revenues. It noted that inward remittances and investment flows will be weaker, while weak domestic demand and deterioration in loan quality would result in more difficult credit conditions. It added that a 1.5 percentage point reduction in global growth would result in a one percentage point decline in low-income countries' growth. Further, it pointed out that countries with high fiscal deficits will face significant difficulties in raising the additional finance necessary to sustain their spending in the face of revenue shortfalls. It added that few low-income countries have access to foreign market finance, and donor governments are under intense fiscal pressures at home.

In parallel, it said that the region's strong trade ties with emerging markets, especially China and India, would allow African countries to create new opportunities, increase both trade and economic growth and join the global production value chains that are mainly located in Asia.

*Source: International Monetary Fund*

## GCC

### **Growth to slow to 3% in 2012, fiscal break-even oil price to rise to \$89.3 per barrel**

Deutsche Bank projected economic growth in the GCC to decelerate to 3.1% in 2012 and 3.5% in 2013 from an estimated rate of 6.7% in 2011. It considered that last year represented a peak in the current cycle in terms of GDP growth, adding that broadly flat oil and gas production this year will reduce growth prospects. It noted, however, that oil prices and production will remain elevated, which means that external and fiscal surpluses will remain commensurately high. It added that this should ensure that non-oil activity remains well supported and expected non-oil growth to slow only marginally to 4.5% this year.

Deutsche Bank indicated that the main risk to the outlook would be if weaker-than-expected global economic growth resulted in lower oil prices. It noted that there is still room for oil prices to decline before pushing fiscal positions into deficits, but estimated that this margin has been rapidly eroding in recent years. It forecast the fiscal break-even oil price of GCC economies at \$82.7 per barrel in 2012, up from \$78 p/b in 2011 and \$72.4 p/b in 2010. It forecast Saudi Arabia's fiscal break-even price at \$89.3 p/b this year, the highest in the GCC. In parallel, it said that financing costs would also rise in this scenario, as GCC countries would face higher risk premia in a low oil price world. It added that the broader economic impact of tensions with Iran is likely to be modest across the region. It indicated that contagion from the euro crisis is likely to continue to come mainly through financial channels. It noted that generalized increases in risk aversion, exacerbated in some cases by geopolitical concerns, have already added to financing costs in some cases.

*Source: Deutsche Bank*



January 19, 2012

# ECONOMY & TRADE

## MENA

### Investment risk to affect insurers' financial strength

Moody's Investors Service indicated that investment risk constitutes the main credit risk for insurance firms in the Middle East, despite insurers' very strong levels of capitalization relative to their underwriting risk. It expected insurers' appetite for real estate exposure to remain strong, despite the downturn in the property markets of certain GCC economies, and the elevated credit risk associated with the region's real estate sector. It also anticipated insurers to maintain their exposure to equities, partly due to market expectations that equity and real-estate valuations have largely bottomed out, and because of the relative lack of other traditional asset classes. It said that investment choices available to Takaful insurers are limited, with Sukuk bonds, a key alternative asset class, also relatively exposed to the property market. It added that Middle Eastern insurers have little incentive to hold bank deposits due to low interest rates. However, Moody's anticipated that insurers would shift investments towards fixed-income securities and bank deposits, as more sophisticated regulatory supervision and enterprise risk-management techniques are implemented in the sector. It added that a more risk-related regulatory framework for insurers, along with a future rebound in bank deposit interest rates, would lead to a reduction in real estate and equity exposures and an overall increase in lower-risk assets. It noted that such trend would moderate the credit risk for the region's insurers in the medium-term.

Source: Moody's Investors Service

## NIGERIA

### Lifting of oil subsidy to have limited impact on inflation

Fitch Ratings expected the lifting of fuel subsidies in Nigeria to help strengthen the country's balance of payments, reduce pressure on foreign exchange reserves and strengthen the external balance sheet by promoting import substitution and reducing leakage of foreign exchange through corrupt and illegal flows. It said the subsidy repeal sends a strong signal about the government's determination to carry through a strongly reformist program. It added that the proceeds of the subsidy repeal will be spent on improving public transportation. It noted that this will reduce any fiscal benefit, but is intended to persuade the population that there will be tangible results from the subsidy removal. Further, it expected the deregulation to pave the way for increased refining capacity and domestic production of oil derivatives, most of which are now imported. In parallel, Citigroup did not expect the subsidy lifting to have a major impact on inflation. It expected inflation in Nigeria to increase modestly in the first half of the year to a maximum of 13% to 15% by the end of June as food products, which are not affected by the subsidy removal, account for over 60% of the country's consumer price index. Further, it said that Nigerians consider the oil subsidy to constitute the only benefit they receive from the government, and that they do not trust authorities to spend the proceeds from the subsidy repeal more competently.

Source: Fitch Ratings, Citigroup

## ARMENIA

### Country risk level lower than regional peers, ranks 90th globally

*Euromoney* magazine's quarterly survey on global country risk ranked Armenia in 90th place among 184 countries worldwide and in fifth place among 12 Commonwealth of Independent States (CIS) in December 2011. The survey shows that risks in Armenia remain below the global risk levels. Armenia's overall score reached 40.96 points compared to the global average of 42.7 points, but came above the average score of 34.4 points for the CIS. Globally, Armenia ranked ahead of Tanzania, Algeria and Egypt, and came behind Nigeria, Seychelles and Macedonia. It also came ahead of Ukraine, Moldova and Belarus and before Azerbaijan, Kazakhstan and Georgia among the CIS. Armenia's Political Risk score was 14.31 points, better than the global average of 13.74 points and the CIS average of 10.8 points; while its Economic Performance received 13.62 points, above the global average of 13.16 points and the CIS average of 12.27 points. Further, Armenia's Credit Ratings score was 2.81 points compared to the global average of 3.3 points and the CIS average of 1.81 points; while its score on Access to Bank Capital & Capital Markets was 2.25 points relative the global average of 4.54 point and the CIS average of 3.23 points. Also, Armenia's score on Debt Indicators reached 3.26 points relative to the global average of 4.11 points and the CIS average of 3 points.

Source: *Euromoney*, *Byblos Research*

## RUSSIA

### Outlook revised downward to stable on increasing domestic political uncertainty

Fitch Ratings revised the outlook on Russia's long-term foreign and local currency Issuer Default Ratings (IDR) to 'stable' from 'positive' and affirmed the IDRs at 'BBB'. It also affirmed Russia's short-term IDR at 'F3' and Country Ceiling at 'BBB+'. It attributed its decision to increasing domestic political uncertainty and the worsening global economic outlook. It said political uncertainty increases the risk of capital flight, which would weigh on the reserves of the Central Bank of Russia as well as on the ruble. It noted that net private sector capital outflows reached \$84bn in 2011, up from \$34bn in 2010, but well below the \$134bn in outflows posted in 2008. It attributed the acceleration of capital outflows in the fourth quarter of 2011 to global investor risk aversion. It added that international reserves fell to \$500bn at end-2011 from \$545bn at end-August 2011, while the ruble weakened by 11% in the last four months of 2011 against the US dollar. It added that the underlying position of Russia's public finances deteriorated despite the country's solid fiscal buffer. It added that the current domestic popular pressures will limit the government's ability to implement a fiscal adjustment and reduce the non-oil fiscal deficit to 4.7% of GDP. It noted that the rapid growth in spending during the 2007-11 period widened the non-oil fiscal deficit, increased the fiscal breakeven oil price to around \$117/b for 2012 and amplified Russia's vulnerability to an eventual fall in oil prices. Fitch pointed out that Russia would have less room for a fiscal stimulus than it did in 2008 in case of a renewed downturn in the global economy.

Source: Fitch Ratings



# BANKING

## WORLD

### Stress parameters necessary for Liquidity Coverage Ratio

Fitch Ratings indicated that the Basel Committee needs to produce detailed scenarios of stress situations before banks can consider taking advantage of a reduction in the 100% minimum threshold levels of the Liquidity Coverage Ratio (LCR). The agency's opinion is in response to the Group of Governors and Heads of Supervision's earlier decision to mandate the Basel Committee to provide guidelines and scenarios under which banks would be allowed to fall temporarily below the minimum threshold. It expected banks to use their liquidity buffer, and go below the 100% minimum threshold of the liquidity coverage ratio, only in the event of a systematic crisis that affects all banks. It noted that individual banks would hesitate to go below the minimum threshold level on their own, as it would cut them off from any further market access to funding. In parallel, it said that the definition of a period of stress will constitute a key challenge for regulators. It noted that banks have consistently remained under pressure since 2008, partly due to regulatory uncertainty and euro zone economic weakness, among other factors. As such, it said that regulators must first define the specific conditions or adverse situations that would define a stressful period. Further, Fitch pointed out that regulators might allow banks to temporarily go below the minimum thresholds set for the LCR if a certain macro stress situation were to arise. But it considered that this would be a security blanket used only in times of defined stress.

Source: Fitch Ratings

## JORDAN

### Bank ratings affirmed, outlook stable

Capital Intelligence affirmed the long- and short-term foreign currency ratings at 'BB' and 'B', respectively, of the Housing Bank for Trade & Finance (HBTF), Cairo Amman Bank (CAB), Arab Banking Corporation Jordan (ABCJ) and Jordan Islamic Bank (JIB). It also affirmed HBTF's Financial Strength Rating (FSR) at 'BBB+', that of CAB and JIB at 'BBB-', and ABCJ's FSR at 'BBB'. It has a 'stable' outlook to all the ratings. It said that HBTF's ratings reflect its ongoing strong liquidity and solid capital base, along with the rebound in net and operating profits in the third quarter of 2011. It noted that the ratings are constrained by the bank's relatively high NPLs ratio, adequate loan-loss reserve coverage and challenging economic conditions in Jordan and the region. Further, it said that CAB's ratings are supported by its strong liquidity, sound loan asset quality and improved profitability. But it added that the bank's lower-than-sector average capital adequacy ratio, risk exposure to Palestine and the ongoing difficult domestic and regional operating environment constrain its ratings. It pointed out that ABCJ's ratings are supported by its solid capital adequacy, good liquidity and sound profitability at both operating and net levels, but that its ratings are constrained by ongoing concentration risks, rising NPLs, and a small balance sheet. In parallel, it said that JIB's ratings are constrained by the sustained increase in non-performing financings (NPFs) and the high likelihood of new NPFs in the current economic environment in Jordan.

Source: Capital Intelligence

## NIGERIA

### Banks' outlook revised to 'positive' on sovereign action

Standard & Poor's revised the outlook on First Bank of Nigeria (FBN), Guaranty Trust Bank (GTB), and Zenith Bank (Zenith) to 'positive' from 'stable'. It affirmed the 'B+/B' long- and short-term counterparty credit ratings on the three banks and raised their long-term national scale to 'ngA+' from 'ngA'. It also affirmed the short-term national scale rating at 'ngA-1'. It attributed the outlook revision to similar actions on Nigeria's sovereign ratings. It said that the outlook revision could lead to ratings upgrade if Nigeria's reform initiatives support economic growth, build stronger buffers against the economy's dependence on oil revenues, and reduce pressure on the exchange rate. It expected the cost of risk and profitability of the three banks to likely improve as general economic activity picks up, loan growth continues, and the banks' focus on bad debt recovery increases. It said that FBN's ratings would come under pressure if the bank's risk position deteriorates through a decline of asset quality, high cost of risk, risk-asset accumulation, or increasing concentrations. It pointed out that a significant rise in Zenith's risk profile in the medium-term, including a sharp deterioration in asset quality, would lead to a negative rating action. It added that a decline in GTB's financial profile, including a weakening of its capitalization in the medium-term, would lead to a negative rating action.

Source: Standard & Poor's

## INDIA

### Guidelines for implementing Basel III to strengthen banks' capitalization and credit profiles

Standard & Poor's expected the Reserve Bank of India's (RBI) proposed guidelines for implementing Basel III to strengthen the capitalization and credit profiles of banks in the country. It said that the RBI's proposed minimum capital requirements are one percentage point higher than the Basel Committee on Banking Supervision's proposal. It added that the RBI also proposed for commercial banks in India to maintain countercyclical buffers in periods of high credit growth, in addition to other measures. It said that these guidelines are stricter than those proposed by the Basel Committee as well as than the current regulatory framework in India, and are more conservative compared with those of some other Asian peers. S&P expected all rated banks in India to meet the RBI's requirements within the stipulated timeframe. It added that the government's planned capital injection in state-owned banks in 2012, to ensure that these banks maintain a Tier One capital ratio of 8% under Basel II, will be beneficial for the banks. But it pointed out that fiscal-deficit considerations would limit the government's ability to inject capital to maintain banks' core Tier One ratios substantially above this threshold. As such, it expected banks' risk-adjusted capital to increase by at least 100 basis points to 200 basis points after the implementation of Basel III standards. In parallel, S&P warned that increased capital requirements would constitute a key obstacle for Indian banks' growth. It added that delays in raising capital would also limit the credit growth of some banks.

Source: Standard & Poor's



# ENERGY / COMMODITIES

## Brent rises above \$111 on growth hopes, stock draw

Brent crude prices rose above \$111 a barrel on January 19 as risk appetite improved on signs of steadier global economic growth. Crude Brent futures for March rose by \$1 to \$111.7 a barrel before easing back slightly to trade at around \$111.5 a barrel on January 19th. Also, U.S. crude oil futures for February increased by \$1.2 to \$101.7 per barrel. Energy demand in emerging economies is projected to rise, consuming supplies from the Middle East and elsewhere. U.S. oil imports fell by 1.6 million barrels per day to 7.9 million barrels per day in the week to January 13, while gasoline inventories rose more than expected, up 4.3 million barrels. Brent prices are expected to fall to \$109 per barrel, while U.S. crude oil is expected to fall to \$100 per barrel in the near-term.

Source: Thomson Reuters

## South Sudan and foreign oil companies sign oil contracts

The South Sudan Ministry of Petroleum & Mining signed oil contracts with foreign oil companies on January 13 aimed at the development and exploration of oil in the country. This came after South Sudan threatened to sue Sudan over the latter's decision to unilaterally impose monthly charges on the South's crude oil which is transported through the North's pipelines. The foreign oil companies included Petrolia Nasional Berhad (PETRONAS), Oil and Natural Gas Corporation Limited (ONGC), and China Petroleum and Chemical Corporation (SINOPEC).

Source: Sudan Tribune

## OPEC increases 2012 forecast

The Organization of Petroleum Exporting Countries (OPEC) raised its forecast for growth of global oil demand in 2012, but warned of great uncertainty amid economic stability, especially in the euro zone. OPEC expected global oil demand to reach 88.9 million barrels per day in 2012, up slightly from a previous estimate of 88.9 million barrels per day.

Source: AFP

## Japan to cut oil imports from Iran

Japan announced that it will take concrete action to cut Iranian oil imports. Iran is currently facing prospects of cutbacks in oil sales from its top buyers, including China and Japan. Also, the European Union had committed to ban imports of Iranian oil. Iranian crude oil accounts for around 10% of Japan's total oil imports.

Source: Thomson Reuters

## Aramco and Sinopec sign \$8.5bn refinery deal

Saudi Aramco and Sinopec Group of China signed an \$8.5bn joint venture agreement on January 14 to set up an ultramodern oil refinery in Yanbu in the Al Madina province in Saudi Arabia. The new oil refinery is expected to start production in the second half of 2014, processing 400,000 barrels of heavy crude a day. Saudi Aramco will hold a 62.5% stake in the plant, while Sinopec Group will have the remaining 37.5%.

Source: Arab News

## Base metals: Higher prices on improving fundamentals

The prices of all six base metals increased in the past week, with copper prices rising to an 11-week high of \$8,089 per ton on January 16th. Copper was the best performer, rising 7.9% week-on-week, followed by tin, that rose 5.3% week-on-week. Zinc prices increased by 4.4% week-on-week, while lead and aluminum prices increased by 3.3% and 2.6%, respectively. Also, nickel prices rose by 1.7% during the week.

In parallel, China reported stronger-than-expected macroeconomic data on January 17, which supported base metals' prices. Copper supply is expected to decline in the short-term, with weaker Chilean mine production. On an annual basis, Chilean mine production declined 3.5% year-on-year in 2011. Three-month LME copper prices are expected to average at \$9,000 per ton in the third quarter of 2012.

Source: Standard Chartered

## Precious metals: Gold prices to rise above \$2,000 per ounce in 2013

The prices of precious metals increased modestly in the past week. Silver was the worst performer, rising by 0.8% week-on-week, while gold prices increased by 1.5% week-on-week to \$1,659 per ounce on January 19th. Platinum prices rose by 3.5% week-on-week and palladium rose by 2.7% during the same period. Further, gold prices are expected to rise above \$2,000 per ounce in 2013, as worries about currencies and low interest rates encourage investor inflows. Total investment in gold reached 1,563 tons in 2011 and is expected to rise by 7.3% year-on-year to 680 tons in the first half of 2012. Coin purchases increased 13% in 2011 and are projected to increase by 2.7% in the first half of 2012.

On the supply side, global scrap sales of gold reached 1,612 tons, and are expected to fall by 3% in the first half of 2012. Mine output rose 3.8% year-on-year to a record 2,812 tons in 2011, and is estimated to grow 3.2% in the first half of 2012. Production costs rose 14% to \$628 per ounce in 2011. The platinum group metals saw different investor flows in the last four weeks, with platinum favored by physical ETF investors. Major ETFs for platinum rose 1.2% month-on-month in volume terms, while major ETFs for palladium fell 3%.

Source: Standard Chartered, Bloomberg

Global Commodity Outlook			
(3-months LME, \$/ton)	2010	2011f	2012f
Aluminum	2,201	2,434	2,225
Copper	7,570	8,814	8,750
Lead	2,172	2,377	2,250
Nickel	21,913	22,940	21,375
Tin	20,448	26,347	26,000
Zinc	2,188	2,209	2,200
(Spot price, \$/ounce)			
Gold	1,227	1,588	1,875
Palladium	529	732	700
Platinum	1,613	1,725	1,750
Silver	20	36	34

Source: Standard Chartered



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
	Stable	Stable	Stable	-	Negative								
Egypt	B+	B1	BB-	BB+	CCC	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.5	-	-	257.5	-	-	-3.9	0.3
	-	-	-	-	Stable								
Ghana	B	-	B+	-	BB	-10.8	-	34.9	50.0	-	-	-11.6	10.9
	Stable	-	Stable	-	Positive								
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
	-	-	-	-	Stable								
Libya	BB	-	B	-	B	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
	Negative	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
	-	-	-	-	Stable								
Tunisia	BBB-	Baa3	BBB-	BBB	B	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
	Negative	Negative	Negative	Stable	Stable								
<b>Middle East</b>													
Bahrain	BBB	Baa1	BBB	BBB+	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
	Negative	Negative	Negative	Negative	Stable								
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CCC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
	Negative	Negative	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
	Positive	-	Stable	Stable	Stable								
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
	Negative	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	AA	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	BB-	CCC	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
	-	-	-	Stable	Stable								
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3
	-	-	-	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>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
	-	Negative	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	BB	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0
	Positive	Negative	Stable	-	Positive								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2010



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	13-Dec-11	No change	25-Jan-12
Eurozone	Refi Rate	1.00	12-Jan-12	No change	09-Feb-12
UK	Bank Rate	0.50	12-Jan-12	No change	09-Feb-12
Japan	O/N Call Rate	0-0.10	21-Dec-11	No change	24-Jan-12
Australia	Cash Rate	4.25	06-Dec-11	Cut 25bps	06-Feb-12
New Zealand	Cash Rate	2.50	08-Dec-11	No change	26-Jan-12
Switzerland	3 month Libor target	0.00	15-Dec-11	No change	15-Mar-12
Canada	Overnight rate	1.00	06-Dec-11	No change	17-Jan-12
<b>Emerging Markets</b>					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	13-Dec-11	No change	Jan-12
Taiwan	Discount Rate	1.88	13-Jan-12	No change	29-Mar-12
South Korea	Base Rate	3.25	08-Dec-11	No change	13-Jan-12
Malaysia	O/N Policy Rate	3.00	11-Nov-11	No change	31-Jan-12
Thailand	1D Repo	3.25	30-Nov-11	Cut 25bps	25-Jan-12
India	Reverse repo rate	8.50	16-Dec-11	No change	24-Jan-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 100 bps	N/A
Turkey	Base Rate	5.75	22-Dec-11	No change	24-Jan-12
South Africa	Repo rate	5.50	10-Nov-11	No change	Jan-12
Kenya	Central Bank Rate	18.00	1-Dec-11	Raise 150 bps	1-Feb-12
Nigeria	Monetary Policy Rate	12.00	22-Nov-11	No change	25-Jan-12
Ghana	Prime Rate	12.50	Dec-11	No change	Feb-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	02-Dec-11	No change	20-Jan-12
Brazil	Selic Rate	11.00	30-Nov-11	Cut 50bps	18-Jan-12
Armenia	Refi Rate	8.00	10-Jan-12	No change	N/A
Romania	Policy Rate	5.75	06-Jan-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.22	01-Jan-12	No change	N/A
Kazakhstan	Refi Rate	7.50	01-Jan-12	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A



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