

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### IMF to double lending facility

The International Monetary Fund announced plans to double to \$500bn the amount of money it has available to lend to governments. It said the decision is a precautionary move and aims to boost confidence that it can meet any new demand during the current global downturn. The Fund added that it has \$250bn in total through quotas and existing borrowing agreements, which is an adequate amount to deal with the current stage of the crisis. The IMF has so far committed \$47.9bn in lending to a number of economies affected by the crisis, including Belarus, Hungary, Iceland, Latvia, Pakistan, Serbia, and Ukraine. It announced a precautionary loan for El Salvador last month and is also in negotiations with Turkey. Japan has offered to lend the IMF \$100bn, so the Fund aims to raise an additional \$150bn. Capital flows to emerging markets have dropped in recent months, leaving countries with large current account deficits vulnerable and in need of financing in due course.

*Source: International Monetary Fund*

##### Launch of bank recapitalization fund

The International Finance Corporation and the Japan Bank for International Cooperation (JBIC) announced plans to launch a new Bank Recapitalization Fund to provide capital for banks in emerging markets. The fund will provide Tier I and Tier II capital to emerging market banks currently lacking alternative financing given the global financial crisis. The IFC said the fund will help ensure that banks in developing countries can continue to lend and support economic recovery and job creation through the current economic and financial crisis. The JBIC, a founding partner, will invest \$2bn in the fund and the IFC will manage the fund through a separate dedicated fund management company.

*Source: International Finance Corporation*

#### MENA

##### Political freedoms slightly improve in region

In its annual survey of political freedoms in 193 countries, non-profit organization Freedom House indicated that political freedoms in the MENA region slightly improved in 2009. The value of the index for the region reached 5.38 points in 2009, up from 5.28 points in 2008. The survey rates each country on political rights and civil liberties based on a scale of 1 to 7, with 1 representing the highest degree of freedom and 7 the lowest level. The combined average of each country's ratings determines an overall status of 'Free', 'Partly Free', or 'Not Free'. The rankings of 4 countries in the MENA region improved, 9 were unchanged and 6 regressed, while the scores of 2 countries regressed and 17 were unchanged. Mauritania posted the worst decline in the regional rankings, dropping by 38 spots from 2008, and its score regressed by 37.5%, the steepest drop in the region. Six MENA countries came in the 'Partly Free' category, while the rest fell in the 'Not Free' category. Kuwait had the highest level of

Kuwait had the highest level of political freedom in the MENA region and ranked in 121st place globally, while Sudan and Libya had the lowest levels of political Freedom in the region and ranked in 188th place globally.

*Source: Freedom House*

##### Region provides 'minimal' budgetary information

The International Budget Partnership's Open Budget survey of 85 countries for 2008 indicated that countries in the MENA region provide 'minimal' information about their budgets. The survey issues an Open Budget Index that evaluates whether governments give public access to budget information and provide opportunities to participate in the budget process at the national level. The MENA region's average score on the index was 24 points, lower than the global average of 39 points and the lowest score for any region around the world. Each country is classified as a provider of 'extensive' information, 'significant' information, 'some' information, 'minimal' information or 'scant' or 'no' information. The survey said Jordan provides the highest level of budgetary information in the region with a score of 52%, followed by Egypt with 43%, Lebanon with 32%, Morocco with 27%, Yemen with 9%, and Algeria and Saudi Arabia with 1% each. It found that Jordan is the only country in the MENA region that provides 'some' budgetary information, followed by Lebanon and Morocco that provide 'minimal' information, while the rest of the region's countries provide 'scant' or 'no' budgetary information.

*Source: International Budget Partnership*

#### UAE

##### Projects worth \$263bn delayed or canceled, as prices fall by 25%

Morgan Stanley indicated that the UAE is delaying or canceling real estate projects worth more than \$260bn amid falling demand and deteriorating market conditions. It said lower oil prices, the global recession, tighter liquidity, job cuts and the absence of speculators have all put pressure on the sector, forcing developers to review project requirements. At the end of 2008, approximately \$1,250bn worth of construction projects were underway in the UAE. Morgan Stanley said property prices have fallen by an average of 25% in Dubai and by 20% in Abu Dhabi from their peak last September, adding that the biggest drop has been in the high-end property segment in Dubai, with average prices down 35%.

*Source: Morgan Stanley*

# POLITICAL RISK OVERVIEW - JANUARY 2009

## ALGERIA

The opposition Rally for Culture and Democracy (RCD) said it will boycott the presidential elections in April. President Bouteflika's intention to run for a third term was confirmed by the ruling party. The former leader of Algeria's Salafist Group for Preaching and Combat (GSPC), now al-Qaeda in the Islamic Maghreb, called all members to lay down their weapons. The authorities arrested 11 suspects charged with plotting the New Year's attack in Algiers.

## ARMENIA

The Parliamentary Assembly of the Council of Europe (PACE) adopted on January 27 a resolution expressing concern over the persons detained following the post-election violence of March 2008, but decided not to apply sanctions at this stage. The government pardoned 9 more prisoners who had appealed for amnesty on January 13, around 60 remain in prison. The only opposition party represented in the parliament announced on January 9 it was considering boycotting National Assembly sessions in protest against the government's failure to address the country's post-election crisis.

## EGYPT

The government faced widespread anger in the Arab world over its failure to open the Rafah border with Gaza except for severely wounded people and some humanitarian supplies. More than 50,000 people gathered in Alexandria on January 9, protesting against Israel's assault on Gaza. Over 860 Muslim Brotherhood members were arrested throughout the month.

## IRAN

President Ahmadi-Nejad adopted a hard-line stance in response to diplomatic overtures from the Obama administration, calling on the U.S. to apologize for past crimes against Iran. Foreign Minister Mottaki said on January 29 that cooperation was possible if U.S. policies change. Former President Khatami announced on January 12 that either he or former Prime Minister Musavi would stand as a reformist candidate in the June presidential elections. Ahmadi-Nejad's candidacy to the presidential elections was confirmed by his press adviser on January 28th. Authorities announced on January 17 that four Iranians have been convicted and sentenced to jail in an alleged U.S.-backed plot to topple the government. The European Union removed the anti-regime Mojahedine-e-Khalq group from its list of terrorist organizations on January 26th.

## IRAQ

Iraqis voted in provincial elections on January 31st. The reported turnout was lower than in 2005, at 51% overall. There was no voting in the three provinces of the northern semi-autonomous Kurdish region, while it was postponed in Kirkuk province. Bomb attacks killed police, soldiers and politicians throughout the month in Baghdad, Mosul and Kirkuk areas. The Sunni Iraqi National Consensus Front coalition failed to appoint a new parliament speaker on January 11th and smaller parties left the coalition, accusing the dominant Iraqi Islamic Party of trying to impose a candidate. U.S. President Obama discussed plans to withdraw U.S. combat troops from Iraq with senior military and security staff on January 21st. Several options were reportedly under consideration, including a 16 month time-frame.

## SUDAN

The International Criminal Court's (ICC) decision on whether to issue an arrest warrant for President al-Bashir on charges of genocide and war crimes is raising fears of continued deterioration of the security situation amid threats of a possible Darfur rebel attacks against cities and oil installations. As political options for dealing with the ICC indictment are under debate, hopes remain for a positive reaction from political forces in favor of the ICC cooperation. Darfur inter-tribal fighting increased throughout the month. Sudanese government troops clashed with Darfur fighters on January 22, leaving an unknown number of dead and wounded. Rebel groups are refusing or still considering participating to peace talks with the government initiated by Qatar.

## SYRIA

Incoming U.S. Secretary of State Hillary Clinton said on January 13 that the new Obama administration will increase diplomatic contacts with Syria soon. President Assad welcomed dialogue with the new U.S. administration, if concluded without preconditions. French President Sarkozy flew to Syria on January 6 to urge President Assad to pressure Hamas for a ceasefire in Gaza. At an emergency Arab summit in Qatar on January 16, President Assad called on Arab states to cut ties with Israel in protest against its offensive in Gaza. Hundreds of thousands of Syrians gathered in Damascus on January 8 to protest against the Israeli military offensive. Israeli troops in the occupied Golan Heights came under cross-border fire from Syria on January 11th. Iraq sent its first ambassador to Syria since 1979 on January 28th.

## TURKEY

Prime Minister Erdogan visited Brussels on January 19, attempting to revive the country's EU accession bid. He insisted that EU accession remained a top priority for his country and that Turkey was working on many of the reforms demanded by the EU. European Commission President Barroso urged Turkey's support for the Nabucco pipeline which is intended to bring gas from the Caucasus to Europe. A new ministerial post for EU affairs was created on January 9th. The police arrested more than 40 people including former generals and police officers in a new wave of arrests connected with an alleged secularist plot to bring down the government.

## UKRAINE

After Russia cut gas supplies to Ukraine on January 1st over a payment dispute, the situation escalated rapidly as Russia cut gas supplies to Europe by 78% on January 7, claiming that Ukraine was stealing Europe-bound gas. In an attempt to restore Europe flows, Moscow, Kiev and the EU agreed on an EU-led monitoring mission allowing EU representatives to travel to gas pumping stations on Ukraine's borders to track the gas flow. Talks between PM Tymoshenko and Russian PM Putin on January 17-18 resulted in a 10-year agreement. Ukraine will pay market rates with a 20% discount for 2009. In exchange, Russia will continue to pay transit fees at 2008 rates. Russia resumed gas supplies on January 20th. President Yuschenko criticized the deal on January 22nd. Opposition parties repeated calls on January 13 for the government's resignation.

Source: International Crisis Group



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# OUTLOOK

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## EMERGING MARKETS

### Microfinance sector to be tested by global financial crisis

Fitch Ratings indicated that the microfinance sector will not remain immune to the global financial crisis, adding that the crisis will have a funding or liquidity impact, which increases levels of refinancing risks for microfinance institutions (MFIs). It said the MFI sector's main sources of funding are wholesale funding from development finance institutions and socially-motivated funders. It also expected the crisis to have an economic impact, with financial performance of MFIs affected by lower lending volumes, increased costs of funding, tighter net interest margins, higher impairment charges and higher volatility in foreign exchange losses or gains. It estimated the sector's customer base at more than 66 million borrowers globally and total assets at more than \$35bn.

In parallel, Fitch noted that the current crisis is exposing some MFIs to the risks of greater integration of microfinance in the formal banking sector, adding that MFIs that are further along the transformation curve are those feeling the greatest shock to their business plan, performance and asset quality. The agency added that the performance of MFIs will vary in the more challenging economic and financial environment, and will also depend on country-specific issues. It said increased political risks may constrain MFI activities, as the probability of government intervention in the sector increases through interest rate caps and subsidized direct lending in order to reach poorer segments of the population in times of financial and economic turmoil.

Fitch noted that MFI performance and growth may be supported by a growth in demand for their loans, as higher unemployment in the formal economy leads to greater numbers of people turning to the informal small scale business sector for employment. They may also be supported by lower levels of competition, as other financial providers experience funding constraints, and as MFI borrowers have fewer options for loans.

*Source: Fitch Ratings*

## GCC

### Credit conditions deteriorating for real estate securitization

Fitch Ratings indicated that the outlook for new real estate securitization in the UAE and other GCC countries is being negatively affected by the deterioration in the region's property markets, adding that the global economic slowdown has reduced investor interest in new real estate and infrastructure developments across the Gulf and especially in Dubai. The agency expected a limited number of new real estate securitization projects from the GCC to reach the market in 2009, and that a larger proportion of infrastructure spending will be directly supported by government budgets.

Fitch noted that the outlook for the securitization markets in the GCC had been driven by two key elements prior to 2008. First, real estate and construction projects were underpinned by strong past and projected demand from wealthy offshore investors, repatriated Arab funds and, in the case of Dubai, a

rapidly expanding expatriate community. But such funds have dried up as a result of the problems affecting the global financial system. In addition, there is a growing risk that capital outflows will continue if offshore investors are forced to retrench due to tight global liquidity. It added that difficult conditions in the local interbank markets and lack of access to the international capital markets have limited mortgage lenders' funding and therefore their capacity to lend. Second, the degree of implicit or explicit government support for large infrastructure and construction developments throughout the region was another factor supporting the sector. However, the supply of new large-scale projects is now coming to a standstill. It expected projects where construction works have not started or which are at very early stages to be postponed or cancelled altogether. It also expected government support for ongoing private sector projects to come only on a selective basis.

Fitch expected property prices, particularly in Dubai, to continue to decline; and for transactions relying on future sales to continue struggling to overcome negative global economic sentiment. It also anticipated that high-end and luxury projects will suffer the most, while primary residence properties may fare better. Further, start-up projects or projects which are in their very early stages will struggle to gather momentum, and real estate projects which are not key to government plans will have difficulty reaching completion.

*Source: Fitch Ratings*

## NIGERIA

### Fall in oil prices to impact fiscal and current account balances

Citigroup expected Nigeria's real GDP growth to slow to between 4.5% and 5.5% in 2009, adding that the sharp fall in world oil prices is likely to have a greater impact on the fiscal and current account balances than on growth and inflation. It noted that growth would still be above the country's long-term growth trend of 3.2% per year during the 1980-2000 period. It estimated a fiscal deficit of 3.4% of GDP and a current account deficit of 6% of GDP if oil prices average \$50 a barrel in 2009, while the a fiscal deficit would deteriorate to 5.1% of GDP and the current account deficit to 9.7% of GDP if the price of oil averages only \$35 a barrel for the year. It noted that oil accounts for around 20% of the country's GDP, 80% of government revenues and 90% of exports earnings. It said the government has significant scope to use savings and to borrow domestically to fund the fiscal deficit, but warned that funding a current account deficit of 6% of GDP, equivalent to \$13.3bn, will prove much harder and is likely to mean that Nigeria runs a balance of payments deficit in 2009.

Citigroup considered that the sharp fall in the value of the naira against the US dollar in late December 2008 and in the first half January 2009 seems to have severely compounded the crisis of confidence about the outlook for the economy in 2009. It cautioned that lower oil prices will mean that pressure on the naira will remain considerable, and that any significant loss of confidence would mean a further period of rapid depreciation is likely.

*Source: Citigroup*

# ECONOMY & TRADE

## WORLD

### Global trade to contract in 2009

The International Monetary Fund estimated that global trade volume dropped sharply during the last months of 2008, leading to a 4.1% growth in the volume of global trade for the year compared to 7.2% in 2007. Further, the Fund sharply revised its trade projections downward, and forecast global trade to fall by 2.8% in 2009, representing a 4.8 percentage point drop relative to the IMF's November projections. It projected imports to fall by 3.1% in advanced economies and by 2.2% in emerging and developing economies in 2009. Similarly, it projected exports to advanced economies to contract by 3.7% and those from emerging and developing economies to drop by 0.8% this year. It noted that the associated high level of uncertainty has prompted households and businesses to postpone expenditures, reducing demand for consumer and capital goods. Also, widespread disruptions in credit are constraining household spending and curtailing production and trade.

Source: *International Monetary Fund*

## SYRIA

### Stock market gives approval to banks, firms to list

The Damascus Securities Exchange (DSE) granted its final approval to Banque Bemo Saudi Fransi to list its shares on the stock market, which is expected to open on February 23rd. The DSE previously gave preliminary approval to Bank of Syria and Overseas (BSOM), Arab Bank-Syria, International Bank for Trade & Finance, and Al Ahliyah Transport Co., and more recently to Bank Audi Syria, and the United Group for Publishing, Advertising & Marketing. Bemo Saudi Fransi, BSOM and Audi Syria are affiliates of Lebanese banks, while the other firms are local Syrian companies.

Source: *Dow Jones Newswires*

## KUWAIT

### Government to allocate \$17bn to help defaulting firms

The Council of Ministers decided to allocate KD5bn, or about \$17bn, to help local defaulting companies, as part of an overall economic support plan. A total of KD4bn will be earmarked for cash settlement and KD1bn to buy assets of defaulting companies. The decision is part the Council of Ministers' rescue plan to shore up confidence in the economy and the financial system, as the Council approved the basics and principles of a draft bill aimed at supporting the economy and referred the 36-article law to parliament for approval.

Source: *Dow Jones Newswires, KUNA*

## UAE

### Dubai firms placed on review for downgrade

Moody's Investors Service placed its issuer and debt/Sukuk ratings of six government-owned companies in Dubai on review for possible downgrade. The firms affected are Dubai Holding Commercial Operations Group (rated A1), DP World (A1), DIFC Investments (A1), Dubai Electricity & Water Authority (A1), Jebel Ali Free Zone (A1) and Emaar Properties (A3). The agency attributed its decision to the deterioration in Dubai's macroeconomic outlook, which has been hit harder by the global economic and financial crisis than most others in the region,

largely because of its higher leverage, concentration in cyclical sectors, and more limited fiscal resources. It said the firms will have to reduce capital spending substantially and match lower investments with lower expected cash flows over the medium term. It considered that, while Dubai's economy is more diversified than regional peers, it is dependent on cyclical sectors such as real estate, tourism, trade, and financial services, which are all adversely affected by the tougher external environment. According to Moody's, the government's capacity to support the large and systemically important companies that it owns is limited and is likely to be impaired by the worsening economic situation. It noted that, unlike most other governments in the GCC, Dubai is not known to hold substantial offshore liquid assets that can potentially be tapped to finance fiscal deficits and support the operations of the wider public sector.

Source: *Moody's Investors Service*

## SUDAN

### Current account deficit to widen in 2009-10

The Economist Intelligence Unit expected Sudan's current account deficit to widen to an average of \$4.8bn or 8.8% of GDP in 2009-10. It said the falling international commodity prices and the global economic slowdown in 2009 will reduce the value of both imports and exports, by around 12% and 66% respectively, leading to a trade deficit of \$2.8bn. It expected the trade deficit to narrow to around \$1.2bn in 2010. It also expected that the income and services debits will decrease on average, as the decline in the oil sector is likely to reduce foreign company profit repatriation and engineering services payments, but that they will remain large. It added that the rise in current transfers credits, mostly workers' remittances, will be limited by slower growth in the global economy.

Source: *Economist Intelligence Unit*

## RUSSIA

### Sovereign ratings downgraded, outlook negative

Fitch Ratings downgraded Russia's Long-term foreign and local currency Issuer Default ratings (IDR) to 'BBB' from 'BBB+', the Short-term foreign currency IDR to 'F3' from 'F2' and the Country Ceiling to 'BBB+' from 'A-'. The outlooks on the Long-term ratings remain 'negative'. It attributed the downgrades to the negative impact on Russia from the fall in commodity prices and the dislocation of global capital markets that has left Russian banks and companies struggling to refinance external debt, and the difficulties Russia faces in managing the necessary macroeconomic policy adjustments. The agency noted that the scale of capital outflows and the pace of decline in Russia's foreign exchange reserves have materially weakened the sovereign balance sheet, as Russia's forex reserves fell by \$210bn from their peak at end-July 2008 to \$386.5bn on January 23, 2009. Also, gross private sector capital outflows totaled \$94bn in the fourth quarter of last year and might continue if the authorities pursue inconsistent macroeconomic policies or if the lack of confidence in the country's financial outlook and institutions persists. Fitch said monetary and exchange rate policy remains a challenge for the Central Bank of Russia in terms of whether to continue using reserves to support the rouble, tighten domestic liquidity, or revise its exchange rate policy.

Source: *Fitch Ratings*

# BANKING

## SYRIA

### Private sector accounts for 72% of deposit base

Figures released by the Central Bank of Syria indicate that aggregate deposits in the banking sector reached SYP 1,032bn, or about \$21.9bn, at the end of September 2008, constituting an increase of 11.6% from SYP 924bn at end-2007. Deposits in Syrian pounds accounted for 81% of the total and foreign currency deposits accounted for the remaining 19%. Private sector deposits accounted for 72% of overall deposits, followed by non-financial public enterprises with 22% of the total, the central government with 3%, non-bank financial institutions with 2% and the non-resident private sector with 1%. Demand deposits accounted for 47% of total deposits, followed by time deposits with 30% and saving deposits with 23%. Further, the structure of private sector deposits shows that households represented 86.2% of such deposits, followed by businesses with 12.8% and other financial institutions with the remaining 1%. Business deposits rose by 19% from end-2007, while household deposits increased by 10.4% and non-bank financial institutions by 76%, resulting in an overall growth rate of nearly 12% in private sector deposits.

Source: Central Bank of Syria

## UAE

### Abu Dhabi to inject \$4.4bn in 5 banks

The Abu Dhabi government declared it would inject AED16bn, or \$4.4bn, in five banks through Tier One capital notes to boost confidence in the sector amid the current global environment. The move follows weaker than expected fourth quarter profits from banks in the UAE. The funds will come from the emirate's fiscal budget and not from the UAE Central Bank or any other federal entity. The Department of Finance said The Government believes this initiative is appropriate to boost confidence in Abu Dhabi's financial institutions. The National Bank of Abu Dhabi, First Gulf Bank, and Abu Dhabi Commercial Bank, would borrow AED4bn each, while Union National Bank and Abu Dhabi Islamic Bank would borrow AED2bn each. The injection of cash would be in the form of Tier One capital notes, which will carry an interest rate of 6% per year payable semi-annually for a period of 5 years. Afterwards, the rate would become floating, reset and payable semi-annually, reflecting the initial margin above the then prevailing six-month Emirates Interbank Offered Rate (EIBOR). The notes are non-voting, non-cumulative perpetual securities and callable subject to certain conditions.

Source: Arabian Business, Shuaa Capital

## OMAN

### Limited impact of crisis on banking sector

Capital Intelligence indicated that the impact of the global financial crisis on the Omani banking system has so far been limited, reflecting reasonably conservative practices in funding, lending and investments. It said banks are closely supervised by the Central Bank of Oman and have little exposure to US sub-prime securities and credit derivatives, while their reliance on external funding is moderate at about 15% of total assets and their foreign assets exceed their foreign liabilities. It added that banks have no trading portfolios and low available-for-sale exposure to equities, and expected mark-to-market losses from the recent decline in local and regional stock markets to be mod-

est. It noted that the CBO has taken steps to support liquidity, particularly US dollar liquidity which has tightened as a result of global de-leveraging. Capital Intelligence considered that the main risk to the banking sector is a worsening of asset quality as the economy slows. It added that a deeper or longer downturn would negatively affect credit quality and profitability.

Source: Capital Intelligence

## KAZAKHSTAN

### Four banks placed on CreditWatch due to government acquisition

Standard & Poor's placed on CreditWatch with developing implications its long-term counterparty credit ratings on BTA Bank JSC and on Alliance Bank JSC following the Kazakh government's decision to acquire a 78% stake in BTA through an injection of \$2.07bn of new equity and a 76% stake in Alliance by buying shares from existing shareholders. The agency said that further support to the two banks would be forthcoming if needed, given their status as systemically important banks. But it expressed concern about the continuing downward pressure on the banks' stand-alone creditworthiness from asset quality deterioration, which is depleting their capitalization, as well as continuous funding and liquidity challenges. It noted that the Kazakh government expects its ownership of the banks to be temporary, but that the strategy and timing of its exit are unclear. BTA is the second largest Kazakh bank with \$29bn in assets, while Alliance is the country's fourth largest bank with assets of \$8.4bn.

Source: Standard & Poor's

## RUSSIA

### Downgrade of 14 banks

Fitch Ratings downgraded the ratings of 14 Russian banks by one notch and kept the outlook at 'negative'. It attributed the action to the earlier downgrade of Russia's sovereign ratings. The agency said the downgrades of Vnesheconombank, Sberbank, Bank VTB and Russian Agricultural Bank reflect the deterioration in the government's ability to provide support in case of need. The Russian state owns 77.5% and 60.3%, respectively, of Bank VTB and Sberbank, and 100% of Russian Agricultural Bank. Also, the downgrades of ZAO Unicredit Bank, Absolut Bank, ZAO Raiffeisenbank, Orgresbank, CJSC Santander Consumer Bank, ZAO Citibank and Rosbank follow the downgrade of Russia's Country Ceiling. Fitch also downgraded Bank of Moscow.

Source: Fitch Ratings

## TURKEY

### Central Bank to provide emergency liquidity

The Central Bank of Turkey announced a plan where troubled local banks could use a monthly credit facility twice the size of their equity, for up to a one-year period, and with a cost higher than the money market funding rates. The loan would be covered by eligible collaterals of the individual bank's assets. The CBT said this is just a precautionary measure as there are currently no signs of a bank under pressure in the Turkish banking system. There are 50 banks in Turkey with the top 4 banks accounting for 50% of total assets. The sector's aggregate assets reached \$535bn at end-June 2008.

Source: Credit Suisse



# ENERGY / COMMODITIES

## Oil eases slightly ahead of U.S. jobs data

Oil slipped slightly lower but held close to \$40 a barrel on February 5 as investors anticipated more bleak economic data for the United States. The outlook for higher job losses in the U.S. darkened the demand prospects. U.S. crude inventories jumped by 7.2 million barrels to an 18-month high last week, twice what analysts expected and the sixth straight weekly rise. U.S. light crude for March delivery fell 15 cents to \$40.17 a barrel. London Brent crude for the same month gained 58 cents to trade at \$44.73 a barrel. U.S. crude has been locked between \$39 and \$49 a barrel for the past two weeks.

Oil losses have been limited by signals this week from the Organization of the Petroleum Exporting Countries that it may cut oil production further in an attempt to bolster the market. OPEC, worried that the global economic downturn is reducing oil demand and pressuring prices, has promised to reduce oil production by a total of 4.2 million barrels per day from levels seen in September. World demand for oil is expected to fall for a second year in 2009. Oil inventories are high, pointing to a supply surplus.

Source: Reuters

## Multinationals to invest \$2.1bn in Egypt

The Petroleum Ministry declared that British Gas, Malaysia's Petronas and Italy's Edison have allocated additional investments worth \$2.1bn to boost natural gas production in Egypt. The funds will be used to drill new production wells and to implement projects for the development of natural gas fields in West Delta, Rosetta, Rashid and Edko in the Mediterranean deep water. The fields currently cover 40% of Egypt's overall output.

Source: Al Ahram

## Iraqi oil exports up 2 million barrels

The Ministry of Oil indicated that Iraq increased its oil exports by more than 2 million barrels in January 2009 from the previous month. It said Iraq exported 58.621 million barrels last month, with an average of 891,000 barrels per day, compared to total exports of 56.2 million barrels in December.

Source: Aswat al-Iraq

## Iran stockpiling fuel as prices stay low

Iran is storing around 2 million barrels of gas oil on ships even though a mild winter has capped demand. Iran has been stockpiling for about two months and will continue to do so because prices are low. International oil companies and top trading firms have been storing crude on tankers since late last year, as they look to take advantage of the possibility of selling at higher forward market prices.

Source: Reuters

## UAE gives power plant to Pakistan

Pakistan and the UAE agreed to complete the process of moving and installing a 320-megawatt power plant from the UAE to Pakistan. The entire cost of dismantling, transporting and installation will be borne by the Abu Dhabi Water & Electricity Authority. The plant consists of five Frame-5 gas turbines of 16 megawatts each and eight Frame-6 gas turbines of 30 megawatts each.

Source: Gulf News

## Base metals: Zinc falls as jump in stockpiles indicates lower demand

The early rebound in the base metal complex this year has more or less fizzled out over the past couple of weeks. The rise in nickel and zinc prices might not be sustainable as it was initiated by fund-buying ahead of the yearly changes in the major commodity investment indices. These changes would favor the minor base metals. However, this 'artificial' demand is now gone and prices have retreated again. But even as prices have retreated in January, it would be fair to say that the collapse in prices the market experienced during November and December has now come to a halt, at least for now. Basically base metal prices seem to have stabilized over the past six weeks.

Source: Bloomberg

## Precious metals: Gold rises a second day on inflation-hedge demand

Gold rose for a second day in London on speculation that government spending will stimulate inflation and the dollar will weaken, boosting demand for the metal as a hedge and alternative investment. Holdings in the SPDR Gold Trust, the largest exchange-traded fund backed by gold, rose to a record 859.49 tons on February 4th. Gold for immediate delivery rose as much as \$14.76, or 1.6%, to \$920.51 an ounce and traded at \$917.33. April futures added \$16.40, or 1.8%, to \$918.60 in electronic trading on the Comex division of the New York Mercantile Exchange. Gold is expected to reach \$1,000 within three months. The rally has been driven by surging demand for gold in all forms such as physical gold, exchange-traded funds and futures contracts, as investors seek a safe 'store of value' amid the financial distress and inflation risks. Among other metals for immediate delivery in London, silver gained 2.3% to \$12.82 an ounce. Platinum climbed \$18.50, or 1.9%, to \$985 an ounce, and palladium was 3.2% higher at \$202.75 an ounce.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	158.8	189.4	223.2	3.3	-29.7
LME metals price index	1736.1	2500.0	3241.9	7.6	-50.9
Oil prices USD	42.1	74.2	95.6	17.8	-53.7
Oil prices SDRs	27.9	48.5	60.8	20.6	-51.2
Gold \$/troy oz	905.7	820.1	869.7	8.1	-2.0
Silver cents/troy oz	1198.0	1158.5	1463.2	16.4	-27.1
Platinum \$/troy oz	956.0	1055.8	1524.0	12.3	-43.5
Copper \$/MT	3293.5	5002.6	6646.9	23.5	-52.2
Nickel \$/MT	11652.5	13541.0	19795.0	22.7	-56.0
Aluminium \$/MT	1331.5	2052.8	2490.7	-11.0	-45.6
Zinc \$/MT	1120.8	1380.5	1782.6	2.1	-49.3

Source: Credit Suisse



# 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	-	-	-	-	BBB								
	-	-	-	-	Stable	7.0	13.8	1.5	4.1	1.9	1.6	15.4	0.6
Angola	-	-	-	-	BB								
	-	-	-	-	Stable	3.2	8.8	8.4	9.0	12.6	-	-3.0	1.2
Egypt	BB+	Ba1	BB+	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-7.7	74.5	17.8	51.4	5.4	105.9	-1.5	4.1
Ethiopia					B								
	-	-	-	-	Stable	-3.5	-	10.9	250.0	-	-	-6.1	-
Ghana	B+	-	B+	-	B								
	Stable	-	Stable	-	Stable	-10.8	-	39.0	103.6	-	-	-13.7	-
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	Stable	-1.7	-	57.9	175.9	-	556.0	-1.8	-
Libya	-	-	-	-	BBB								
	-	-	-	-	Stable	-17.3	7.8	17.5	31.1	4.9	-	-15.8	3.1
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-5.1	-	73.8	183.3	-	-	-13.4	-
Morocco	BB+	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-2.6	51.8	24.1	73.9	5.7	74.1	-0.1	3.3
Nigeria	BB-	-	BB-	-	BB								
	Stable	-	Stable	-	Stable	-5.7	23.6	6.1	20.6	0.6	-	-13.2	2.4
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-6.8	107.5	62.7	532.4	6.3	-	-10.1	2.7
Tunisia	BBB	Baa2	BBB	BBB	BBB								
	Stable	-	Stable	Stable	Stable	-3.1	49.8	50.6	105.6	12.3	235.5	-3.3	3.8
<b>Middle East</b>													
Bahrain	A	A2	A	A	A								
	Stable	-	Stable	Stable	Stable	-3.4	18.2	187.7	321.7	4.6	63.8	6.2	0.4
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	-3.7	19.1	5.5	35.1	4.3	22.9	-4.6	0.2
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-34.4	-	71.8	214.4	3.8	157.7	-22.4	0.9
Jordan	BB	Ba2	-	BB	B								
	Stable	-	-	Stable	Stable	1.3	51.4	65.6	122.2	4.8	198.6	-10.0	11.4
Kuwait	AA-	Aa2	AA-	AA-	A								
	Stable	-	Stable	Stable	Stable	22.6	4.9	40.4	134.2	6.2	229.7	23.6	-9.9
Lebanon	B-	B3	B-	B-	CCC								
	Stable	-	Stable	Stable	Stable	-10.8	145.6	97.5	614.9	20.4	199.0	-12.0	9.0
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	-1.9	3.5	21.4	68.7	-	113.0	-4.0	4.0
Qatar	AA-	Aa2	-	AA-	A								
	Stable	-	-	Stable	Stable	1.7	4.1	52.5	189.8	7.3	359.3	24.3	7.8
Saudi Arabia	AA-	A1	AA-	AA-	A								
	Stable	-	Stable	Stable	Stable	9.8	9.9	8.5	28.3	4.0	89.1	6.1	0.2
Syria	-	-	-	-	CCC								
	-	-	-	-	Stable	-8.3	38.5	13.0	71.4	1.0	162.7	-5.1	1.9
UAE	-	Aa2	-	AA-	A								
	-	-	-	Stable	Stable	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
Yemen	-	-	-	B-	B								
	-	-	-	Stable	Stable	-17.2	-	29.6	161.9	-	-	-16.9	-



# 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	-	-	-2.2	13.9	32.5	496.8	1.2	311.3	-9.0	5.9
	-	-	Stable	-	-								
Bulgaria	BBB+	Baa3	BBB-	-	BBB	-0.4	13.7	101.8	159.2	22.5	250.5	-15.3	9.8
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	1.7	6.0	86.4	267.8	56.6	528.0	-3.1	1.5
	Negative	-	Stable	-	Stable								
Romania	BBB-	Baa3	BB+	BBB-	BB	-4.9	16.2	61.9	171.7	21.8	319.6	-8.2	5.1
	Negative	-	Stable	Stable	Stable								
Russia	BBB+	Baa1	BBB	-	BBB	1.5	7.4	40.1	155.9	17.4	193.3	-0.7	0.4
	Negative	Positive	Negative	-	Stable								
Turkey	BB-	Ba3	BB-	BB-	BB	-3.9	43.5	56.0	238.4	41.2	587.4	-5.0	2.4
	Stable	-	Stable	Stable	Stable								
Ukraine	BB-	B1	B+	-	BB	-1.1	20.7	80.4	202.3	28.5	411.6	-2.8	2.1
	Negative	Positive	Negative	-	Stable								

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2009

\* Figures last updated in February 2009



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	28-Jan-09	No change	17-Mar-09
Eurozone	Refi Rate	2.00	05-Feb-09	Cut 50bps	05-Mar-09
UK	Base Rate	1.00	05-Feb-09	Cut 50bps	05-Mar-09
Japan	O/N Call Rate	0.10	22-Jan-09	No change	19-Feb-09
Australia	Cash Rate	3.25	03-Feb-09	Cut 100bps	02-Mar-09
New Zealand	Cash Rate	3.50	29-Jan-09	Cut 150bps	12-Mar-09
Switzerland	3 month Libor target	0.50	11-Dec-08	Cut 50bps	12-Mar-09
Canada	Overnight rate	1.50	20-Jan-09	Cut 50bps	03-Mar-09
<b>Emerging Markets</b>					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	29-Jan-09	No change	18-Mar-09
Taiwan	Discount Rate	1.50	07-Jan-09	Cut 75bps	01-Mar-09
South Korea	Target Rate	2.50	09-Jan-09	Cut 50bps	12-Feb-09
Malaysia	O/N Policy Rate	2.50	21-Jan-09	Cut 75bps	24-Feb-09
Thailand	1D Repo	2.00	14-Jan-09	Cut 75bps	25-Feb-09
India	Repo rate	4.00	27-Jan-09	No change	N/A
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.75	19-Jan-09	Cut 25bps	N/A
Egypt	Overnight Deposit	11.50	22-Sep-08	Raise 50bps	N/A
Turkey	Base Rate	13.00	15-Jan-09	Cut 200bps	19-Feb-09
South Africa	Repo rate	11.50	11-Dec-08	Cut 50bps	05-Feb-09
Kenya	Central Bank Rate	8.50	01-Dec-08	Cut 50bps	Feb-09
Nigeria	Monetary Policy Rate	9.75	11-Dec-08	No change	Feb-09
Ghana	Prime Rate	17.00	28-Oct-08	No change	Feb-09
Mexico	Target Rate	7.75	16-Jan-09	Cut 50bps	20-Feb-09
Brazil	Selic Rate	12.75	21-Jan-09	Cut 100bps	11-Mar-09
Armenia	Refi Rate	7.00	Jan-09	Cut 25bps	N/A
Romania	Policy Rate	10.25	06-Jan-09	No change	N/A
Bulgaria	Base Interest	5.25	01-Sep-08	No change	N/A
Kazakhstan	Refi Rate	10.50	01-Oct-08	No change	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.lb](http://www.byblosbank.com.lb)

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# 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  
Phone: (+961) 1 335200  
Fax: (+961) 1 339436

## BELGIUM

---

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

## SYRIA

---

Byblos Bank Syria S.A  
Abu Roummaneh Head Office  
Al Chaalan - Amine Loutfi Hafez Str.  
P.O.Box: 5424  
Phone: (+ 963) 11 9292 - 3348240 / 1 / 2 / 3 / 4  
Fax: (+ 963) 11 3348207  
E-mail: byblosbanksyria@byblosbank.com

## ENGLAND

---

London Branch  
Berkeley Square House - Suite 5  
Berkeley Sq.  
GB - London W1J 6BS (U.K.)  
Phone: (+44) 207 493 35 37  
Fax: (+44) 207 493 12 33  
E-mail: byblos.europe@byblosbankeur.com

## SUDAN

---

Byblos Bank Africa Ltd.  
Khartoum - Sudan  
El Amarat -Street 21  
P.O.Box: 8121 - El Amarat - Khartoum - Sudan  
Phone: (+249) 183 566 444  
Fax: (+249) 183 566 454  
E-mail: byblosbankafrica@byblosbank.com

## FRANCE

---

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

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60,  
Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil, Iraq  
Phone: (+ 964) 66 2233457 / 9  
Fax: (+ 964) 66 2233458  
E-mail: iraqbranch@byblosbank.com.lb

## CYPRUS

---

Limassol Branch  
1, Arch. Kyprianou / St. Andrew Street  
P.O.Box 50218  
3602 Limassol , Cyprus  
Phone: (+357) 25 341433 / 4 / 5  
Fax: (+357) 25 367139  
E-mail: bybloscyprus@byblosbank.com

## UNITED ARAB EMIRATES

---

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

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street  
Yerevan, 375002, Republic of Armenia  
Phone: (+374) 10 530 362  
Fax: (+374) 10 535 296

