

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Merger & acquisition volume drops 36% in first quarter**

Global merger and acquisition activity reached \$524.9bn in the first quarter of 2009, constituting a drop of 36% from the same period last year. The figure marked the lowest level of activity since the third quarter of 2004 and reflected the difficulties companies are having in financing deals and valuing their targets. Governments helped contain the complete collapse of M&A activity by investing \$145.8bn, or 28% of the total in banks and insurance companies, in addition to the \$409.3bn they committed to the sectors last year. Finance was the leading industry in the quarter, with \$130.9bn in deal volume, led by the U.S. government's \$25bn investment in Citigroup. Healthcare was second with \$127.9bn, accounting for 24% of global M&A volume with deals such as Pfizer's \$68.1bn takeover of Wyeth. The slump in M&A activity resulted in banks generating only \$2.4bn in advisory revenues, a 59% drop from the first quarter of 2008. Private equity funds managed deals worth \$7.9bn, an 86% fall from the same period last year and the constituting the volume per quarter since 1996.

Source: Dealogic

##### **IMF to establish anti-money laundering fund**

The International Monetary Fund plans to launch a donor-supported trust fund to finance technical assistance in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). The Multi-Donor Trust Fund will start operations on May 1, 2009, and provide about \$31m over five years to contribute to the strengthening of global AML/CFT regimes. The Fund said robust AML/CFT regimes are an important pillar of the international regulatory and supervisory system and are part of the current efforts to strengthen the global financial framework. It added that money laundering and terrorist financing activities can undermine the soundness and stability of financial institutions and systems, discourage foreign investment, and distort international capital flows. Moreover, problems in one country can quickly spread to other countries in the region or in other parts of the world. It added that the integrity of national financial systems is essential to financial sector and macroeconomic stability both on a national and international level.

Source: International Monetary Fund

#### MENA

##### **Equity markets drop by 10% in first quarter**

Arab stock markets fell by 10.1% in the first quarter of 2009 compared to a drop of 10.8% in the same quarter last year and to a decline of 54.5% during 2008. The Doha stock market dropped by 29%, posting the worst performance in the first quarter of the year. It was followed by the Amman stock exchange with an 18% drop, the Muscat bourse with a 15% decline, the Kuwait equity market with a 13.3% fall, the Bahrain exchange with an 11.5% contraction, the Beirut stock exchange

with a 10.4% decline, the Cairo stock market with an 8.8% drop, the Casablanca bourse with a decline of 5.3%, the Abu Dhabi market with a 4.1% fall, and the Saudi equity market with a 2.1% fall. In parallel, the Palestine stock market posted the best performance in the region with a 16.5% increase during the first quarter, followed by the Tunis stock exchange with a 7% rise. In comparison, emerging markets equities improved by about 3.6% in the first quarter of 2009.

Source: Local stock markets, Byblos Research

#### KUWAIT

##### **Bourse suspends trading in 36 firms**

The Kuwait Stock Exchange suspended trading in more than a fifth of its listed companies after they failed to publish 2008 earnings on time. The Arab world's second largest bourse said it suspended trading starting from April 1st on 36 listed companies, most of which are investment companies. The bourse said on its own Web site that it will suspend trading in the shares of companies which don't hold general meetings for their shareholders within 45 days from when the bourse approves their annual financial results. The bourse also said that it will halt trading in the shares of companies which fail to distribute dividends within ten days after they have been approved by shareholders. The bourse already turned down a request by local companies to postpone their results announcements. The companies said auditing this year requires more time because audits have become more demanding especially with regard to assets evaluation.

Source: Dow Jones Newswires

#### ARMENIA

##### **FDI reach \$1.9bn in 2008**

The Armenian Development Agency (ADA) indicated that foreign direct investments in Armenia reaching \$1.9bn at the end of 2008, an increase of 300% since 2006. It said Russia accounted for 50% of FDI, followed by Germany, France and Argentina. It added that most of the funds were invested in telecommunications, mining, food industries and information technologies. It pointed out that 3,700 companies with foreign participation were currently operating in Armenia. The ADA noted that the Armenian government plans to support companies find new markets for their products as foreign direct investments are mostly in export-oriented firms. It noted that high GDP growth, improved tax administration and a better business environment helped attract FDI in 2008. It added that Armenia's free trade regime with the others members of the Commonwealth of Independent States and its membership in the World Trade Organization also encouraged foreign direct investments last year.

Source: ARKA

# POLITICAL RISK OVERVIEW - MARCH 2009

## ALGERIA

President Bouteflika launched a re-election campaign on March 19, calling for a high turnout. Main opposition figures announced they will boycott April 9 poll. Many violent incidents throughout the month involving suspected Islamist militants and security forces in the east of the country killed many people from both sides. Security forces killed 6 al-Qaeda suspects and arrested 10 on March 26 in Blida, east of Algiers.

## ARMENIA

Former president Ter-Petrosian addressed on March 1 the opposition rally commemorating the first anniversary of clashes between security forces and opposition protesters during Armenia's deadly post-election unrest. The rally went without incident. Opposition members claimed a turnout of 100,000 while authorities reported a turnout of 10,000. The opposition alliance, the Armenian National Congress, nominated its leader, former president Ter-Petrosian, on March 15, as its candidate for the post of city mayor for the elections of May 31st. The Central Bank of Armenia decided to let the dram float against the dollar on March 3rd. the dram initially depreciated by 30%, causing panic-buying and price increases.

## EGYPT

Government officials mediated between Hamas and Israel and hosted reconciliation talks between the Palestinian factions throughout the month. The Rafah crossing to the Gaza Strip was opened on March 18 and 20 for students and medical cases. Around 30 members of the Muslim Brotherhood (MB) were arrested across the country on March 3rd. MB's leader Muhammad Mahdi Akef announced on March 26 that he would step down at the end of 2009.

## IRAN

U.S. President Obama addressed a message of peace to Iran for the New Year. He offered Iran a "new beginning" and affirmed his commitment to diplomacy on March 20th. Supreme Leader Khamenei said concrete U.S. policy changes were needed before Iran responded. U.S. sanctions on Iran were renewed for one year on March 12th. Ex-president Khatami announced his withdrawal from June presidential elections on March 17 and backed the moderate former Prime Minister Mir-Hossein Musavi, who announced his candidacy on March 10th. President Ahmadi-Nejad was criticized by the Parliament for dropping reduction in energy subsidies from the budget.

## IRAQ

At least 12 people were killed on March 5 by a car bomb in Hilla. Suicide bombings killed 28 police officers on March 8 in Baghdad. More than 30 people were killed in a gathering of tribal leaders in Abu Ghraib on March 10th. Around 25 people were killed in the Diyala province on March 23rd. A car bomb at a bus station in Baghdad killed at least 20 people on March 26th. Several people were also killed in numerous smaller attacks across the country. An Iraqi-U.S. joint operation arrested an Awakening militia leader in Fadil district, Baghdad, on March 28th. President Jalal Talabani announced on March 14 that he would not seek a second term in early 2010. During Turkish president's visit to Iraq on March 23, President Talabani called on PKK rebels to lay down their arms. U.K. troops handed over the command of the Basra region to the U.S. on March 31st.

## SUDAN

Sudan expelled 13 international aid groups after the International Criminal Court (ICC) charged President al-Bashir with war crimes in Darfur. The United Nations (UN) warned of rapid deterioration in living conditions and security within Darfur's internally displaced people camps. The government moved to rally public support for the president, while he undertook defiant visits to Eritrea, Egypt, and Qatar in March. Pro-ICC sentiment was brutally repressed. Security forces arrested students at the University of Khartoum because of the ICC arrest warrant. Popular National Congress (PNC) opposition leader, Al-Turabi, has been released on March 9 from two months detention after calling on President Al-Bashir to surrender to the ICC. The Justice and Equality Movement (JEM) suspended its participation in the Qatar peace process until the return of all evicted international NGOs. A joint Arab league-African Union (AU) delegation failed to convince the UN Security Council to halt proceedings against president Bashir as not to jeopardize peace efforts in Darfur and South Sudan.

## SYRIA

High-level U.S. envoys met Foreign Minister Muallim in Damascus on March 7 for talks on bilateral and regional issues. The envoys expressed optimism for future progress. Lebanon opened an embassy in Damascus on March 16th. Syria appointed an ambassador to Beirut on March 24th.

## TURKEY

The ruling Justice and Development Party (AKP), led by Prime Minister Erdogan, won the local elections on March 29, but got lesser votes than the previous election results. At least five people were killed and dozens more wounded in election-related clashes. Turkish president Gul urged Kurdish regional Prime Minister Barzani to take action against the Kurdistan Workers' Party (PKK) in northern Iraq during his visit to Iraq on March 23 and 24th. Turkish air strikes hit PKK bases in northern Iraq on March 12th. Foreign Minister Babacan said on March 8 that U.S. recognition of Armenian genocide would impede efforts to reconcile Turkey and Armenia. Five people were arrested on March 7 for planning an attack on Prime Minister Erdogan at election rallies in Adana.

## UKRAINE

The Ukrainian cooperation with the EU on an investment plan to modernize gas pipeline was condemned by Russia on March 23 as an unfriendly act against Moscow. Russia broke off talks with Ukraine and threatened to review its ties with the EU. The early-month threats by Moscow to cut gas to Ukraine were lifted after Ukrainian state gas company Naftogaz paid for February deliveries before the March 7 deadline. Naftogaz headquarters were raided by the security services (SBU) on March 4th. The SBU, controlled by President Yushchenko, accused Prime Minister Tymoshenko's government and its energy firm, Naftogaz, of diverting huge amounts of Russian gas. The security service ordered the raid as part of an investigation. Prime Minister Tymoshenko requested the parliament to suspend the investigation. President Yushchenko said on March 18 he is still hoping to agree with the IMF on the conditions for loan disbursements. He announced that the economy had contracted by 25-30% year-on-year in the first two months of 2009. *Source: International Crisis Group*



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# OUTLOOK

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## EMERGING MARKETS

### Growth revised downward to 2.1% in 2009, MENA region least affected by crisis so far

The World Bank projected economic growth in developing economies at 2.1% in 2009, down from a 4.4% forecast last November and compared to growth of 5.8% in 2008. It said growth in Emerging Europe & Central Asia will contract by 2%, while the economies of Latin America & the Caribbean will shrink by 0.6% this year. It also forecast growth in Sub-Saharan Africa at 2.4%, in South Asia at 3.7% and in East Asia & the Pacific at 5.3%. The World Bank reduced growth forecasts for these region by a range of -1.7% to -4.8% from projections last November.

The World Bank said the deceleration in economic growth in low-and middle income countries as a group is expected to match the deceleration in high-income countries. It noted that the highly synchronized collapse in growth reflects the fact that developing economies have been directly hit by the financial crisis. It added that the reversal of capital flows, collapse in stock markets, and the deterioration in financing conditions have brought investment growth to a halt, while investment is sharply declining in many developing countries. It expected the volume of world trade in goods and services to drop 6.1% in 2009, with a significantly sharper contraction in trade volumes of manufactured products. It also forecast oil prices to average \$47 per barrel for the year, remaining more than 50% below 2008 levels, while it projected the decline in non-oil commodity prices to stay at 30%.

The World Bank noted that growth in the Middle East and North Africa region appears least affected among developing regions by the global crisis so far. It forecast the region's growth at 3.3% in 2009, down just 0.6% from projections of 3.9% last November, but down from 5.5% in 2008. It expected reduced oil revenues and cuts in oil output to restrain GDP growth among oil exporters to 2.9% from 4.5% in 2008, while recession in the EU, reduced tourism arrivals and remittance flows are likely to yield a decline in growth among the region's non-oil economies to 3.6% in 2009 from 6.5% in the preceding year.  
*Source: World Bank*

## MENA

### Drop in remittance inflows to hurt current account balances of recipient economies

Standard & Poor's expected Arab countries that have large Diasporas working in the Gulf Cooperation Council economies or in Europe to see inflows of remittances decline by 5% to 10% in 2009 in a base-case scenario, which would hurt the countries' current account balances. It said that total remittance inflows to Egypt, Lebanon, Jordan, Tunisia and Morocco reached \$27bn in 2008, three times the amount received in 2000. The agency expected remittances to these countries to be lower this year, as the growth in the European Union slows, risking the earning potential of expatriates. It also expected economic activity in the GCC to slow and lead to earnings losses for foreign workers in the region, even though Gulf countries are likely to be less impacted than Europe. S&P indicated that Morocco and Tunisia

have 80% of their foreign workers in the European Union, especially in France and Spain. It added that expatriates from Jordan, Egypt, and to a lesser extent Lebanon, have become increasingly concentrated in the booming oil economies of the Gulf over the past few years. Under its base-case scenario, S&P estimated the current account deficit of Egypt at 3% of GDP, Tunis at 2% of GDP, Jordan at 10% of GDP, Lebanon at 9.5% of GDP and for Morocco to post a surplus of almost 2% of GDP.

In parallel, the World Bank's revised projections for remittance inflows to the MENA region show that such inflows would contract by 1.4% in a base-case scenario and by 5.2% in a worst-case scenario in 2009. The Bank's previous forecast issued last November expected remittances to the region to drop by 6.7% this year in a base-case scenario and by 13.2% in a worst-case scenario. It attributed the revised forecasts to expectations that remittances from the GCC would show a smaller decline of 3% compared of its previous estimate of a 9% contraction. It said the forecast is more in line with the real GDP growth projections than nominal dollar-denominated GDP growth. It noted that Dubai's problems do not reflect the rest of the GCC, which depend primarily on oil revenues. It noted remittance outflows from Saudi Arabia have been uncorrelated with oil prices in recent years, while many GCC countries are following a long-term strategy of infrastructure development for which they have funding from large reserves accumulated over the years and are unlikely to slow down infrastructure investments and lay off migrant workers in large numbers.

*Source: Standard & Poor's, World Bank*

## GCC

### Region to become economic and trading hub by 2020, focus to shift to manufacturing

The Economist Intelligence Unit expected the Gulf Cooperation Council region to grow in importance as an economic and trading hub. It projected the GCC economy to reach \$2,000bn in 2020, providing nearly 25% of the world's oil supplies, up from 18% in 2008, as well as increasing quantities of petrochemicals, metals and plastics. It added that Gulf investors and sovereign wealth funds are likely to diversify their assets into Asia and Africa, and the region is likely to export more of its oil to industrializing countries. It also expected closer economic and political integration between GCC countries through a single currency, a single central bank and greater harmonization of legal and regulatory environments. It noted that economic integration will depend on good political relations, but will take precedence over political integration.

The EIU also expected the GCC to peg their common currency to a trade-weighted basket of currencies, with such basket heavily weighted towards the dollar. The EIU also expected the GCC to export a smaller proportion of its oil as crude, to turn more of its oil into refined products or petrochemicals, and to use oil and gas resources for industries that will add more value and provide more jobs.

*Source: Economist Intelligence Unit*



# ECONOMY & TRADE

## TUNISIA

### Foreign currency ratings affirmed, local currency ratings lowered

Standard & Poor's affirmed Tunisia's 'BBB/A-3' long- and short-term foreign currency sovereign credit ratings with a 'stable' outlook. However, it lowered its long- and short-term local currency ratings to 'A-/A-2' from 'A/A-1' on diminishing fiscal flexibility in the face of the global economic crisis. The agency said the global crisis is likely to affect Tunisia's export-led economy as demand in the EU contracts and prices of key industrial export products decline. It expected real GDP growth to decline to 2.8% in 2009 and 3.7% in 2010 compared to growth rates above 4% annually over the past decade. It also anticipated fiscal ratios to weaken, with general government deficits of about 4%-4.5% of GDP in 2009 and 2010, leading to a rise in public debt to 48% of GDP in 2011. S&P called for structural reforms to improve the country's economic structure, reduce unemployment, and further strengthen the banking sector.

Source: *Standard & Poor's*

## NIGERIA

### Outlook revised to negative

Standard & Poor's revised the outlook on Nigeria's ratings to 'negative' from 'stable', and affirmed the country's 'BB-' foreign currency and 'BB' local currency long-term sovereign credit ratings. It attributed the change in outlook to considerable uncertainty about the country's public finances due to falling oil revenues, higher government spending and production constraints. It said the negative outlook reflects the increased risk that the institutional response to falling oil revenues will result in a continued worsening of the business environment and a deterioration of Nigeria's balance sheet. It noted that the outlook revision also reflected the government's response to the global financial crisis and its reliance on oil exports. S&P said the foreign exchange controls imposed by Nigeria in February would continue to hurt Nigerian banks' access to cross-border funding and weaken portfolio investor confidence, while the slowdown in economic growth would lead to deterioration in the banking sector's loan portfolio.

Source: *Standard & Poor's*

## UAE

### Agencies assign high ratings to Eurobond program

Moody's Investor's Service assigned a foreign currency rating of 'Aa2' to the \$10bn upcoming dollar-denominated Global Medium-Term Note Program to be issued by the government of Abu Dhabi. Also, Standard & Poor's assigned its 'AA' long-term senior unsecured debt rating and Fitch Ratings assigned a 'AA' rating to the same program, with a 'stable' outlook from the three agencies. The agencies said that Abu Dhabi's very high issuer ratings are supported by the government's strong balance sheet, significant financial flexibility, extensive hydrocarbon resources, a very high level of GDP per capita, and its stable domestic politics. They noted that Abu Dhabi's credit challenges include a volatile regional geopolitical environment, weaker institutions than higher-rated countries, a relatively undiversified economy and the government's substantial contin-

gent liabilities. The first two bonds of the program consist of a 5-year \$1.5bn bond carrying a coupon of 5.5% and a 10-year \$1.5bn with a 6.75% rate. The government previously issued a debut \$1bn, five-year sovereign eurobond in July 2007. Fitch said the latest issuance will consolidate Abu Dhabi's presence in the market and establish a yield curve.

Source: *Fitch Ratings, Moody's Investors Service, Standard & Poor's*

### Ratings of two Dubai firms downgraded

Moody's Investors Service downgraded Dubai Holding Commercial Operations Group to 'A2' from 'A1' and Emaar Properties to 'Baa1' from 'A3' with 'negative' outlooks. It attributed the downgrades to severe fundamental strains facing the firms' business models, as both firms are real estate master developers with hospitality businesses and are immediately exposed to the Dubai real estate market. The agency also confirmed at 'A1' the ratings of DP World, Dubai Electricity & Water Authority, Jebel Ali Free Zone and DIFC Investments. It said the four companies' strategic mandates carry significant relevance and importance to Dubai and the UAE. Therefore, they would continue to benefit from federal support beyond the limited stand-alone resources of Dubai.

Source: *Moody's Investors Service*

## KUWAIT

### Cabinet approves stimulus package

The Cabinet approved a \$5.2bn economic stimulus package to spur lending and support financial firms after weeks of delays because of a standoff with Parliament. The plan is designed to enable banks to lend about KWD4bn, or \$13.8bn within two years, with the government guaranteeing up to 50% to encourage lending. The Central Bank of Kuwait said the total cost of the stimulus package should not exceed KWD1.5bn. The government can also help banks trying to raise fresh funds by buying any unsubscribed stock in capital increases, which it already did with Gulf Bank in January. The plan now awaits approval by Parliament which is not expected before May.

Source: *EFG Hermes, KUNA*

## TURKEY

### Corporates face increased refinancing risk

Fitch Ratings indicated that the Turkish corporate sector faces increased challenges in refinancing outstanding foreign currency debts, with \$26.4bn in foreign borrowing due this year. It said the corporate sector is facing significant challenges in refinancing outstanding foreign currency debts under the combined weight of poor global liquidity, international investor exit from emerging markets, the impact of recession and a weakened lira. The agency noted that the recent decline in the Turkish lira will help in part export volumes and values, adding that corporate revenues and operating cash flows are likely to come under pressure due to the economic contraction in Turkey and in its major export markets. It considered that these trends are likely to push up leverage levels and pressure corporate ratings in cash flow generation, leverage and refinancing risk, as companies with significant foreign currency borrowings will experience a heightened degree of deterioration in credit quality.

Source: *Fitch Ratings*



# BANKING

## WORLD

### Basel Committee takes steps to strengthen banking regulations

The Basel Committee on Banking Supervision highlighted steps it is taking to strengthen the global regulation of the banking sector. It indicated that current and planned initiatives are intended to produce a more robust supervisory and regulatory framework for the banking sector. These efforts, which also are in support of the initiatives and recommendations of the Financial Stability Forum and the G20 leaders, include better coverage of banks' risk exposures such as for trading, securitization, and derivative activities; more and better quality capital to back these exposures; countercyclical capital buffers and provisions that can be built up in good times and drawn down in stress; the introduction of a non-risk based measure to supplement Basel II and help contain leverage in the banking system; higher liquidity buffers; stronger risk management and governance standards; more regulatory focus on system-wide or macro-prudential supervision; and greater transparency about the risk in banks' portfolios.

Source: *Bank for International Settlements*

## UAE

### Government to support entire banking system

Standard Chartered Bank expected the UAE federal government to continue to provide support to the entire banking system if necessary, with capital support to the Dubai banks over the next few months also likely. It noted that this support is reflected in the spreads on most of the large UAE banks, with spreads on Dubai banks following those on the Dubai sovereign and spreads on Abu Dhabi banks reflecting those on the Abu Dhabi sovereign. It expected the banks' fundamentals to deteriorate over the next 12 months despite seemingly robust credit metrics at the moment due to the rapid loan growth of the past five years, high exposure to the real-estate sector, and the onset of a sharp economic slowdown.

Source: *Standard Chartered*

## EGYPT

### State-owned banks to step up lending

State-owned National Bank of Egypt (NBE), the largest local bank by assets announced it will extend EGP30bn in loans to various economic sectors in Egypt. NBE said it will allocate EGP10bn to mortgage lending and EGP5bn to retail lending, mainly to finance the purchase of cars and durable goods. The remaining EGP15bn will be extended to the airline, tourism, transportation, education and infrastructure industries. NBE also plans to double its paid-in capital by EGP2.2bn in April pending the approval of the parliament. In parallel, state-owned Banque Misr, the second largest bank in the country, indicated it will lend EGP20bn to various economic sectors. NBE allocated last year EGP7.9bn to loan loss provisions Banque Misr was able to settle EGP28bn of non-performing loans since 2003. NBE has EGP213bn in assets for a 23% market share, and Banque Misr had EGP154bn for a 14% market share as at June 2007.

Source: *Al-Mal*

## NIGERIA

### Outlook on four banks revised to negative

Standard & Poor's revised its outlook to 'negative' from 'stable' on First Bank of Nigeria, Zenith Bank, Guaranty Trust Bank, and Intercontinental Bank. In parallel, it lowered the long-term Nigeria national scale ratings on First Bank, Guaranty Trust, and Intercontinental to 'ngA' from 'ngA+' and that of Zenith to 'ngA+' from 'ngAA-'. Further, it affirmed the 'BB-/B' long- and short-term counterparty credit ratings and the 'ngA-1' short-term Nigeria national scale ratings on the four banks. The agency said the outlook revision follows its earlier change on the outlook for Nigeria, which was mainly motivated by the government's limited institutional policy response to the global economic downturn and the sharp fall in oil prices. S&P considered foreign currency lending to be a high risk, as it exposes the borrowers to changes in the volatile Nigerian naira exchange rate. It added that banks' liquidity may tighten further by an outflow of structurally short-term corporate deposits.

Source: *Standard & Poor's*

## ROMANIA

### Global crisis exposes banks to increased risks

Fitch Ratings indicated that the ongoing global financial crisis has exposed Romanian banks to increased risks through mounting pressure on the exchange rate in an operating environment where foreign banks control 88% of the country's bank assets. It expected that the lower availability of new funding at the parent level and higher funding costs to translate into slower loan growth, and consequently into higher impaired lending and lower profitability in 2009. It noted that one of the primary risks in Romania is credit risk from foreign currency loans to unhedged borrowers, as more than half of total loans and household lending is denominated in foreign currency. Fitch said the share of doubtful and loss-making loans continued to increase to 6.9% of total loans at end-2008 from 4.3% a year earlier. It expected further increases in non-performing loans in 2009, and considered the reserve coverage of problematic loans to be low. It said the capacity of Romanian banks' capital adequacy to absorb the impact of potential credit losses in 2009 could come under pressure from challenging operating conditions.

Source: *Fitch Ratings*

## ARMENIA

### World Bank extends \$50m to finance SMEs

The World Bank extended a \$50m soft loan to Armenia to increase access to finance for small- and medium-size enterprises (SMEs) in the country. The Central Bank of Armenia will distribute the funds to 8 commercial banks, namely Conversebank, VTB Bank, ACBA-Credit Agricole Bank, HSBC Bank Armenia, ProcCredit Bank, Ardshinvestbank, Armeconombank and Araratbank. In turn, the commercial banks will assess the risks and set individual credit margins before issuing credits to SMEs. The SMEs program is a component of the Armenian government's anti-crisis plan and is a step to higher-level cooperation with the World Bank. Companies with an annual turnover of less than AMD 500m are considered SMEs under the program. The soft loan has a maturity of 26.5 years and a five-year grace period.

Source: *ARKA*



# ENERGY / COMMODITIES

## Oil climbs above \$49

Oil rose more than \$1 per barrel to above \$49 on April 2 as rising equities markets strengthen sentiment. European shares rose sharply early on April 2 on hopes that the economic downturn is moderating. Investors are training their sights on a G20 leaders' meeting, which they hope will deliver a package of measures to restore global growth. Asian stocks increased to a three-month high, building a three-day rally on hopes the U.S. economy may have bottomed out.

U.S. light crude oil for May delivery rose to a high of \$49.48 per barrel, up \$1.08, before slipping back to trade around \$49.39. London Brent crude was up 80 cents at \$49.24 a barrel. Oil prices fell on April 1 after U.S. government data showed crude oil stocks rose more than expected to a 16-year high. Gasoline and distillate supplies also unexpectedly rose. Oil has fallen nearly \$100 from a record high above \$147 in July 2008 as the economic downturn decrease global energy demand.

Qatar's oil minister said oil prices between \$40 and \$50 per barrel were realistic in view of the global economic downturn. Investors remained sensitive to economic developments which include a rate cut by the European Central Bank and U.S. non-farm payrolls data, both of which could put downward pressure on oil prices. Adding an optimistic note to sentiment was a draft G20 statement containing a pledge by world leaders to regulate major hedge funds for the first time and set up a new oversight board to monitor the global financial system.

Source: Thomson Reuters

## Sinopec, Kuwait sign \$402m deal

China Petroleum & Chemical Corp (Sinopec) has signed a \$402m five-year deal with the Kuwaiti government to build five oil rigs in the country. Three of the rigs are 1,500 horsepower, while the other two are 1,000 horsepower. This is Sinopec's first contract with the Kuwait Oil Company.

Source: Bloomberg

## Gulf power grid to begin full operation in 2010

The Gulf Cooperation Council Interconnection Authority said that a \$1.4bn Middle East regional electricity grid will begin full operations in May 2010. It said that phase one of the project linking the power grids of Kuwait, Saudi Arabia, Bahrain and Qatar has been completed and will have a capacity of 1,200 megawatts, while two others will shortly be linked.

Source: Middle East Business Intelligence

## New gas discovery in Egypt

Egypt's Abuqir Petroleum has made a new gas discovery in the Abu Qir concession offshore from Alexandria. Abuqir Petroleum, a joint venture of Italy's Edison and the state-run Egyptian General Petroleum Corporation (EGPC), said the discovery contains 1.85 million cubic meters of gas and is located in the northern section of the concession where reserves are higher than originally projected.

Source: Middle East Business Intelligence

## Base metals: Markets are still oversupplied

Trading was mixed across base metal markets. The release of final Chinese trade data for February confirmed strong base metals imports amid strategic buying by the government. Prices also benefited from the Fed's commitment to fight the recession. Given improving risk appetite and still high net short-positions further price gains for copper are expected over the short term. Copper inventories at the London Metal Exchange are currently declining due to Chinese buying. This should continue to lend support to prices and could again lead to a short-covering rally. However, the sector's outlook over the medium to longer term remains uncertain as economic activity remains weak. Even better than-anticipated February US new home sale and durable goods orders data failed to lift sentiment, underscoring the prevailing oversupply in many markets. Markets remain cautious about signs of improvement as uncertainty about economic recovery is still high. Prices in the sector are expected to decline as soon as Chinese buying decreases.

Source: Credit Suisse

## Precious metals: Profit-taking remains a short-term risk

Gold prices suffered again from profit-taking while the rest of the complex climbed higher. Recent volatility in risk appetite seems to have caused investor interest to shift quickly. Given better risk appetite, the short-term outlook in particular for gold is skewed to the downside. Positioning data is still the key for the short-term price direction as markets are currently driven by investment flows. In this regard, platinum and palladium are most vulnerable to the downside as speculative long positions are the highest in these markets. However, the longer-term outlook has further improved amid the Fed's announcement to start quantitative easing. This is likely to raise inflation expectations and should lead to a weaker US dollar which would be supportive for all precious metals.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yooy%
Economist commodity price index	157.7	163.3	208.1	4.7	-38.1
LME metals price index	1889.8	1948.1	2895.5	10.5	-52.8
Oil prices USD	52.6	52.0	87.0	23.1	-48.2
Oil prices SDRs	34.9	34.6	55.9	20.1	-43.8
Gold \$/troy oz	929.5	850.7	868.0	-4.6	0.7
Silver cents/troy oz	1316.0	1135.7	1382.9	-4.7	-25.1
Platinum \$/troy oz	1122.0	938.9	1377.5	7.8	-42.6
Copper \$/MT	3889.5	3725.7	5943.6	16.1	-52.8
Nickel \$/MT	9482.5	10819.7	16829.0	-2.5	-68.0
Aluminium \$/MT	1359.5	1619.8	2255.0	5.1	-52.9
Zinc \$/MT	1235.8	1188.0	1577.7	12.3	-46.7

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								
	-	-	-	-	Negative	-3.5	-	10.9	250.0	-	-	-6.1	-
Ghana	B+	-	B+	-	B								
	Stable	-	Negative	-	Negative	-10.8	-	39.0	103.6	-	-	-13.7	-
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	Stable	-1.7	-	57.9	175.9	-	556.0	-1.8	-
Libya	A-	-	-	-	BB								
	Stable	-	-	-	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								
	Negative	-	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	BB								
	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	Negative	-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-	B2	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-	BBB								
	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	Negative	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
Yemen	-	-	-	B	CCC								
	-	-	-	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
Bulgaria	BBB+ Stable	Baa3	BBB- Stable	-	BBB Stable	-0.4	13.7	101.8	159.2	22.5	250.5	-15.3	9.8
Kazakhstan	BBB- Negative	Baa2	BBB- Negative	-	BB Stable	1.7	6.0	86.4	267.8	56.6	528.0	-3.1	1.5
Romania	BBB- Negative	Baa3	BB+ Stable	BBB- Negative	BB Stable	-4.9	16.2	61.9	171.7	21.8	319.6	-8.2	5.1
Russia	BBB+ Negative	Baa1 Positive	BBB Negative	-	BBB Negative	1.5	7.4	40.1	155.9	17.4	193.3	-0.7	0.4
Turkey	BB- Stable	Ba3	BB- Stable	BB- Stable	BB Stable	-3.9	43.5	56.0	238.4	41.2	587.4	-5.0	2.4
Ukraine	CCC+ Negative	B1 Positive	B Negative	-	B Negative	-1.1	20.7	80.4	202.3	28.5	411.6	-2.8	2.1

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	18-Mar-09	No change	29-Apr-09
Eurozone	Refi Rate	1.25	02-Apr-09	Cut 50bps	N/A
UK	Base Rate	0.50	05-Mar-09	Cut 50bps	09-Apr-09
Japan	O/N Call Rate	0.10	18-Mar-09	No change	07-Apr-09
Australia	Cash Rate	3.25	03-Mar-09	No change	07-Apr-09
New Zealand	Cash Rate	3.00	12-Mar-09	Cut 50bps	30-Apr-09
Switzerland	3 month Libor target	0.25	12-Mar-09	Cut 25bps	18-Jun-09
Canada	Overnight rate	0.50	03-Mar-09	Cut 50bps	21-Apr-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	18-Mar-09	No change	N/A
Taiwan	Discount Rate	1.00	26-Mar-09	Cut 25bps	June 09
South Korea	Target Rate	2.00	12-Mar-09	No change	09-Apr-09
Malaysia	O/N Policy Rate	2.00	24-Feb-09	Cut 50bps	29-Apr-09
Thailand	1D Repo	1.50	25-Feb-09	Cut 50bps	08-Apr-09
India	Repo rate	3.50	04-Mar-09	Cut 50bps	21-Apr-09
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	10.00	27-Mar-09	Cut 50bps	N/A
Turkey	Base Rate	10.50	19-Mar-09	Cut 100bps	16-Apr-09
South Africa	Repo rate	9.50	24-Mar-09	Cut 100bps	30-Apr-09
Kenya	Central Bank Rate	8.25	20-Mar-09	Cut 25bps	June 09
Nigeria	Monetary Policy Rate	9.75	09-Feb-09	No change	Apr-09
Ghana	Prime Rate	18.50	24-Feb-09	Raise 150bps	Apr 09
Mexico	Target Rate	6.75	20-Mar-09	Cut 75bps	17-Apr-09
Brazil	Selic Rate	11.25	11-Mar-09	Cut 150bps	30-Apr-09
Armenia	Refi Rate	7.75	03-Mar-09	Raise 100bps	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	9.50	05-Feb-09	No change	N/A



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