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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

IMF calls for increased financial cooperation

The International Monetary Fund declared that global cooperation in financial sector supervision needs to improve in order to address systemic risks. It highlighted four areas for improved coordination that cover regulation, resolution tools, depositor and investor protection, and information sharing. It said regulatory arbitrage must be avoided and key parts of prudential regulations must be applied consistently across countries and financial activities; common criteria need to be established for triggering early action when a firm is in trouble; consistent protection for depositors and investors should be part of the framework; and financial supervisors in home and host countries must be granted legal obligations and powers to share information among themselves and with local counterparts. The Fund added that it would focus surveillance on systemic risks from all quarters, and would improve its monitoring of the effects of policy decisions in monetary and fiscal policy on financial sectors, markets, and institutions.
Source: International Monetary Fund

Defaults at record high in first quarter

Standard & Poor's indicated that 62 companies defaulted on their debt obligations in the first quarter of 2009, constituting the largest number of defaults since the first quarter of 2002, and similar to trend in the fourth quarter of 2008 when 61 issuers defaulted. It said the volume of rated debt affected by the first quarter's defaults was $541.2bn, the largest quarterly amount on record. It added that 40 of the defaults were U.S. firms, with the rest from 22 countries globally. The agency noted that the quarterly global speculative-grade default rate rose to 2.2% at the end of March 2009 from only 0.47% a year earlier. It added that the default rate is now above the long-term average of 4.27%, after staying below this level for 59 consecutive months. S&P said that, after hitting record lows in 2007, the pace of defaults has picked up markedly since the second half of 2008. The agency added that if the pace set in the first quarter is maintained through the remainder of the year, defaults would total 248 in 2009, the largest number on record.
Source: Standard & Poor's

MENA

Region's investment promotion agencies among weakest in the world

The World Bank Group's 2009 benchmarking survey on the effectiveness of investment promotion agencies said that the MENA region's agencies are among the weakest performers in the world, posting an average performance score of 35%, lower than the OECD average of 70%, Europe & Central Asia (51%), Latin American & the Caribbean (47%), East Asia & the Pacific (40%) and South Asia (36%), and only higher than Sub-Saharan Africa (25%). The survey assessed the effectiveness of investment promotion agencies by measuring their ability to meet potential investors' information needs at the early stages of the investment process, mainly through web sites performance and inquiry handling. The survey noted that the region had one of the lowest web site performances in the world despite posting the best improvement globally in the 2006-08 period. The MENA's web sites performance received a score of 56%, lower than the OECD's score of 86%, Europe & Central Asia (72%), Latin America & the Caribbean (58%), East Asia & Pacific (57%), and only higher than South Asia (54%) and Sub Saharan Africa (36%). The survey also noted that inquiry handling in the region is less than friendly and very weak with a score of only 15%, just 1% better than Sub-Saharan Africa and worse than the OECD countries' average of 53%, Latin America & the Caribbean (37%), Europe & Central Asia (31%), East Asia & the Pacific (23%) and South Asia (17%). It added that while most of the agencies in the region are contactable, the main problem remains in the quality of response to inquiries and customer follow-up.
Source: World Bank Group

M&A activity drops by 66% in first quarter

Figures released by Ernst & Young show that a total of 47 merger & acquisition activity deals were announced in the first quarter of the year, down 66% from 140 deals in the same period last year. It said outbound deals dropped to 11 deals relative to 48 deals in the first quarter of 2008, while inbound deals fell from 20 deals in the first quarter last year to just 5 deals in the first quarter this year. Also, the number of domestic deals in the region fell by 57% to 31 deals in the first three months of this year. In parallel, the average size of M&A deals in the region declined by 46% from $215m in the first quarter of 2008 to $116m in the first three months of 2009. The top sectors for M&A activity were energy, oil and gas with 6 deals in the first quarter, followed by financial services and banking with 5 deals, and the telecom sector with 4 deals.
Source: Ernst & Young

SYRIA

French Development Agency to open local office

The French Development Agency (AFD) and the State Planning Commission (SPC) signed an agreement to establish an office for the agency in Syria. The agreement includes a formal framework for the agency's work in Syria in a way that enables it to offer aid, grants, loans, and training, and to encourage French investments in Syria. The SPC also expects the AFD office to result in development aid for Syria. The AFD said the expansion of its activities in Syria comes in the framework of supporting sustainable development, infrastructure, environment, agriculture and tourism in the region.
Source: SANA

OUTLOOK

ARMENIA

Economy to contract by 5% in 2009

The International Monetary Fund projected Armenia's real GDP to contract by 5% in 2009 relative to a growth of 6.8% in 2008 and compared to growth in the Caucasus & Central Asian (CCA) countries of 0.9% in 2009. It expected the country's nominal GDP to reach $10.5bn this year, down from $11.9bn in 2008. The Fund forecast Armenia's annual average inflation rate at 3.6% in 2009 down from 9% in 2008 and compared to inflation of 8.6% in 2009 for CCA economies. Also, it expected broad money to grow by 2.3% this year, almost unchanged from 2.4% last year. The Fund projected the central government's fiscal balance to post a deficit of 3.6% of GDP in 2009, up from 1.7% of GDP in 2008, and compared to a deficit of 1.4% of GDP in the region for 2009. It estimated public revenues at 19.1% of GDP this year down from 19.6% of GDP last year and total expenditures at 22.9% of GDP this year relative to 21% of GDP last year.

The IMF expected Armenia's public debt to reach 27.7% of GDP at end-2009, up from 17.9% at end-2008, and compared to a public debt of 15% of GDP in the region. It also forecast total external debt at 21.7% of GDP this year, up from 15.3% of GDP last year, and compared to external debt of 53.3% of GDP in the region. Further, the Fund estimated exports of goods & services from Armenia at $1.3bn in 2009 down from $1.8bn in 2008, and imports of goods & services at $3.6bn in 2009 relative to $4.7bn in 2008. It forecast the country's current account deficit at $1.2bn or 11.4% of GDP in 2009, down from $1.5bn or 12.6% of GDP in 2008, and compared to a deficit of 0.4% of GDP for CCA countries.

Source: International Monetary Fund

IRAQ

Growth at 7% in 2009, potential largely untapped

Merrill Lynch projected real GDP growth in Iraq at 7% in 2009 compared to 9.8% in 2008, with non-oil GDP growth at 5% this year, unchanged from last year. It said the country sits on 115 billion barrels of proven oil reserves, the third-largest in the world behind Saudi Arabia and Iran with about 20% of reserves in the north. It noted that Iraq is the least oil-explored country in the region, with only 10% of fields explored. It added that Iraq has the lowest reserve-to-production ratio of the major oil-producing countries, suggesting huge upside potential once the aged and under-invested industry revives with the participation of international oil companies. It said the Ministry of Oil's plan to boost oil production to 6 million barrels per day (bbl/d), to increase petroleum refining capacity and to produce 70 billion cubic meters of gas annually, requires $50bn in investments, making Iraqi authorities keen to attract DFI.

In parallel, Merrill Lynch added that Iraq offers huge potential for post-war reconstruction, as the country's development needs and reconstruction costs could exceed $100bn, more than one-third of which will go to energy infrastructure. It considered that the sensitive security situation and politics are likely to be more supportive, but financing seems a problem given declining oil revenues, relatively lower U.S. financial support and the global financial crisis.

Merrill Lynch stated that Iraq's economy is heavily dominated by oil, which accounts for 60% of nominal GDP, 90% of fiscal revenues and 98% of exports. It said the latest 2009 budget of $59bn, which has been cut from an initial $80bn due to falling oil prices, requires an oil price of around $80 bbl/d to break even. Therefore, the surpluses in current account and budget balances that have been feeding into reserve accumulation have been reversed with falling oil prices. As such, it forecast the fiscal balance to post a deficit of 17% of GDP this year compared to a surplus of 8% of GDP in 2008, and for the current account balance to post a deficit of 9.8% of GDP in 2009 relative a surplus of 15.2% of GDP in 2008. It noted that the fiscal gaps can still be bridged, with about $40bn in official foreign currency reserves estimated for end-2009, in addition to $24bn in assets held abroad, while the government has sizeable deposits in domestic banks. Also, Iraq has only 20% of the budget committed to large investment spending, suggesting that further spending cuts are possible. It considered that an agreement with the International Monetary Fund supported by generous funding seems likely. Merrill Lynch noted that Iraq's agreement with Paris Club creditors since 2004 led to a reduction in its external debt by 80%, to an estimated 47% of GDP by end-2009 and 39% of GDP by end-2010.

Source: Merrill Lynch

YEMEN

Economic growth at 7.7%, fiscal deficit to worsen to 6.6% of GDP in 2009

The International Monetary Fund projected Yemen's real GDP growth at 7.7% in 2009, up from 3.9% last year, and compared to growth in Middle Eastern oil exporting countries of 2.3% in 2009, and forecast non-oil GDP to grow by 4.4% in 2009, down from 4.8% in 2008. It expected the country's nominal GDP to reach $28.7bn this year, up from $27.2bn in 2008. It forecast Yemen's annual average inflation rate at 12% in 2009, down form 19% in 2008 and compared to inflation of 10% in oil exporting countries for 2009, and expected broad money to grow by 14.2% this year, up from 13.7% last year. The Fund projected the central government's fiscal balance to post a deficit of 6% of GDP in 2009, up from 4.8% in 2008 and compared to a 3.2% deficit in oil exporting economies. It estimated public revenues at 23% of GDP this year down from 36.1% of GDP last year and total expenditures at 29.7% of GDP this year down from 42.7% of GDP last year.

The IMF expected Yemen's public debt to reach 39.9% of GDP at end-2009, up from 36.1% at end-2008. It also forecast total gross external debt at 21.5% of GDP this year, almost unchanged from 21.7% last year and compared to external debt of 29.7% of GDP in oil exporting countries. Further, the Fund estimated Yemen's exports of goods & services at $6.8bn in 2009, down from $9.4bn in 2008 and imports of goods & services at $7.3bn in 2009 relative to $9.3bn in 2008. It forecast the country's current account deficit at $0.7bn or 2.3% of GDP in 2009, up from $0.5bn or 2% of GDP in 2008, and compared to a deficit of 0.6% of GDP for oil exporting countries in the region.

Source: International Monetary Fund

EMERGING MARKETS

Sovereign issuance at $30bn in first 4 months

Deutsche Bank indicated that sovereign borrowers have raised more on the Eurobond market in 2009 than originally expected, with several borrowers having already secured the majority of their planned external borrowing for 2009. It expected sovereign issuance to total $50.5bn in 2009, up from its original estimate of $40.9bn. It said that $29.8bn has been raised in the first 4 months of 2009, leaving $20.7bn to be secured. It noted that this compares favorably with the $27.5bn of redemptions falling due in the remainder of the year. It added that April has seen a significant shift in terms of the types of issuers able to access the market, as access was restricted almost entirely to sovereigns and quasi-sovereigns in the first quarter, but the trend has shifted since then towards a loosening of the market with more diverse borrowers securing financing.

Source: Deutsche Bank

SYRIA

Income tax rates adjusted downward

A Presidential Decree increased the salary threshold for income tax from SYP 5,000 to SYP 6,010, which is also the minimum monthly salary in the public sector. The decree was enacted on May 14 and applies both to civil servants and private sector employees. The income tax rate on salaries of up to SYP 12,000 now stands at 5%, while it rises to 7% for those between SYP 12,001 and SYP 16,000, and to 11% for salaries in the SYP 20,001-24,000 range. Further, salaries between SYP 24,001-30,000 now pay a 12% tax rate, those in the SYP 30,001-50,000 range pay a 16% tax rate, salaries in the SYP 50,001-75,000 bracket pay a 19% rate, while salaries above SYP 75,000 pay a 22% tax rate. Previously, the income tax rate for all salaries above SYP 30,000 stood at 20%.

Source: SANA, Syria

JORDAN

Budget deficit to widen in 2009

The Finance Ministry expected Jordan's budget deficit to widen to 7% of GDP in 2009 from 4.9% of GDP in 2008 due to the impact of the global financial crisis on the country. It said economic growth is expected to fall to 3.5% from 5.6% in 2008, driven by lower FDI and remittances due to tightening liquidity in the GCC from low oil prices. It noted that Jordan cannot afford to adopt fiscal stimulus measures that would strain its budget deficit, adding that the government secured around $362m, or 1.6% of GDP, in loans from international institutions to finance the 2009 deficit. The remainder of the deficit is expected to be financed through local banks. The budget deficit reached JD325.8m in the first four months of 2009 compared to a JD10.4m surplus in the same period last year.

Source: Reuters, Petra

KUWAIT

Sovereign ratings affirmed

Standard & Poor's affirmed Kuwait's sovereign credit ratings at 'AA-/A-1+' with a 'stable' outlook. It said the ratings are supported by the sovereign's rich resource endowment that, combined with prudent policies, has helped Kuwait build very strong external and fiscal balance sheet positions in recent years. It indicated that these strengths balance some short-term risks linked to the decline in oil prices, oil production cuts and lower non-oil real GDP growth, as well as increased contingent liabilities from the financial system. The agency projected Kuwait's net external assets to reach 425% of current account receipts in 2009, and forecast the government's net asset position on the fiscal side at about 250% of GDP by end-2009. It expected the general government budget to post a surplus of about 12.3% of GDP in fiscal 2009-10, down from an estimated 17.9% in 2008-09. It noted that the budget is not providing any additional fiscal boost to the economy, while a number of planned infrastructure projects have been cancelled in recent months. It said that this might exacerbate the cyclical downturn in the medium term given the predominance of the government in economic activity.

Source: Standard & Poor's

KAZAKHSTAN

Sovereign ratings downgraded

Moody's Investors Service downgraded Kazakhstan's local currency government rating to 'Baa2' from 'Baa1', the same as its foreign currency rating, and changed the outlook to 'negative'. It also downgraded the foreign currency country ceiling for bonds to 'Baa1' from 'A2' and the local currency country ceilings for bonds and bank deposits by one notch to 'A2' and 'A3', respectively. It attributed the decision to continuing fragility in the Kazakh banking system because of its large short-term foreign currency debt obligations, as well as to economic weaknesses related to the heavy dependence on commodity exports whose prices have collapsed sharply. The agency added that the government's financing gap may widen considerably because of overly optimistic forecasts for the budget outcome, adding that shortfalls in government revenues due to worsening growth prospects may come at a time of increasing stress in the banking system as non-performing loans grow rapidly. It warned that the health of the banking system may deteriorate as two of the top four banks are in default on their foreign currency obligations and in government administration, and with resolution of each bank's problems and status far from certain.

Source: Moody's Investors Service

ARMENIA

Trade deficit down 28% in first quarter of 2009

Figures released by the National Statistical Service show that Armenia's trade deficit reached $535.1m, or 37.2% of annualized GDP, in the first quarter of 2009, posting a decrease of 27.7% from the same period last year. Exports fell by 47.3% to $123.52m, while imports declined by 22.2% to $658.5m. Armenia's main export destinations were Germany with a 20.9% share of total exports, followed by Russia with 14.9%, the United States with 10.4%, the Netherlands with 9.6%, Georgia with 8.3% and Belgium with 7.2%. The main sources of imports to Armenia were Russia with a 26.4% share of total imports, followed by China with 8.6%, Ukraine with 6.4%, Germany with 5.3% and the United States with 4.7%. Non-precious metals and jewelry were the largest export items, reaching $46m at end-March 2009, while cars and equipments accounted for the largest import category at $86m.

Source: ArmInfo

BANKING

GCC

UAE pulls out of monetary union

The Foreign Ministry declared that the UAE has decided to withdraw from the Gulf Monetary Union, while the country's Central Bank Governor stated that the country would keep its currency pegged to the US dollar and monetary policy would remain the same. The withdrawal of the UAE leaves four out of the six GCC countries to adopt the single currency, as Oman decided not to participate from the very beginning. The withdrawal constitutes a serious setback for the prospects of the common currency, as the UAE is the second largest economy in the GCC. Last September, the Central Bank governors and finance ministers of the GCC countries approved a draft agreement for the formation of a monetary union and establishing common monetary institutions before 2010. The agreement stipulates the formation of a new body, the Monetary Council, which would serve as a forerunner to a common central bank. More recently, the UAE expressed reservations over a decision for Saudi Arabia to host the GCC Central Bank given that the GCC secretariat is already based in the kingdom.

Source: Standard Chartered

UAE

Bank deposits to have three-year guarantee

The Federal National Council (FNC) approved a draft law that would guarantee bank deposits for three years ending in December 2012. The guarantee covers all national banks in the country, branches of foreign banks and foreign deposits inflows. The Ministry of State for Financial Affairs said the law is temporary but is important to face the impact of the international financial crisis as it encourages foreign institutions to place deposits at UAE banks. It added that the draft provides a legal framework to guarantee deposits between the banks covered by the law and reduces the traditional risks in the work of the banking system. The law is among a package of laws that will be announced soon including a deposit guarantee institution and a financial tools law. Saudi Arabia and Kuwait already have deposit guarantee programs.

Source: Business 24/7

SYRIA

Assets of Islamic banks at 2.7% of sector assets

Figures released by the Central Bank of Syria show that the aggregate assets of Islamic banks operating in Syria reached SYP45.7bn at the end of 2008, or about $980m, constituting an increase of 115% from SYP 21.2bn at end-January 2008. Islamic banks accounted for 2.7% of the sector's assets at end-2008, up from 1.3% at the end of January 2008, and for 14% of private banks' total assets. Private sector lending reached SYP14.2bn, or around $304m at end-2008, up from SYP2.1bn at end-January. Islamic banks' loans to the private sector accounted for 3.6% of the sector's total loans and 12.9% of private banks' lending. In parallel, total deposits reached SYP37bn at the end of the year, or about $794m, an increase of 172% from the beginning of the year. Islamic banks accounted for 3.5% of all deposits in the sector and for 13.7% of private banks' aggregate deposits. Their total capital reached SYP7.1bn constituting 30.4% of private banks' capital.

Source: Central Bank of Syria, Byblos Research

JORDAN

OPIC extends $150m to two banks

The Overseas Private Investment Corporation (OPIC) announced it will extend $150m to two Jordanian banks to help expand home ownership for low-income families in the country. Under the program, the Arab Bank will receive a $100m loan facility and the Cairo-Amman Bank will get $50m. The facilities will allow the banks to introduce 25-year, fixed-rate, local currency mortgages to lower-income households in Jordan. The project directly supports the affordable housing goals of Jordan's National Housing Initiative. OPIC said the project will serve as a catalyst to attract future investment capital to the region by demonstrating the possibility of profitable mortgage lending to underserved markets. Previously, OPIC extended to the Arab Bank and the Housing Bank for Trade & Finance $100m each, and to Cairo Amman Bank $50m in loan facilities for the same purpose. An agency of the U.S. government, OPIC manages risks associated with FDI in developing countries.

Source: Overseas Private Investment Corporation

EGYPT

Central Bank cuts rates on deposits and lending

The Monetary Policy Committee at the Central Bank of Egypt (CBE) lowered the overnight deposit rate by 50 bps to 9.5% and the overnight lending rate by 100 bps to 11%. It also lowered the discount rate by 50 bps to 9.5%. The move narrows the corridor spread to 1.5% from 2% and brings total interest rate cuts since the beginning of the year to 200 bps for the deposit rate and 250 bps for the lending rate. The CBE attributed the rate cuts to the continuous fall in inflation, which dropped to 11.8% annually in April from 12.1% in March and 13.5% in February. It added that further weakening in external demand, which would result in unfavorable conditions for the economic growth outlook, favors a narrowing of the rate spreads.

Source: EFG Hermes

ALGERIA

Financial soundness improves in 2008

Figures released by the Institute of International Finance show that the performance of Algerian banks improved in 2008. The risk-weighted capital adequacy ratio of the sector reached an estimated 16% in 2008 compared to 13% in 2007 and 15% in 2006. The sector's non-performing loans (NPLs) as a share of total loans decreased to 18% at year-end 2008, from 22% at year-end 2007 but remain high. Public banks' NPLs to total loans reached a high 20% in 2008 due to lending by public banks to loss making state-owned enterprises, while foreign banks' NPLs ratio declined to 7% in 2008 from 9% in the previous year. Further, the ratio of provisions to NPLs for the sector increased to 62% in 2008, up from 55% in 2007 and 54% in 2006. In parallel, the banks' profitability improved in recent years, with return on equity reaching 25% in 2008, up from 8% in 2005 and 19% in 2006. As at end-March 2009, the Algerian banking system consisted of six state banks, 14 private banks and one specialized bank. Public banks still account for about 85% of the sector's total assets and more than 80% of loans.

Source: Institute of International Finance

Oil falls below $61 after a rise to 6-month peak

Oil fell by more than a dollar to below $61 a barrel on May 21, after hitting a six-month high in the previous session on expectations of a rebound in the world economy. U.S. crude for July delivery was down $1.36 a barrel at $60.68. It had settled at $62.04 a barrel, before trading up to a six-month high of $62.26 in post-settlement activity. London Brent was down $1.26 at $59.33. Oil has nearly doubled since December, despite weak demand and high fuel inventories. Prices have increased by about a third in the past four weeks. A rally in equity markets has partly inspired oil's gains in anticipation of a recovery in world economic growth and oil consumption. Latest U.S. government data on oil inventories provided evidence to support the view that the world economy might be improving. Crude oil and gasoline stockpiles in the United States fell sharply last week, according to the U.S. Energy Information Administration, with crude declining 2.1 million barrels and gasoline falling 4.3 million barrels.

Also, optimistic investor sentiment about the global economic outlook showed signs of moderating after the United States cut growth forecasts for the next three years and credit rating agency Standard & Poor's cut its outlook on the United Kingdom to 'negative' from 'stable'. This hit European equity markets, ending a five-day progress. The Organization of Petroleum Exporting Countries, which has agreed to cut 4.2 million barrels per day of output since September in a bid to prop up oil prices, will meet on May 28 to discuss output policy. Ministers said they see no need to cut production further.
Source: Thomson Reuters

Iran starts supplying gas to Armenia in exchange for electricity

Iran started supplying gas to Armenia on May 14 in exchange for electricity, following an agreement signed in Yerevan between Armenian firms Yerevan TPP and HPP Vorotan Cascade and Iranian companies National Iranian Gas Export Company and Tavanir. Gas will flow through the Iran-Armenia gas pipeline, which is considered as an alternative to the Northern Caucasus-Transcaucasus pipeline through which Armenia receives gas from Russia across Georgia. According to the agreement, Iran will supply 1.1 billion cubic meters of gas to Armenia in 2009 and up to 2.3 billion cubic meters of gas per year by 2019.
Source: ArmInfo

Investments of $1.2bn for electricity and real-estate projects in Morocco

The Abu Dhabi National Energy Company (Taqa) announced plans to invest $1.2bn to increase capacity at an electricity plant in Morocco. Jorf Lasfar Electric Company (JLEC), a subsidiary of Taqa, will build, own and operate two units with a capacity of 350 megawatts (MW) each as well as maintain them under a 30 year contract once they become operational in 2013. Jorf Lasfar is owned by JLEC and has a current capacity of 1,320 MW. This expansion is in line with Morocco's strategy to meet an annual electricity demand growth of approximately 7%.
Source: EFG-Hermes

Base metals: Copper declines on concern about recession in U.S.

Copper fell for the first time in six days on concern the recession in the U.S. may be worse than expected. Copper for three-month delivery fell $164, or 3.5%, to $4,476 a metric ton on the London Metal Exchange. The metal reached an intraday high of $4,680 on May 20, the highest since May 12th. Copper for July delivery fell 3.1%. Metals prices dropped as equities retreated, pulling the MSCI World Index of shares lower after three days of gains. Demand from China has helped the metal to increase by 47% on the LME this year. Copper has advanced 1% in May after four straight months of gains. In Japan, shipments of wire and cable made from the metal dropped 26.3% in April from a year earlier. Stockpiles of copper in LME-monitored warehouses fell for an 11th day, dropping 1.6% to 336,075 tons. Still, metal booked for delivery makes up 15% of total inventories, down from 21% at the start of this month. Global copper output lagged behind demand in February, the first deficit in eight months, as China's use increased. Among other LME metals for three-month delivery, aluminum fell 1.3% to $1,474 a ton. LME-monitored inventories of aluminium rose 0.8% on May 21 to a record 4.18 million tons. Lead fell 2.5% to $1,426.25 a ton, while zinc dropped 3.5% to $1,465 a ton. Nickel fell 2.8% to $12,320 a ton, and tin lost 1.5% to $13,500 a ton.
Source: Bloomberg

Precious metals: Mixed performance

Gold rose to the highest in almost two months as a drop in the dollar boosted investors' interest in the metal as an alternative asset. Immediate-delivery gold gained for a third day, rising 0.4% to $942.24 an ounce. Earlier, the metal touched $943.10, the highest since March 26, increasing by 17.5% from year's low of $802.59. Global gold purchases rose 38% in the first quarter, led by investment demand that exceeded usage by jewelers for the first time since 2004. Worldwide demand increased to 1,015.5 metric tons compared with 733.9 tons a year earlier. Investment purchases more than tripled to 595.9 tons while jewelry demand fell 24% to 339.4 tons. Dollar weakness may spur gains in gold and push the metal to a record. Holdings in the SPDR Gold Trust, the biggest exchange- traded fund backed by gold, stood unchanged at 1,105.62 tons as of May 20th. Gold for June delivery in New York gained 0.5% to $942.20 an ounce. Silver increased 0.4% to $14.35 an ounce after surging 3.9% in the past two days. Platinum was little changed at $1,154.50 an ounce, and palladium dropped 0.8% to $233 an ounce.
Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	176.1	159.2	196.1	5.3	-31.7
LME metals price index	2145.7	1860.6	2622.7	0.9	-46.7
Oil prices USD	58.0	45.6	78.6	15.7	-53.9
Oil prices SDRs	38.2	30.5	51.2	13.9	-50.9
Gold $/troy oz	929.5	878.9	867.4	5.7	7.0
Silver cents/troy oz	1414.0	1196.9	1322.0	15.0	-17.2
Platinum $/troy oz	1121.0	1004.5	1265.6	-6.2	-45.6
Copper $/MT	4507.5	3620.2	5381.5	1.0	-46.4
Nickel $/MT	12452.5	10546.5	14507.5	15.8	-53.5
Aluminium $/MT	1482.8	1439.6	2055.3	2.2	-48.8
Zinc $/MT	1432.5	1218.6	1463.7	6.0	-37.4

Source: Credit Suisse

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	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 (%)
Africa													
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+ Stable	Ba1 -	BB+ Stable	BBB- Stable	BB Stable	-7.7	74.5	17.8	51.4	5.4	105.9	-1.5	4.1
Ethiopia	-	-	-	-	CCC Stable	-3.5	-	10.9	250.0	-	-	-6.1	-
Ghana	B+ Stable	- -	B+ Negative	- -	B Negative	-10.8	-	39.0	103.6	-	-	-13.7	-
Ivory Coast	- -	- -	- -	- -	CC Stable	-1.7	-	57.9	175.9	-	556.0	-1.8	-
Libya	A- Stable	- -	BBB+ Stable	- -	BB 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+ Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-2.6	51.8	24.1	73.9	5.7	74.1	-0.1	3.3
Nigeria	BB- Negative	- -	BB- Stable	- -	B 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 Stable	Baa2 -	BBB Stable	BBB Stable	BB Stable	-3.1	49.8	50.6	105.6	12.3	235.5	-3.3	3.8
Middle East													
Bahrain	A Stable	A2 -	A Stable	A Stable	BBB Stable	-3.4	18.2	187.7	321.7	4.6	63.8	6.2	0.4
Iran	- -	- -	B+ Stable	BB- Stable	B 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 Stable	Ba2 -	- -	BB Stable	B Stable	1.3	51.4	65.6	122.2	4.8	198.6	-10.0	11.4
Kuwait	AA- Stable	Aa2 -	AA- Stable	AA- Stable	A Stable	22.6	4.9	40.4	134.2	6.2	229.7	23.6	-9.9
Lebanon	B- Stable	B2 -	B- Stable	B- Stable	CCC Stable	-10.8	145.6	97.5	614.9	20.4	199.0	-12.0	9.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	-1.9	3.5	21.4	68.7	-	113.0	-4.0	4.0
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	A Stable	1.7	4.1	52.5	189.8	7.3	359.3	24.3	7.8
Saudi Arabia	AA- Stable	A1 -	AA- Stable	AA- Stable	BBB 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- Stable	BBB Stable	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
Yemen	- -	- -	- -	B Stable	CCC Stable	-17.2	-	29.6	161.9	-	-	-16.9	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	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 (%)
Central & Eastern Europe													
Armenia	-	Ba2	BB	-	-								
	-	-	Stable	-	-	-2.2	13.9	32.5	496.8	1.2	311.3	-9.0	5.9
Bulgaria	BBB+	Baa3	BBB-	-	BB								
	Stable	-	Stable	-	Stable	-0.4	13.7	101.8	159.2	22.5	250.5	-15.3	9.8
Kazakhstan	BBB-	Baa2	BBB-	-	BB								
	Negative	-	Negative	-	Stable	1.7	6.0	86.4	267.8	56.6	528.0	-3.1	1.5
Romania	BBB-	Baa3	BB+	BBB-	BB								
	Negative	-	Stable	Negative	Stable	-4.9	16.2	61.9	171.7	21.8	319.6	-8.2	5.1
Russia	BBB+	Baa1	BBB	-	BBB								
	Negative	Positive	Negative	-	Negative	1.5	7.4	40.1	155.9	17.4	193.3	-0.7	0.4
Turkey	BB-	Ba3	BB-	BB-	BB								
	Stable	-	Stable	Stable	Stable	-3.9	43.5	56.0	238.4	41.2	587.4	-5.0	2.4
Ukraine	CCC+	B1	B	-	CCC								
	Negative	Positive	Negative	-	Stable	-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	29-Apr-09	No change	24-Jun-09
Eurozone	Refi Rate	1.00	07-May-09	Cut 25bps	04-Jun-09
UK	Base Rate	0.50	07-May-09	No change	04-Jun-09
Japan	O/N Call Rate	0.10	30-Apr-09	No change	22-May-09
Australia	Cash Rate	3.00	05-May-09	No change	02-Jun-09
New Zealand	Cash Rate	2.50	30-Apr-09	Cut 50bps	11-Jun-09
Switzerland	3 month Libor target	0.25	12-Mar-09	Cut 25bps	18-Jun-09
Canada	Overnight rate	0.25	21-Apr-09	Cut 25bps	04-Jun-09
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	30-Apr-09	No change	24-Jun-09
Taiwan	Discount Rate	1.25	26-Mar-09	No change	June 09
South Korea	Target Rate	2.00	12-May-09	No change	11-Jun-09
Malaysia	O/N Policy Rate	2.00	29-Apr-09	No change	26-May-09
Thailand	1D Repo	1.25	20-May-09	Cut 25bps	N/A
India	Repo rate	3.25	21-Apr-09	No change	24-Jul-09
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.50	14-Apr-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.50	20-May-09	Cut 50bps	N/A
Turkey	Base Rate	9.25	14-May-09	Cut 50bps	16-Jun-09
South Africa	Repo rate	9.50	30-Apr-09	Cut 100bps	28-May-09
Kenya	Central Bank Rate	8.25	20-Mar-09	Cut 25bps	June 09
Nigeria	Monetary Policy Rate	8.00	08-Apr-09	Cut 175bps	June 09
Ghana	Prime Rate	18.50	12-May-09	No change	July 09
Mexico	Target Rate	5.25	18-May-09	Cut 75bps	N/A
Brazil	Selic Rate	10.25	29-Apr-09	Cut 100bps	10-Jun-09
Armenia	Refi Rate	7.50	07-Apr-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	9.00	14-May-09	Cut 50bps	N/A

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