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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate defaults at record high year-to-September

Standard & Poor's indicated that 225 companies defaulted on their debt obligation in the first 9 months of 2009, exceeding the total for 2008, and on track to surpass the previous high of 229 defaults in 2001. It said 57 firms defaulted on their debt in the third quarter of the year compared to 116 companies in the second quarter and 62 firms in the first quarter. It added that the volume of rated debt affected by defaulters in the third quarter was $126.9bn. The agency noted that the quarterly corporate default rate for speculative-grade rated entities was 2.1% at the end of the third quarter of 2009 compared to 0.77% at end-September 2008, constituting a much higher rate than the average of 4.3% posted during the 1981-2008 period, and is at its highest point since December 2002. In parallel, the agency noted that overall credit quality has started showing signs of stabilization, as the number of downgrades declined significantly across all regions with the downgrade-to-upgrade ratio falling to 2.6% in the third quarter from 6.7% in the second quarter and 11.4% in the first quarter. It said the decrease is largely due to a substantial decline in the number of downgrades, which fell to 4% of total rating actions in the third quarter from 7.8% in the second quarter. S&P said that 87% of the issuers that have defaulted this year were rated speculative grade ('BB+' and lower) prior to default, reflecting the ability of corporate credit ratings to serve as an effective measure of relative default risk.

Source: Standard & Poor's

MENA

Equity markets up 23% in first 10 months of 2009

Arab stock markets rose by 23.4% in the first 10 months of 2009 compared to a drop of 37.3% in the same period last year and to a decline of 54.5% during 2008. The Egyptian stock exchange increased by 51.5% in the first 10 months of the year, posting the best performance among Arab markets during the covered period. It was followed by the Tunis stock market with a 41.4% rise, the Beirut and Dubai stock markets with a 34.3% increase for each, the Riyadh market with a 31% improvement, the Abu Dhabi equity market with a 26.5% growth, the Muscat stock market with a 16.8% improvement, the Palestine exchange with a 13.2% rise, the Doha bourse with a 3.6% improvement. In parallel, the Bahrain stock market posted the worst performance in the region with a 15.4% decrease year-to-October, followed by the Kuwait exchange with a 5.6% drop, the Amman bourse with a 5.2% decline and the Casablanca stock market with a 1.9% decline. In comparison, emerging market equities improved by about 61.7% in the first 10 months of 2009.

Source: Local stock markets, Byblos Research

Trade in IT and ICT-enabled services at $65bn in Arab markets

Figures released by the United Nations Conference on Trade & Development show that the Arab world imported $38.5bn in Information Technology (IT) and Information & Communication Technology (ICT)-enabled services in 2007, accounting for 11.6% of such imports to developing economies and for nearly 3% of global imports. Saudi Arabia was the leading market in the region with $12.9bn in IT and ICT-enabled services imported, followed by Lebanon with $5.1bn, Egypt with $4.4bn, Oman with $2.5bn, Morocco with $1.4bn, Yemen with $887m, Jordan with $640m, Bahrain with $524m, Tunisia with $497m, Kuwait with $284m, Libya with $199m, and Sudan with $82.5m. In parallel, the Arab world exported $26.4bn in IT and ICT-enabled services in 2007, accounting for 8% of such exports from developing economies and for 1.6% of global exports. Saudi Arabia was the leading Arab exporter with $7.9bn, followed by Lebanon with $6.9bn, Kuwait with $5.4bn, Morocco with $2.5bn, Egypt with $2.4bn, Tunisia with $572m, Jordan with $350m, Oman with $133m, Yemen with $106m and Sudan with $66m. The figures are based on a new classification of ICT products released in 2008 that is based on the United Nations Central Product Classification. It covers ICT goods as well as ICT services, content and media.

Source: United Nations Conference on Trade & Development

UAE

Dubai-related entities downgraded on selective support

Moody's Investors Service downgraded the issuer and debt ratings of DP World, Dubai Electricity & Water Authority and DIFC Investments to ‘A3’ from ‘A1’, as well as the issuer and debt ratings of Jebel Ali Free Zone and Dubai Holding Commercial Operations Group to ‘Baa1’ from ‘A3’. It said the ratings’ outlook on the first four government-related entities (GREs) is ‘negative’, reflecting ongoing economic pressures. It attributed the downgrades to recent disclosures about the increasing conditions that are needed for receiving support. This includes the specific criteria that will be considered by the recently established Dubai Financial Support Fund when assessing whether financial assistance should be provided. The criteria include whether the GREs are able to demonstrate sustainable business plans, the on-going support of their existing financial creditors, and realistic prospects of fulfilling their repayment obligations. The government also reiterated that the GREs’ debt obligations not benefiting from a guarantee are not considered as obligations of the government and that it is not obliged to extend support to any such GRE either directly or through the Support Fund.

Source: Moody's Investors Service

POLITICAL RISK OVERVIEW - OCTOBER 2009

ALGERIA

The security forces reported killing 5 militants in a clash on October 4 in Djelfa. More than 10 militants and 3 soldiers were killed on October 9 in an army clash with armed groups in the South-West desert region. Protesters clashed with the police on October 19-20 in eastern Algiers during a protest over high unemployment and inadequate housing.

ARMENIA

Turkey and Armenia signed two landmark protocols on October 10 to establish diplomatic relations and open their sealed borders. The two countries' parliaments have to ratify the protocols before they can take effect. Opposition parties and Diaspora communities rejected the agreements. President Sarkisian attended on October 14 the World Cup soccer match in Turkey with President Gül.

DEMOCRATIC REPUBLIC OF CONGO

The National Assembly approved the 2010 budget despite criticism from the opposition over low allocations to public services. The UN announced on October 27 that 10 civilians were killed in an attack on civilian vehicles by the Democratic Forces for the Liberation of Rwanda in Rutshuru. At least 47 policemen and an unknown number of civilians were killed on October 29 in ethnic clashes near Dongo. The DRC and Angola agreed on October 13 to suspend the retaliatory expulsion of migrants, after a sharp increase in expulsions over 2009.

EGYPT

A Campaign against the potential succession of President Mubarak's son Gamal was launched on October 14 by the opposition leader Ayman Nour. Around 20 Muslim Brotherhood (MB) members were arrested during a political meeting on October 18 in Mansoura. The trial of 26 Hezbollah cell members detained in May resumed on October 28th.

IRAN

Talks on the Iranian nuclear program with the UN Security Council led to a draft deal for Iran to export 75% of low-enriched uranium stockpile in exchange for high-enriched fuel for a medical research reactor. Iran requested major changes to the proposal on October 29th. Parliament speaker Larijani and opposition leader Musavi criticized the deal. IAEA inspectors visited the recently-revealed Qom nuclear facility on October 25-27th. A suicide bomber killed at least 42 people, including top Revolutionary Guard commanders, in the southeastern city of Pishin on October 18th. The bombing was claimed by the Sunni Baluchi armed group Jundallah. Iranian officials accused the U.S., UK and Pakistan of supporting the group. Post-election opposition activities continued, including student protests in several cities. The authorities opened an investigation on former presidential candidate Mahdi Karroubi on October 13 for accusing security forces of raping and torturing detained protesters. More than 100 Members of Parliament signed a petition calling for a legal action against the opposition leader Musavi. Three members of anti-regime organizations, accused of fueling the country's post-election unrest, were sentenced to death on October 10th. Sentences were issued for several post-election detainees on October 20th. Over 60 reformists and relatives of detainees were arrested at a prayer ceremony on October 22, but many were subsequently released.

IRAQ

Two suicide car bombings, targeting the Justice Ministry and the headquarters of the Baghdad provincial administration, killed at least 155 people and wounded around 500 people on October 25th. The attacks were claimed by the Islamic State of Iraq linked to Al-Qaida. More than 60 security force members, including 11 senior officers, were arrested following the attack. Smaller attacks continued across the country during the month, including several in Anbar province killing over 40 people. More than 200 suspected rebels were arrested under a series of security operations in Mosul city. Parliament failed to reach an agreement on a new electoral law as members of parliament disagreed over the oil-rich province of Kirkuk. Prime Minister Maliki formed a new political bloc to compete in the January election. The State of Law Coalition includes candidates from the majority Shiite community as well as Sunni tribal leaders and members of other minorities. Iraq's Cabinet ratified a deal with Britain's BP and CNPC of China on October 8 to develop the giant oilfield in Rumaila. The autonomous Kurdish government suspended all oil exports as the central government refused to pay foreign oil companies that have pumped the Kurdish oil through Iraq's pipeline network. PM Maliki signed accords with his Turkish counterpart on energy, water and anti-PKK cooperation on October 15th.

SUDAN

The National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) agreed after 10 months of heated negotiations to adopt a uniform requirement of 51% simple majority votes to declare Southern Sudan an independent country or confirm unity in the upcoming January 2011 referendum. South Sudan's President Salva Kiir urged southerners on October 31 to choose independence in a referendum if they wanted to be free. Sudan's opposition parties walked out of parliament on October 26 after President Bashir's National Congress Party (NCP) refused to back down over its plans to allow the intelligence services wide powers. The SPLM accused the North of arming southern tribes amid further clashes in the Jonglei State in early October. The U.S. Administration renewed for one year U.S. sanctions against Sudan. Envoys from the UN Security Council states and from the EU called for CPA progress in a statement agreed in Moscow on October 6th. The African Union Peace and Security Council approved on October 29 the recommendations drawn up by a seven-member high-level AU panel including the creation of a hybrid court to try those suspected of committing crimes against humanity. Sudan accepted the recommendations but said it will need further discussions with the AU concerning the hybrid court.

SYRIA

King Abdullah of Saudi Arabia met with President Assad in Damascus on October 7-8 to discuss restarting efforts towards a peace deal between Israel and the Palestinians. Turkish and Syrian ministers met on October 13 in Aleppo for the first session of the Turkish-Syrian High Level Strategic Cooperation Council. Syria asked to postpone the signing of an economic partnership agreement with the European Union, scheduled for October 26, after Syrian officials said they needed more time to review the agreement.

Source: International Crisis Group

ALGERIA

Non-hydrocarbon growth at 9% this year, medium term prospects favorable

The International Monetary Fund revised upward its forecast for non-hydrocarbon growth to 9% for 2009 from an earlier forecast of 5.7%, but expected the significant reduction in hydrocarbon output to reduce overall GDP growth to about 2% this year. It said the high non-oil growth is due to the exceptional grain harvests and good performance by sectors driven by the public investment program (PIP). It expected hydrocarbon sector activity to improve in 2010 with the recovery of global growth, adding that it could make a positive contribution to overall growth for the first time in several years. It noted that medium-term prospects remain favorable, even if non-hydrocarbon sector activity slows down, due to the stabilization of public investment spending, as it considered that the private sector is not ready yet to become the engine of growth. It said medium-term financial prospects improved significantly with the increase in oil prices, but they are still strongly dependent on fluctuations in hydrocarbon prices. It noted that the current international economic crisis reflects the need to diversify the economy, including a reduction in the fiscal dependence on hydrocarbon resources.

The Fund considered that the main objective of Algeria's 2010 fiscal policy should be to continue improving the infrastructure while controlling spending. It encouraged authorities to use the resources accumulated in the Revenue Stabilization Fund to finance the PIP in order to drive non-hydrocarbon growth. Also, the IMF called for reviewing the budget dependency on hydrocarbon revenues, streamlining fiscal expenditures and increasing non-hydrocarbon revenues. It noted that Algeria will post its first budget deficit in a decade this year, which could reach 8.4% of GDP compared to a surplus of 8.1% of GDP in 2008. It added that the main objective of monetary policy in 2010 should be to control excess liquidity and inflationary pressures, while communicating more widely the objectives and instruments of that policy.

Source: International Monetary Fund

GHANA

Economic growth at 5% in 2010, fiscal consolidation is key challenge

The International Monetary Fund indicated that Ghana's economy is expanding but at a moderate pace despite the global financial crisis. It said the high growth of cocoa and gold exports, agricultural production and hydroelectricity more than offset weaknesses in construction and import-related activities. It projected real GDP growth at 4.5% for 2009 and 5% in 2010. The IMF noted that after several years of rapid credit growth, the tightening of monetary policies during 2007-09 is showing signs of declining liquidity and slowing credit expansion. It estimated the country's annual average inflation rate at 18.5% in 2009 and 10.2% in 2010, relative to 16.5% in 2008. The Fund also indicated that the country's external performance has strengthened. It said robust gold and cocoa exports, combined with a decline in imports, contributed to a significant improvement in the external balance. It projected the current account deficit at 12.7% of GDP in 2009 and at 15.4% of GDP in 2010, down from 18.7% of GDP in 2008.

The IMF stated that the Ghanaian cedi has appreciated slightly against the dollar since July 2009, and net international reserves exceeded the end-September target. It expected the country's gross official reserves to reach 1.6 months of imports of goods and services at end-2009 and end-2010, down from 1.8 months at end-2008. It noted that expenditure management has been tight, with higher than budgeted interest payments, offset by restraint in non-interest spending. It projected the central government's fiscal balance to post a deficit of 6.7% of GDP in 2009 and 8.2% of GDP in 2010 down from 13.6% of GDP in 2008. The Fund noted the progress made in defining and initiating projects to strengthen the country's fiscal institutions ahead of its move to oil-producer status in 2011. It indicated, however, that the main policy challenge for 2010 remains the need for further fiscal consolidation to slow Ghana's rising public debt and to reduce the crowding-out of private sector credit from significant bank financing of the budget.

Source: International Monetary Fund

KAZAKHSTAN

Restoring confidence in banking sector is key challenge

The International Monetary Fund indicated that Kazakhstan's financial system remains vulnerable and must be placed on a sound and sustainable footing. It added that Kazakhstan faces the medium-term policy challenge of restoring confidence in the financial system while withdrawing public sector support. It said non-performing loans have increased significantly and bank asset quality is expected to continue to deteriorate, placing additional pressure on balance sheets. Loans or assets classified as doubtful and as a loss accounted for 56.8% of total loans at end-April and loans classified as a loss represented 7.5% of aggregate loans, while loan loss provisions were at 16% at end-April. It supported recent measures to raise bank capital requirements and to discourage lending and borrowing in foreign currency, and called for a more comprehensive strategy to restore confidence in the banking system. It noted that the sector's loans-to-deposits ratio remains very high at 196% of GDP, and foreign currency liabilities account for 61% of total liabilities. It said a key objective should be the resolution of bank solvency problems; moving swiftly through the rest of the restructuring process; and taking decisive action should similar circumstances arise in other financial institutions.

The IMF stressed that strong regulatory and prudential frameworks, as well as corporate governance are crucial to improve the financial system. It called for empowering the Financial Supervision Agency with the authority, legal protection, independence, and resources to conduct its mandate, including the ability to enforce regulations and take early corrective actions when required. It considered that private domestic savings, rather than external borrowing or government resources, should become the primary source of financing of productive activities, adding that banks' external borrowing should be carefully managed and that the government should start designing an exit strategy from its equity positions in banks.

Source: International Monetary Fund

SYRIA

Insurance premiums up 15% to $222m in third quarter of 2009

Figures released by the Syrian Insurance Supervisory Commission show that total insurance premiums reached $221.9m in the third quarter of 2009, up 15.3% from the same period of 2008. The state-owned Syrian Insurance Company continues to lead the market with total premiums of about $107.8m, accounting for 48.6% of the total, up from 43% in the same period of 2008. Its premiums increased by 29.9% year-on-year. National Insurance Company accounted for 7.9% of premiums generated in the third quarter of 2009, followed by United Insurance Company with 7.4%, the Syrian Arab Insurance Company with 5.8%, Trust Insurance with 4.9%, Arab Orient Insurance Company with 4.3% and Arope Insurance with 3.9%. Premiums collected from third-party car insurance accounted for 42.3% of the market, followed by all risk car insurance with 20.2%, fire with 14.5%, transport with 9.3%, health with 4%, and engineering with 3.5%, while other categories represented the remaining 6.2% of the market. Premiums generated from life insurance jumped by 18.1% year-on-year and accounted for 1.1% of total premiums.

Source: Syria Report

IRAQ

Baghdad is 9th largest recipient of IMF technical assistance in region

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Iraq accounted for 6% of its overall allocation of technical assistance delivery during fiscal year 2009 and was the 9th biggest recipient of such assistance in the region. Iraq received 93.7 days worth of assistance in FY 2009, equivalent to 18.7 Person Weeks. Central Bank accounting represented 67.3% of Iraq's total assistance, followed by banking supervision support with 24.6%, and macroeconomics statistics support with 8.2%. METAC's assistance covered drafting prudential regulations such as licensing requirement processes, minimum capital requirements, loan classification and provisioning, internal control, risk management, market risk & operational risk management, and foreign exchange operations. Also, it prepared supervisory reports to better analyze newly developed financial statements about the distribution of assets and liabilities according to maturity, distribution of loans and advances by types of currency, economic sector and geographical area, distribution of deposits by type of currency and maturity, and reports on performing and non-performing loans.

Source: METAC

ARMENIA

IMF notes full implementation of economic program, disburses additional funds

The International Monetary Fund completed the second review of Armenia's economic performance under a program supported by a Stand-By Arrangement (SBA) and approved the immediate release of about $60m, bringing the total disbursed to about $479m. The 28-month SBA was approved last March, with access increased in June. It said the global crisis continued to have a serious impact on the Armenian economy, as the fall in remittances and the collapse of the construction sector caused a more severe economic contraction and lower fiscal revenues than anticipated. It noted that the authorities have fully implemented their economic program, which calls for fiscal and monetary easing and a flexible exchange rate. It added that due to continuing weak domestic demand, the authorities plan to maintain fiscal easing this year, with external resources offsetting the drop in revenues; while expenditures will focus on anti-crisis measures, increasing capital spending, and protecting social spending. The Fund said authorities are committed to starting fiscal consolidation in 2010, with a view to ensuring medium-term debt sustainability. It noted that the short-term outlook remains challenging but growth is expected to resume gradually in 2010, although risks remain.

Source: International Monetary Fund

UKRAINE

Outlook downgraded due to renewed political uncertainty

Standard & Poor's revised its outlook on Ukraine to 'stable' from 'positive' and affirmed the long- and short-term foreign currency sovereign credit ratings at 'CCC+/C' and the long- and short-term local currency ratings at 'B-/C'. It attributed the outlook revision to renewed uncertainty about the implementation of the country's IMF Stand-by Arrangement ahead of the January 2010 presidential elections. It said recent politically-driven proposals for a large-scale increase in public sector wages and pensions imply a consolidated fiscal deficit in excess of 10% of GDP for 2009. It expressed doubt whether the minimum wage will actually be increased due to disagreement among various branches of government and competing political forces on the affordability of wage policies. The agency said that until this issue is resolved, the next scheduled IMF loan disbursement for $3.9bn is likely to be delayed, which would push Ukraine's financial account back into deficit. In turn, this would have negative ramifications for investor confidence in the banking system and for exchange rate stability. Moreover, in the absence of IMF funding, sources of budgetary funding are likely to be limited, which raises the risk that the deficit is monetized. It warned that further back-tracking on the IMF program could destabilize the economy and reduce confidence in the financial system.

Source: Standard & Poor's

EGYPT

Plan to sell stakes in state firms

The Ministry of Investment Minister indicated that the government has developed a plan to sell stakes of up to 49% in selected state-owned firms, without putting a timetable for the partial privatization. It said the state's portfolio of 150 firms is now profitable, earning the government more than EGP 5.1bn, or $930m in 2007/08. The plan needs to be put into a draft law to be ratified by Parliament. It added that, if the plan is approved, part of the proceeds would be allocated to a fund for future generations, with about 5% of the proceeds going into the new fund.

Source: EFG Hermes

GCC

Prudential regulations need further improvement

The Institute of International Finance indicated that the GCC has made significant progress in prudential regulations and banking supervision, adding that there is still scope for further improvement. It said more robust management systems, close monitoring of high-frequency data and early warning systems are needed to detect and correct problems that could become systemic. It noted that this issue is important due to the lack of transparency, the prevalence of large family-affiliated conglomerates, and offshore and regional banking. It said this requires enlarging the information set available to supervisors, including off-balance-sheet operations of banks, household indebtedness, real estate prices, and gathering information on the financial health of corporates. Further, stress tests can provide early warning signals, in addition to regular on-site inspections. It noted that until the operating environments of the real estate sector and investment companies improve, credit risk concerns are likely to weigh negatively on many banks' financial profiles in the months ahead.

Source: Institute of International Finance

SYRIA

State-owned banks to raise capital to $216m

Syria's state-owned banks, the Real Estate Bank, the Industrial Bank, the Savings Bank and the Popular Credit Bank raised their minimum share capital to SYP 10bn, or about $217m, constituting an increase of more than six times from the current minimum level of SYP 1.5bn. The increase, to be implemented within three years, will be covered by allocating 25% of each bank's annual net profits and by funds provided by the government. The country's two other state banks, the Agricultural Cooperative Bank and the Commercial Bank of Syria, have capital of SYP 15bn and SYP 70bn, respectively. Last month, the government approved a draft law requiring private commercial banks operating in Syria to increase their minimum share capital to SYP 10bn and for Islamic banks to raise their capital to SYP 15bn. Private banks will have a 5-year period to implement the capital increase. The government attributed the decision to the need to be in line with Basel II standards and to hedge against the risks posed by the growing integration of local banks into global markets.

Source: Syria Report

NIGERIA

IMF calls for stepping up banking sector supervision

The International Monetary Fund indicated that the Nigerian banking system has been under pressure by deteriorating asset quality and welcomed the measures taken to identify and resolve problems in banks' balance sheets. It said that the system as a whole has significant capital, but considered that individual banks that pursued high-risk strategies and violated governance and prudential regulations during the period of rapid credit growth are vulnerable. It urged the authorities to press ahead with efforts to address governance problems at the affected banks. The Fund noted that a robust financial stability framework will be important for the sustained development of the financial sector. It welcomed steps to improve the accuracy of information on bank balance sheets and to establish a macro prudential unit at the Central Bank of Nigeria. It also stressed the need to implement the framework for risk-based and consolidated supervision. It urged the development of a clear framework for dealing with bank failures and to strengthen cross-border supervisory arrangements in view of the rapid cross-border expansion of Nigerian banks.

Source: International Monetary Fund

Central Bank takes measures to encourage lending

The Monetary Policy Committee at the Central Bank of Nigeria (CBN) kept the policy rate at 6%, but reduced the rate of bank deposits at the CBN, or the standing deposit facility, by 200 bps to 2%. It also lifted restrictions on the use of commercial paper and bankers' acceptances as off-balance-sheet items, an emergency measure it put in place as part of the banking sector cleanup. Further, it waved the requirement of 1% general provisioning for performing loans for 2009 in an attempt to provide a counter-cyclical boost to the economy. The CBN noted that rates on both secured and unsecured lending has declined since banking sector reforms were initiated in July, reflecting improved perceptions of counterparty credit risk, but banks' excess reserves on deposit with the CBN have increased. It said the average daily excess reserves were higher in October than in any of the preceding four months and, since mid-October, banks have increased their use of the standing deposit facility of the CBN, placing much more money on deposit at the bank. So reducing the rate is an incentive for banks to place their money elsewhere. In parallel, the CBN took the other measures due to concerns that additional provisioning by banks would lead to a related decline in broad money growth. It estimates the gap at NGN 500bn, an indication of the extent of expected sector-wide provisioning.

Source: Standard Chartered

ARMENIA

Loans at $1.8bn, deposits at $1.7bn at end-September

Commercial banks' total loans grew by 9.4% in the first 9 months of the year to $1.8bn. Loans in local currency decreased by 19% from year-end 2008 and loans in foreign currency grew by 45.4% over the same period. Foreign currency loans accounted for 52.9% of overall lending, and loans in Armenian drams for represented 47.1% of the total. The sector's total deposits grew by 38% in the first 9 months of the year to nearly $1.7bn. Deposits in local currency reached $467m at the end of September and constituted 27.5% of total deposits, while deposits in foreign currency reached $1.2bn and accounted for 72.5% of the total. Non-resident deposits reached $396m at the end of the third quarter, representing 23.3% of total deposits.

Source: Central Bank of Armenia

Oil down towards $79 on weak equities, firmer dollar

Oil fell to $79 a barrel on November 5, after a sharp decline in U.S. crude inventories sent prices up by 1% the previous day, as traders look to the fall in equity markets and firming dollar to take profits. U.S. crude for December fell 71 cents to $79.69 a barrel, and London Brent crude lost 71 cents to $78.18 a barrel. Crude oil futures rose above $81 a barrel on November 4 after the U.S. government Energy Information Administration (EIA) data showed a big drop of 4 million barrels in the week to October 30th. Gasoline stockpiles also fell by 300,000 barrels against forecasts for a slight increase, while distillates dropped by a less-than-expected 400,000 barrels. Traders said the fall in oil prices was driven by the weak stock markets in Asia. Energy traders have closely watched economic data and share markets this year for signs of economic recovery that could boost falling oil demand.

Source: Thomson Reuters

Morocco unveils $9bn solar power project

Morocco announced a solar energy project worth $9bn, which is expected to account for 38% of the country's installed power generation by 2020. The project, whose funding would be from a mix of private and public capital, will involve five solar power generation sites across Morocco and will produce 2,000 megawatts of electricity by 2020. Morocco is the only North African country with no oil production of its own, and wants to develop renewable energy sources to cut its oil and gas imports.

Source: Thomson Reuters

Italian firm signs deal to develop Iraqi oil field

Iraq's Oil Ministry signed an initial 20-year agreement with a consortium led by Italian energy giant Eni. According to the deal, Eni, Italy's biggest energy company by market value, and its partners Occidental Petroleum and Korea Gas Corp. of South Korea will be paid $2 for each extra barrel of oil it extracts on top of current production at the field, but will be liable for a 35% tax on its profits. Eni and its partners would pay the ministry $300m as a refundable five-year loan instead of paying a signature bonus.

Source: The Wall Street Journal

Saudi Arabia to generate $4,000bn over next decade

Deutsche Bank estimated that Saudi Arabia will generate revenues of $4,000bn over the next 10 years. It said that at a forecast oil price of $85 per barrel in 2011, it estimated the oil price increase will generate an additional $60bn in revenues in 2011. Further, an increase in the oil price by $5 per year over the next 10 years, and conservatively assuming a constant production of 10 million barrels a day, it projected the Saudi economy to generate revenues of $4,000bn in the coming 10 years. It noted that Saudi Arabia is the world's leading petroleum exporter and holds more than 20% of the word's proven petroleum reserves as well as significant gas reserves.

Source: Deutsche Bank

Basic Metals: slow and uneven recovery

Despite improving trends over the next 12-18 months, the global base metals industry is likely to see a slow improvement as end markets continue to recover and prices remain at acceptable levels. The outlook for the global base metals industry is stable. Fundamentals in global end markets are still weak, especially in the U.S. and Europe, where key metal-consuming industries such as commercial construction and residential housing remain under significant pressure. Overall, diversified and copper producers are likely to experience better conditions than aluminium and nickel producers. Smaller players that are concentrated in a single commodity or single site, and those whose business footprint is solely on the downstream side, are expected to remain more vulnerable to deterioration in fundamentals. Metal price movements, inventory levels and changes in regulatory and environmental compliance requirements, are projected to be key issues to be monitored in the long-term. In addition, liquidity and debt maturity profiles will also be important, because of a wave of debt maturities and bank revolver expirations in 2011 and 2012.

Source: Moody's Investors Service

Precious Metals: Silver prices increase sharply, investor demand is strong

Gold fell for the first time in four days in London as the dollar climbed, curbing demand for the metal as an alternative investment, and as some investors sold gold following its rally to a record high. Gold, up by 23% this year, reached a record of $1,097.72 an ounce on November 4 after the Federal Reserve pledged to keep borrowing costs low for an extended period, weakening the dollar. Gold also climbed as the Reserve Bank of India bought 200 metric tons from the International Monetary Fund. The Indian central bank's purchase from the IMF was made last month at an average price of $1,045 an ounce, and the $6.7bn acquisition increased its holdings to about 557.7 tons. The IMF agreed in September to sell 403.3 tons to support its finances and provide more low-interest loans. Gold for immediate delivery lost $8, or 0.7%, reaching $1,084.20 an ounce. December gold futures were little changed at $1,088.80 an ounce on the New York Mercantile Exchange's Comex division. Among other precious metals for immediate delivery in London, silver fell by 0.4% to $17.38 an ounce. Platinum dropped by 0.7% to $1,358 an ounce, and palladium increased by 0.4% to $330.75 an ounce.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	199.6	187.7	173.3	6.7	21.3
LME metals price index	3089.4	2632.5	2246.6	10.0	27.6
Oil prices USD	80.0	68.0	57.2	20.0	17.4
Oil prices SDRs	50.3	43.7	37.5	18.9	10.3
Gold $/troy oz	1045.5	966.2	915.7	5.5	38.2
Silver cents/troy oz	1633.0	1496.7	1333.5	1.6	74.1
Platinum $/troy oz	1328.0	1227.6	1105.1	4.6	62.6
Copper $/MT	6424.3	5560.8	4570.2	8.3	45.3
Nickel $/MT	18457.5	16470.9	13488.6	9.3	47.6
Aluminium $/MT	1899.5	1720.1	1600.2	6.6	-9.7
Zinc $/MT	2206.8	1726.0	1458.3	18.3	86.0

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								
	-	-	-	-	Stable	-11.5	7.8	1.9	3.4	1.7	1.9	-3.0	0.8
Angola	-	-	-	-	B								
	-	-	-	-	Stable	4.6	19.1	17.4	25.4	9.4	-	7.6	7.2
Egypt	BB+	Ba1	BB+	BBB-	BB								
	Stable	Stable	Stable	Stable	Stable	-7.9	73.8	17.0	47.0	5.8	100.6	-2.9	3.2
Ethiopia					CCC								
	-	-	-	-	Stable	-2.3	-	14.1	263.0	-	-	-7.2	-
Ghana	B+	-	B+	-	CCC								
	Stable	-	Negative	-	Stable	-10.1	-	35.6	-101.7	-	-	-17.0	-
Ivory Coast	-	-	-	-	CC								
	-	-	-	-	Stable	-1.4	-	55.7	134.4	-	556.0	0.3	-
Libya	A-	-	BBB+	-	BB								
	Stable	-	Stable	-	Stable	-2.0	6.5	15.5	20.0	3.3	-	15.5	2.8
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-3.1	-	47.6	92.7	-	-	-4.7	-
Morocco	BB+	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-3.6	52.8	24.2	79.5	0.5	95.6	-2.1	3.3
Nigeria	B+	-	BB-	-	B								
	Stable	-	Stable	-	Stable	-3.0	12.3	5.0	16.5	0.3	-	-5.6	1.6
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-3.3	104.5	67.2	428.5	3.2	-	-5.1	2.4
Tunisia	BBB	Baa2	BBB	BBB	BB								
	Stable	-	Stable	Stable	Stable	-4.0	51.0	53.0	114.6	9.7	232.0	-2.6	3.8
Middle East													
Bahrain	A	A2	A	A	BBB								
	Stable	-	Stable	Stable	Stable	-6.4	22.7	178.0	220.3	15.9	934.9	-2.9	0.9
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	-4.8	19.3	5.2	20.1	2.8	23.1	0.6	0.2
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-12.7	-	67.3	128.4	2.3	112.8	-0.1	0.9
Jordan	BB	Ba2	-	BB	CCC								
	Stable	-	-	Stable	Stable	-1.2	59.0	65.4	131.2	8.1	183.0	-10.7	6.9
Kuwait	AA-	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	12.9	7.5	31.7	57.7	2.8	221.2	25.8	-2.0
Lebanon	B-	B2	B-	B	CCC								
	Stable	-	Stable	Stable	Stable	-12.6	154.3	96.3	631.1	15.0	168.6	-10.4	5.5
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	-5.1	6.0	30.9	45.9	5.4	117.1	-0.3	2.0
Qatar	AA-	Aa2	-	AA-	A								
	Stable	Stable	-	Stable	Stable	4.2	10.4	72.8	157.3	8.4	603.4	8.7	7.9
Saudi Arabia	AA-	A1	AA-	AA-	BBB								
	Stable	-	Stable	Stable	Stable	-4.7	11.3	9.7	18.8	2.0	89.1	-6.1	0.3
Syria	-	-	-	-	CCC								
	-	-	-	-	Stable	-7.9	32.3	14.6	75.3	1.0	151.1	-2.9	1.4
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-11.2	-	22.5	112.7	-	-	-9.7	

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-	-	-								
	-	-	Stable	-	-	-3.1	23.6	42.5	579.3	1.5	344.9	-0.8	0.9
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	-	Stable	-	Stable	-2.7	17.5	102.0	200.0	35.3	283.9	-8.0	8.2
Kazakhstan	BBB-	Baa2	BBB-	-	BB								
	Negative	-	Negative	-	Stable	-3.5	6.6	95.9	231.5	48.0	426.6	-7.6	9.2
Romania	BB+	Baa3	BB+	BBB-	BB								
	-	-	Negative	Negative	Stable	-5.1	20.8	61.5	202.5	15.9	348.0	-7.1	3.3
Russia	BBB	Baa1	BBB	-	BBB								
	-	Positive	Negative	-	Negative	-6.5	7.0	38.0	133.6	33.7	139.1	1.3	0.4
Turkey	BB-	Ba3	BB-	BB-	B								
	Stable	-	Stable	Stable	Stable	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
Ukraine	CCC+	B1	B	-	CCC								
	Stable	Positive	Negative	-	Stable	-4.0	22.1	86.6	223.7	20.1	407.1	-0.1	4.5

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	30-Oct-09	No change	20-Nov-09
Australia	Cash Rate	3.25	06-Oct-09	Raise 25bps	03-Nov-09
New Zealand	Cash Rate	2.50	29-Oct-09	No change	10-Dec-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	28-Oct-09	No change	24-Nov-09
Thailand	1D Repo	1.25	21-Oct-09	No change	02-Dec-09
India	Reverse repo rate	3.25	27-Oct-09	No change	29-Jan-10
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	6.75	15-Oct-09	Cut 50bps	19-Nov-09
South Africa	Repo rate	7.00	22-Oct-09	No change	17-Nov-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	03-Nov-09
Ghana	Prime Rate	18.50	23-Sep-09	No change	Nov-09
Mexico	Target Rate	4.50	16-Oct-09	No change	27-Nov-09
Brazil	Selic Rate	8.75	21-Oct-09	No change	09-Dec-09
Armenia	Refi Rate	5.00	06-Oct-09	No change	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

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

BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

SUDAN

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

IRAQ

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

ARMENIA

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

NIGERIA

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

BELGIUM

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

ENGLAND

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

FRANCE

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

CYPRUS

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

UNITED ARAB EMIRATES

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