

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Banks still struggling to recover**

Moody's Investors Service indicated that despite general signs that the world's economy is stabilizing, most banks are facing significant hurdles on their way to recovery. It noted that many banks have recently demonstrated some signs of regaining their strength, especially since early April when financial institutions became able to access capital markets on their own without direct government support. It added that, since then, banks have managed to raise substantial amounts of funds across the full range of seniority classes. It noted, however, that banks' financial fundamentals are still on a downward slope due to the delay that exists between the end of a recession and actual charge-offs. It said bank rating upgrades remain unlikely before 2010 without strong evidence of a sustained economic recovery. It added that banks need to demonstrate the ability to generate sustainable earnings and to remedy risk-management shortcomings. It considered that the only short-term positive bank rating actions that are likely in the short term will be outlook changes, from 'negative' to 'stable' or to 'positive'.

*Source: Moody's Investors Service*

##### **Speculative-grade market to face tough second half of 2009**

Standard & Poor's indicated that its speculative-grade index tightened 653 basis points (bps) this year and 760 bps since the spread peaked in mid-December 2008. It said the improvement in spread reflects a significant drop in liquidity risk and a decline in the probability of a long-drawn-out economic depression, which would produce very high default rates. The agency noted that aggregate credit quality is still in poor shape, even though spreads have tightened as market volatility has eased. It said the pool of companies that face significant default risk is large, with 13% of speculative-grade companies rated 'CCC+' or lower and another 15% rated 'B-' at the end of June. Further, it expected downgrades and defaults to continue, with downgrades totaling 472 so far in 2009 but slowing in recent months.

*Source: Standard & Poor's*

#### EMERGING MARKETS

##### **IMF to inject \$100bn in developing economies**

The International Monetary Fund announced plans to inject \$250bn in the global economy to bolster countries' reserves as part of measures to combat the world economic crisis. It said about \$100bn will go to emerging markets and developing countries, of which low-income countries will receive over \$18bn. It added that the funding will take place through the allocation of Special Drawing Rights to IMF members that are participants in the SDRs Department in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The operation will increase each country's allocation of SDRs by approximately 74% of its quota, and raise Fund members' total allocation to about \$283bn

from nearly \$33bn. The IMF said SDRs allocated to members will count toward their reserve assets, acting as a low cost liquidity buffer for low-income countries and emerging markets and reducing the need for excessive self-insurance. If approved by the Fund's Board of Governors, the SDR allocation will go into effect by the end of August.

*Source: International Monetary Fund*

#### MENA

##### **Region's brand perception remains low**

The Nation Brand Perception Index indicated that the international branding perception of the MENA region remains worse than the branding perception of most other regions across the world during the second quarter of 2009. The index ranks countries based on the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The MENA region's average score was 46.2 points, below the global average of 49.7 points, as well as below the average of every other region in the world except for North America. Also, the number of mentions of the MENA region in the global media represented 9.4% of global mentions. The index shows that Jordan had the best nation brand perception in the region in the second quarter with a score of 61.8 points, followed by Qatar with 60.9 points, while the worst nation brands in the region were Yemen with 29.4 points, Iran with 22 points and Iraq with 1.1 points. The top 5 countries from the region that were most mentioned in the media were Iran with 21.4% of the region's overall mentions, followed by Iraq with 12.9%, Iran with 9.6%, Egypt with 6.1% and Turkey with 5.1%. Oman was the least mentioned country in the region during the covered period.

*Source: East West Communications, Byblos Research*

#### SUDAN

##### **Court rules oil rich part of Abyei is part of North**

A five-member panel of The Hague's Permanent Court of Arbitration delivered a ruling resolving a border dispute between Sudan's Northern government and the semi-autonomous South. The decision formally demarcated borders for the oil-rich Abyei region, awarding control of most of the area's oil resources to Khartoum. The decision was considered by both sides as an important step toward a sustainable peace for the country. Abyei's borders were not formally demarcated with the signing of a 2005 agreement which ended the country's civil war. Northern and Southern leaders agreed to submit the dispute to The Hague after clashes in 2008 destroyed the town of Abyei. The settlement stipulates that the Heglig oil field and Nile pipeline are not a part of Abyei and will be administered by the North. The Heglig field is the area's largest and is operated by a consortium consisting of the Sudanese government, Chinese, Malaysian, and Indian firms. Abyei is likely to secede from Sudan if the rest of the South votes to secede in a referendum scheduled for 2011.

*Source: AFP, Thomson Reuters*

# OUTLOOK

## SUDAN

### IMF calls for decisive fiscal, monetary and exchange rate adjustments

The International Monetary Fund forecast Sudan's real GDP growth at 4% in 2009 down from 6.8% last year, with non-oil GDP growth slowing to 3.8% from 8.5% in 2008. It said Sudan's economic situation will be difficult in 2009, as the global crisis has severely impacted the country's macroeconomic fundamentals by sharply reducing oil revenues. It added the authorities' slow response to the changing environment and continued heavy intervention in the foreign exchange market have contributed to a marked deterioration in Sudan's external position. In parallel, the Fund cautioned that Sudanese authorities have little option but to significantly tighten macroeconomic policies given the limited access to external assistance. It warned that, in the absence of a significant adjustment, the major achievements of the previous years would be at risk in terms of maintaining macroeconomic stability and strong growth.

It said fiscal policy needs to be significantly tightened, with most of the adjustment focusing on reducing government expenditures, notably sub-national transfers and capital spending. On the revenues side, it called for sharply reducing VAT exemptions, raising personal income tax collections, resolving tax jurisdiction issues with sub-national governments, and increasing the government's net take from the oil sector. It forecast a fiscal deficit of 4.8% of GDP this year, down from 1.4% of GDP last year. It also stressed the importance of a monetary program allowing for a resumption of credit to the private sector, adding that exchange rate flexibility is key to external adjustment and to safeguarding and rebuilding foreign exchange reserves. It warned that a weakening of political resolve to maintain macroeconomic stability and advance critical reforms constitutes a major risk. It added that authorities will need to react quickly to changing circumstances in order to avoid a disruptive balance of payments adjustment. It expected the current account deficit to widen to 10% of GDP in 2009 from 7.7% of GDP last year.

Source: *International Monetary Fund*

## ARMENIA

### Economy to contract by 9.5% in 2009, reforms are key for recovery

The International Monetary Fund revised downwards its economic growth forecast for Armenia to a contraction of 9.5% in 2009, down from a decline of 1.5% projected last March, adding that the outlook has worsened considerably due to the global economic slowdown. It said many of the downside risks identified earlier this year have materialized, particularly the much-deeper economic slowdown in Russia that led to a sharp drop in foreign inflows overall and in remittances in particular. The Fund noted that construction activity, which accounts for almost 30% of GDP, contracted by 42% in the first 4 months of 2009 relative to the same period last year, dragging down overall economic activity. Also, other sectors, especially mining, are facing significant difficulties in the face of weak external demand and low international commodity prices. It expected the economic

contraction to ease in the second half of the year with the launch of large infrastructure projects, the increase in competitiveness following the exchange rate depreciation, and the recovery of international copper prices. It projected real GDP to rise by about 1.3% in 2010 as global conditions improve.

The Fund added that the sharp economic downturn has caused a substantial deterioration of the external position, as large drops in export receipts, remittances, and FDI have widened the gap in the external balance of payments despite the decline in imports. It expected exports of goods and services to decline by 25% and for imports to drop by 26% this year. It also forecast FDI to drop from \$936m in 2008 to \$440m in 2009, and for the current account deficit to widen to 13% of GDP this year from 11% of GDP last year.

The IMF considered that a strong policy response might alleviate the sharp economic downturn. It said growth prospects need to be supported by a wide-ranging program of structural reforms, and stressed that improving the business environment would have the biggest payoff by increasing Armenia's attractiveness to foreign and domestic investment and promoting more broad-based private sector growth. It also noted that Armenia's growth outlook could greatly benefit from the opening of the border with Turkey.

Source: *International Monetary Fund*

## UKRAINE

### Banking sector to be significantly reshaped

Merrill Lynch expected the problems facing Ukraine's banking sector to worsen in the coming months, and did not rule out bankruptcies and a re-shaping of the sector if the recapitalization process does not accelerate. It said bank deposits fell by 11.3% year-on-year in the first half of 2009 and ruled out a serious rebound in 2009 due to the sector's poor credibility. It also expected lending to decline by 10% in 2009, and estimated its impact on GDP growth this year to be a negative 3.2 percentage points. It also expected the impact of credit contraction to lessen but still be a negative 0.3 percentage points on economic growth in 2010. It said the combination of a low deposit base and limited access to global capital markets makes credit contraction the only likely scenario, while a rebound in credit growth could take up to 18 months.

Merrill Lynch estimated non-performing loans at 20-25% of total loans, the highest in the Commonwealth of Independent States, adding that the ratio could rise further in coming months as the high share of hard currency loans and economic deterioration exacerbate the problem. It added that Hryvnya depreciation puts additional pressure on the NPLs profile, as 64% of retail loans and 46.3% of corporate loans are denominated in hard currency. As a result, it considered that recapitalization needs may expand to an unrealistic level for the Ukrainian economy, while none of the pledged recapitalization pool has actually been deployed. Consequently, it estimated that the structure of the Ukrainian banking system could significantly be reshaped, as the National Bank of Ukraine may be forced to take more banks under its control in the coming months.

Source: *Merrill Lynch*

# ECONOMY & TRADE

## MENA

### Third of households reduced expenditures due to financial crisis

A survey conducted by regional job portal Bayt.com showed that 31% of professionals in the Middle East & North Africa region are willing to accept less salary in case they lose their job as a result of the financial crisis. It also found that 30% of respondents have cut their household expenditures as result of the financial crisis due to increased caution about their expenditures or a job loss within the household. The survey also indicated that 28% of respondents felt more negatively about their financial situation after the crisis, and 21% expected to sell some investment in the next 12 to 18 months to sustain themselves. Yet 10% of respondents claimed that their financial health has improved, either due to a salary increment or due to a better paying job, but mostly because they believe that their financial situation is only better off compared to the decline in the financial status of their peers. The survey also noted that the top steps taken by households to survive in the current crisis are to find work in a different country and reduce expenses. Finally, 40% of respondents mentioned that they, or a family member, faced a health or stress related concern due to the recession. The survey was conducted during May and June 2009 and covered a sample of nearly 12,900 respondents across the region.

Source: Bayt.com, Byblos Research

## SYRIA

### Stock trading band to remain at 2%

The Damascus Securities Exchange (DSE) stated that it will keep the daily share-price trading band at 2% until at least the end of the current year, adding that any modification of the band next year will be based on a study of the stock market and of trading volumes. It also said that it will increase the number of trading days per week from two days currently to three days in about a month if trading volumes remain at the same high levels recently reached. The DSE officially started trading on March 10, 2009, with trading limited to two days a week initially in order to give investors more confidence and transparency in the conduct of operations.

Source: SANA

## UAE

### Dubai support fund established

The Dubai government announced the launch of the Dubai Financial Support Fund to manage and distribute proceeds of a \$20bn bond program intended to help companies, mostly real estate firms, facing liquidity problems in the emirate. Dubai's Department of Finance said the fund will provide loans to government and non-government entities engaged in projects of strategic and developmental importance to Dubai. The total debt of government-owned and government-related entities was estimated at \$80bn last December. The creation of the fund and its mandate is in keeping with a more centralized approach to debt financing and management. The Fund will be financed from the bond program's first tranche of \$10bn that was issued last February, in addition to proceeds of loans, investment of its assets and funds, issues of bonds and sukuk, and government support. It is not clear how much of the first tranche has already

been disbursed. The first tranche of Dubai's \$20bn sovereign bond program was fully subscribed by the UAE Central Bank. Issuance of the second tranche is underway and will be open to local and foreign banks and financial institutions, while the UAE Central Bank said it may subscribe to part of the second tranche and start trading the bonds.

Source: Khaleej Times, Deutsche Bank

## ALGERIA

### New weekend adopted for business reasons

The Cabinet adopted Friday-Saturday as the new official weekend in Algeria, replacing the more traditional Thursday and Friday break. The new weekend system will go into effect on August 14th. The old Thursday-Friday weekend was introduced in 1976, but given that most of the country's business partners in Europe, America and Asia use a Saturday-Sunday weekend, Algeria effectively had only three days a week to do business with its main trading partners. A study by the International Finance Corporation showed that the old weekend system cost Algeria between \$500m and \$700m annually. Nearly 60% of Algeria's trade is with Europe, the United States and China, which prompted authorities to change the weekend to better align with the rest of the world's business cycle. A number of companies operating in Algeria had previously adopted the new weekend long before the Cabinet made the official change.

Source: Magharebia News

## GHANA

### IMF approves \$603m deal to address economic instability

The International Monetary Fund approved a \$603m three-year arrangement under the Poverty Reduction and Growth Facility for Ghana to support the government's economic program to tackle macroeconomic instability. It said the approval will enable an initial disbursement of about \$105.2m immediately. Fitch Ratings said Ghana faces challenging times as it seeks to balance a decline in private external capital inflows with high fiscal and external financing needs. It added that the IMF agreement would help bridge Ghana's external financing needs in 2009-10 and stabilize sovereign creditworthiness. Ghana has suffered from poor public finances since its last IMF program expired in 2006. It posted growth of 7.3% in 2008, but rapid credit growth and lax fiscal policy contributed to unsustainable fiscal and current account deficits of 14.5% and 21.5% of GDP, accompanied by double digit inflation that remains close to 20%. The government's macroeconomic framework for 2009-11 aims to achieve average real non-oil GDP growth of about 5.5%, a medium-term inflation rate of 7-9%, an overall budget deficit of 4.5% of GDP in 2011, and foreign currency reserves equivalent to about 3 months of imports.

Source: International Monetary Fund, Fitch Ratings

# BANKING

## GCC

### **Banks are significantly exposed to Saad and Alghosaibi groups**

Standard & Poor's indicated that the exposure of 30 GCC commercial banks to the Saad and Alghosaibi groups is significant but manageable. The two prominent Saudi groups recently ran into severe and unexpected difficulties and have entered debt restructuring discussions with their respective creditors. It said banks in Saudi Arabia and the UAE represent almost two-thirds of the total net exposure of the 30 sampled banks. It added that banks have taken material levels of tangible collateral against these loans in the form of cash and listed shares, which covers about 30% of their gross exposure. Further, syndicated loans, sukuk, and working capital loans account for a large portion of the debt owed to GCC banks. The latter's exposures appear to be mainly to non-bank entities of the groups. Also, non-cash exposure, mainly through letters of credit, represents the rest of the exposure. S&P considered that it is premature to assess the level of ultimate losses that creditors will face on their exposure to these two groups. It noted that the restructuring discussions suggest that high levels of concentration within GCC banks' loan portfolios create significant credit risks for the banks, but are mitigated by banks' high earnings capacity, good capitalization, and high level of loan loss reserves. S&P found that total gross exposure to the two groups stood at \$9.6bn. It said 12 banks had net exposure of less than 5% of adjusted total equity (ATE), 10 banks had net exposure representing more than 10% of their ATE, and three banks showed net exposure of more than 20% of their ATE.

*Source: Standard & Poor's*

## SYRIA

### **Minimum bank capital to be raised**

The Central Bank of Syria (CBS) indicated that upcoming new rules and regulations would require new commercial banks in Syria to have a capital of between \$80m and \$100m, up from \$30m currently. It added that the new requirements would bring the capital of new banks near the level of required capital of Islamic commercial banks. In parallel, the CBS reaffirmed its support for raising the ceiling of foreign ownership in local banks. The current law limits to 49% the foreign ownership of local banks, with the majority 51% required to be in Syrian hands, a restriction viewed as an obstacle to market entry by Western banks. There are 13 private commercial banks operating in Syria, including 10 traditional banks and three Islamic ones.

*Source: Thomson Reuters, Syria News*

## KUWAIT

### **Rating actions taken on five banks**

Standard & Poor's lowered its long-term counterparty credit rating on Gulf Bank to 'BBB+' from 'A-'. It also affirmed its 'A-/A-2' ratings on Kuwait Finance House and Commercial Bank of Kuwait and its 'BBB+/A-2' ratings on Al Ahli Bank of Kuwait and Burgan Bank. It said all ratings carry a 'negative' outlook. It attributed the downgrade on Gulf Bank to the deterioration of its stand-alone credit profile following large losses in 2008 and

material asset quality deterioration. Further, Gulf Bank's combined exposure to Kuwait's real estate and construction sectors, domestic investment companies, and two troubled regional corporate clients will likely pressure the bank's asset quality, profitability, and capitalization. It added that the other banks are also broadly exposed to the same economic sectors in Kuwait, but it affirmed their ratings taking into account bank-specific mitigating factors, and expected the banks' financial profiles to better weather the deteriorated operating environment. The negative outlook on the 5 banks reflects expectations that increased credit risk is likely to weigh negatively on the banks' financial profiles, especially asset quality, financial performance, or capitalization.

*Source: Standard & Poor's*

### **Central Bank cuts repo rates**

The Central Bank of Kuwait (CBK) reduced its three repurchase rates, or deposit rates at the CBK, by 25 bps each, as it lowered its overnight repo rate to 0.75% from 1%, its one-week repo to 1.75% from 2% and its one-month repo to 2.25% from 2.5%. It kept the lending, or discount, rate on hold at 3%. Cutting the deposit rate will reduce the attractiveness of placing deposits at the CBK, encouraging commercial lending to the private sector and further boosting liquidity in the inter-bank market. But risk aversion in the banking system remains high and credit growth, is expected to decelerate.

*Source: EFG Hermes*

## ARMENIA

### **Financial soundness deteriorates in first quarter of 2009**

Figures released by the International Monetary Fund show that the risk-weighted capital adequacy ratio of banks operating in Armenia reached 26.1% at end-March 2009 down from 27.5% at the end of 2008. The capital-to-assets ratio was 21.2% in the first quarter of the year, down from 23% at end-2008, while the sector's liquidity improved in the first quarter with liquid assets reaching 29.1% of total assets from 23.8% at end-2008. But the deposits-to-loans ratio increased to 92.1% at end-March from 81.4% at end-2008. The sectoral distribution of loans shows that consumer loans accounted for 47.7% of total loans, followed by trade with 22%, industry with 12.2%, agriculture with 7%, construction with 6.8%, energy with 2.7% and transport & communication with 1.6%. Also, foreign currency loans reached 48.7% of total loans in the first quarter of 2009 compared to 38.7% at end-December. The sector's non-performing loans (NPLs) to total loans increased to 7.6% at end-March, up from 4.4% at year-end 2008. Further, the ratio of provisions to NPLs for the sector fell to 26.9% from 38.2% at end-2008. In parallel, banks' profitability declined as return on average assets reached -0.1% in the first quarter of 2009 relative to 3.1% at end-2008, and return on average equity reached -0.7% down from 13.6% in 2008.

*Source: International Monetary Fund*

# ENERGY / COMMODITIES

## Oil steady above \$65, U.S. crude drop offsets fuel build

Oil was steady above \$65 a barrel on July 23, sustained by data showing a drop in U.S. crude stocks, which offset the rise in gasoline and distillates inventories. But U.S. weekly jobless claims figures are forecast to increase from a week ago and could underscore economic weakness. U.S. crude oil for September delivery rose 3 cents to \$65.43 a barrel after earlier hitting a low of \$65.04. London Brent crude increased 12 cents to \$67.33. Data from the Energy Information Administration (EIA) showed U.S. crude stocks fell by 1.8 million barrels in the week to July 17, below analysts' expectations for a 2.1 million-barrel draw. U.S. gasoline stockpiles rose by 800,000 barrels and inventories of distillates, including heating oil and diesel, rose to a 25-year high. The build came as demand for the fuels, which are linked to industrial activity, fell by 11% year-on-year over the past four weeks.

Also, Japan's crude oil import volume in June fell 19.1% from a year earlier to an 18-year low as scheduled maintenance and weak demand reduced domestic refiners' need to ship in crude feedstocks. The dollar held above a seven-week low versus a basket of currencies on July 22, as steady stock markets and data showing stronger U.S. home prices offset weak bank earnings, reducing the dollar's safe-haven appeal, but easing the pressure on commodities denominated in the U.S. currency.

Source: Thomson Reuters

## OPEC forecasts slow oil demand recovery in 2010

The Organization of Petroleum Exporting Countries expected a slower rebound in oil demand next year than the International Energy Agency. It said worldwide crude-oil consumption will increase by 500,000 barrels a day, or 0.6%, to 84.3 million barrels a day in 2010 as industrial production gradually picks up after this year's recession.

Source: Bloomberg

## Sudan joins African oil producers' organization

Sudan became the fifteenth member of the African Petroleum Producers Association (APPA) on July 6th. The APPA, founded in 1987, aims to promote cooperation among African countries in petroleum exploration, production, refining, marketing, and human resources. In 2006, Sudan declined an invitation to join OPEC, stating a desire to maintain its current position as an observer to that agreement.

Source: Sudan Tribune

## Private sector oil refinery installed near Erbil

A local company in Iraq's Kurdistan region has installed the first private sector oil refinery near Erbil city with an initial capacity of 20,000 barrels per day (bpd). Construction work on the refinery began in 2005 under a contract between the ministries of oil, and industry & minerals. Work was planned to be carried out by the Iraqi government, but was later contracted out by the Kurdistan Regional Government to the private sector due to financing difficulties.

Source: Aswat Al-Iraq

## Base metals: Copper rises to 9-month high on demand speculation

Copper climbed to its highest level in more than nine months on speculation that China is leading a global economic recovery, driving imports of the metal to a record and attracting investors' funds. Copper has jumped 83% this year on higher demand, increasing optimism that the global economy is recovering from recession. Copper for October delivery on the Shanghai Futures Exchange climbed as much as 2.5% to \$6,450 a metric ton, the highest since October 14th. Futures in China have been boosted by the country's 4 trillion yuan stimulus plan to revive economic growth. China's imports of the metal surged to record levels for a fifth straight month in June. Copper prices also gained after an incident involving electrical equipment at Collahuasi mine in Chile threatened to reduce output from the world's largest producer. Attacks on workers at Freeport-McMoRan Copper & Gold Inc.'s Grasberg mine in Indonesia, the world's second biggest, also increased supply concerns. Still, copper lost 0.7% to \$5,462.25 a ton after rising to \$5,550 on July 22, the highest since October 14th.

Source: Bloomberg

## Precious Metals: Gold to approach \$1,000 an ounce

During the peak of the financial crisis in the fourth quarter of 2008 and the first quarter of 2009, the relationship between gold and the US dollar inverted as gold rallied at the same time as the US dollar strengthened. This largely reflected panic about the economic outlook and safe haven flows. More recently, gold has re-established its usual inverse relationship with the US dollar. The daily correlation reached -80% a month ago and is currently running around -70%. This means that, as markets have become more confident about the outlook, the US dollar has weakened, but safe-haven selling of gold has been overwhelmed by investors buying gold as a US dollar hedge. Gold is also being lifted by the general surge into risky assets and commodities as a whole. This normal relationship is expected to hold firm throughout the next few months. Therefore, gold should continue to push higher towards \$1,000 an ounce.

Source: Standard Chartered

| Commodities price developments  | level   | 6m ave  | 12m ave | mom%  | yoy%  |
|---------------------------------|---------|---------|---------|-------|-------|
| Economist commodity price index | 178.3   | 169.2   | 182.9   | -6.6  | -32.7 |
| LME metals price index          | 2466.6  | 2051.4  | 2350.2  | 3.3   | -37.0 |
| Oil prices USD                  | 61.8    | 53.1    | 66.8    | -12.4 | -55.4 |
| Oil prices SDRs                 | 39.8    | 35.2    | 43.8    | -13.5 | -52.8 |
| Gold \$/troy oz                 | 940.5   | 922.6   | 873.4   | 0.2   | -4.6  |
| Silver cents/troy oz            | 1327.0  | 1332.6  | 1267.5  | -7.3  | -31.2 |
| Platinum \$/troy oz             | 1158.0  | 1112.9  | 1114.3  | -6.2  | -41.7 |
| Copper \$/MT                    | 5181.3  | 4201.2  | 4780.5  | 2.1   | -38.9 |
| Nickel \$/MT                    | 15877.5 | 12024.9 | 13088.5 | 5.6   | -23.5 |
| Aluminium \$/MT                 | 1622.3  | 1430.6  | 1802.3  | 2.3   | -49.6 |
| Zinc \$/MT                      | 1517.3  | 1347.4  | 1387.3  | -5.3  | -20.5 |

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



## 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        | 02-Jul-09    | No change  | 06-Aug-09    |
| UK                      | Base Rate             | 0.50        | 09-Jul-09    | No change  | 06-Aug-09    |
| Japan                   | O/N Call Rate         | 0.10        | 15-Jul-09    | No change  | 11-Aug-09    |
| Australia               | Cash Rate             | 3.00        | 07-Jul-09    | No change  | 04-Aug-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        | 21-Jul-09    | No change  | 10-Sep-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  | 12-Aug-09    |
| Taiwan                  | Discount Rate         | 1.25        | 25-Jun-09    | No change  | Sep-09       |
| South Korea             | Target Rate           | 2.00        | 09-Jul-09    | No change  | 11-Aug-09    |
| Malaysia                | O/N Policy Rate       | 2.00        | 26-May-09    | No change  | 29-Jul-09    |
| Thailand                | 1D Repo               | 1.25        | 15-Jul-09    | No change  | 26-Aug-09    |
| India                   | Repo rate             | 3.25        | 21-Apr-09    | No change  | 28-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             | 8.25        | 16-Jul-09    | Cut 50bps  | N/A          |
| South Africa            | Repo rate             | 7.50        | 25-Jun-09    | No change  | 13-Aug-09    |
| Kenya                   | Central Bank Rate     | 7.75        | 22-July-09   | Cut 25bps  | N/A          |
| Nigeria                 | Monetary Policy Rate  | 6.00        | 07-Jul-09    | Cut 200bps | Sep-09       |
| Ghana                   | Prime Rate            | 18.50       | 20-July 09   | No change  | N/A          |
| Mexico                  | Target Rate           | 4.50        | 17-Jul-09    | Cut 25bps  | N/A          |
| Brazil                  | Selic Rate            | 8.75        | 22-Jul-09    | Cut 50bps  | N/A          |
| Armenia                 | Refi Rate             | 5.50        | 07-Jul-09    | Cut 50bps  | N/A          |
| Romania                 | Policy Rate           | 9.00        | 30-Jun-09    | Cut 50bps  | N/A          |
| Bulgaria                | Base Interest         | 2.21        | 30-Jun-09    | Cut 110bps | N/A          |
| Kazakhstan              | Refi Rate             | 8.00        | 08-Jul-09    | Cut 50bps  | N/A          |



Economic Research & Analysis Department  
Byblos Bank Group  
P.O. Box 11-5605  
Beirut - Lebanon  
Tel: (961) 338 100  
Fax: (961) 217 774  
E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com.lb](http://www.byblosbank.com.lb)

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# BYBLOS BANK GROUP

---

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605  
Riad El Solh - Beirut 1107 2811 - Lebanon  
Phone: (+961) 1 335200  
Fax: (+961) 1 339436

## SYRIA

---

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

## SUDAN

---

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

## IRAQ

---

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

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street  
Yerevan, 37500 - Republic of Armenia  
Phone: (+374) 10 530 362  
Fax: (+374) 10 535 296

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
10-14 Bourdillon Road  
Ikoyi, Lagos - Nigeria  
Phone: (+ 234) 1 6653633  
(+ 234) 1 8990799  
E-mail: melamm@byblosbank.com.lb

## BELGIUM

---

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

## ENGLAND

---

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

## FRANCE

---

Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## CYPRUS

---

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

## UNITED ARAB EMIRATES

---

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

