



## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Government guarantees help corporate bond issuance to record level

Standard & Poor's indicated that new global corporate bond issuance reached a record \$1,790bn in the first half of 2009, surpassing the previous record of \$1,740bn set during the same period in 2007. It said that about 30% of new corporate bonds were issued by entities with some sort of government guarantee, which helped stimulate investment-grade issuance, accounting for more than 80% of total issuance and significantly higher than 72% in 2008 and 69% in 2007. The agency said new bond issuance in the third quarter of 2008 fell to \$387bn, the lowest level since the fourth quarter of 2002. But governments and central banks around the world put in place various programs that were directly and indirectly aimed at restoring investor confidence, activating the credit markets and stimulating lending activity. As a result, new bond issuance climbed back starting in November and December to \$494bn in the fourth-quarter 2008, to \$935bn in the first quarter of 2009 and to \$855bn in the second quarter of this year. S&P noted that the proportion of issuance at the 'AAA' level, a common rating assigned to government-guaranteed issuance, reached 31% in 2009, up from just 13% in 2008 and 9% in 2007. In parallel, it noted the sharp decline in the proportion of new corporate speculative-grade issuance to 2.1% in 2008 and 3.7% in 2009, reflecting evidence of the continued aversion of investors to higher-risk issuers.

Source: Standard & Poor's

##### Global downgrade ratio at 89.3%

Standard & Poor's indicated that the global downgrade ratio reached 89.3% in the second quarter of 2009, down from 93.3% in the first quarter of the year. The downgrade ratio represents the total number of downgrades relative to the total number of upgrades and downgrades. The agency said the ratio represents the third most severe quarterly downgrade ratio in 22 years and is only slightly better than the two quarters that preceded it. It noted that even though the recession has started more than 18 months ago, global credit markets are still feeling the credit crunch. It added that the slight decrease in the second quarter's downgrade ratio does not mark the end of the current recession, adding that the first quarter's downgrade ratio of 93.3% likely was the worst in this credit cycle, as many of the conditions that are causing downward ratings momentum, including low debt issuance and wide spreads, have eased off their extreme levels since the fall of 2008. S&P said the global negative bias is at 36.6%, or the total number of issuers with a negative outlook relative to the total number of issuers, which means that downgrades are expected to remain very high over the upcoming quarters.

Source: Standard & Poor's

#### MENA

##### Investment climate slightly improves in Arab world

The investment climate in the Arab world improved in 2008, according to the Composite Investment Climate Index issued by the Arab Investment and Export & Guarantee Corporation (AIEGC). The value of the index reached 1.05 points in 2008, up 13% from 0.93 points in 2007, and compared to 1.49 points in 2006, 0.91 points in 2005 and 1.08 points in 2004. The index is composed of four sub-indices that reflect economic growth, public finances, the external balance, and inflation rates. The AIEGC attributed the improvement in the composite index to increases in two of its sub-indices, as the External Balance Sub-Index rose by 26.5% to 1.53 points from 1.21 points and the Internal Balance Sub-Index increased by 12.7% to 1.41 points, while the Monetary Policy Sub-Index declined by 34% to 0.21 points and aggregate GDP growth was almost unchanged at 6.4%. It indicated that real GDP growth improved in 12 Arab countries, regressed in 6 others and was unchanged in one economy, the fiscal deficit-to-GDP ratio improved in 13 Arab economies and regressed in 6 countries, while the current account balance-to-GDP ratio improved in 12 countries and regressed in 7 economies; and the inflation rate declined in 2 countries and rose in 17 others.

Source: AIEGC, Byblos Research

#### SYRIA

##### US to ease sanctions on a case-by-case basis

The U.S. administration declared it would take steps to ease American sanctions against Syria on a case-by-case basis by rapidly processing export license applications to Syria. The U.S. decision targets spare aircraft parts, information-technology products and telecommunications equipment. American sanctions currently prohibit the export of all American products to Syria that cost more than \$10,000, with the exception of food and medicine. The U.S. imposed sanctions on Syria under the Syria Accountability Act, which was passed by the U.S. Congress in 2003 and cannot be modified without congressional consent. So the law imposing the sanctions remains in place, but the Act allows the president to work through the Commerce Department to grant exemptions for national security reasons in one of six categories, including one that allows for the sale of airplane parts to ensure safe civil aviation.

Source: New York Time, Wall Street Journal

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# OUTLOOK

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## WORLD

### Global recovery to be subdued

The Economist Intelligence Unit forecast global GDP to contract in both market and purchasing power parity (PPP) terms by 2.9% and 1.7% respectively in 2009 with most emerging market economies contracting or slowing sharply this year. It expected a recovery in the global economy to begin in late 2009, adding that the pick-up will be fragile, taking market and PPP growth rates in 2010 to 1.4% and 2.3%, respectively, and maintaining a subdued outlook for the global economy in 2011-13. It noted that the world economy may be over the worst phase, but it warned that dealing with the legacy of the credit crunch will be a long process. It expected further job losses and defaults in the coming months, creating further damage to banks' balance sheets. It noted that parts of the Western banking system will need further recapitalization, adding that more public assistance will be necessary in the absence of private demand for new bank equity. It indicated that continued strains in the financial sector will constrain the supply of credit, while demand for retail and corporate loans will stagnate as borrowers prioritize debt repayment and the rebuilding of their balance sheets. It said household savings rates will rise, with a related reduction in private consumption. Further, large fiscal deficits will open up as governments step in to shore up demand. It expected the negative feedback loop between the financial sector and the real economy to be reflected in a rise in delinquencies across a range of credit markets, including consumer and car loans and corporate debt.

Source: *Economist Intelligence Unit*

## KAZAKHSTAN

### Economy to contract by 2% in 2009, key risk is difficulties in banking sector

The International Monetary Fund forecast real GDP in Kazakhstan to contract by 2% in 2009 compared to growth of 3.2% in 2008, and to grow by 2% in 2010. It indicated that the country faces significant challenges from ongoing difficulties in the banking sector and the weak global environment. It considered that Kazakhstan's main challenge is to resolve the weaknesses in the banking sector while maintaining an appropriate policy response to the crisis. It said the slowing economy and the exchange rate devaluation have added to the pressures on banks' balance sheets and expected such pressures to rise, as asset quality inevitably deteriorates further. It noted that several banks are now facing solvency issues, two large banks and one smaller institution have stopped making principal repayments, and the banks are now in negotiations with their creditors to restructure their liabilities. It considered that the country needs a comprehensive solution to the growing problems in the banking sector in order to restore confidence in the system and improve the investment climate. It urged authorities to promptly deal with the external debt standstills at Bank TuranAlem and Alliance Bank and called for independent assessments of the other large banks. The Fund also called for strengthened financial sector regulation and supervision, including through improved on and off site supervision and further restrictions on foreign currency lending to unhedged borrowers.

The IMF stated that the monetary policy was appropriately geared toward supporting economic activity, including through the reduction in reserve requirements and policy rates, and provision of adequate liquidity. It noted that the exchange rate was broadly in line with fundamentals and agreed that in the current circumstances, and following the steep devaluation in February, preserving a stable exchange rate was important for regaining depositor confidence. The Fund supported the expansionary fiscal policy for 2009 and forecast a fiscal deficit of 2.1% of GDP in 2009. It also welcomed the intention to maintain a flexible fiscal policy as needed to respond to the crisis. It expected a current account deficit of 2.1% of GDP this year relative to a surplus of 5.1% of GDP in 2008, and for the external debt to rise from 79.5% of GDP last year to 99% of GDP at end-2009.

Source: *International Monetary Fund*

## EGYPT

### Economy to grow below potential, fiscal vulnerabilities are key risk

The International Monetary Fund forecast Egypt's real GDP growth at 4% in 2009/10, below its potential and similar to growth in 2008/09, adding that activity will continue to soften as the economic environment will remain difficult in the year ahead. It said Egypt has weathered the impact of the global financial crisis relatively well, as financial contagion was contained by limited direct exposure to structured financial products and low levels of financial integration. It noted that fiscal and monetary policy actions helped cushion the impact of the global slowdown on the country's economic activity. The Fund considered that Egypt's near-term macroeconomic policies should continue to be geared toward supporting growth, while reducing inflation and maintaining a sustainable external position. It warned that the risks to the outlook remain tilted to the downside in an uncertain global environment.

The Fund indicated that Egypt's banking system remains resilient to the global crisis, with sufficient liquidity, falling NPLs and improving provisioning. Still, it warned that a sharper economic slowdown could deteriorate the quality of banks' loan portfolios. The Fund also expected the current account to shift into a deficit of about 2% of GDP due to weaker exports, remittances, Suez Canal traffic, and tourism receipts. It expected the fiscal deficit to widen to 8.4% of GDP in 2009/10 in order to reduce downward pressure on economic activity, but called for postponing non-priority spending. It noted that the government's planned recourse to substantial domestic financing should be manageable, but poses risks to the rest of the economy. It called on authorities to consider attractive opportunities to secure external budget financing, which would improve the debt profile, alleviate pressure on foreign reserves, and release resources for the private sector. The Fund considered that reducing fiscal vulnerabilities is a precondition for achieving Egypt's growth potential over the medium term. It warned that sustained high fiscal deficits and public debt could undermine investors' confidence and put upward pressure on the yield curve, with related risks to government financing costs, economic activity and the exchange rate.

Source: *International Monetary Fund*



# ECONOMY & TRADE

## EMERGING MARKETS

### IMF increases financial support to low income countries

The International Monetary Fund announced a new package of measures that will significantly increase the loan resources available to low-income countries to help them overcome the impact of the global financial crisis, and include a doubling of borrowing limits, zero interest rates until the end of 2011, and more flexible terms. The resources are expected to boost the Fund's concessional lending to \$17bn through 2014, including up to \$8bn over the next two years. In addition, the IMF announced zero interest payments up to the end of 2011 for all concessional loans to low-income members and lower interest rates on a permanent basis afterwards. It said a new set of lending instruments will underpin this increased support, including an Extended Credit Facility to provide flexible medium-term support, a Standby Credit Facility to address short-term and precautionary needs, and a Rapid Credit Facility offering emergency support with limited conditionality. New IMF concessional lending commitments to low-income countries through mid-July 2009 reached \$2.9bn compared to \$1.5bn in 2008.

Source: *International Monetary Fund*

## SYRIA

### Insurance premiums up 23% to \$138m in first half of 2009

Figures released by the Syrian Insurance Supervisory Commission show that total insurance premiums reached \$138.2m in the first half of 2009, up 23% from the same period of 2008. The state-owned Syrian Insurance Company continues to lead the market with total premiums of about \$67.5m, accounting for 48.9% of the total, up from 43.3% in the same period of 2008. Its premiums increased by 41% year-on-year. United Insurance Company accounted for 8.3% of premiums generated in the first half of 2009, followed by National Insurance Company with 7.4%, the Syrian Arab Insurance Company with 5.7%, Trust Insurance with 5%, Arope Insurance with 4% and Arab Orient Insurance Company with 3.9%. Premiums collected from third-party car insurance accounted for 44% of the market, followed by all risk car insurance with 19.3%, fire with 14.7%, marine with 9.4%, engineering with 4.3%, and health with 3.8%, while other categories represented the remaining 4.5% of the market. Premiums generated from life insurance jumped by 77.5% year-on-year.

Source: *Syria Report*

## UAE

### Sovereign rating downgraded on high level of external debt

The Economist Intelligence Unit downgraded the UAE's sovereign rating from 'BBB' to 'BB', the second downgrade in the past six months. It attributed the downgrade to the incorporation of Dubai's quasi-sovereign debt in its overall external debt data, in line with the IMF's practice. It noted, however, that the data is of poor quality as there are no official figures. It estimated the external debt stock to have more than tripled from \$39bn in 2004 to \$127bn in 2008, one-quarter of which is short-term

trade-related financing. It said rapid economic growth curbed the growth of the debt-to-GDP ratio, which reached 52% at end-2008 from 37% in 2004. Moreover, strong export growth in recent years has kept the country's debt-service ratio low, at an estimated 3.5% in 2008. The EIU considered that the UAE government remains creditworthy, as the stock of public debt is primarily loans to state-owned companies rather than central government debt. It added that the UAE will have no problem financing the fiscal deficit expected for 2009 given its highly diversified foreign asset stocks, most of which are held in sovereign wealth funds. It expressed concerns about the transparency of public sector finances, especially the level of support that emirate-level governments might give to state-owned enterprises should they encounter difficulties.

Source: *Economist Intelligence Unit*

## BAHRAIN

### Sovereign wealth fund posts \$184m loss in 2008

The Bahrain Mumtalakat Holding, the country's sovereign wealth fund, declared losses of \$184m in 2008 compared to profits of \$450m in the previous year. The fund attributed last year's losses to declines in the value of its investments. Mumtalakat said it took an impairment charge of 370m Bahraini dinars, or about \$980m, mainly due to its holdings in Gulf International Bank and Gulf Investment Co. The fund, which holds stakes in companies including Gulf Air and aluminum maker Alba, added that its total assets declined by 7.6% to BHD4.8bn, or \$12.7bn. It stated that as international markets became increasingly volatile, Mumtalakat's investment strategy shifted toward its domestic assets, adding that it remains committed to its global investment strategy and constantly reviews opportunities in its target markets as they arise. Mumtalakat said it sold a local real estate development project in 2008, which led to a doubling of cash reserves over an 18-month period.

Source: *Mumtalakat*

## YEMEN

### Currency rating downgraded due to weakening external accounts

The Economist Intelligence Unit downgraded Yemen's currency rating from 'B' to 'CCC'. It attributed the downgrade to the precarious state of the external accounts and the worsening political outlook, which has increased the risk of currency speculation undermining the currency. It said the Central Bank of Yemen (CBY) maintains tight control over the Yemeni rial, balancing the aims of controlling inflation and protecting investor confidence against the need to diversify the export base. It noted that the CBY has encouraged currency depreciation by around 3% annually against the US dollar in 2001-06, but has since then loosely pegged the rial to the weakening dollar as encouraged by the International Monetary Fund. The EIU considered that the decision to peg the rial limits the monetary policy tools available to the CBY, while a weak banking sector precludes an active interest rate policy. It added that this situation is exacerbated by the fact that the CBY can do little to influence fiscal policy, a serious concern given recent large increases in public-sector pay.

Source: *Economist Intelligence Unit*



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# BANKING

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## SUDAN

### **Khartoum to lift foreign currency restrictions, IMF calls for exchange rate flexibility**

The International Monetary Fund indicated that the Sudanese authorities have agreed to remove the cash margin on letters of credits, the limit on the purchase of foreign currency for travel purposes and the multiple currency practice by the end of 2009. The Fund said exchange rate flexibility is key to maintaining and rebuilding foreign exchange reserves, adding that sustained exchange rate intervention and the introduction of exchange restrictions will not address the underlying problem of increased demand for foreign currency. It added the decline in world food prices and the slower growth in domestic demand should help reduce inflation concerns related to greater exchange rate flexibility. The Sudanese pound depreciated by 4% against the US dollar in the last quarter of 2008 and by another 8% in the first four months of 2009. It estimated Sudan's net foreign currency reserves at \$600m by end-2009, equivalent to 0.8 months of import cover, and down from \$978m at end-2008.

Source: *International Monetary Fund*

## TUNISIA

### **Parliament ratifies anti-money laundering law**

The Tunisian Parliament ratified a draft a law to fight money laundering and terrorism financing. The new law aims to harmonise Tunis' legal framework with UN resolutions and treaties designed to stop the flow of money used to bankroll terrorism, as well as to improve financial transparency and to keep up with international standards. The Justice Ministry said the new anti-money laundering legislation aims to protect Tunisia's financial sector from criminal acts given that the country is opening up its financial services sector to private and foreign investors. The new law complements Tunisia's 2003 Anti-Terrorism Law, which set up a financial analysis commission at the nation's Central Bank, and comes in the context of a 2004 memorandum of understanding signed by 14 Arab countries, including Maghreb nations, that set up a financial working group for the MENA region to combat money laundering and terror financing.

Source: *Magharebia News*

## NIGERIA

### **Top 1000 banks in world include 15 Nigerian banks**

*The Banker* magazine's 2009 survey of the Top 1000 banks in the world included 15 banks from Nigeria on the list, up from 14 in the previous survey. Further, the top 20 banks in sub-Saharan Africa included 12 Nigerian banks, down from 13 banks in 2008. *The Banker* ranks banks according to Tier One capital at year-end 2008 as defined by the Basel Bank for International Settlements. Nigerian banks' Tier One capital grew by 60.2% to \$18.1bn from \$11.3bn in the previous survey and accounted for 43.4% of Tier One capital of Sub-Saharan Africa, up from 34% in 2008. First Bank of Nigeria was the top ranked Nigerian bank, as its Tier One capital jumped by 517% year-on-year to \$3bn and its global rank rose by 487 places to 215th this year. Also, Zenith Bank jumped 264 spots to 218th

place. Fidelity Bank, Skye Bank and Afribank were new entries among the Top 1000 banks, ranking in 450th, 580th and 895th place, respectively. Both First Inland Bank and Spring Bank were removed from the Top 1000 banks list. *The Banker* said Nigerian banks pre-tax profits increased to \$3.1bn in 2008 from \$1.9bn in 2007. But it affirmed that Nigerian banks have been hit hard by the financial crisis as oil revenues fall and external finances decrease. It expected rankings to reveal a more moderate set of results next year compared to a solid performance this year and spectacular results last year.

Source: *The Banker*

## ARMENIA

### **Bank losses from devaluation contained, lending to contract**

The International Monetary Fund indicated that the banking sector's losses from the March 3 devaluation of the Armenian dram have been contained and that financial sector conditions have stabilized. It said deposit dollarization has stabilized at around 67% after rapidly increasing from 35% in November 2008, as depositors converted their drams into dollar deposits at a rapid pace in anticipation of the depreciation. Also, the depreciation did not trigger deposit outflows, as commercial banks were able to reduce their short foreign currency exposure. It estimated the first round valuation losses for banks that had not managed to close their short foreign currency positions by March 3 at AMD 4.7bn, or \$12.6m, equivalent to 15% of total 2008 profits and 0.2% of GDP. It noted, however, that new lending to the private sector has largely stopped, as banks are cutting back on their domestic currency assets by not rolling over dram-denominated loans and by restructuring them to dollar-denominated loans. Also, borrowers, whose income is mostly in domestic currency, are averse to borrowing in foreign currency and taking on the exchange rate risk. As a result, annual growth in credit to the private sector slowed down in the first quarter of 2009 to 25% and contracted by 5% from the last quarter of 2008 compared an average growth of 67% in 2008, while the number of new consumer loans in the first quarter fell by more than 40% year-on-year.

Source: *International Monetary Fund*

## RUSSIA

### **Banks to increase lending by up to 1.2% of GDP**

The government extended the system of loan guarantees and asked public sector banks to increase lending by up to 1.2% of GDP in the third quarter of 2009. The new guarantees would allow banks to receive 50% of the face value of a delinquent loan from the government prior to the sale of any collateral, and would allow banks to continue their efforts to extract further value from the underlying asset afterwards. It also expected the \$9.6bn extended loan guarantees scheme to allow government-controlled banks to increase their loan portfolios by RUB400bn-RUB500bn, or \$13bn-\$16bn, to the economy in the third quarter. The targeted lending growth is equivalent to 1%-1.2% of GDP, and constitutes a growth of 3% of the total stock of domestic credit. The Finance Ministry said the target relates to Sberbank, VTB, VEB, Gazprombank and Rosselkhozbank.

Source: *Credit Suisse*



# ENERGY / COMMODITIES

## Oil jumps towards \$64 with stock markets

Oil rose toward \$64 per barrel on July 30, supported by stock markets in Europe and Asia after better than expected corporate results. The rally followed a drop of almost 6% on July 29 in the wake of U.S. data showing a big jump in crude inventories and on concerns over the outlook for Chinese economic growth following a fall in its stock markets. The Energy Information Administration (EIA) said crude stocks in the U.S. rose an unexpected 5.1 million barrels to 347.8 million, while refineries scaled back faster than anticipated. U.S. light crude oil futures rose 45 cents to \$63.80 per barrel after dropping by 5.8% on July 29, the biggest daily percentage fall since April 20th. London Brent gained 90 cents to \$67.43.

Distillate stocks rose to the highest level in nearly 25 years, while gasoline stockpiles fell. Over the past four weeks, U.S. fuel consumption dropped by 4.1% from a year earlier, led by a 10.7% decline in demand for distillates. Inventories at Cushing, Oklahoma, a large storage hub and delivery point for U.S. crude futures, are now close to operable capacity. Traders said they were also watching for any measures by China that could impact industrial growth and fuel demand. Chinese shares suffered their deepest daily decline in eight months on July 29 on fears that Beijing might move to tighten money supply. Adding to uncertainty in the oil market was news the U.S. Commodities Futures Trading Commission was considering implementing position limits for some commodity futures after wide price swings that have raised concern over speculation.

Source: Thomson Reuters

## Oil demand to rise in 2010

Oil consumption worldwide is expected to rise again in 2010 as a recovery in the global economy boosts demand. World demand fell by 2.5% since hitting 86.2 million barrels per day (bpd) in 2007 due to high oil prices and the economic crisis. Oil demand is projected to rise by 900,000 bpd to 84.9 million bpd in 2010. However, the expected increase of 1.1% worldwide is unlikely to drain away all the excess supplies, despite the slow growth in production outside OPEC.

Source: Thomson Reuters

## Saudi Aramco, Total seek \$8bn loan for refinery

Saudi Aramco and Total are looking to borrow \$8bn to build an oil refinery on Saudi Arabia's Gulf coast. The two companies are raising the 16-year loans in the name of Saudi Aramco Total Refining & Petrochemical Co. The joint venture wants to borrow \$3.5bn from international lenders, \$1.5bn from Saudi banks and about \$2bn from Saudi government funds. The remaining \$1bn will be raised from lenders including the Japan Bank for International Cooperation.

Source: Bloomberg

## GCC countries switch on regional grid

Saudi Arabia, Kuwait, Bahrain, and Qatar linked their power grids in the first phase of a \$1.4bn initiative to help alleviate shortages in the Gulf. The UAE and Oman will join by early 2011. No scheduled power trades have yet taken place on the grid, though electricity is flowing on an unscheduled basis due to the flow of electrons.

Source: Bloomberg

## Base metals: Copper advances as China's Central Bank eases lending fears

Copper climbed after falling on July 29, as China's Central Bank damped speculation it would curb lending, boosting the demand outlook for raw materials. Futures fell on July 29 as speculation the Chinese government would limit bank loans sent the country's stock market dropping by the most in eight months, dragging base metals lower. Equities rallied on July 30 after the Central Bank said it will maintain a moderately loose monetary policy, aiming to consolidate the nation's economic recovery. November-delivery copper on the Shanghai Futures Exchange closed up 0.6% at \$6,314 a metric ton. The contract dropped 4.4% on July 29th. November-delivery aluminum advanced 2.7% to \$2,143 a ton, while zinc gained 1.3% to end at \$2,053. Three-month delivery copper on the London Metal Exchange rose 0.8% to \$5,456 a ton. Copper for September delivery in New York gained 0.3% at \$2.4855 a pound. Among other LME-traded metals, aluminum added 1.1% to \$1,815 a ton, zinc gained 0.7% to \$1,655 a ton and nickel climbed 1.2% to \$16,475 a ton. Lead rose 0.6% to \$1,770 a ton and tin added 0.7% to \$14,300 a ton.

Source: Bloomberg

## Precious Metals: Platinum to rise as output falls

Platinum prices have come under severe pressure, falling from last year's high at \$2,301 an ounce to around \$1,160 an ounce at present due to a sharp drop in demand from industrial users. Prior to the slowdown, the platinum market was in continuous deficit for almost a decade on the back of robust demand growth. Subdued supply growth also kept the platinum market tight. South Africa's miners faced a host of problems in recent years, including power shortages and safety related issues. Producer margins have been squeezed in the past 12 months, and companies have tried to cut costs. Even though shortages in skilled staff affected output in the past few years, miners are now aligning headcount with lower output volumes. Miners are also cutting back capital expenditure. Mine safety remains an issue and disruptions led to output falling short of planned production. These factors should support gradual price rises as demand recovers. Platinum prices are expected to rise above \$1,500 an ounce in the next couple of years.

Source: Merrill Lynch

| Commodities price developments  | level   | 6m ave  | 12m ave | mom% | yoy%  |
|---------------------------------|---------|---------|---------|------|-------|
| Economist commodity price index | 183.3   | 170.3   | 181.0   | 0.9  | -28.2 |
| LME metals price index          | 2618.9  | 2089.3  | 2320.1  | 12.9 | -31.8 |
| Oil prices USD                  | 66.0    | 54.3    | 65.3    | -4.1 | -46.5 |
| Oil prices SDRs                 | 42.3    | 35.9    | 42.9    | -4.9 | -44.2 |
| Gold \$/troy oz                 | 951.4   | 926.8   | 873.1   | 3.1  | 2.6   |
| Silver cents/troy oz            | 1376.0  | 1343.0  | 1256.0  | -0.1 | -21.8 |
| Platinum \$/troy oz             | 1176.0  | 1123.8  | 1098.4  | 0.6  | -33.6 |
| Copper \$/MT                    | 5473.5  | 4299.3  | 4711.3  | 13.8 | -34.1 |
| Nickel \$/MT                    | 16297.5 | 12260.6 | 12988.3 | 10.6 | -19.5 |
| Aluminium \$/MT                 | 1702.3  | 1446.1  | 1771.4  | 8.9  | -42.6 |
| Zinc \$/MT                      | 1642.3  | 1366.9  | 1382.0  | 8.9  | -12.9 |

Source: Credit Suisse



# COUNTRY RISK METRICS

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



# COUNTRY RISK METRICS

| Countries                           | LT Foreign currency rating |          |          |          |          | Central gvt. balance/ GDP (%) | Public debt (% of GDP) | External debt / GDP (%) | External debt/ Exports (%) | Debt service ratio (%) | External Debt/ Forex Res. (%) | Current Account Balance / GDP (%) | Net FDI / GDP (%) |
|-------------------------------------|----------------------------|----------|----------|----------|----------|-------------------------------|------------------------|-------------------------|----------------------------|------------------------|-------------------------------|-----------------------------------|-------------------|
|                                     | S&P                        | Moody's  | Fitch    | CI       | EIU      |                               |                        |                         |                            |                        |                               |                                   |                   |
| <b>Central &amp; Eastern Europe</b> |                            |          |          |          |          |                               |                        |                         |                            |                        |                               |                                   |                   |
| Armenia                             | -                          | Ba2      | BB       | -        | -        | -2.2                          | 13.9                   | 32.5                    | 496.8                      | 1.2                    | 311.3                         | -9.0                              | 5.9               |
|                                     | -                          | -        | 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        | 30-Jul-09    | No change  | N/A          |
| 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                   | Reverse repo rate     | 3.25        | 28-Jul-09    | No change  | N/A          |
| 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  | 18-Aug-09    |
| 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  | Sep-09       |
| Nigeria                 | Monetary Policy Rate  | 6.00        | 07-Jul-09    | Cut 200bps | Sep-09       |
| Ghana                   | Prime Rate            | 18.50       | 21-July 09   | No change  | Sep-09       |
| Mexico                  | Target Rate           | 4.50        | 17-Jul-09    | Cut 25bps  | 21-Aug-09    |
| Brazil                  | Selic Rate            | 8.75        | 22-Jul-09    | Cut 50bps  | 02-Sep-09    |
| 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          |



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