

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Corporate default rate at 12.5% at end-2009, falls for the first time since January 2008**

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 12.5% at the end of 2009, down slightly from 12.6% at the end of September, and compared to 4.2% a year earlier. It said the global default rate peaked in November at 12.9%, higher than the peak of 10.4% in 2001 and compared to the pre-crisis record-high of 12.2% reached in July 1991. It noted that the global default rate has likely reached its cyclical peak for this credit cycle, as the pace of defaults has regressed sharply during the past several months. The agency expected the global speculative-grade default rate to fall to 3.3% at the end of 2010, with a rapid decline in the first half of the year to 6.4% by the end of June. It said a total of 266 corporate debt issuers defaulted in 2009 compared to 105 defaults in the previous year, with 92 defaults, or 35%, triggered by distressed exchanges. Measured on a dollar volume basis, the global speculative-grade bond default rate ended 2009 at 15.6%, down from a peak of 18.9% in November and compared to a global dollar-weighted default rate of 5.9% at end-2008. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 18.8% at the end of 2009, down from 28.5% in October and 54.2% at end-2008. *Source: Moody's Investors Service*

##### **Downgrade-to-upgrade ratio improves amid difficult credit environment**

Moody's Investor Services indicated that the downgrade-to-upgrade ratio improved significantly in the fourth quarter of 2009, falling to 1.4-to-1 from 4-to-1 in the third quarter. It attributed the improvement to an increase in the number of upgrades in the fourth quarter to 236 from only 88 upgrades in the third quarter. It noted that downgrades were largely unchanged in the fourth quarter, decreasing to 324 from 328 downgrades in the third quarter, but still down significantly from the 762 downgrades registered in the first quarter of 2009 when the downgrade-upgrade ratio stood at 25-to-1. The agency cautioned that, despite the overall improvement in the downgrade-to-upgrade ratio, current watchlists and outlooks reflect a continued difficult credit environment. It added that the percentage of issuers holding negative outlooks decreased to 27.3% in the fourth quarter, from 32% in the third quarter, and noted that this level remains high by historical standards. Further, the percentage of issuers on review for downgrade in the fourth quarter increased to 8.7% from 5% in the third quarter. Moody's said 12.7% of investment-grade issuers were on review for downgrade in the fourth quarter, compared to 0.8% on review for upgrade, while 3.4% of speculative-grade issuers were on review for downgrade with 1.7% on review for upgrade. *Source: Moody's Investor Services*

#### MENA

##### **Region's economic freedom stagnates**

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2010, a broad indicator of economic freedom in 183 countries, shows that economic freedom in the MENA region stagnated year on year, as the region's average level of economic freedom reached 60.4% in 2010, almost unchanged from 60% in 2009. The level of economic freedom in the region is above the global level of 59.4%. The index evaluates individual economies on the basis of 10 broad factors of economic freedom. Among the 17 MENA countries covered by the survey, the rankings of 9 countries improved 6 declined and two remained the same, while the level of economic freedom improved in 12 countries and declined in 5 economies. Bahrain is the most economically free country in the MENA region, ranking as the 13th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide, while Syria, Iran and Libya are the lowest ranked economies. Bahrain's economy came in the 'mostly free' category, while seven countries had economies that are 'moderately free', six were 'mostly unfree', and three had 'repressed' economic systems. The MENA region scored above the global average in 5 categories which are Business Freedom, Trade Freedom, Fiscal Freedom Labor Freedom and Government Spending. *Source: Heritage Foundation, Wall Street Journal*

##### **Logistics environment improves in Arab world**

The World Bank's Logistics Performance Index for 2010 showed that the overall logistics environment in the Arab World improved in recent years, as the region's average score improved to 2.80 points in 2010 from 2.66 points in 2007. The global average of 155 countries for logistics performance is 2.87 points in 2010. The LPI provides a cross-country assessment of the logistics gap among countries and reflects perceptions of the logistics environment of trading partner countries. It is based on a survey of operators on the ground worldwide who provided feedback on the logistics friendliness of the countries in which they operate and those with which they trade. The rankings of 9 Arab countries improved and 6 declined, as Libya and Iraq were added while Mauritania and Morocco were removed from the index this year. Also, the scores of 10 Arab countries improved and 5 regressed from the previous survey. The UAE remained the highest ranked Arab country and is the only Arab country among the top 30 countries globally in terms of logistics readiness. Iraq ranked last in the region, coming in 148th place globally. Germany has the best logistics performance in the world while Somalia came last. *Source: World Bank, Byblos Research*

# OUTLOOK

## WORLD

### High debt levels, collapse in asset prices, and gaps in governance are key risks for 2010

The World Economic Forum indicated that the key risks facing the world this year are fiscal crises, a collapse in asset prices, underinvestment in infrastructure, slow growth in China, gaps in global governance and chronic diseases. It highlighted the increase in interconnections among risks, which reflect a higher level of systemic risk than ever before. It noted a greater need for an integrated and more systemic approach to risk management and response by the public and private sectors alike. The WEF said that massive government spending to support growth is threatening the already precarious fiscal positions of developed economies and might lead to unintended consequences. It said many countries are at risk of overextending unsustainable levels of debt, which will exert strong upwards pressures on real interest rates. In turn, unsustainable debt levels could lead to full-fledged sovereign debt crises. It noted that the costs of government interventions, combined with the long-standing burden of pensions and health spending, have left several major economies in a historically weak fiscal position with mounting debt, with the aggregate budget deficits of the G20 standing at 7.9% of their combined GDP.

The WEF stated that an asset price collapse remains the strongest risk for this year, which illustrates the continuing uncertainty about the resilience of the global economy and the effectiveness of fiscal and monetary responses, governance and regulation. It expressed concerns that the decline in the dollar and low interest rates would fuel another bubble that is liquidity- rather than debt-driven, as well as about a lag in the impact of the recession in a number of areas. It said debt loads remain high, as illustrated by the Dubai debt problems, adding that further shocks could emerge with the rise in refinancing needs, which are expected to peak between 2011 and 2013. In parallel, the WEF indicated that a loss in China's growth momentum could pose risks to global capital and commodity markets. The WEF also highlighted the risks of a widening global governance gap and retrenchment from globalization as a consequence of the financial crisis and the fallout from the global recession.

*Source: World Economic Forum*

## MENA

### Growth at 3.5% in 2010 and 4.3% in 2011, regional financial risks remain

The World Bank revised downward its GDP growth forecast for the Middle East & North Africa region to 1.4% for 2009 from 1.6% previously due to the impact of the global economic crisis. It estimated growth at 4.7% for oil importers, at 1.6% for non-GCC oil exporters, at -1% for GCC economies and at -3.9% for the diversified economies of the Levant and North Africa. It said the combination of lower oil and gas prices and reduced output caused hydrocarbon revenues for the region to drop from \$755bn in 2008 to \$485bn in 2009, a decline equivalent to 30% of the group's GDP. Further, revenues of non-GCC oil exporters regressed by 12.5% of GDP last year. The World Bank expected prospects for both the developing and high income economies of the MENA region to improve through

2011. It projected real GDP growth of 3.5% in 2010 and 4.3% in 2011 for the MENA region, similar to the average growth rate for the 1995-2005 period. It projected real GDP growth for the GCC at 3.2%, for non-GCC oil exporters at 3.1% and for the Levant and North Africa at 4.4% in 2010. It noted that the regional recovery is conditional on a revival in global oil demand, firming oil prices, and a rebound in key export markets. It added that moderate advances in consumer and capital spending are expected to support growth. It also projected the region's fiscal deficit to contract to 4.1% of GDP this year and 3.7% of GDP in 2011, down from 6.1% of GDP in 2009. It expected the current account balance to post a surplus of 1.5% of GDP in 2010 and 1% of GDP in 2011, compared to a deficit of 0.1% of GDP in 2009.

The World Bank warned, however, that the regional outlook for 2010-11 remains subject to substantial downside risks, which would pose additional challenges to policy-makers still addressing the current crisis. It did not rule out a deeper and more protracted global recession, adding that political tensions in the region remain, which restrain international capital flows and private investment. Also, it expressed concerns that the commitment to reforms could decline once economic conditions start to normalize. It noted that the very high investment levels of the past several years, as well as asset inflation such as in real estate, indicate that there may be additional large scale financial losses that have yet to be realized. It considered that the Dubai debt problems may have an adverse impact on the balance sheets of local and regional banks.

*Source: World Bank*

## GCC

### Corporate credit quality to stabilize in 2010

Moody's Investors Service indicated that corporate credit quality in the GCC will stabilize or slowly recover in 2010, in line with a gradual recovery of the global economy, but also due to more rapidly recovering domestic economies. It said the drivers of credit quality will be industry-specific fundamentals as well as the companies' ability to improve liquidity profiles and to extend debt maturities, which have remained comparatively short and clustered. It noted that another trend is the increase in corporate issuance among high-quality corporates, as companies replace shorter tenors with longer maturities, and reduce their historically heavy reliance on rollover bank lending while continuing with their investments. It added that other themes include government support and transparency levels at both corporate and government level, which need to be enhanced for investor confidence to be restored. Moody's considered that 2009 was a testing year for the GCC corporate landscape, as the number of publicly known corporate defaults in the region has been negligible in previous years. However, a number of high profile-defaults had started to change this picture by end-2009, as a sharp deterioration in corporate credit quality due to a combination of weaker fundamentals and sovereign support uncertainty led to substantial rating downgrades. It noted that it took a total of 34 rating actions of which 32 were in a negative direction, with the average rating in the GCC migrating from 'A1' in 2008 to 'Baa1' in 2009.

*Source: Moody's Investors Service*

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# ECONOMY & TRADE

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## MENA

### First environment, social and governance index for region

Standard & Poor's, the Hawkamah Institute for Corporate Governance, the International Finance Corporation and Credit Rating and Information Services of India Ltd announced they are developing the Environment, Social and Governance (ESG) index, the first of its kind to be launched in the Middle East & North Africa region. The index aims to encourage responsible and sustainable investment practices by measuring the environmental, social, and corporate governance performance of hundreds of listed companies in the region. It will help about 600 listed companies in 11 countries to better understand environmentally and socially responsible investment practices, and the importance of implementing sound corporate governance. The project also intends to strengthen and promote environmentally-sustainable and socially-responsible businesses, which will create greater awareness and adoption of ESG practices by companies as well as increase available financing options. Hawkamah noted that financial performance indicators have traditionally marked investment decisions, while the index aims to provide the market and investors with a tool focusing on non-financial indicators that are fundamental in assessing the sustainability of a company's future performance. The IFC added that the absence of credible and standardized data about business practices relating to social and environmental concerns is a key barrier limiting the flow of socially responsible investing funds to the region.

Source: *International Finance Corporation*

## KUWAIT

### Stock market authority to be established

The National Assembly endorsed a bill to set up a stock market supervisory authority in order to boost transparency and attract more foreign investors. The draft law empowers the authority to oversee initial public offerings, mergers and acquisitions, and grants it the power to impose fines of up to KD100,000 and prison sentences of up to five years for violations. The authority will also have the power to halt or cancel trading on the bourse in case of crisis or unrest that could impact the stock market, or in the case of stock manipulation by traders. The draft bill still needs to be approved by the Cabinet and by Kuwait's ruler. The Kuwaiti bourse's market capitalization is about \$80bn. The bourse declined by 10% in 2009.

Source: *Thomson Reuters*

### Parliament approves \$125bn development plan

The National Assembly approved a KD27bn, or \$125bn, five-year development plan up that runs till 2014, the first such plan since 1986. The plan aims to turn Kuwait into a regional trade and financial hub through sustaining economic development, economic diversification and GDP growth. The plan will depend on government capital expenditures and increased private sector participation, while spending will focus on both oil and the non-oil sectors. The plan includes several mega projects such as the new business hub Silk City with an estimated cost of \$77bn; a major container harbor and a 25km causeway; a railway and metro system; additional spending on new cities, infra-

structure and services, particularly on health and education; and about KD25bn in oil sector investments to raise production capacity and modernize current facilities. Kuwait might earmark up to KD15bn of expenditure for the next fiscal year 2010/11, including projects from the approved development plan.

Source: *Dow Jones Newswires*

## UAE

### Recent financial problems to help strengthen federal structures and policy frameworks

Barclays Capital said the two main factors that convinced Abu Dhabi authorities to inject \$10bn last December into the Dubai Support Fund are Moody's Investor Services placing seven Abu Dhabi firms under review for possible downgrade, and the fear that a potential default could have triggered a wave of downgrades that would put the UAE's banking system at risk and require a rescue package far exceeding \$10bn. It indicated that the notion of implicit government support should no longer be taken for granted, as the Dubai authorities redefined the boundaries of government support, distinguishing between entities that benefit from this support and those that do not, and distancing itself from key entities considered as strategic. It added that a new paradigm of inter-institutional relationships will take shape in the coming months, though differentiated between Dubai and Abu Dhabi. It considered that weak inter-governmental relations, notably in the fiscal sphere, failed to prevent the over-optimistic expansionary projects across the emirates, which have had a negative spillover on Abu Dhabi's balance sheet. It noted that awareness of the interdependence between the emirates' economies has increased, with plans to address this situation by further institutionalizing roles and responsibilities across different levels of governments and further strengthening federal structures and policy frameworks, notably in the economic and fiscal spheres.

Source: *Barclays Capital*

## SUDAN

### Fund divests from firms engaged in Sudan

U.S. investment fund TIAA-CREF stated that it sold \$60m in shares of four Asian firms doing business in Sudan. The firms are PetroChina, CNPC Hong Kong, Oil and Natural Gas Corporation, and Sinopec. The investment firm said one of the factors it considered was "the gravity of TIAA-CREF's concerns in Sudan." TIAA-CREF is a pension management firm that has \$402bn in assets under management. The firm said that since March 2009, it has held meetings with four Asian companies to urge them to cease relations with the government of Sudan or "attempt to ease suffering and end genocide in Darfur" but that there was insufficient progress to warrant continued dialogue with them. Sudan's Foreign Ministry said the decision will not have any effect on Asian investments in Sudan.

Source: *Thomson Reuters*



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# BANKING

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## EMERGING MARKETS

### Recovery prospects from bank defaults uncertain

Standard & Poor's indicated that recent sizable bank defaults in Kazakhstan, Russia and Ukraine (KRU) reflect the lengthy recovery process facing the banks' creditors. The agency said that several factors are likely to limit recoveries for creditors of defaulted KRU banks and prolong the recovery process. They include the arbitrary insolvency regimes and bureaucratic legal frameworks; the limited ability of regulators to act on problematic banks sufficiently in advance of their defaults to reduce asset erosion; an opportunistic debt culture, the possibility of further cases of asset stripping or fraudulent practices; underdeveloped corporate governance and risk management and substantial differences between the book and market values of assets because of generous accounting valuations. Additional factors that would delay recovery consist of financial reporting manipulation; erosion of recovery amounts for institutional creditors due to priority claims; shallow and narrowly traded markets that make sales of the banks' often illiquid assets impossible or inefficient; creditors' difficulty in securing legal representation on liquidation or debt restructuring; the complexity of obtaining complete information on assets after the introduction of temporary administration, resulting in delays in court proceedings; and deteriorated asset quality and under-provisioning. S&P saw better recovery prospects for creditors if problem banks are restructured rather than liquidated, as demonstrated by recent cases involving sizable amounts. It expected the average recovery rate to be less than 40%, with strong disparities in individual cases. It noted that recoveries may be even lower in 2010 and 2011, due to the likely continuation of weak economic conditions in KRU.

Source: Standard & Poor's

## SAUDI ARABIA

### Growth in banks' income stagnates in 2009

Fitch Ratings indicated that 2009 was a challenging year for banks in Saudi Arabia as the full impact of the global economic crisis caught up with the region, reflected in rising loan impairments and a rapid slowdown in lending. It said that five of the 10 largest commercial banks operating in the Kingdom showed improvements in their net income in 2009, but overall growth in total net income for all 10 banks stagnated for the year. It noted that areas of concern include lower domestic economic growth and the negative impact on asset quality of recent rapid credit growth, as well as problematic exposures to some large Saudi trading groups. The agency said that the four largest banks posted an annual increase in their net income, while the medium-sized and smaller banks in Saudi Arabia posted lower net income in 2009 than in previous years as their core banking revenues proved less able to absorb significantly higher loan impairment charges taken during the year. It noted that the fourth quarter was the least profitable quarter of the year for most Saudi banks, mainly due to significant loan impairment charges that resulted from problematic exposures to large Saudi trading groups. Fitch expected the performance of Saudi banks to improve and for loan growth to resume in 2010 as economic conditions improve.

Source: Fitch Ratings

## QATAR

### Banking sector to slowly recover

Credit Suisse said the problems related to Dubai World and other troubled regional borrowers are likely to slow the recovery of the banking sector in Qatar, adding that Qatari banks' exposure to distressed regional borrowers has yet to be clarified. It indicated that the government implemented strong emergency measures to face the credit crisis by injecting billions of dollars in its financial system to support the crisis-hit banking sector. It said the Central Bank of Qatar's measures aimed to bolster banks' balance sheets and minimize their losses. It noted that the banking sector's liquidity is not excessively tight, with a loan-to-deposit ratio of around 79%, but added that banks have become more stringent in their lending criteria given the difficult operating conditions from the credit crunch, the price correction in the real estate market, and exposure to the financially distressed Dubai and Saudi companies. As a result, domestic credit growth has continued to moderate, slowing to 16% year-on-year in the third quarter of 2009 from 18% annually in the second quarter and 51% year-on-year at year-end 2008. It added that private-sector credit growth eased as well, falling to 12% annually in the third quarter of 2009 from 20% year-on-year in the second quarter and 45% annually in December 2008. It expected credit growth to moderate further in the first half of this year before beginning to recover as overall economic conditions improve.

Source: Credit Suisse

## ARMENIA

### Yerevan improves anti-money laundering framework

The International Monetary Fund indicated that Armenia has made considerable improvements in a relatively short period of time in its framework to combat money laundering and the financing of terrorism (AML/CFT). It said authorities replaced a first AML/CFT law enacted in 2005, with a more comprehensive law that was passed in 2008, adding that the new law needs to be implemented effectively. The Fund added that the risk is low that the financial system can be used in the "layering" stage of money laundering or to launder proceeds. But it noted that Armenia is more vulnerable to the "integration" stage of money laundering because of the highly cash-based economy, the significant volume of remittances from abroad, the relevant level of proceed-generating crime, and the lack of adequate AML/CFT mechanisms in certain sectors, such as real estate. It added that the risk of terrorism financing is extremely low. The IMF said that AML/CFT preventive measures for financial institutions are comprehensive, provide for risk-based elements, and are relatively close to international recommendations. It added that implementation across all sectors is evolving, particularly for the non-banking sectors.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Oil trades near \$78 after strong China growth

Oil was steady near \$78 on January 21 after strong Chinese growth data offset bearish sentiment following a World Bank outlook highlighting risks that the global economic recovery may slow. China's annual GDP growth accelerated in the fourth quarter to 10.7% from 9.1% in the third quarter. U.S. crude oil for March delivery rose by 11 cents to \$77.85 a barrel. Prices hit their lowest this year at \$76.76 on January 19th. London Brent crude fell 6 cents to \$76.26 on January 21st. China is expected to be the main driver of demand for all of 2010. The World Bank said that global growth could slow as governments pull back some of the extraordinary liquidity they pumped into markets. U.S. crude reached a 15-month high of \$83.95 a barrel on January 11th. Prices are 47% below their July 2008 records near \$150, but have almost doubled from lows near \$32 reached by the end of 2008.

Source: Thomson Reuters

## JAPEX, Petronas to develop Iraq oil field

Japan Petroleum Exploration Co. (JAPEX) and Malaysia's state-run oil firm Petronas jointly signed a final contract to develop an oil field in southern Iraq. The two firms had been awarded the contract to develop the Gharaf oil field in an international auction held in Baghdad last month. The oil field is located 85 km north of Nasiriyah and has an estimated reserve of over 800 million barrels. Under the agreement, renewable for five years, JAPEX will acquire a 30% share and Petronas a 45% stake, while Iraq's South Oil Co. will hold the remaining 25% stake in the field.

Source: KUNA

## Taq Arabi inks Sudan power deal

Global Energy, the power unit of Egypt-based Taqa Arabia, signed an agreement with the Sudanese Pension Fund and Asec Cement Company to set up a joint venture power-generation operation in Sudan. Under a 20-year offtake agreement, the new company, Berber for Electrical Power, will have a total installed capacity of 42 megawatts. The cost of the project is estimated at \$67m.

Source: MENAFN

## Kuwait, France sign nuclear agreement

Kuwait signed a cooperation agreement with France to help the country develop nuclear energy and provide assistance in determining its future needs. The 20-year agreement allows the supply of nuclear material, equipment and facilities, training, exchange of technology information and research. However, the treaty does not stipulate the building of a nuclear power plant.

Source: AFP

## Jordan, South Korea sign nuclear plant deal

Jordan signed a contract with a South Korean consortium to build the kingdom's first atomic research reactor. The \$178m contract is for building a five megawatt reactor in Jordan by 2014. Jordan will use the reactor for scientific research before building its own nuclear power plants. The South Korean consortium is led by the state-run Korean Atomic Energy Research Institute and Daewoo Engineering and Construction.

Source: AFP

## Gold : High prices continue to reflect investor anxiety

Standard & Poor's said that the current elevated price of gold suggests that some global investors remain sufficiently worried about inflation, sovereign credit risk, and other yet-undefined concerns in the market at the start of 2010. It noted that when governments were forced to step in and support the private-sector global financial system and essentially underwrite and adopt private-sector credit risks, some market participants began to question the credit quality of the sovereigns. As a result, some investors apparently turned to gold as their first choice over sovereign debt, for new safe haven capital investment. It said gold may have pulled back from the recent \$1,200 high, but it has held above \$1,100 since then. By remaining high in the face of bearish fundamentals, the price of gold appears to have correctly foreshadowed that consumer price inflation would begin rising. S&P considered that gold prices above \$1,200 would signal that global market participants fear that CPI inflation and sovereign CDS spreads are heading higher in tandem later in 2010. Conversely, if year-on-year CPI starts to decline and sovereign CDS spreads return to historically normal lower levels, S&P expects that gold would break below \$1,100 and possibly even \$1,000 per ounce as global investor anxiety finally dissipates. Under this scenario investment capital would conceivably flow into sovereign debt and possibly even private-sector stocks and bonds.

Source: Standard & Poor's

## Base metals: China copper imports rise as prices increase

Copper imports by China, the world's largest consumer, climbed for a second month in December, extending a rebound from an 11-month low, as domestic prices strengthened on rising demand. Refined copper shipments increased to 244,013 metric tons, up 26% from November. Shipments dropped in October to the lowest since November 2008. Copper prices rose to the highest level since August 2008 on the London Metal Exchange in January 2010 as the global economy recovers from the recession. Imports turned profitable and are not expected to decline in the first quarter of 2010 with sustained momentum in the economy. Purchases of refined copper by China more than doubled to 3.19 million tons in 2009. The country's gross domestic product rose 10.7% in the fourth quarter from a year before. Copper for three-month delivery on the London Metal Exchange increased by 0.2% to \$7,390 a ton in Shanghai.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	217.7	198.9	184.2	3.6	38.7
LME metals price index	3478.1	3012.5	2534.7	7.6	97.5
Oil prices USD	79.3	73.5	63.3	14.0	112.4
Oil prices SDRs	50.4	46.6	41.1	14.9	103.7
Gold \$/troy oz	1132.8	1045.0	984.0	1.6	39.5
Silver cents/troy oz	1858.0	1649.9	1492.0	8.1	72.5
Platinum \$/troy oz	1600.0	1341.8	1227.8	11.4	71.1
Copper \$/MT	7453.5	6445.2	5328.5	7.8	127.7
Nickel \$/MT	18347.5	17828.6	14939.9	10.0	75.4
Aluminium \$/MT	2292.8	1959.3	1697.2	1.2	57.7
Zinc \$/MT	2492.3	2067.0	1710.3	9.3	101.8

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



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB-	-	-	-3.1	23.6	42.5	579.3	1.5	344.9	-0.8	0.9
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.7	17.5	102.0	200.0	35.3	283.9	-8.0	8.2
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	-3.5	6.6	95.9	231.5	48.0	426.6	-7.6	9.2
	Stable	-	Negative	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-5.1	20.8	61.5	202.5	15.9	348.0	-7.1	3.3
	Negative	-	Negative	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-6.5	7.0	38.0	133.6	33.7	139.1	1.3	0.4
	Stable	Positive	Negative	-	Negative								
Turkey	BB-	Ba2	BB+	BB-	B	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	CCC+	B1	B	-	CCC	-4.0	22.1	86.6	223.7	20.1	407.1	-0.1	4.5
	Stable	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	16-Dec-09	No change	27-Jan-10
Eurozone	Refi Rate	1.00	14-Jan-10	No change	04-Feb-10
UK	Bank Rate	0.50	07-Jan-10	No change	04-Feb-10
Japan	O/N Call Rate	0.10	18-Dec-09	No change	22-Jan-10
Australia	Cash Rate	3.50	01-Dec-09	Raise 25bps	02-Feb-10
New Zealand	Cash Rate	2.50	10-Dec-09	No change	28-Jan-10
Switzerland	3 month Libor target	0.25	10-Dec-09	No change	11-Mar-10
Canada	Overnight rate	0.25	08-Dec-09	No change	02-Mar-10
<b>Emerging Markets</b>					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	16-Dec-09	No change	27-Jan-10
Taiwan	Discount Rate	1.25	24-Dec-09	No change	Mar 2010
South Korea	Target Rate	2.00	08-Jan-10	No change	11-Feb-10
Malaysia	O/N Policy Rate	2.00	24-Nov-09	No change	26-Jan-10
Thailand	1D Repo	1.25	13-Jan-10	No change	10-Mar-10
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	24-Dec-09	No change	N/A
Turkey	Base Rate	6.50	14-Jan-10	No change	N/A
South Africa	Repo rate	7.00	17-Nov-09	No change	26-Jan-10
Kenya	Central Bank Rate	7.00	24-Nov-09	Cut 75bps	26-Jan-10
Nigeria	Monetary Policy Rate	6.00	05-Jan-10	No change	Mar-10
Ghana	Prime Rate	18.00	23-Nov-09	Cut 50bps	Feb-10
Mexico	Target Rate	4.50	15-Jan-10	No change	N/A
Brazil	Selic Rate	8.75	09-Dec-09	No change	27-Jan-10
Armenia	Refi Rate	5.50	Jan -10	Raise 50bps	N/A
Romania	Policy Rate	7.50	06-Jan-10	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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