

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Difficult credit environment persists but credit quality improves

Moody's Investors Service indicated that the credit quality of rated sovereign, banking and corporate issuers improved in the third quarter of 2009, as the downgrade-to-upgrade ratio fell to less than 4-to-1 in the third quarter from 9-to-1 in the second quarter. It said the number of issuers upgraded in the third quarter increased to 88 upgrades from 57 in the previous quarter, while there were 328 downgrades during the third quarter compared to 543 downgrades in the second quarter and 762 downgrades in the first quarter of the year. The agency noted that despite the overall improvement to issuers' creditworthiness, current watchlists and outlook reflect a continued difficult credit environment, adding that the current level of downgrades remains elevated by historical standards. It said the percentage of issuers on review-for-downgrade in the third quarter fell to 5% from 9% in the second quarter, but medium-term trends remain negative, with 32% of issuers holding 'negative' outlooks at the end of September, up from 30.9% at the end of June. Further, both investment-grade and speculative-grade issuers had more issuers on review-for-downgrade than for upgrade in the third quarter, and speculative-grade issuers were more likely than investment-grade issuers to hold 'negative' outlooks. Moody's said more issuers were on review-for-downgrade than review-for-upgrade across all regions, as the regions with the largest disparities were Europe, the Middle East & Africa, and Latin America. Also, the U.S. and Canada, Europe, and the Middle East & Africa had the largest percentage of 'negative' outlooks.

Source: Moody's Investors Service

MENA

Region's financial systems vary in development levels

The World Economic Forum's Financial Development Index for 2009 included 6 Arab countries among 55 economies covered by the survey. The UAE ranked in 20th place, followed by Saudi Arabia in 24th place, Jordan (25th), Bahrain (27th), Kuwait (30th) and Egypt (36th). The index analyzes the drivers of financial system development that support economic growth, and serves as a tool for countries to benchmark themselves and prioritize areas for reform. The index is based on 7 pillars that reflect the factors, policies, and institutions that lead to effective financial intermediation and markets, as well as deep and broad access to capital and financial services. Bahrain has the best institutional environment in the MENA region, coming in 20th place globally, followed by the UAE (21st), Jordan (23rd), Saudi Arabia (25th), Kuwait (36th) and Egypt (38th). Bahrain also has the region's best business environment and ranked 18th globally, followed by the UAE (19th), Saudi Arabia (24th), Kuwait (29th), Jordan (37th) and Egypt (46th). In terms of financial stability, Saudi Arabia came in 6th place globally, fol-

lowed by Kuwait (8th), the UAE (17th), Bahrain (40th), Egypt (45th) and Jordan (50th). Also, Jordan topped the region in three pillars, as it ranked in 15th place worldwide in banking financial services, in 23rd place in terms of non-bank financial services, and in 13th place in terms of financial markets. Finally, Bahrain ranked in 5th place in terms of access to finance.

Source: World Economic Forum

GCC

Business confidence improves

The HSBC Gulf Business Confidence Index showed that confidence increased to 81.4 points in the third quarter of 2009 from 79.4 points in the previous quarter and from 74.8 points in the first quarter of the year, representing a significant increase in the index since confidence collapsed in the fourth quarter of 2008 and the index dropped by 22 points. Businesses in Saudi Arabia were the most confident with an index score of 91.5 points relative to 86.8 in the second quarter, while business confidence was lowest in the UAE with a score of 72.2 relative to 65.9 in the previous quarter. Oman had the second most optimistic business community in the GCC with an index score of 87.1 points, followed by Bahrain with 86.5 points, Qatar with 84.8 and Kuwait with 83.1 points. The survey noted that oil prices remains the single most important factor affecting confidence in the region. It said that 54% of respondents expect business to improve overall, up from 42% in the previous quarter. Further, 34% of businesspeople surveyed predicted a growth in their firm's revenues in the fourth quarter of the year, while 30% see an increase in profits during the rest of 2009, reflecting the lingering level of uncertainty that exists in the market. Also, 26% of respondents expect higher investment levels compared to 22% in the second quarter, while 16% of businesses foresee a decline in their workforce relative to 25% that reported job losses in the previous 12 months.

Source: HSBC

One third of hydrocarbon projects cancelled or on hold

Proleads Global indicated that nearly one third of hydrocarbon projects in the GCC countries have been put on hold or cancelled. It added that the GCC countries remain the most active construction market in the world for the oil, gas and petrochemical industries with projects budgeted at more than \$690bn. The survey covered a total of 578 hydrocarbon projects across the six GCC countries. It found that 30% of projects by value have been placed on hold or cancelled, with a further 30% currently in construction and 40% in the pre-construction phase. It said that the GCC oil sector currently has 281 projects worth \$304bn, 89% of which are in the construction or pre-construction phase. Also, the gas sector has 155 projects worth \$178bn with 85% in construction or pre-construction, while the petrochemical sector has 142 projects worth \$207bn, 72% of which are in construction or pre-construction.

Source: Proleads Global

OUTLOOK

IRAQ

Economic growth to slow to 4.3% in 2009, fiscal balance to post deficit of 25.4% of GDP

The International Monetary Fund projected economic growth in Iraq at 4.3% in 2009 and 5.8% for 2010 compared to growth in Middle Eastern oil exporting countries of 1.4% in 2009 and 4.1% in 2010. It forecast the country's real non-oil GDP to grow by 4% in 2009 and 4.5% in 2010, down from 5.4% in 2008. It projected Iraq's annual average inflation rate at 6.9% in 2009 and 6% in 2010, up from 2.7% in 2008, and compared to inflation of 5.3% and 6.2% in oil exporting countries for 2009 and 2010, respectively. Also, it expected broad money to grow by 12.3% this year and 15.2% next year, down from 35.4% in 2008. The Fund projected the central government's fiscal balance to post a deficit of 25.4% of GDP in 2009 and 8.8% of GDP in 2010, compared to a surplus of 1.5% of GDP in 2008. It estimated public revenues at 64.6% of GDP in 2009 and 65.1% of GDP in 2010, down from 78.6% of GDP in 2008, and total expenditures at 90.4% of GDP this year and 74.2% of GDP next year, relative to 78.2% of GDP last year.

The IMF expected Iraq's public debt to reach 133.7% of GDP at end-2009 and 41.4% of GDP at end-2010, compared to 108.3% at end-2008. It also forecast total gross external debt at 128.7% of GDP this year and 36.9% of GDP next year, relative to 104.5% of GDP last year and compared to external debt in oil exporting countries of 29.1% of GDP in 2009 and 23.2% of GDP in 2010. Further, the Fund estimated Iraq's exports of goods & services at \$38bn in 2009 and \$47.6bn in 2010 relative to \$63.5bn in 2008, and imports of goods & services at \$55.4bn in 2009 and \$56.7bn in 2010. It forecast the country's current account to post a deficit of \$19.9bn, or 28.4% of GDP, in 2009 and \$12.7bn or 15.2% of GDP in 2010, compared to a surplus of \$12.2bn or 13.3% of GDP in 2008. The Fund expected the country's gross official reserves to reach \$44.2bn at end-2009 and \$40.5bn at end-2010, down from \$50.2bn at end-2008.

Source: International Monetary Fund

ALGERIA

Non-oil growth to average 5.6% in 2009-10, fiscal balance to post deficits

The International Monetary Fund projected Algeria's real GDP growth at 2.1% in 2009 relative to growth of 1.4% in the oil exporting economies of the Middle East, and to growth of 2.2% in the region this year. It also expected economic growth of 3.7% compared to growth of 4.1% in oil exporting economies and 4% in the region in 2010. It projected the country's real non-oil GDP growth at 5.7% in 2009 and 5.5% in 2010, down from 6.1% in 2008. The IMF forecast Algeria's annual average inflation rate at 4.6% in 2009 and 3.4% in 2010, relative to 4.5% in 2008 and compared to inflation of 5.3% in 2009 and 6.2% in 2010 for oil exporting economies. Further, it expected the growth of broad money at 12.9% this year and 10.2% next year down from 16% last year. The Fund projected the central government's fiscal balance to post a deficit of 8.2% of GDP in 2009 and 2.5% of GDP in 2010, compared to a surplus of 11.4% of GDP in 2008, and compared to surpluses in oil exporting peers of around 2% of GDP in 2009 and 5.2% of GDP in 2010.

It estimated public revenues at 36.7% of GDP this year and 37.9% of GDP next year and total expenditures at 45% of GDP in 2009 and 40.4% of GDP in 2010.

The IMF forecast Algeria's public debt to reach 8.4% of GDP at end-2009 and 8.2% of GDP at end-2010, up from 7.2% at end-2008, as well as total external debt at 2.7% of GDP at the end of this year and at 2.1% of GDP next year. Further, the Fund estimated exports of goods & services from Algeria at \$50bn in 2009 and \$61.2bn in 2010 relative to \$82.6bn in 2008, and imports of goods & services at \$47.8bn in 2009 and \$50.4bn in 2010, up from \$47.5bn in 2008. It forecast the country's current account surplus at \$3.7bn or 2.7% of GDP in 2009 and at \$11.3bn or 7.3% of GDP in 2010, compared to a surplus of 3.4% of GDP in 2009 and 9.5% of GDP in 2010 for oil exporting countries. The Fund expected the country's gross official reserves to reach \$149bn at end-2009 and \$159.7bn at end-2010, up from \$143.1bn at end-2008.

Source: International Monetary Fund

NIGERIA

Non-oil growth to average 4.6%, fiscal deficit at 4.5% of GDP in 2009-10

The International Monetary Fund projected Nigeria's real GDP growth at 2.9% for 2009 and 5% in 2010, down from 6% in 2008. In parallel, it forecast growth of 1.1% in 2009 and 4.1% in 2010 for Sub-Saharan Africa, and at 1.9% in 2009 and 5.5% in 2010 for the region's oil exporting countries. It expected the country's real non-oil GDP to grow by 4.5% in 2009 and 4.8% in 2010, down from 8.9% in 2008 and relative a growth of 4.6% in oil exporting countries this year and 5.9% next year. The IMF forecast Nigeria's annual average inflation rate at 12% in 2009, and 8.8% in 2010, relative to 11.6% a year earlier and compared to inflation of 10.6% in 2009 and 8.9% in 2010 for oil exporting economies. Also, it expected broad money to grow by 19.3% this year and 24.8% next year down from 57.8% last year. The Fund projected the central government's fiscal balance to post a deficit of 9% of GDP in 2009 and 0.1% of GDP in 2010, compared to a surplus of 3.7% of GDP in 2008. It estimated public revenues at 10.3% of GDP in 2009 and 17.3% of GDP in 2010, and total expenditures at 19.3% of GDP in 2009 and 17.4% of GDP in 2010.

The IMF expected Nigeria's external debt to official creditors to increase to 3% of GDP at end-2009 and end-2010, from 2.2% of GDP at end-2008. It estimated total investment at 26.3% of GDP in 2009 and 24.2% of GDP in 2010, up from 22.8% of GDP in 2008. Further, the country's current account surplus is projected at 6.9% of GDP in 2009 and at 13.8% of GDP in 2010, down from 20.4% of GDP in 2008. In comparison, oil exporting countries are forecast to post current account surpluses of 1.6% of GDP this year and 7.9% of GDP next year. The Fund expected the country's gross official reserves to reach 10.2 months of imports of goods and services at end-2009 and 10.7 months of imports of goods and services at end-2010, down from 12.5 months of imports of goods and services at end-2008.

Source: International Monetary Fund



ECONOMY & TRADE

EMERGING MARKETS

FDI to drop by 35% to \$534bn in 2009

The Economist Intelligence Unit projected foreign direct investment in emerging markets to reach \$534bn in 2009, constituting a decline of 34.6% from \$816bn in the previous year compared to a decline of 44% in global FDI and a 52% drop in FDI flows to developed economies this year. It noted that FDI to emerging economies contracted by 49% in the first half of 2009 relative to a 54% contraction in FDI to developed economies over the same period. It forecast FDI to Eastern Europe to post the steepest drop among emerging economies with a 51% contraction to \$90.4bn. It added that FDI to Sub-Saharan Africa would drop by 39% to \$30bn this year; followed by a 33% drop to Latin America & the Caribbean to \$94bn. Further, FDI to Developing Asia would post a 27% decline to \$236bn, while the MENA region will see a 25% drop in FDI to \$73.4bn this year. It noted that emerging markets are likely to attract more FDI than developed economies for the first time ever.

Source: *Economist Intelligence Unit*

SYRIA

Damascus is largest recipient of IMF technical assistance in region

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Syria accounted for 21% of its overall allocation of technical assistance delivery during fiscal year 2009. It was the biggest recipient of such assistance for the second year in a row, ranking ahead of 10 countries in the region. Syria received 346 days worth of assistance in 2009, equivalent to 69.2 Person Weeks, down from 495 days worth of assistance in fiscal year 2008 or 99 Person Weeks. It received 135 days in revenue administration support, or 39% of the total. It was followed by 110.5 days in Central Bank accounting support, equivalent to 32% of the total, macro-economic statistics support with 70 days (14%), banking supervision assistance with 36.5 days (10.7%), and public financial management assistance with 26.8 days (8%). METAC's assistance covered assisting the Finance Ministry in integrating the current and capital budgets, improving balance of payments data collection, introducing and improving programs for FDI statistics, technical advice on external debt statistics, improving and compiling statistics on the international investment position, support in establishing an office for medium-size taxpayers, and support for ongoing accounting reforms at the Central Bank of Syria.

Source: *METAC*

ANGOLA

Annual inflation at 14% in September

Figures released by the National Statistics Institute indicate that consumer price inflation reached 13.7% in September, down from 13.8% in August and 14% in July. Prices increased by 0.81% month-to-month compared to a 0.87% increase reported in July. Consumer prices increased significantly in the past few months due to a decision by Banco Nacional de Angola (BNA), the country's central bank, to limit the sale of US dollars by commercial banks in order to protect declining foreign currency

reserves. However, the decision led to increased demand for dollars and proved to be inflationary as many businesses only transact in US dollars, while approximately 90% of consumer goods in Angola are imported. In order to combat the increasing demand for dollars, the BNA decided to increase the amount of dollar sales to commercial banks, leading to the depreciation of the currency by around 7% and to rising inflationary pressures.

Source: *National Statistics Institute, CEEMarketWatch*

ARMENIA

Anti-crisis measures yielding results

The International Monetary Fund indicated that Armenia is efficiently addressing the challenges caused by the global crisis, and encouraged authorities to continue implementing tax and customs administration reforms to ensure sound public finances. It said fiscal policy continues to be expansionary, as the government has been able to keep expenditures close to the original 2009 budget with the help of the IMF and other donors, while increasing spending on priority infrastructure projects. It added that the financial system remains stable and the return to a floating exchange rate last March was a success. Further, the Central Bank of Armenia has expanded its instruments to provide liquidity to the banking system in order to stimulate credit to the private sector and inflation is on track to meet the authorities' end-2009 target. It noted that, once the economy recovers, the government will need to reduce the fiscal deficit to preserve medium-term fiscal and debt sustainability, while continuing to support needed public spending and investment.

Source: *International Monetary Fund*

RUSSIA

Government can meet contingent liabilities

Moody's Investors Service indicated that the Russian government has the necessary resources to support its economy and manage the strains associated with contingent liabilities. It said large-scale funding of the banking system and sizeable debts of quasi-state corporations have raised concerns about Russia's ability to service such liabilities. But the agency noted that, even in a worst-case scenario, Russia would be capable of handling these liabilities. It said that even if the government was forced to take on its books the entire stock of quasi-sovereign external debt at mid-2009 levels, the government debt-to-GDP ratio would rise from 6% of GDP to 18% of GDP, and the government debt-to-revenues ratio would rise from 15% of GDP to 61% of GDP. It noted that this compares well to end-2009 median forecasts for similarly-rated countries of a debt-to-GDP ratio of 34% of GDP and a debt-to-revenues ratio 155% of GDP. Moody's added that Russia's low public debt and ample foreign currency reserves still provide enough of a cushion to face a worst case scenario. Therefore, it is relatively unlikely that heightened political, economic, or financial shocks would lead to a multi-notch credit rating downgrade.

Source: *Moody's Investors Service*



BANKING

JORDAN

Leasing market to benefit from new tax code

The International Finance Corporation indicated that the leasing sector in Jordan can benefit from updated tax policies, while improved risk management systems at leasing companies would help improve their access to capital. It noted that the government is drafting a new tax code, which constitutes a unique opportunity to establish effective tax policies that support the leasing sector. It said that clarification of the tax treatment of leasing contracts and a level playing field between leasing and other forms of credit would promote the leasing market. The IFC added that incorporating leasing into the new tax code will enable lessors in Jordan to benefit from the opportunities the new leasing law provides and help stimulate economic growth, create jobs, and increase financing options for Jordanian firms. It considered that developing the leasing sector would increase access to finance for micro, small- and medium-size enterprises.

Source: *International Finance Corporation*

SAUDI ARABIA

Lending resumes, money growth positive

Deutsche Bank indicated that the sharp decline in bank lending seen since October 2008 in Saudi Arabia appears to have come to an end. It said net new lending has increased in each of the last three months, with the rise in August the largest since September 2008. It noted that it remains to be seen whether this return to lending signals a sustained improvement in risk sentiment. It added that commercial bank deposits held at the Saudi Arabian Monetary Authority (SAMA) are down \$5.6bn from their April peak, which reflects more of a reduction in liquidity from SAMA than a change in bank lending behavior. It said the decline has come from excess reserves and could be a reflection of asset-switching by commercial banks in search of better yields, rather than translating entirely into increased lending. It added that money growth has remained positive in Saudi Arabia in contrast to much of the rest of the GCC, reflecting greater stability of deposits and lower foreign exchange intervention. It forecast money growth at 10% in 2009 and 14.5% in 2010. It noted that while reserves in Saudi Arabia are down from the August 2008 peak, they have generally increased since late 2008 and demand deposits have increased month-to-month every month since December 2008.

Source: *Deutsche Bank*

UAE

Banking sector assets reach \$417bn at end-September

Figures released by the UAE Central Bank show that the total asset base of the banking system reached AED 1,521bn at the end of September, constituting an increase of about 2% from the end of June 2009. Aggregate deposits reached AED 977.2bn at end-September, up by around 1% from the end of the second quarter despite a AED 600m drop in deposits in August. Further, loans and advanced grew by more than AED 11bn since the end of the second quarter to reach AED 1,021bn at end-September. Personal lending stabilized at AED 212bn since

August after posting growth in the second quarter. Also, provisions for NPLs stood at AED 27.8bn at the end of September, while the average capital adequacy ratio improved to 18% as at end-September.

Source: *Emirates Business 24/7*

TUNISIA

Banking sector not immune to risks

Standard & Poor's indicated that the Tunisian banking system's moderate growth and limited dependence on international markets have helped banks remain resilient to the global economic downturn. It noted, however, that tough economic conditions are creating new risks. It considered that the banking system's challenges include a weak but improving asset quality, its exposure to cyclical sectors amid an economic slowdown, and intense competition. It also noted the authorities' supportive approach towards the banking system but warned that the sector's structure, which includes 20 commercial banks, could result in a selective approach to support in the case of a systemic crisis. S&P expected the economic slowdown to put pressure on banks' already weak asset quality indicators. It noted that exposure to some export-oriented sectors, such as the mechanic & electronic industry and the tourism sector, are the main sources of risk given the depressed economic conditions in the European Union, which is Tunisia's main export market. The agency considered that price competition puts pressure on banks' profitability, and high provisioning needs also contribute to their relatively weak performance. It added that banks have a barely adequate level of capitalization and a weak enterprise risk management.

Source: *Standard & Poor's*

ARMENIA

Microfinance sector growing

The Economist Intelligence Unit's Global Microfinance Index ranked Armenia in 25th place among 55 countries worldwide in terms of the environment for microfinance. Globally, Armenia ranked ahead of Bosnia and Bangladesh and behind Brazil and Georgia. The index evaluates microfinance as a commercially viable and sustainable activity across three broad categories. Armenia ranked in 26th place on the regulatory framework category, in 13th place on the investment climate segment, and in 20th place on the institutional development category. The survey said the level of competition among microfinance institutions in Armenia is limited, although banks have become more active in the sector. It noted that the microfinance sector as a whole remains heavily donor driven, with very limited funding coming from local sources. It said the sector is well-regulated, but the Central Bank's capacity is stretched thin and the historically robust regulation and supervision capacity for microfinance has not kept up with the rapid pace of sector growth. It added that the provisioning requirements placed on micro-loans are not lower than those for the general financial sector. The survey indicated that microfinance institutions offer a limited range of services because they are allowed to take deposits, offer insurance or process remittances.

Source: *Economist Intelligence Unit*



ENERGY / COMMODITIES

Oil falls towards \$80 as dollar rises

Oil slipped toward \$80 on October 22 as a stronger dollar encouraged investors to lock-in profits from a 12-month high reached the previous day. U.S. crude oil futures fell 63 cents to \$80.74 a barrel, having dipped as low as \$79.9. London Brent crude fell 49 cents to \$79.2. Crude surged to \$82 on October 21, the highest price since October last year, as weekly U.S. government oil data showed a large drop in gasoline inventories over the last week and fuel demand rising about 4% year-on-year. But absolute oil inventory levels remained high globally due to slack demand. Technical indicators, based on the study of historic price graphs rather than supply and demand factors, suggested further gains in oil. Global investors were watching corporate earnings for signals whether expectations of economic recovery and a related surge in energy demand were well-founded.

Source: Thomson Reuters

Iraq signs deal with two companies to develop oil-field in Rumaila

Iraq's Cabinet ratified a deal with two foreign energy companies to develop the giant southern oilfield in Rumaila. The contract with Britain's BP and CNPC of China is the first major deal with foreign firms to be signed since an international auction in June. The project aims to almost triple output at the 17 billion barrel field, increasing it by 2 million barrels a day. Iraq's oil ministry offered 20-year service contracts on the field, stipulating that companies would not be paid until a minimum level of production was reached. Above that point, the companies would be paid a certain amount per barrel up to a maximum level stipulated by the ministry. The maximum amount of \$2 a barrel offered by the ministry was significantly less than the oil companies were asking for, but BP and CNPC agreed to do the work. BP will hold a 38% stake in the venture, compared to CNPC's 37% share, while Iraq's State Oil Marketing Organization will control the remaining 25%.

Source: Associated Press

OPEC to exempt Iraq from oil output target

The Organization of the Petroleum Exporting Countries said the group is unlikely to impose an oil output target on Iraq for several years, to allow its industry to recover from decades of sanctions, war and neglect. Iraq, which needs high investment to boost output and repair infrastructure, is exempt from the group's production target system.

Source: Thomson Reuters

Russia to reduce gas tariff for Armenia in 2010

Russia said it was ready to reduce the cost of the natural gas supplied to Armenia in exchange for the right to construct the new nuclear power plant in the country. Gazprom is revising gas tariff for Yerevan for 2010 to reduce it from \$200 to \$180 per 1,000 cubic meters. Gazprom is the exclusive supplier of natural gas to Armenia.

Source: Arminfo

Basic Metals: Copper falls from 13-Month high as dollar rebounds

Copper fell from a 13-month high as the dollar strengthened, decreasing metals' appeal as an alternative investment. The dollar gained on speculation that China may reduce economic-stimulus spending as the country's gross domestic product rose at the fastest pace in a year in the third quarter and inflationary pressures increased. Copper for three-month delivery fell \$55, or 0.8%, to \$6,535 a ton on the London Metal Exchange. The contract on October 21 rose as high as \$6,665, the highest intraday price since September 29, 2008. December-delivery copper fell by 1.6% to \$2.988 a pound on the New York Mercantile Exchange's Comex unit. A weaker dollar has helped copper prices to double this year, along with record first-half imports into China. Among other LME metals for three-month delivery, zinc fell by 0.6% to \$2,219 a ton, erasing a gain of 0.4% to \$2,242, the highest since May 21 last year. Aluminum rose by 0.1% to \$1,968 a ton. Tin was unchanged at \$14,450 a ton, nickel fell by 1.5% to \$19,450 a ton, and lead dropped by 1.3% to \$2,418 a ton.

Source: Bloomberg

Precious Metals: Gold at all-time highs

Gold prices are hitting new all-time highs on a nearly daily basis, and the current market environment is supportive. Gold offers investors shelter from market, inflation and US dollar risks. However, gold has become a too costly insurance. Much of gold's recent rally is due to the weakness of the US dollar. The correlation of the USD/EUR exchange rate and gold has been unusually strong lately. While inflation expectations have not changed much over the past months, it was the perceived inflation risks that offered support to gold. However, the loss of confidence in the US dollar and the increase in inflation fears are not mirrored equally in demand from investors. Inflows into physically-backed gold exchange traded funds (ETFs) were overall positive in the third quarter but are short of the inflows seen in the first quarter. Central banks have become net purchasers of gold for the first time in many years. Also, high prices and the recession reduce jewellery demand, which was 23% below year-ago levels in the first half of 2009. Jewellery accounts for more than half of total gold consumption.

Source: Julius Baer

| Commodities price developments | level | 6m ave | 12m ave | mom% | yo% |
|---------------------------------|---------|---------|---------|------|-------|
| Economist commodity price index | 196.8 | 185.3 | 172.4 | 3.4 | 6.5 |
| LME metals price index | 2949.1 | 2561.1 | 2215.7 | 3.4 | 19.9 |
| Oil prices USD | 77.5 | 65.7 | 56.8 | 9.4 | 3.9 |
| Oil prices SDRs | 48.6 | 42.4 | 37.3 | 8.4 | -0.5 |
| Gold \$/troy oz | 1057.8 | 954.0 | 904.3 | 5.7 | 24.9 |
| Silver cents/troy oz | 1754.0 | 1459.6 | 1303.7 | 6.2 | 60.6 |
| Platinum \$/troy oz | 1337.0 | 1213.3 | 1085.5 | 2.6 | 35.7 |
| Copper \$/MT | 6076.5 | 5409.0 | 4488.3 | -1.3 | 18.6 |
| Nickel \$/MT | 18172.5 | 15903.9 | 13163.7 | 8.7 | 55.8 |
| Aluminium \$/MT | 1835.5 | 1681.7 | 1603.7 | 1.3 | -14.0 |
| Zinc \$/MT | 1964.5 | 1666.9 | 1417.8 | 7.6 | 49.5 |

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 | | | | | | | | |
| Africa | | | | | | | | | | | | | |
| 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 | 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 | B+ | - | BB- | - | B | -5.7 | 23.6 | 6.1 | 20.6 | 0.6 | - | -13.2 | 2.4 |
| | Stable | - | 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 | | | | | | | | |
| Middle East | | | | | | | | | | | | | |
| 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- | BB | 16.7 | 10.6 | 79.3 | 125.2 | 2.3 | 287.4 | 11.4 | 2.4 |
| | - | - | - | Stable | Stable | | | | | | | | |
| Yemen | - | - | - | B | CC | -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 | | | | | | | | |
| Central & Eastern Europe | | | | | | | | | | | | | |
| 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 |
| | Positive | 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 | 23-Sep-09 | No change | 04-Nov-09 |
| Eurozone | Refi Rate | 1.00 | 08-Oct-09 | No change | 05-Nov-09 |
| UK | Base Rate | 0.50 | 08-Oct-09 | No change | 05-Nov-09 |
| Japan | O/N Call Rate | 0.10 | 14-Oct-09 | No change | 30-Oct-09 |
| Australia | Cash Rate | 3.25 | 06-Oct-09 | Raise 25bps | 03-Nov-09 |
| New Zealand | Cash Rate | 2.50 | 10-Sep-09 | No change | 29-Oct-09 |
| Switzerland | 3 month Libor target | 0.25 | 17-Sep-09 | No change | 10-Dec-09 |
| Canada | Overnight rate | 0.25 | 20-Oct-09 | No change | 08-Dec-09 |
| Emerging Markets | | | | | |
| China | One-year lending rate | 5.31 | 23-Dec-08 | Cut 27bps | N/A |
| Hong Kong | Base Rate | 0.50 | 24-Sep-09 | No change | 04-Nov-09 |
| Taiwan | Discount Rate | 1.25 | 24-Sep-09 | No change | Dec-09 |
| South Korea | Target Rate | 2.00 | 09-Oct-09 | No change | 12-Nov-09 |
| Malaysia | O/N Policy Rate | 2.00 | 25-Aug-09 | No change | 28-Oct-09 |
| Thailand | 1D Repo | 1.25 | 21-Oct-09 | No change | N/A |
| India | Reverse repo rate | 3.25 | 28-Jul-09 | No change | 27-Oct-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 | 8.25 | 17-Sep-09 | Cut 25bps | 05-Nov-09 |
| Turkey | Base Rate | 7.25 | 17-Sep-09 | Cut 50bps | 15-Oct-09 |
| South Africa | Repo rate | 7.00 | 22-Sep-09 | No change | 22-Oct-09 |
| Kenya | Central Bank Rate | 7.75 | 23-Sep-09 | No change | Nov-09 |
| Nigeria | Monetary Policy Rate | 6.00 | 02-Sep-09 | No change | Nov-09 |
| Ghana | Prime Rate | 18.50 | 23-Sep-09 | No change | Nov-09 |
| Mexico | Target Rate | 4.50 | 16-Oct-09 | No change | N/A |
| Brazil | Selic Rate | 8.75 | 21-Oct-09 | No change | N/A |
| Armenia | Refi Rate | 5.00 | 08-Sep-09 | Cut 25bps | N/A |
| Romania | Policy Rate | 8.00 | 29-Sep-09 | Cut 50bps | N/A |
| Bulgaria | Base Interest | 1.46 | 01-Oct-09 | Cut 11bps | N/A |
| Kazakhstan | Refi Rate | 7.00 | 04-Sep-09 | Cut 50bps | N/A |
| Ukraine | Discount Rate | 10.25 | 11-Aug-09 | Cut 75bps | N/A |
| Russia | Refi Rate | 10.00 | 30-Sep-09 | Cut 50bps | N/A |



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