

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Corporate default rate at 10% in first quarter**

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 9.9% at the end of the first quarter of 2010, down from 13% at the end of 2009, and compared to 7.8% a year earlier. The agency expected the global speculative-grade default rate to fall to 2.9% at the end of the year and to 2.4% at the end of March 2011. It expected defaults in 2010 to remain few and far between as long as the high yield debt markets remain open for business and the global economic recovery is maintained. Measured on a dollar volume basis, the global speculative-grade bond default rate ended the first quarter at 10.3%, down from the 16.4% in the previous quarter and 10.7% for all of last year. 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 14.1% at the end of March, down from 19.3% at the end of 2009 and from 52.5% at end-March 2009. In parallel, the agency said that only 1.3% of speculative grade-rated companies were downgraded during the first quarter of 2010, representing the smallest quarterly number of such downgrades since 2002, and a sharp retreat from the record-breaking 13.6% of issuers downgraded a year ago. It noted that the credit market has re-opened for speculative-grade issuers, giving them crucial time to improve balance sheets.

*Source: Moody's Investors Service*

#### EMERGING MARKETS

##### **Private equity fundraising drops by 66% in 2009**

The Emerging Markets Private Equity Association indicated that private equity funds dedicated to emerging markets raised \$22.6bn in 2009, constituting a decline of 66% from \$66.5bn raised in 2008, and compared to \$59.2bn raised in 2007. It noted that the decline in new fund commitments was on par with an estimated 65% decrease in fundraising in developed markets. It said Emerging Asia funds raised \$15.9bn, followed by funds focused on Latin America & the Caribbean with \$2.2bn, CEE & CIS funds with \$1.6bn, MENA funds with \$1.1bn, Sub-Saharan Africa funds with \$1bn, and multi-regional funds with \$0.8bn. Further, emerging markets accounted for 9% of global private equity fundraising and 26% of private equity investment. It added that private equity investment in emerging markets totaled \$22.1bn, down 54% from 2008, while the number of transactions reached 674 deals, down 11% year-on-year, compared to a 79% decrease in value and a 50% drop in deals in developed markets. It added that Emerging Asia markets captured 63% of investments by value and 70% of emerging market private equity transactions by number in 2009, with China accounting for \$6.3bn and India for \$4bn in investments. The EMPEA considered that the level of investment activity in 2009 demonstrates that managers of more flexible capital in global funds see greater opportunities in emerging markets than elsewhere, and that the private equity model in emerging markets

rely only minimally on leverage. It expected that 2010 will be another difficult year for fundraising. It added that the majority of investors expect to grow their private equity exposure over time, but a significant portion of capital is locked up in older vintage buyout funds that have yet to produce significant distributions.

*Source: Emerging Markets Private Equity Association*

#### MENA

##### **Region's network readiness declines**

The World Economic Forum Network Readiness Index shows that the average score for the 14 Arab countries included in the survey regressed from 3.93 points in 2008-09 to 3.84 points in 2009-10. The UAE was the region's top-ranked country on the index and came in 23rd place globally, followed by Bahrain in 29th place, Qatar (30), Saudi Arabia (38), Tunisia (39), Jordan (44), Oman (50), Egypt (70), Kuwait (76), Morocco (88), Mauritania (102), Libya (103), Syria (105) and Algeria (113). The rankings of 7 countries in the region improved, 6 declined and two were unchanged from the previous survey; while the scores of 5 countries improved and those of 9 economies regressed from the 2008-09 survey. Further, the UAE was the top ranked Arab country on the Network Environment sub-index, coming in 24th place globally, Qatar came in first place regionally and in 12th place globally on the Readiness sub-index, and Bahrain ranked first in the region and in 28th place worldwide on the Usage sub-index.

*Source: World Economic Forum*

#### AFRICA

##### **OPIC and IFC invest \$100m each in private equity funds**

The Overseas Private Investment Corporation approved \$100m to support the establishment of a \$600m private equity investment fund designed to invest in growing companies and buyouts in Africa. The fund, Helios Investors II, L.P. will make equity investments in nascent businesses with high growth potential; and will buy large, established companies. OPIC said the fund will invest in financial services, telecommunications, power and utilities, transport and logistics, real estate, agribusiness, mining, oil & gas, and consumer products. The fund's investments will focus on Nigeria, Angola, Ghana, Kenya and South Africa, as well as Côte D'Ivoire, Tanzania, and Uganda. In parallel, the International Finance Corporation will invest \$100m in the Africa Infrastructure Investment Fund 2, an equity fund that will promote the development of basic infrastructure in Africa. The fund plans to raise \$600m to \$1bn to invest in unlisted equity and equity-like infrastructure investments in Sub-Saharan Africa. It will take significant stakes in a range of infrastructure projects including toll roads, wind power farms, and other renewable energy projects, ports, water and sewerage utilities, and social infrastructure.

*Source: Overseas Private Investment Corporation, International Finance Corporation*

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# POLITICAL RISK OVERVIEW - MARCH 2010

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## ALGERIA

Algeria and Sahel states including Burkina Faso, Chad, Libya, Mali and Mauritania agreed during a meeting in Algiers on cooperation against al-Qaeda presence in the region. Algerian authorities reported on March 16 the arrest of six suspected terrorist cell members in Bordj Menaiel. Two soldiers were killed on March 25 by roadside bombs near Bouira. The army killed 3 militants in an operation near Tizi Ouzou.

## ARMENIA

The Armenian Council of Europe Committee for the Prevention of Torture called for a public inquiry on March 19 about the reported ill treatment of opposition members, arrested following the February 2008 presidential election. The U.S. House Foreign Affairs Committee and the Swedish Parliament passed non-binding resolutions recognizing the 1915 Ottoman killings of Armenians as genocide, and Turkey responded by recalling its ambassadors for consultations. The Turkish Prime Minister threatened to expel illegal Armenian workers from Turkey on March 16th. He stated that his country will open border with Armenia only when it withdraws from Nagorno-Karabakh.

## DEM REP CONGO

The head of the United Nations peacekeeping operations, Alain Le Roy, and President Kabila discussed the timetable for the pull-out of nearly 22,000 peacekeepers with the MONUC force. DRC's ambassador to the UN, Ileka Atoki, asked for the Special Representative of the United Nations Secretary General, Alan Doss, to be replaced, calling him "corrupt".

## EGYPT

President Hosni Mubarak was absent from the country between March 6 and 27 to undergo surgery in Germany. Former International Atomic Energy Agency head, Mohamed ElBaradei, returned to Egypt and continued his public campaign for political reform following the launch of the National Association for Change in February. Over 40 members of the Muslim Brotherhood were arrested on March 12, and 45 more were arrested on March 23rd. Muslims and Christians clashed in Marsa Matruh on March 12th.

## IRAN

The U.S. circulated a draft resolution for sanctions on Iran over nuclear program at the United Nations Security Council early March, and Russia declared that it is willing to back limited sanctions, but China, Brazil and Turkey expressed reservations. Six citizens were sentenced to death for protests in December. The police declared that 50 people were arrested in Tehran during the traditional New Year festival. The Parliament ratified President Mahmoud Ahmadinejad's economic bill aimed at gradually cutting state subsidies. Revolutionary Guards reported killing several members of Jundallah, an armed group, near Pakistan border on March 18th.

## IRAQ

Former Iraqi Prime Minister Ayad Allawi's Sunni alliance secured 91 seats in Parliament, marginally ahead of Prime Minister Nuri Al-Maliki's Shiite alliance with 89 seats only. With 163 seats needed to secure a majority, both leading alliances began talks with potential coalition partners. The Accountability and Justice Commission disqualified six people

who had won seats in the parliamentary election and 46 other candidates, due to their ties to the banned Baath Party. At least 38 people were killed mainly in Baghdad in attacks on polling day, 33 were killed by bombings in Baaquba and 17 died on early voting in Baghdad. Attacks continued across the country following polls where 15 people were killed by bombs in Fajulla, five soldiers were shot dead at a checkpoint near Baghdad and 59 were killed by bombs in Khalis.

## SUDAN

Sudan's People Liberation Movement candidate for national presidency, Yassir Arman, withdrew on March 31, stating that free and fair elections in Darfur are impossible. The main opposition parties decided to boycott the presidential poll, and are considering boycotts of parliamentary local polls. President Hassan Bashir cancelled a meeting with South Sudan's President, Salva Kirr. Carter Center election monitors suggested postponing the elections for up to 10 days on March 18th. The Intergovernmental Authority on Development urged parties to establish an official referendum commission and to resolve the remaining disputes in the peace agreement. At least 13 people were killed on March 19 in clashes between the South Sudan army and Northern nomads. The government declared on March 8 that the army took control of Jebel Marra plateau in Darfur after clashes with Sudan Liberation Movement rebels. The government signed a peace agreement on March 18 with the Liberation and Justice Movement.

## SAUDI ARABIA

The Authorities arrested 113 members of three al-Qaeda cells on March 24, allegedly planning attacks on security forces and oil facilities. The suspects, mainly Saudi and Yemeni, were mostly arrested in the Southern Jizan province.

## SYRIA

Turkish Prime Minister, Tayyip Erdogan, said that Syria is willing to resume Turkish-mediated indirect talks with Israel. European Union foreign policy chief, Catherine Ashton, discussed with the Syrian government the continuation of delayed negotiations on the European Union Association Agreement. Security forces clashed with Kurds in Ragga on March 21 during New Year celebrations, killing at least one person.

## UKRAINE

The newly elected President, Viktor Yanukovych, formed a new governing coalition and appointed Russian-born Finance Minister Mykola Azarov as Prime Minister. The President made his first foreign trip to Brussels on March 1, and visited Moscow on March 3rd.

## YEMEN

Houthi-led rebels freed at least 170 government soldiers and tribal fighters on March 17, a day after the government accused them of slowing down the implementation of the truce deal to end the war, which has displaced 250,000 people. President Saleh declared the end of the war in the North on March 19th. Violence continued in the South between government forces and supporters of the separatist Southern Movement, leaving dead on both sides. Several armed clashes in Dhali were reported during the month. More than 10 al-Qaeda suspects were arrested in Sanaa on March 3rd.

*Source: International Crisis Group*



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# OUTLOOK

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## SYRIA

### **IMF urges reforms of state banks, phasing out of preferential treatment**

The International Monetary Fund considered that the priority of Syrian authorities should be to reform state-owned banks in order to contain potential contingent fiscal liabilities that may arise from their non-performing loans. It also called for the acceleration of the development of the financial sector and for increasing its efficiency. It said the decision to adjust reserve requirements based on the volume of lending for investment purposes can encourage bank financing of less profitable projects over time, while the recent increase in the credit exposure limit for development projects could increase banks' vulnerabilities. It added that the government needs to phase out the public banks' preferential lending schemes in order for banks to allocate their credit based on their own internal lending criteria. It encouraged authorities to phase out these practices, which are not in line with best international standards, and to replace them with more effective means that entail lower risks for banks and lesser supervisory burdens. It noted that the existence of the differentiated reserve requirements and directed lending by public banks would hinder the development of a market-based monetary policy framework. It urged the Central Bank of Syria (CBS) to independently supervise and regulate state banks in order to ensure their compliance with prudential regulations and to effectively address deficiencies identified by the supervisory process.

In parallel, the Fund welcomed the progress made in implementing the reform agenda to modernize the CBS and the monetary policy framework. It said raising the operational independence of the CBS will be important to strengthen its ability to formulate and implement monetary policy. It also encouraged authorities to continue to strengthen supervision in order to maintain the health of the financial sector, especially in light of the rapid growth of private banks' credit. Further, it called on authorities to utilize Treasury bills as an instrument of monetary policy to withdraw excess liquidity, or the CBS would have to issue its own certificates of deposit.

*Source: International Monetary Fund*

## NIGERIA

### **Growth to average 7% in 2010-11, key risks are oil sector uncertainties, weakening fiscal position**

The Institute of International Finance projected Nigeria's real GDP growth at 6.6% in 2010 and 7.3% in 2011, up from 4.2% in 2009. It forecast non-oil GDP to expand by nearly 6%, driven by agriculture and manufacturing. It added that growth in oil GDP has resumed following four years of contraction, and projected it to expand by 10% this year. It noted that significant agricultural expansion depends on improving road infrastructure, among other factors; while manufacturing is likely to grow given strong domestic demand. It warned that downstream hydrocarbon sector inefficiencies, competition from Asian goods, and infrastructure weaknesses will continue to constrain output across the sector. It expected inflationary pressures to revive, with the inflation rate rising to 14% in 2010 and 14.2% in 2011.

The IIF considered that the key challenge for the authorities is to implement structural reforms, especially in the fiscal and monetary areas to help improve the business environment. However, given the limited time before campaigning starts for the next elections cycle, significant policy and institutional improvements are unlikely. In parallel, it noted that the prospects for further strengthening of monetary policy and the Central Bank of Nigeria's support of credit markets appear brighter given the strong measures already taken by the CBN and the ambitious policy agenda set out for the banking sector. It cautioned that the CBN's efforts are necessary but insufficient to improve the business environment and to support higher rates of sustainable economic growth. The IIF expected the fiscal position to remain weak, with the fiscal deficit narrowing only slightly to 7% of GDP in 2010 and 6% of GDP in 2011 from 9.7% of GDP in 2009. It said withdrawals from the Excess Crude Account will help meet part of the financing gap, but the resulting decline in official reserves could raise concerns.

*Source: Institute of International Finance*

## GHANA

### **Economy to grow by 18% in 2011 on future oil revenues, fiscal management is priority**

The Institute of International Finance indicated that strong global demand and high prices of cocoa and gold, Ghana's main exports, helped the country weather the effects of the global crisis, sustaining strong real GDP growth of 5.9% in 2009. It expected the economy to grow by 6.6% this year, as financial services, communications, and transport continue to grow; and forecast agriculture, which accounts for 25% of GDP, to expand by over 5% in 2010. It noted however, that the main development in Ghana will be the start of oil production in 2011 which will help boost real GDP growth to a projected 17.9% in 2011.

The IIF estimated that the fiscal deficit narrowed to 9% of GDP in 2009 due to higher grants and spending cuts, but did not expect the deficit to drop below 6% of GDP in 2010. It expected oil production to increase fiscal revenues in 2011 which will help reduce the fiscal deficit to 4.5% of GDP. However, it noted that the country's institutions and governance are weak, which poses a challenge to investing oil revenues in productive assets rather than satisfying public consumption. It stressed that further fiscal reform and institutional strengthening are necessary to support fiscal policy improvements and effective budget implementation.

Further, the IIF expected increased oil production to narrow the current account deficit from a forecast 10.4% of GDP in 2010 to around 1% of GDP in 2011 as it projected exports to rise by 46% year-on-year. It forecast the country's external debt to increase to 26.7% of GDP in 2010 and 35.8% in 2011, but noted that external financing pressures were reduced significantly after the IMF approved a three-year \$603m facility and the World Bank extended a \$300m credit in 2009. It said the increase in reserves, which currently stand at around \$3bn, or 3 months of imports of goods and services, increased the confidence in the local currency and helped offset declines in remittances and foreign direct investment.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## MENA

### Private equity fundraising drops by 84% to \$1.1bn in 2009

The Emerging Markets Private Equity Association indicated that private equity funds dedicated to the Middle East and North Africa region raised \$1.1bn in 2009, constituting a decline of 84% from \$6.9bn raised in 2008, and compared to \$5.3bn raised in 2007. Investments were similarly sluggish in 2009, as they fell by 35% in value terms from \$3.4bn in 2008 to \$2.2bn in 2009; and dropped by 49% in terms of transactions from 67 deals in 2008 to 34 deals in 2009. The region accounted for nearly 5% of overall private equity fundraising in emerging markets last year compared to 10% in 2008. It said the region was shielded from greater financial contagion during the global downturn due to the relatively insular nature of economies in the region and limited use of leverage. It noted, however, that many MENA economies were significantly impacted by declining oil prices and reduced capital inflows, forcing local governments to draw down their capital reserves. It added that negative headlines such as Dubai World's debt troubles and default scandals surrounding Saudi Arabia's Saad Group and A. H. Algosaiibi & Bros. have shaken investor confidence, feeding concerns about financial oversight and corporate governance practices.

Source: *Emerging Markets Private Equity Association*

## IRAQ

### China writes off 80% of Baghdad's debt

The Iraqi Finance Ministry declared that China has agreed to write off 80% of the \$8.47bn in debt owed by Iraq. China said in June 2007 that it would cancel Iraq's debt owed to the Chinese government. The ministry said the deal was similar to accords reached with the Paris Club of creditor nations that has canceled 80% of debt from the Saddam Hussein era. China is one of the largest outstanding creditors to Iraq along with Saudi Arabia and Kuwait. The deal forgives debt owed to Chinese state-owned companies. Bilateral trade between the two countries reached \$3.8bn in the first 9 months of 2009, up 78% from the same period of the previous year. Iraq has repeatedly appealed to foreign countries to waive tens of billions of dollars in compensation following the overthrow of the Baathist regime in 2003. Iraq still owes \$15bn to Saudi Arabia and \$6bn to Kuwait, among others.

Source: *Bloomberg, AFP, Thomson Reuters*

## UAE

### Dubai government-related entities downgraded, Abu Dhabi entities put on CreditWatch negative

Standard & Poor's downgraded the ratings of the Dubai government-related entities (GREs) DP World and Emaar Properties to 'BB' from 'BB+' with 'negative' outlooks, and the Dubai Multi Commodities Center Authority to 'B' from 'B+' with its ratings placed on CreditWatch negative. It attributed the downgrades to the entities' stand-alone credit profiles and to the lack of any expectation of extraordinary support from the Dubai government. It also kept the ratings on DIFC Investments and Jebel Ali Free Zone on CreditWatch with negative implications due to the lack of timely and sufficient information on their stand-alone

credit profiles. In parallel, S&P placed the ratings on the Abu Dhabi-based GREs Tourism Development and Investment Company (TDIC), Mubadala Development Co., International Petroleum Investment Company (IPIC), and Aldar Properties on CreditWatch with negative implications. It said it no longer equalizes the ratings on the GREs with those on the Abu Dhabi sovereign, given that part of the entities' activities are of a commercial, rather than an exclusively policy-based nature. It noted that the entities' stand-alone credit profiles are likely to become more important drivers of the ratings in the future, and that it plans to review the extent of credit support and their link to the Abu Dhabi government.

Source: *Standard & Poor's*

## EGYPT

### Sovereign ratings affirmed, outlook stable

Standard & Poor's affirmed Egypt's 'BB+/B' foreign currency and 'BBB-/A-' local currency sovereign credit ratings with a 'stable' outlook. It said the ratings reflect a strong commitment to reforms, a fairly strong banking sector, and an improved monetary policy framework that has permitted greater flexibility in exchange rate management. It added, however, that these strengths are countered by large fiscal deficits and a fairly high debt burden compared with other similarly rated peers, a relatively poor population, and ongoing uncertainties concerning presidential succession. It indicated that last year's slowdown in economic activity and the government's fiscal stimulus packages have put pressure on public finances, and expected the general government deficit to widen to around 8% of GDP from 7% in the previous year. It said the stable outlook reflects expectations that the government will meet the challenge of weakened external demand without reducing its commitment to economic reform and avoid a substantial deterioration of its public finances. It added that the ratings would come under pressure if the forecast improvement in the fiscal and external positions fails to materialize, given the prospect of the continued debt burden and fairly high fiscal deficits over the medium term.

Source: *Standard & Poor's*

## ARMENIA

### Inflation eases to 8.8% annually in March

Figures released by the State Statistical Agency show that consumer price inflation slowed to 8.8% year-on-year in March, down from 9.4% annually in February. Prices were up only 0.8% during the month. Price growth declined in all categories of the consumer basket, except for food which remained flat at 6.9% annually. Non-food prices regressed to 14.3% year-on-year down from 17.5% in February, while alcohol and tobacco goods prices slowed to 0.9% annually from 1.5% previously. Also, price inflation in services decelerated to 8.5% annually in March, down from 10.8% in the previous month. The slowdown of price growth is in line with the Central Bank of Armenia's expectations for annual inflation to ease to about 7% to 8% in the next few months, following a base effect-linked peak in February.

Source: *State Statistical Agency*



# BANKING

## IRAQ

### Central Bank cuts interest rates, reserve requirements

The Central Bank of Iraq announced (CBI) it has reduced interest rates by 1% to 6% effective April 4th due to lower inflation rates. The CBI attributed the rate cut to the decline in the country's core inflation rate over the last few months to as low as 3.7% compared with 33% in 2007 and to a peak of 53.2% in 2006. Inflation declined to 3.8% annually in January compared to 6.1% in the previous month. The CBI added that it has started to implement an accommodative monetary policy rather the tightening policy it has been following. Further, the CBI reduced the banks' legal reserve requirements for private banks from 25% to 20% starting on April 4th in order to encourage lending. In parallel, the Iraqi Banking League urged private banks to consider mergers in order to increase their capital and benefit from economies of scale in light of recent requirements by the CBI to raise their capital to 250bn Iraqi dinars, or about \$214m. The 2003 banking law stipulates that a bank has maintain minimum paid-up capital of ID 10bn. There are currently 22 privately-owned banks in Iraq, most of them having a capital that of less than \$50m.

Source: Central Bank of Iraq, Aswat al Iraq

## UAE

### Bank ratings affirmed on strong government support

Standard & Poor's upgraded the ratings of Mashreqbank to 'BBB+' from 'BBB' and affirmed the ratings of Abu Dhabi Commercial Bank, Dubai Islamic Bank, National Bank of Abu Dhabi, and Sharjah Islamic Bank. It also removed the ratings of the first three banks from CreditWatch negative and assigned to them a 'negative' outlook, while the other two banks have a 'stable' outlook. The agency expected the UAE authorities to extend extraordinary support to the banks in case of need, reflecting the banks' unique function in the financing of the economy. It noted, however, that each emirate has a different capacity to extend extraordinary support to banks in their territory, resulting in different levels of support being factored in the ratings. S&P considered that the UAE authorities have a strong incentive, as well as willingness and capacity, to preserve the stability of their banking sector. However, it added that banks in Dubai and Sharjah are more reliant on the UAE Central Bank UAE, while banks based in Abu Dhabi have the strong backing of the emirate.

Source: Standard & Poor's

## KUWAIT

### Financial institutions downgraded on deterioration of funding profile

Standard & Poor's downgraded the long-term counterparty credit rating of Commercial Bank of Kuwait (CBK) to 'BBB' from 'A-' and affirmed its 'A-2' short-term rating, with a 'stable' outlook. It attributed the downgrade to the deterioration of CBK's asset quality, which is likely to continue its negative trend in the coming quarters and impact the bank's profitability. It added that the bank's funding profile weakened in 2009 because of an

increased reliance on non-core customer deposits. It said CBK is heavily exposed to the real estate and construction sector, as well as to the performance of the local stock market. It also has material concentration risk, both on the asset and liability sides. Also, S&P downgraded the ratings of government-related entity Gulf Investment Corp. (GIC), including lowering the counterparty credit ratings to 'BB-/B' from 'BBB-/A-3', and placed the long-term ratings on CreditWatch with negative implications. It attributed the downgrade to GIC's funding profile, which is skewed toward short-dated funding instruments. It said GIC had about \$1.6bn in securities at end-2009 that are due in 2010, including about \$860m in repurchase agreements and \$720m in bonds, therefore exposing GIC to market conditions and raising significantly liquidity and refinancing risks. Further, S&P downgraded the long-term credit rating on Kuwait Projects Co. (KIPCO) to 'BBB-' from 'BBB' and the short-term credit rating to 'A-3' from 'A-2' with a 'stable' outlook. It said the firm's financial risk has increased as a result of falling equity values and the company's depositing a relatively significant share of its cash balances at its banking subsidiaries. Also, KIPCO's investment portfolio is concentrated on two entities that have relatively weak credit characteristics.

Source: Standard & Poor's

## DEM REP CONGO

### Byblos Bank acquires local bank, becomes first Lebanese bank to enter DRC

The Byblos Bank Group, one of the largest banking and financial services group in Lebanon, announced the acquisition of Solidaire Banque Internationale, a private bank operating in the Democratic Republic of Congo. The bank, renamed Byblos Bank DR Congo, is one of 18 banks operating in the DRC, making Byblos Bank the first Lebanese bank to enter the Congolese market. Byblos Bank's objective is to diversify its assets and sources of income by expanding in selective emerging markets with strong economic growth and low levels of bank penetration. The DRC's banking sector is dominated by private banks, with 16 banks having majority foreign ownership. The economy has a low banking penetration rate, as the banking sector had consolidated assets of about \$1.4bn and deposits of \$1.23bn at the end of 2008. Further, private sector credit reached \$880m, with the distribution market accounting for 15.8% of the total, followed by transportation with 7.4%, manufacturing with 5.5%, mining with 4.2%, agriculture with 3.8%, energy with 2%, and construction with 1.7%, while other sectors accounted for the remaining 59.3% of commercial bank credits. Foreign currency liabilities represent 92% of the sector's liabilities.

The International Monetary Fund recently indicated that the global financial crisis has had a limited direct impact on the DRC's banking system, and added that the Banque Centrale du Congo is strengthening on-site and off-site banking supervision and tightening and enforcing prudential regulations. Further, the IMF projected real GDP growth at 5.4% in 2010, up from 2.8% in 2009. It said gross foreign reserves rose from a historic low of \$25m in February 2009 to \$1bn at end-2009, equivalent to 10 weeks of import cover.

Source: Byblos Bank, International Monetary Fund



# ENERGY / COMMODITIES

## Oil prices fall with higher U.S. crude inventories

Oil prices declined for a second day on March 8, due to a stronger US dollar and rising U.S. crude stockpiles. U.S. crude rose to an 18-month intraday peak of \$87 on March 6, due to positive economic indicators from the U.S. Prices fell by 12 cents on March 8 to \$58.76 a barrel, while London ICE Brent fell by 18 cents to \$85.41, due to the tenth consecutive gain in U.S. crude supplies. The Energy Information Administration stated that U.S. crude stocks rose last week to their highest level in nearly 10 months due to higher imports. Also, it noted that commercial stockpiles rose by two million barrels to 356.2 million barrels in the week up to April 2, while distillate fuel inventories comprising heating oil and diesel unexpectedly increased. Oil prices are projected to rise in the coming weeks as fuel demand increases in the U.S.

Source: Thomson Reuters

## Total to partner with Sonatrach for a new gas project

France's Total SA will invest \$920m to develop eight gas deposits in Algeria's Timimoun fields. Total will partner with Algerian state energy company Sonatrach for the project. Annual production of 1.6 billion cubic meters is projected once the project is fully operational in 2013.

Source: APS

## Yemen LNG begins second train production

The Yemen liquefied natural gas (LNG) Company announced on April 1 the start of production at the second train of the multi-billion dollar gas plant. The \$4.5bn production of the first train started in October 2009. The company stated that its production will soon reach the design capacity of 6.7 million tons of LNG per year after the completion of the second train.

Source: Thomson Reuters

## Lukoil to stop Iran gasoline supplies

Russia's second largest oil company, Lukoil, plans to stop gasoline supply to Iran due to pressure coming from Moscow. It used to supply between 250,000 barrels to 500,000 barrels of gasoline every other month to Tehran.

Source: Thomson Reuters

## Suncor's gas plant in Syria to start production by mid-2010

The head of Canadian based Suncor Energy's operations in Syria, Jon Ferrier, announced that the firm's gas plant in the country is expected to start production by mid-2010. Suncor's gas plant in Ebla, northeast of Damascus, is expected produce 2.3 million cubic meters per day. Output is projected to rise to 2.7 million cubic meters per day without changes to plant design, and by 50% more, depending on proving reserves, reservoir performance, some plant expansion work, and a revised commercial agreement with the government.

Source: Thomson Reuters

## Precious metals: Ghana gold production up 12% in 2009

Gold production in Ghana rose by 12% in 2009, as output at the country's two biggest mines increased. The country's mines produced 2.9 million ounces of gold in 2009, an increase of 12% from 2.6 million in 2009. Gold revenues reached \$2.8bn, up 27% from \$2.2bn a year earlier. Ghana's biggest mine saw production increase by 0.8% to 664,515 ounces, while the second largest mine produced 531,470 ounces of gold in 2009, up from 524,000 a year earlier. Ghana is Africa's second biggest producer of the precious metal. In parallel, diamond production declined to 354,443 carats from 598,042 carats a year earlier, cutting revenue by 63% to \$7m. Also, manganese output dropped by 7% to one million tons, and bauxite production declined by 29% to 490,367 metric tons.

Source: Bloomberg

## Base metals: higher supply from the Middle East in 2010

Base metals' demand increased in 2010 and the U.S. dollar weakened, resulting in higher prices. However, aluminum supply is expected to rise due to higher capacities in the Middle East and China. In the Middle East, Emirate Aluminum is building a large smelter in Abu Dhabi. Emirate Aluminum's production started in December 2009 with current output rising to 700,000 tons, and a planned doubling of capacity is expected to make it the largest smelter in the world. Metals consultancy forecast a 67% increase in output from the Middle East in the next two years. Three-month aluminum prices are expected to fall to \$2,100 a ton in the second quarter of 2010 and \$1,850 a ton in 2011.

Source: Standard Chartered

## Main commodity indices post positive returns in March

Base metals recorded strong gains in March, while returns were unchanged for precious metals. Losses were recorded for grains and softs and positive returns in the livestock and energy sectors. WTI Crude oil traded above \$80 a barrel during March. Commodity correlations continued to decline. The MLCX TR index gained 1%, the S&P GSCI TR index returned 1.94% and the DJ-UBS TR index fell by 1.24% in March. Also, the S&P 500 TR index gained 6.03% and the ML US Broad Bond index fell by 0.06%.

Source: Merrill Lynch

### Performance of main commodity indices and MLCX sub-indices

	March	YOY
MLCX TR	1.00%	29.59%
S&P GSCI TR	1.94%	25.87%
DJ-UBS TR	-1.24%	20.53%
MLCX Energy TR	3.59%	35.41%
MLCX Industrial Metals TR	9.35%	85.54%
MLCX Precious Metals TR	0.23%	21.83%
MLCX Grains TR	-8.91%	-17.39%
MLCX Livestock TR	2.94%	-0.74%
MLCX Softs TR	-16.48%	15.58%

Source: Merrill Lynch



# 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	BBB-	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-	Aa3	AA-	AA-	BBB	-4.7	11.3	9.7	18.8	2.0	89.1	-6.1	0.3
	Stable	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	-	Stable	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	Stable	-	Negative								
Turkey	BB	Ba2	BB+	BB-	B	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
	Positive	Stable	Stable	Stable	Stable								
Ukraine	B-	B1	B	-	CCC	-4.0	22.1	86.6	223.7	20.1	407.1	-0.1	4.5
	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	16-Mar-10	No change	28-Apr-10
Eurozone	Refi Rate	1.00	08-Apr-10	No change	06-May-10
UK	Bank Rate	0.50	08-Apr-10	No change	06-May-10
Japan	O/N Call Rate	0.10	07-Apr-10	No change	30-Apr-10
Australia	Cash Rate	4.00	02-Mar-10	Raise 25bps	06-Apr-10
New Zealand	Cash Rate	2.50	11-Mar-10	No change	29-Apr-10
Switzerland	3 month Libor target	0.25	11-Mar-10	No change	17-Jun-10
Canada	Overnight rate	0.25	02-Mar-10	No change	20-Apr-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-Mar-10	No change	28-Apr-10
Taiwan	Discount Rate	1.25	25-Mar-10	No change	24-Jun-10
South Korea	Base Rate	2.00	11-Mar-10	No change	09-Apr-10
Malaysia	O/N Policy Rate	2.25	04-Mar-10	Raise 25bps	13-May-10
Thailand	1D Repo	1.25	10-Mar-10	No change	21-Apr-10
India	Reverse repo rate	3.25	29-Jan-10	No change	20-Apr-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	18-Mar-10	No change	13-Apr-10
South Africa	Repo rate	7.00	25-Mar-10	Cut 50bps	13-May-10
Kenya	Central Bank Rate	6.75	23-Mar-10	Cut 25bps	May-10
Nigeria	Monetary Policy Rate	6.00	02-Mar-10	No change	02-May-10
Ghana	Prime Rate	16.00	19-Feb-09	Cut 200bps	Apr-10
Angola	Rediscount rate	30.00	01-Oct-09	Raise 500bps	N/A
Mexico	Target Rate	4.50	19-Mar-10	No change	16-Apr-10
Brazil	Selic Rate	8.75	17-Mar-10	No change	28-Apr-10
Armenia	Refi Rate	6.50	09-Mar-10	Raise 50bps	N/A
Romania	Policy Rate	6.50	03-Feb-10	Cut 50bps	N/A
Bulgaria	Base Interest	0.17	01-Apr-10	Cut 1 bps	01-May-10
Kazakhstan	Refi Rate	7.00	01-Jan-10	No change	N/A
Ukraine	Discount Rate	10.25	11-Aug-09	Cut 75bps	N/A
Russia	Refi Rate	8.25	24-Feb-10	Cut 25 bps	N/A



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