

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### **Global economy stabilizing, risk of systemic crisis reduced**

Fitch Ratings indicated that the global economy has likely stopped shrinking and will slowly begin to recover during the second half of this year. It cautioned, however, that economic recovery will be anemic and unemployment will continue to rise through most of next year. The agency said emerging market (EM) sovereigns remain affected by the global crisis, with the principal risk so far centered on sharp declines in private capital flows, including cross-border bank lending, which continue to pressure balance of payments and financial stability, especially in Central and Eastern Europe. It added that the very weak global economic environment and reduced availability and higher cost of financing is putting pressure on non-sovereign credit quality, with approximately one third of rated companies and banks in emerging markets currently on 'negative' outlook and with only 2% on 'positive' outlook. Fitch noted that EM sovereign credit quality has so far proved resilient in the face of the most severe global financial crisis and economic recession in decades due to stronger sovereign balance sheets and policy frameworks built over the last several years. It also said that the risk of a systemic EM crisis has diminished, in large part because of the international policy response coordinated by the Group of 20 economies.

*Source: Fitch Ratings*

##### **Launch of risk database consortium**

The International Finance Corporation and the European Investment Bank signed a cooperation agreement creating a Global Emerging Markets (GEMs) Risk Database Consortium to pool data and strengthen risk-management practices among multilateral development banks. The IFC said the initiative will enhance the cooperation and synergies among international financial institutions (IFIs) in the context of promoting the development of financial markets in emerging countries. The agreement provides a consistent framework for potential partners, such as the European Bank for Reconstruction and Development, the African Development Bank, and the Inter-American Development Bank, which will be joining the Consortium. The IFC and EIB worked to standardize the data collection processes and structured the data in a way that keeps counterparts' identities anonymous and preserves data confidentiality. The risk database and common methodology adopted by EIB and IFC have been reviewed independently by Standard & Poor's and will now be made available to other multilateral development banks.

*Source: International Finance Corporation*

#### MENA

##### **Equity markets rise by 12.5% in first half of 2009**

Arab stock markets rose by 12.5% in the first half of 2009 compared to a drop of 8.2% in the same period last year and to a decline of 54.5% during 2008. The Tunisia stock exchange increased by 27.2% in the first 6 months of the year, posting the best performance among Arab markets during the covered period. It was followed by the Cairo stock market with a 24% rise, the Beirut bourse with a 21% increase, the Palestine market with a 19% rise, the Saudi equity market with a 16.5% improvement, the Abu Dhabi exchange with a 10% rise, the Dubai bourse with a 9% increase, the Casablanca exchange with a 5.5% rise, the Kuwait stock market with a 3.8% increase, and the Muscat exchange with a 3.1% improvement. In parallel, the Bahrain stock market posted the worst performance in the region with a 12.3% decrease during the first half of the year, followed by the Doha exchange with a 5.7% drop and the Amman bourse with a 1% decline. In comparison, emerging market equities improved by about 30% in the first half of 2009.

*Source: Local stock markets, Byblos Research*

##### **Region's vulnerability increases in 2008**

The Fund for Peace/*Foreign Policy Magazine* Failed States Index showed that the MENA region became more vulnerable to violent internal conflicts and deteriorating conditions in 2008, as the region's average level of vulnerability increased from 76.8 points in 2007 to 77.3 points in 2008, a level that is worse than the global average of 72.1 points. The index evaluates and ranks countries' vulnerability based on 12 political, military, social and economic indicators. Sudan, Iraq and Yemen were the most vulnerable countries in the region, while Qatar, the UAE and Oman were the least vulnerable sovereigns. Among the 19 MENA countries covered in the index, the rankings of 9 countries improved and 10 declined, while the level of vulnerability improved in 4 countries and worsened in the remaining 15 countries. Iran's rank dropped by 19 spots, posting the worst decline in the region, while Egypt and Morocco rose by 7 spots each, registering the best improvement regionally. Further, Iraq's score rose 2.8 points and improved the most, and Iran's score saw the steepest deterioration by dropping 7.2 points.

*Source: Foreign Policy, Fund for Peace*

#### UAE

##### **Abu Dhabi to host IRENA**

The 129 member states of the International Renewable Energy Agency (IRENA) voted to locate their headquarters in Abu Dhabi. Established last January, IRENA aims to offer advice to governments on technical and financial issues linked to renewable energy and promote such technology in developing countries. The UAE has proposed to locate IRENA headquarters in Masdar, a \$22bn city that will have zero carbon emissions and that is scheduled for completion in 2015.

*Source: Dow Jones Newswires*

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# OUTLOOK

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## SYRIA

### **Economic growth at 3% in 2009, current account to post large deficit**

In its updated outlook on the global economy, the World Bank estimated real GDP growth in Syria at 3% in 2009 compared to 1.6% for the Middle East & North Africa region, 1.2% for developing countries and a contraction of -2.9% for the global economy. It also forecast real GDP growth at 3.5% for 2010 relative to 3.5% for the MENA region, 4.4% for developing economies and 2% for the world economy. According to the World Bank, Syria's projected GDP growth for 2009 is similar to that of Tunisia; is higher than growth in Algeria, Jordan, Iran and Lebanon; but lower than growth in Egypt, Morocco and Yemen for the same year. It added that Syria's real GDP growth in 2010 would be similar to that of Jordan and Algeria, higher than that of Iran but lower than growth in Egypt, Lebanon, Morocco, Tunisia and Yemen.

The World Bank estimated that developing oil exporters such as Syria, along with Iraq, Iran and Yemen, will see total oil revenues decline from \$320bn in 2008 to \$140bn in 2009, equivalent to 28% of their aggregate GDP. It said such severe revenue declines, against a continuation of expenditures at a fairly rapid pace, has caused fiscal balances to deteriorate. As a result, the Syrian public sector's capacity to mitigate some of the adverse consequences of the crisis through targeted stimulus packages and other measures has been reduced. The Bank added that, as an oil exporter with a large population, Syria is much more fiscally constrained than oil exporters with smaller populations.

The World Bank indicated that Syria posted a current account surplus equivalent to 1% of GDP in 2008. But lower oil prices and a reduction in FDI are expected to result in a deficit of 7.7% of GDP in 2009 and 6.9% of GDP in 2010. It noted that Syria's current account deficit for this year would be wider than deficits in Egypt, Lebanon, Morocco and Tunisia, while it will be narrower than that of Yemen.

*Source: World Bank*

## ARMENIA

### **Economy to contract by 2% in 2009, key risks are drop in remittances, outlook of mining sector and Russian economy**

Business Monitor International projected Armenia's economy to contract by 1.9% in 2009 and to grow by 2.5% in 2010, adding that the negative trends that emerged in the second half of 2008 would remain in 2009 and through mid-2010. It expected the country to be further impacted by the factors that have negatively affected countries in Emerging Europe such as falling capital inflows and weaker domestic and external demand. It considered that the \$823m Stand-By Agreement with the IMF will provide a boost to macroeconomic stability, but cautioned that the risks to economic activity will remain elevated through 2009-10. It cited the bleak outlook for the mining sector, Russian economic problems, and falling remittance inflows as the three key risks to Armenian economic growth in the covered period.

BMI said the fall in international commodity prices will continue to negatively impact mining, which is a key export sector, as mining companies' revenues have fallen significantly and a number of firms have laid off workers in recent months. Second, it forecast economic growth in Russia, which is Armenia's main export market and a key source of foreign investment and capital inflows, to contract by 4% in 2009. It said this will hurt Armenian exports and FDI in the medium term. Finally, it expected remittances, which account for 9-10% of GDP, to fall substantially as remittances from Russia, which accounted for 64% of total remittance inflows in 2008, drop due to the Russian recession. In turn, this will weigh on both private sector and consumer spending over the medium term. Further, it projected the unemployment rate to rise to 10.8% in 2009 from 6.3% in 2008, which will reduce consumer spending power.

BMI anticipated a recovery in the second half of 2010 and forecast real GDP growth of 4.5% in 2011, rising to 6.2% by 2013. It said the recovery of the Armenian economy will be closely linked to an improvement in the outlook for its key trading partners, along with an improvement in the global credit markets. It cautioned that medium-term growth will be lower, averaging 5.5% in 2011-13 compared to 13.6% in 2005-07.

*Source: Business Monitor International*

## JORDAN

### **Growth to average 2.9% in 2009-10, current account and fiscal deficits are key risks**

The Institute of International Finance expected the Jordanian economy to grow by 2% in 2009 and 3.8% in 2010 compared to 5.6% in 2008, adding that Jordan's persistent current account and fiscal deficits represent the greatest risk to the outlook over the medium term and may not be sustainable over the long term. It said the two deficits are supported by foreign grants that appear safe for now, but that cannot be expected to last at their current level. It considered that most sectors will be adversely impacted by the global economic downturn, with some sectors affected more than others such as manufacturing, mining, exports and tourism. It said construction activity will slow down but will still be supported by ongoing real estate and infrastructure projects.

The IIF expected the current account deficit to narrow from 12.1% of GDP in 2008 to 7.4% in 2009 due mainly to a lower trade deficit, and to remain unchanged in 2010. It said robust FDI inflows would cover most of the deficit over the 2009-10 period, reducing the risk of financing difficulties and allowing a further increase in foreign exchange reserves. It forecast official reserves to continue to rise, covering an average of 6.8 months of imports in 2009-10. The IIF also forecast the fiscal deficit to increase to nearly 7% of GDP in 2009 from 4.9% in 2008, reflecting major fiscal challenges. It recommended reforming the structure of public expenditures by reducing entitlements and slowing the growth of other spending items. It warned that unless the fiscal deficit is turned around and the primary balance returns to surplus, it will become increasingly difficult to further reduce the public debt. It forecast external debt to rise to 74% of GDP at end-2009 from 69% of GDP at end-2008.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## JORDAN

### Free trade deal signed with Canada

Canada and Jordan signed a bilateral free trade agreement, constituting the first such deal between Canada and an Arab country and the second with a Middle Eastern country after Israel. The agreement gives Jordan preferential treatment in its trade transactions with Canada, including full exemption from customs duties for Jordanian goods entering the Canadian market. In return, Jordan will reduce customs duties on Canadian products over a transitional period of four years with forestry, manufacturing, agriculture and agri-food products expected to benefit from immediate duty-free access. The deal is expected to be ratified by both parliaments later this year. Bilateral trade reached about \$80m in 2008. Jordan has free trade agreements with the United States and Singapore, is a member of the World Trade Organization and has an association accord with the European Union that paves the way for full lifting of tariffs and customs.

Source: *Associated Press, Jordan Times*

## IRAQ

### Average household income at \$719 per month

The first household survey conducted in Iraq in 20 years indicated that the average monthly income of Iraqi households is \$719 and that 47% of households earn less than \$585 per month. It said 15.7% of households earn less than \$335 per month, 22.6% of households earn between \$585 and \$836 per month, 24.1% earn between \$837 and \$1,672 per month, and 6.3% of households earn more than \$1,673 per month. The survey added that wages & salaries account for 53.9% of households' income, followed by self employment with 24.1%, property income with 11%, and transfers with 7.6%. In addition, 84.3% of Iraqi households receive financial assistance, mainly from governmental sources (76.1%) and from other households (26%). Foodstuff & non-alcoholic beverages account for 35.6% household expenditures, followed by dwelling water, gas, electricity & fuel expenses with 29%, transport with 10.5%, clothing & footwear with 6.7%, furnishing equipments with 6.2%, communication with 2.5%, health care with 2.1% and education with 0.8%.

Source: *World Bank*

## UAE

### Dubai entities downgraded on uncertainty of financial support

Standard & Poor's downgraded DP World and the Jebel Ali Free Zone to 'BBB+' from 'A' with a 'negative' outlook, and the Dubai Multi Commodities Center Authority to 'BB' from 'A-' with a 'stable' outlook. It also affirmed the ratings on DIFC Investments at 'A' with a 'negative' outlook. Further, it kept the ratings on Dubai Holding Commercial Operations Group (DHCOG) on CreditWatch with negative implications, and revised to 'developing' from 'negative' the CreditWatch implications on the ratings of Emaar Properties following announcements of a possible merger between the latter and DHCOG's three property development companies. The rating actions come after the agency placed last April the ratings of the above Dubai government-related entities (GREs) on CreditWatch with neg-

ative implications. S&P attributed the rating actions to increased uncertainty about the likelihood of extraordinary financial support by the Government of Dubai to its GREs to ensure the timely repayment of their financial obligations. It said this is reflected by a review of debt strategy at Nakheel, a key GRE, that may include the possibility of a debt exchange of its \$3.5bn sukuk due in December 2009, with a view to restructuring the debt. S&P said that the consideration of a debt restructuring at any key GRE, particularly if it were deemed to be distressed, increases the uncertainty as to Dubai's intention to provide adequate support in times of stress.

Source: *Standard & Poor's*

### Dubai government real estate firms to merge

Emaar Properties, the largest master plan real estate developer in Dubai, announced merger plans with three property subsidiaries of the Dubai Holdings Commercial Operations Group (DHCOG) that are Dubai Properties, Tatweer and Sama Dubai. Emaar is 32% owned by the government of Dubai and DHCOG is fully-owned by the latter. The move reflects the downturn of the property sector in Dubai after five years of unprecedented growth, as house prices dropped by about 50% from their peak levels last year and several projects have been canceled since last September. The proposed merger is expected to be completed by year-end 2009. In parallel, Moody's Investors Service downgraded the ratings of DHCOG to 'A3' from 'A2' and placed the ratings on review for possible further downgrade. It also placed the 'Baa1' ratings of Emaar Properties on review for downgrade. It attributed the rating actions to the continued fundamental challenges to both companies' business and financial profiles in the wake of difficult conditions on Dubai's property market, despite the merger announcement.

Source: *Khaleej Times, Moody's Investors Service*

## TURKEY

### Economy contracts by 14% in first quarter

Figures released by the Statistics Office show that GDP contracted by a record 13.6% year-on-year in the first quarter of 2009, worse than the market consensus of 11.8% and than the 6.2% contraction in the fourth quarter of 2008. Private consumption declined by 9.2% annually, and private sector capital expenditures contracted by 35.8% year-on-year, as the two components collectively pulled down GDP growth by 15 percentage points. Government consumption and investment increased by 5.7% and 24.6%, respectively, adding 1.2 percentage points to overall GDP growth. The contraction in overall domestic demand pulled down growth by 20.8 percentage points. Construction activity dropped by 18.9%, manufacturing output declined by 18.5% while services contracted by 10.5% year-on-year. The three sectors pulled down growth by -1.1, -4.3 and -5.5 percentage points, respectively. Further, the wholesale and retail trade sectors recorded their worst-ever performance with a 25.4% year-on-year contraction and contributed to 3.6pps contraction in GDP growth. Although Turkey has avoided a financial crisis so far, the double-digit contraction in GDP reflects the Turkish economy's dependence on cross-border financial flows in order to grow.

Source: *Credit Suisse, Deutsche Bank*



# BANKING

## UAE

### Government guarantees obligations of local banks

The UAE Federal National Council ratified a law that allows the federal government to guarantee all obligations, or wholesale funding, raised by the banking sector. The new law covers bonds, medium-term notes, syndicated loans and commercial paper. It would substantially lower the cost of financing for the banks and improve access to funding. Also, the law would help shore up confidence in the banks by demonstrating continuous sovereign support to the sector. Local UAE banks have raised less than \$800m from the bond and syndicated loan markets so far this year, compared to over \$10bn in 2006 and 2007 and almost \$5bn in 2008. While part of the decline could be explained by banks' wanting to improve their loan-to-deposits ratio, there is also an issue of ability to fund at attractive rates. More importantly, the upcoming maturities of bonds and syndicated loans for local UAE banks total \$2.7bn for the remainder of 2009 and almost \$7bn for 2010. The measures are likely to benefit Abu Dhabi banks more than Dubai banks, because approximately two-thirds of 2009 refinancing needs are for Abu Dhabi banks. The main banks that would benefit from such a move would be Abu Dhabi Commercial Bank and Emirates NBD, as they have the most debt to roll over.

Source: Bloomberg, EFG Hermes, Standard Chartered

## LIBYA

### Banks resilient to global crisis, asset quality still low

The Institute of International Finance indicated that Libya's banking system has been resilient to the global financial crisis, as the sector is still largely state-owned and unsophisticated banking activities have shielded banks from excessive risk-taking. Also, the transmission channels linking Libya to the international financial system are weak, and Libyan banks are highly liquid and rely on domestic deposit growth to finance credit to the economy. It noted that the ratio of private sector loans-to-GDP is the lowest in the MENA region at 25% because risk management systems are primitive, small borrowers lack adequate collateral, business plans are often poorly put together, and there are no incentives for bank managers to grow their loan portfolios. The IIF noted that commercial banks are well-capitalized and profitable, but the quality of their assets needs to be further improved. It said the capital adequacy ratio was 18% in 2008, well above the average for MENA countries, but the non-performing loans ratio is high at about 23% at end-2008 despite declining from its peak of 36% in 2004. It noted that provisioning for NPLs increased to about 69% last year from 64% at end-2007. Further, the banks' return on equity rose from 7.4% in 2005 to 15.5% in 2008, but their return on assets has remained at 0.6% in each of the past two years.

Source: Institute of International Finance

## RUSSIA

### Banks likely to require at least \$22bn in capital

Fitch Ratings estimated the recapitalization needs of Russian banks from ongoing asset quality problems at a further RUB674bn, or \$22bn in capital injections in a best case scenario, adding that additional capital contributions of \$60bn may

be needed in a worst case scenario. It said the sector's asset quality problems and capital needs are likely to be substantial due to a lack of visibility about the extent of current asset quality problems, the sharp contraction in economic activity in the first half of the year and the very high dependence of economic performance, government finances, asset prices and the exchange rate on oil prices. Fitch said its base case scenario is built on impaired loans in the sector rising to 25% with ultimate loan losses equal to 12.5%, while its worst case scenario is based on impaired loans rising to 40% and losses to 24%. It noted that the four large state-controlled banks, which represent around 43% of the sector, have received about \$24bn in new capital since end-September 2008, adding that future recapitalization needs are likely to be centered primarily on privately-owned institutions.

Source: Fitch Ratings

## SYRIA

### Deposits increase by 2.5% in first quarter, private sector accounts for 74% of total

Figures released by the Central Bank of Syria indicate that total deposits at commercial banks reached SYP1096bn at end-March 2009, or about \$23.5bn, constituting an increase of 2.5% from SYP1,069bn at end-2008. Deposits in Syrian pounds accounted for 80% of the total, and foreign currency deposits accounted for the remaining 20%. Syrian pound deposits rose by 2.8% and foreign currency deposits increased by 1.1% in the first quarter of the year. Private sector deposits accounted for 74% of total deposits at end-March relative to 73% at end-2008, while public sector deposits accounted for 26%. Also, resident private sector deposits accounted for 73% of aggregate deposits, followed by deposits of non-financial public enterprises with 21%, while the central government accounted for 3% of the total. Households accounted for 85.6% of resident private sector deposits, followed by businesses with 13.2%, and other financial institutions with 1.1%. Households and businesses represented 85.1% and 14%, respectively, of resident private sector deposits at end-2008. Further, demand deposits accounted for 45% of the total, down from 46% at end-2008, time deposits accounted for 33% relative to 32% at end-December, while saving deposits accounted for the remaining 22.2%.

Source: Central Bank of Syria, Byblos Research

### Banks to float shares, raise capital

Qatar National Bank-Syria announced plans to float 34% of its shares in an initial public offering. Qatar National Bank will own 49% of the QNB-Syria shares, the Syrian government will retain a 15% stake and 2% of shares will be held by private investors. The bank, which has total paid-up capital of SYP5bn, is expected to start operations in the fourth quarter of 2009. In parallel, Bank of Jordan-Syria plans to double its capital to SYP3bn through a rights issue. BOJS is the third bank with a Jordanian strategic partner to enter the Syrian market, following the International Bank for Trade & Finance and Arab Bank Syria. Its assets stood at SYP1.7bn at end-2008.

Source: Qatar Exchange, Syria Report



# ENERGY / COMMODITIES

## Oil prices decrease to \$67 a barrel

Oil prices declined to \$67 a barrel on July 2nd due to rising gasoline stocks and a higher than expected rise in U.S. unemployment figures. U.S. government inventory data showed gasoline stockpiles in the United States rose by 2.3 million barrels last week. Distillates, including diesel, also rose by 2.9 million barrels, although crude stocks dropped by 3.7 million barrels. Further, U.S. employers cut 467,000 jobs in June and the unemployment rate increased to 9.5%. Oil has increased from \$32 a barrel in December 2008 to above \$70 a barrel in June 2009 and rose by 40% over the second quarter of 2009.

Political unrest in oil producer Iran has had little impact on prices because the oil market is well supplied and there is no expectation of Iran cutting off supplies. But militant unrest in OPEC member Nigeria had a bigger impact, forcing the shut-in of an estimated 600,000 to 700,000 barrels per day. Analysts have been looking to Asia to keep generating oil demand. But the governments of China and India both unexpectedly raised gasoline and diesel prices by as much as 10% this week, potentially limiting demand growth.

Source: Thomson Reuters

## IEA reduces global oil demand forecast

The International Energy Agency (IEA) reduced its global oil demand estimates by about 3 million barrels a day (bbl/d) over the coming five years, adding that the decrease in oil consumption has delayed the threat of a potential supply shortfall. The IEA predicts that consumption will average 86.76 million bbl/d in 2012, the first year it will rise above the 2008 level of 85.76 million bbl/d. It also predicted oil demand to rise to 88.99 million bbl/d in 2014, which represents an average increase of 0.6% from its 2008 levels, or 540,000 bbl/d. It said the rise in oil demand is based on the International Monetary Fund's forecast of world economic growth of nearly 5% a year between 2012 and 2014. But the IEA stated that demand could fail to reach 2008 levels by 2014 if the global growth rate averages 3% a year between 2012 and 2014. It said demand for OPEC crude will rise to 31.45 million barrels a day by 2014, up from 27.68 million barrels a day this year. It also forecast supply of oil from outside OPEC to decline by 0.4 million barrels a day between 2008 and 2014.

Source: International Energy Agency

## World Bank provides 22% of Egypt's electricity and energy project financing

The World Bank provided nearly 22% of financing for Egypt's electricity and energy projects over the past five years. The most notable project it financed is the 1,300 megawatt Ain Sokhna power plant, to which it contributed \$600m. Egypt's electricity plan for 2009-2010 aims to add 2,250 megawatts of capacity, costing EGP14bn. The Ministry of Energy & Electricity plans to add 11,000 megawatts in the 2012-17 period at a cost of EGP120bn. These include the building of nine new power plants.

Source: Al Alam Al Youm, Al-Ahram

## Base metals: Copper gains on increased demand in China, U.S.

Copper advanced for a second day in Asia after manufacturing data in China and the U.S., the world's two largest consumers of the metal used in construction and automobiles, added to signs that demand may revive. The Institute for Supply Management's factory index in the U.S. shrank in June at the slowest pace in 10 months, a sign the recession may be easing. Also, China's Purchasing Managers' Index climbed to a seasonally adjusted 53.2 in June from 53.1 in May, where a reading above 50 indicates an expansion. Three-month delivery copper on the London Metal Exchange gained as much as 1.1% to \$5,144 per metric ton, before trading little changed at \$5,095 on July 2nd in Singapore, as a rebound in the dollar capped gains. Copper for September delivery in New York fell 0.5% to \$2.3185 a pound. October-delivery copper on the Shanghai Futures Exchange ended the day down 0.5% at \$5,877 a ton. Part of the movement of basic metals is related to the dollar's climb against the Euro from a three-week low, as metals, denominated in dollars, tend to move inversely to the currency. Among other LME-traded metals, zinc fell 0.6% to \$1,585 a ton and nickel lost 1% to \$16,325 a ton. Aluminum was little changed at \$1,662 a ton, lead was up 0.2% at \$1,743 a ton, and tin gained 0.7% to \$14,600 a ton.

Source: Bloomberg

## Precious Metals: Gold declines as strengthening dollar reduces appeal

Gold declined in Asian trading as a gain in the dollar curbed the precious metal's appeal as an alternative investment. The dollar climbed from a three-week low against the euro after news that China was reportedly prepared to debate a reserve currency at the Group of Eight (G8) summit. Bullion for immediate delivery fell 0.3% to \$938.11 an ounce on July 2nd in Singapore. Gold for August delivery fell 0.3% to \$938.50 an ounce on the New York Mercantile Exchange's Comex unit. Investment in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, was unchanged at 1,120.55 metric tons as of July 1st. The dollar climbed to \$1.4121 per Euro on July 2nd in London from \$1.4142 in New York on July 1st, when it fell to \$1.42, the lowest since June 5th. Among other precious metals for immediate delivery, silver fell 0.3% to \$13.72 an ounce, platinum slumped 1% to \$1,190.70 an ounce and palladium dropped 0.6% to \$253.40 an ounce.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	186.2	166.8	188.0	2.4	-30.0
LME metals price index	2430.6	1974.5	2441.0	11.9	-38.1
Oil prices USD	68.1	50.2	71.2	11.6	-50.4
Oil prices SDRs	43.9	33.3	46.6	11.2	-48.1
Gold \$/troy oz	926.2	912.6	873.7	-3.2	4.1
Silver cents/troy oz	1388.0	1301.8	1293.6	-5.3	-17.6
Platinum \$/troy oz	1173.0	1085.4	1164.4	2.1	-42.4
Copper \$/MT	4890.3	3969.8	4988.0	6.7	-42.4
Nickel \$/MT	15192.5	11489.5	13411.9	21.4	-29.7
Aluminium \$/MT	1593.8	1419.3	1891.4	13.4	-48.0
Zinc \$/MT	1535.3	1306.9	1407.0	4.6	-18.1

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	7.0	13.8	1.5	4.1	1.9	1.6	15.4	0.6
	-	-	-	-	Stable								
Angola	-	-	-	-	BB	3.2	8.8	8.4	9.0	12.6	-	-3.0	1.2
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.7	74.5	17.8	51.4	5.4	105.9	-1.5	4.1
	Stable	-	Stable	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-3.5	-	10.9	250.0	-	-	-6.1	-
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	B	-10.8	-	39.0	103.6	-	-	-13.7	-
	Stable	-	Negative	-	Negative								
Ivory Coast	-	-	-	-	CC	-1.7	-	57.9	175.9	-	556.0	-1.8	-
	-	-	-	-	Stable								
Libya	A-	-	BBB+	-	BB	-17.3	7.8	17.5	31.1	4.9	-	-15.8	3.1
	Stable	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-5.1	-	73.8	183.3	-	-	-13.4	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-2.6	51.8	24.1	73.9	5.7	74.1	-0.1	3.3
	Stable	-	Stable	Stable	Stable								
Nigeria	BB-	-	BB-	-	B	-5.7	23.6	6.1	20.6	0.6	-	-13.2	2.4
	Negative	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-6.8	107.5	62.7	532.4	6.3	-	-10.1	2.7
	-	-	-	-	Stable								
Tunisia	BBB	Baa2	BBB	BBB	BB	-3.1	49.8	50.6	105.6	12.3	235.5	-3.3	3.8
	Stable	-	Stable	Stable	Stable								
<b>Middle East</b>													
Bahrain	A	A2	A	A	BBB	-3.4	18.2	187.7	321.7	4.6	63.8	6.2	0.4
	Stable	-	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-3.7	19.1	5.5	35.1	4.3	22.9	-4.6	0.2
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	-34.4	-	71.8	214.4	3.8	157.7	-22.4	0.9
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	1.3	51.4	65.6	122.2	4.8	198.6	-10.0	11.4
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	22.6	4.9	40.4	134.2	6.2	229.7	23.6	-9.9
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B2	B-	B-	CCC	-10.8	145.6	97.5	614.9	20.4	199.0	-12.0	9.0
	Stable	-	Stable	Stable	Stable								
Oman	A	A2	-	A	A	-1.9	3.5	21.4	68.7	-	113.0	-4.0	4.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	1.7	4.1	52.5	189.8	7.3	359.3	24.3	7.8
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	A1	AA-	AA-	BBB	9.8	9.9	8.5	28.3	4.0	89.1	6.1	0.2
	Stable	-	Stable	Stable	Stable								
Syria	-	-	-	-	CCC	-8.3	38.5	13.0	71.4	1.0	162.7	-5.1	1.9
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	BBB	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
	-	-	-	Stable	Stable								
Yemen	-	-	-	B	CCC	-17.2	-	29.6	161.9	-	-	-16.9	
	-	-	-	Stable	Stable								



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB	-	-	-2.2	13.9	32.5	496.8	1.2	311.3	-9.0	5.9
	-	-	Stable	-	-								
Bulgaria	BBB+	Baa3	BBB-	-	BB	-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	-	Negative	-	Stable								
Romania	BBB-	Baa3	BB+	BBB-	BB	-4.9	16.2	61.9	171.7	21.8	319.6	-8.2	5.1
	Negative	-	Negative	Negative	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	-	Negative								
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	CCC+	B1	B	-	CCC	-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	24-Jun-09	No change	12-Aug-09
Eurozone	Refi Rate	1.00	04-Jun-09	No change	02-Jul-09
UK	Base Rate	0.50	04-Jun-09	No change	09-Jul-09
Japan	O/N Call Rate	0.10	16-Jun-09	No change	15-Jul-09
Australia	Cash Rate	3.00	02-Jun-09	No change	07-Jul-09
New Zealand	Cash Rate	2.50	11-Jun-09	No change	30-Jul-09
Switzerland	3 month Libor target	0.25	18-Jun-09	No change	30-Sep-09
Canada	Overnight rate	0.25	04-Jun-09	No change	21-Jul-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	24-Jun-09	No change	N/A
Taiwan	Discount Rate	1.25	25-Jun-09	No change	N/A
South Korea	Target Rate	2.00	11-Jun-09	No change	09-Jul-09
Malaysia	O/N Policy Rate	2.00	26-May-09	No change	29-Jul-09
Thailand	1D Repo	1.25	20-May-09	No change	15-Jul-09
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	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.00	19-Jun-09	Cut 50bps	N/A
Turkey	Base Rate	8.75	16-Jun-09	Cut 50bps	16-Jul-09
South Africa	Repo rate	7.50	25-Jun-09	No change	N/A
Kenya	Central Bank Rate	8.00	21-May-09	Cut 25bps	July 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	4.75	19-Jun-09	Cut 50bps	N/A
Brazil	Selic Rate	9.25	10-Jun-09	Cut 100bps	22-Jul-09
Armenia	Refi Rate	6.00	09-Jun-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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