



## COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

## WORLD

### Financing needs of Greece, Ireland, Portugal and Spain at €900bn, West European governments' debt to reach €1,300bn in 2010

The Institute of International Finance indicated that the aggregate financing needs for Greece, Ireland, Portugal and Spain total €900bn during the 2010-13 period. It said 50% of the needs are to finance deficits, one third to refinance maturing government bonds, and the remainder to roll over maturing Treasury bills and other short-term debt. It noted that Spain's government has the largest financing needs, amounting to €43bn over the covered period, followed by Greece with €157bn, Portugal with €7bn and Ireland with €2bn. It noted, however, that Greece's financing needs are the largest relative to its economy and are equivalent to 17% of cumulative GDP during 2010-13, followed by Spain Portugal and Ireland with 12% of GDP for each country. It added deficit financing need account for 70% of the total for Ireland, 52% for Spain, 44% for Portugal and 39.4% for Greece.

In parallel, Standard & Poor's expected Western European local and regional governments' (LRG) total debt to reach a new historical peak of nearly €1,300bn in 2010. It estimated LRGs in the region will borrow a total €260bn in 2010, representing a 20% year-on-year increase and continuing the 2009 surge in borrowing in the wake of the economic downturn. It estimated the main causes of the increase to be extensive refinancing needs and new debt issuance to balance deteriorating financial performance. S&P warned that borrowing could be even higher in 2010 because the economic downturn that began in 2009 could result in substantial tax shortfalls in 2010 and possibly beyond. It noted that borrowing is still highly concentrated in five countries, with German LRGs continuing to account for 47% of total gross borrowing in the region, followed by Spain with 17%, France with 8%, Switzerland with 7%, and Sweden with 5%.

Source: *Institute of International Finance, Standard & Poor's*

## EMERGING MARKETS

### Sovereign issuance at \$44bn in first 4 months of 2010

Merrill Lynch indicated that aggregate sovereign bond issuance in emerging markets reached \$44.4bn in the first 4 months of 2010 compared to \$74bn for all of 2009. It said issuance in Emerging Europe, the Middle East & Africa (EEMEA) totaled \$32.3bn, or 72.7% of the total, followed by Latin America with \$5.3bn (12%), Asia with \$5.6bn (12.6%) and the GCC with \$1.3bn (3%). Further, corporate bond issuance reached \$64.7bn year-to-April relative to \$126bn in 2009. Latin America accounted for \$29.5bn or 45.6% of the total, followed by Asia with \$17bn (26.3%), EEMEA with \$15.4bn (23.8%), and the GCC with \$2.9bn (4.5%). As such, aggregate sovereign and

corporate issuance reached \$109bn in the first four months of the year relative to \$200bn last year, with the EEMEA region accounting for 43.6% of the total, followed by Latin America with 32%, Asia with 20.6%, and the GCC with 3.8%.

## MENA

### Software piracy rates highest in the world, losses drop by 7.7% in 2009

Software piracy losses in the Arab world reached \$1.18bn in 2009, constituting a decrease of 7.7% from \$1.27bn in 2008 and an increase of 22.5% from \$960m in 2007. They accounted for 2.3% of global piracy losses in 2009 compared to 2.4% in 2008 and 2% in 2007. Saudi Arabia had the highest software piracy losses among Arab countries at \$304m, followed by the UAE with \$155m, Egypt with \$146m, Iraq with \$129m, Morocco with \$64m, Kuwait with \$62m, Algeria with \$55m, Qatar with \$50m, Lebanon with \$46m, Tunisia with \$44m, Oman with \$39m, Jordan with \$26m, Libya with \$25m, Bahrain with \$21m and Yemen with \$10m. Qatar posted the highest increase of 92.3% in piracy losses year-on-year, while Algeria's piracy losses dropped by 42.7%, the steepest decrease regionally. Also, the region posted the highest average piracy rate in the world at 66% in 2009, unchanged from 2008, and was followed by Central & Eastern Europe with 64%, and Latin America with 63%. The region's average piracy rate was higher than the global piracy rate of 43%. Yemen had the highest piracy rate in the region at 90%, followed by Libya with 88%, while the UAE had the lowest piracy rate of 36%. In addition, the software piracy rate dropped by 2% in Lebanon, while it rose by 1% in reach of Tunisia, Kuwait, Jordan, Bahrain and Saudi Arabia.

Source: *Business Software Alliance, Byblos Research*

### Arab advertising market at \$5.1bn in 2010, newspapers have 50% share

Zenith Optimedia projected the advertising market in the Arab world at \$5.1bn in 2010, constituting an increase of 10.8% from the previous year. It expected UAE to remain the largest ad market in the region at \$950m and to account for 18.6% of the total, followed by Egypt with \$789m, Saudi Arabia with \$726m, Kuwait with \$388m, Morocco with \$309m, Lebanon with \$241m, Qatar with \$238m, and Jordan with \$112m as the 8 largest advertising markets in the region. Further, it estimated the pan Arab ad market at \$1.05bn this year, up from \$965m last year. It forecast newspapers to account for \$2.5bn or 50% of total advertising, followed by television with \$1.6bn (31.6%), magazines with \$367 (7.2%), out-of-home ads with \$321m (6.3%), radio with \$135m (2.6%), and the Internet with \$117m (2.3%). Further, it projected the Arab ad market to grow by a compound annual growth rate of 8.4% during the 2009-13 period, with Internet advertising posting the highest growth rate at 48% during the covered period, followed by magazines with 11.6%, radio with 8.2%, newspapers with 7.9%, out-of-home with 7.3%, and television with 6%.

Source: *Zenith Optimedia*

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# OUTLOOK

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## MENA

### Economic growth at 4.4% in 2010

The World Bank projected economic growth in the Middle East & North Africa region to recover to 4.4% in 2010 and 4.8% in 2011 from 2.2% in 2009, driven by domestic demand and contribution from external demand. It expected the recovery to differ by country depending on the impact of the crisis that was channeled through the financial sector, oil prices and the balance of payments, and that affected trade, remittances and FDI. It forecast growth in the GCC at 4.4% in 2010 and 4.9% in 2011 relative to 0.8% in 2009, and considered that the GCC economies are leading the regional recovery, as oil prices have rebounded and their financial sector is stabilizing. It anticipated the GCC recovery to have a positive impact on other MENA countries, mainly through increased flows of remittances and FDI. It expected developing oil exporters to grow by 4.2% in 2010 from 2.2% in 2009, adding that the sustainability of their recovery depends on the evolution of global demand for oil and oil prices due to the importance of hydrocarbons to their exports. It noted that most countries in this group have launched stimulus packages, but their size has varied depending on the fiscal space, accumulated reserves, and access to external financing in each country.

The World Bank forecast real GDP growth of the region's oil importers at 4.5% in 2010, down from 4.8% in 2009. It said oil importers felt the impact of the crisis through the secondary effects on trade, remittances and FDI flows, so their recovery will depend crucially on the recovery of key markets, especially the EU and the GCC countries. It expected oil importers' export revenue to grow by 7.7% in 2010, after contracting by 13% in 2009, and for remittance flows to grow by 1.3% in 2010, much slower than the pre-crisis growth rates. It also expected fiscal policy to remain expansionary, as countries use various measures to stimulate demand. It warned that high government spending will have an adverse effect on fiscal balances, as the fiscal space of some oil importers is limited, and the fiscal situation may become a long-term growth issue.

Source: World Bank

## UAE

### Fragile near-term outlook in the absence of major reforms

The Institute of International Finance forecast real GDP growth in the UAE at 2% in 2010 relative to a contraction of 1.6% last year. It expected the non-oil sector to grow by 4.5% in Abu Dhabi and to regress by 0.5% in Dubai this year, compared to growth of 4.3% for Abu Dhabi and a contraction of 3% in Dubai last year. It considered that the economy's medium-term outlook depends on the speed of the global recovery and the progress achieved on much-needed reforms, including the rehabilitation of bank balance sheets, restructuring of the non-banking financial sector, tangible improvements in corporate governance and transparency, and strengthening of federal fiscal and monetary institutions. The IIF estimated average inflation in the UAE at 0.9% this year, with inflation in Abu Dhabi at 2.3% and in Dubai at -0.6%. It further projected credit to the economy to grow by 10.3% in Abu Dhabi and by 1.5% in Dubai in 2010,

compared to a rise of 9% in Abu Dhabi and a decline of 2.5% in Dubai last year.

The IIF attributed the sluggish recovery of the UAE economy to three main factors. First, it expected the Dubai debt problems to be a drag on the economy with higher cost of capital for the next few years, including the possibility that other government-related entities in Dubai could seek to restructure their debt. Second, it cited limited improvement in the level of transparency and governance of family businesses, companies, and government-affiliated entities; and third, it pointed to only modest strengthening of the federation and very limited financial support for Dubai from Abu Dhabi. It added that continued market uncertainty, lack of disclosure and inadequacy of legal institutional infrastructure could restrain capital flows and dampen investor confidence. It estimated that the implementation of comprehensive and speedy reforms would accelerate economic growth to 2.7% this year and 4.3% next year. It said the accelerated reform scenario assumes a significant strengthening of the federation and greater support from Abu Dhabi; the operational restructuring of government-related entities; clarification of the role of the sovereign vis-à-vis GREs; and major improvements in disclosure and transparency of corporate entities.

Source: Institute of International Finance

## GHANA

### Economy to grow by 15% in 2011, currency to stabilize

Merrill Lynch projected Ghana's real GDP growth at 6% in 2010 compared to 4% in 2009, adding that a major acceleration in growth is imminent due to oil exploration. It said the start of offshore oil production will likely boost GDP by 15% in 2011, with production levels likely to be maintained for about 6 years before starting to declining. It noted that highly expansionary fiscal policy, combined with a very weak exchange rate, led to an average inflation rate of 19.3% last year, but expected inflation to moderate to 14% on average in 2010. It said that the credibility of monetary policy remains a concern, as the Bank of Ghana cut rates slightly to 18% last November despite significant inflationary pressure, while the extra liquidity from the onset of oil exports in 2011 will likely place upward pressure on inflation and interest rates next year.

Merrill Lynch forecast the deficit to fall to 8% of GDP this year from 10% of GDP last year, but still above the 7.5% of GDP target. It noted that oil will boost revenues next year, which is likely to stall expenditure consolidation. It considered that proper management of the oil wealth will be crucial to avoid a build-up of commitments, which would imperil long-term fiscal sustainability. It expected oil exports to sharply improve the current account from a deficit of 10% of GDP in 2010 to a deficit of 1% of GDP in 2011, which would support the currency that had been under depreciation pressure due to the large twin deficits. It estimated foreign currency reserves at \$3bn at end-2010, equivalent to four months of import cover. Merrill Lynch considered that Ghana's improving fundamentals should remove the risk of a sovereign downgrade, adding that key long-term risks are oil-related instability and unsustainable long-term expenditure commitments.

Source: Merrill Lynch

# ECONOMY & TRADE

## SYRIA

### Average hotel occupancy rate at 71%, RevPAR up 19% in 2009

Global hotel consulting firm HVS indicated that the average occupancy rate at Damascus hotels was 71% in 2009, coming in fifth place regionally, and compared to the Middle East's average occupancy rate of 69% last year. The occupancy rate at Damascus hotels decreased by 8 percentage points in 2009, similar to Amman, Riyadh and Hurghada in Egypt, and compared to a contraction of 6 percentage points for the region last year. Damascus posted the region's fourth steepest decline in occupancy rates last year after Dubai and Qatar (-11% each), and Cairo-Pyramids (-10%). In parallel, HVS said the average rate per room at Damascus hotels reached \$236 in 2009 relative to \$191 for the region, up 33% year-on-year compared to growth of 3% in the Middle East. The average room rate at Damascus hotels in 2009 was the fourth highest in the region behind Riyadh at \$297, Abu Dhabi at \$294 and Doha at \$261. HVS noted that average rates in Damascus rose aggressively in the past three years due to the limited number of quality hotels in the city and to the historically low rates relative to other cities in the region. Further, it indicated that revenues per available room (RevPAR) reached \$167 in 2009 relative to the regional average of \$130, up 19% year-on-year, compared to a contraction of 7% in the Middle East. HVS said Damascus has currently about 1,000 branded hotel rooms, and expected this supply to double by 2013 as more international chains open. It noted that room rates increased in other cities as well, as they rose by 18% to \$132 in Aleppo and by 33% to \$119 in Lattakia in 2009.

Source: HVS

## UAE

### Abu Dhabi entities removed from CreditWatch negative, ratings affirmed

Standard & Poor's affirmed its 'AA/A-1+' long- and short-term issuer credit ratings on the Abu Dhabi-based government-related entities (GREs) International Petroleum Investment Company (IPIC), Mubadala Development Co., and Tourism Development and Investment Company (TDIC), with 'stable' outlooks. It also removed the ratings of the three GREs from CreditWatch with negative implication following its review of the likelihood of extraordinary financial support from the government of Abu Dhabi. The agency said it equalized the ratings on the three entities with those on the government of Abu Dhabi, even though the latter does not formally guarantee the GREs' liabilities. It attributed its decision to the companies' "critical" role for Abu Dhabi's official long-term development and economic diversification strategies, as well as their integral link with the government. As such, it considered that extraordinary government support in times of financial stress is almost certain. It noted that any lowering of Abu Dhabi's credit ratings, or any indication that the government's commitment to the GREs is weakening, would result in downgrading the GREs' ratings. It considered that the stand-alone credit profile for all three GREs to be in the 'BBB' category, incorporating ongoing, but not extraordinary, support.

Source: Standard & Poor's

## SUDAN

### No prospects for deal on debt relief

The Economist Intelligence Unit indicated that Sudan is unlikely to benefit from a debt relief program in 2010-11 due to political reasons, including the ongoing problems in Darfur. It said the country's external debt, which was accumulated by successive governments, reached \$35bn at end-2009 and is mostly in arrears. It estimated short-term debt at \$19.6bn at end-2009, and expected it to rise gradually as interest arrears continue to accumulate. It noted that nearly 75% of the country's public medium- and long-term debt is owed to bilateral creditors, and the balance is owed to multilateral institutions. It considered that in the absence of a debt relief deal, Sudan will not be seeking financing for most of its short-term debt. Instead, authorities will try to finance infrastructure projects and the fiscal deficit by contracting debt from Gulf Arab countries, China and India, although these loans will be more difficult to secure as global credit conditions remain tight, and the government has made commitments to the IMF on limiting the amount of non-concessional debt it can take. It forecast external debt to reach \$39bn by the end of 2011, or about 57% of GDP.

Source: Economist Intelligence Unit

## ANGOLA

### IMF approves \$171.5m payment

The International Monetary Fund approved the first review of Angola's performance under the Stand-by Arrangement (SBA), which allows the payment of about \$171.5m and brings total disbursements under the arrangement to \$514.5 m so far. Last November, the IMF approved the 27-month SBA for about \$1.3bn to help the country cope with the effects of the global economic crisis. The Fund said that authorities have started to implement a comprehensive reform program to address Angola's macroeconomic imbalances, and that the reforms are yielding results. It added that the renewal of the foreign exchange auctions has facilitated an orderly and significant exchange rate adjustment, and that the elimination of the remaining administrative controls is a priority. The IMF consented to an increase in the program's external borrowing ceiling in light of Angola's large infrastructure needs and low debt burden, but added that the associated projects have to be soundly appraised and well implemented, and that the debt needs to be effectively managed. It noted that fiscal policy will continue to be sufficiently tight to support the authorities' key goal of strengthening the external position and ensuring fiscal sustainability.

Source: International Monetary Fund

### Non-oil projects up 30% in 2009

The Angolan National Agency for Private Investment (ANIP) indicated that it approved 618 private investment proposals in non-oil sectors in 2009, constituting an increase of 30% from the previous year. It said the value of approved projects totaled \$1.47bn relative to \$1.1bn in 2008. ANIP noted that, when including projects approved by the Council of Ministers, the overall value of new and expansion private non-oil investment would reach \$3.3bn and are expected to create 27,000 jobs, of which 23,000 for Angolans and the remainder for foreigners.

Source: ANIP



# BANKING

## JORDAN

### Trade and construction account for 46% of overall lending at end-March

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD13.4bn at the end of March 2010, constituting an increase of 0.9% from end-2009 and a rise of 4.1% year-on-year. The resident private sector accounted for 90.4% of the total relative to 91% a year earlier, followed by the non-resident private sector with 7% compared to 5% at end-March 2009, public entities with 2.3%, the central government with 0.4% and financial institutions with 0.04%. Foreign currency lending accounted for 11.5% of total lending, down from 13.7% at the end of March 2009. The distribution of lending by sector shows that general trade represented JD3.2bn, or 23.4% of the total, up from 22.5% a year earlier. It was followed by construction with JD3bn, or 22.8% of the total, up from 18.2% at end-March 2009; industry with JD1.7bn, or 12.6% of overall lending; public services & utilities with JD893m or 6.6% of the total; transportation services with JD468m or 3.5% of credits; financial services with JD434m or 3%; tourism, hotels & restaurants with JD407m, or 3.2% of the total; and agriculture with JD221m, or 1.6% of overall lending. Further, other lending accounted for JD3bn, or 22.2% of total credits, of which JD448m were extended to buy shares.

Source: Central Bank of Jordan, Byblos Research

## KUWAIT

### Ratings affirmed on main banks

Standard & Poor's affirmed the 'A+/A-1' long- and short-term counterparty credit ratings on National Bank of Kuwait (NBK), the 'BBB+/A-2' long- and short-term ratings on Al Ahli Bank of Kuwait (ABK) and Burgan Bank, and the 'BBB-/A-3' long- and short-term ratings on Gulf Bank. It also revised the outlooks on the first two banks to 'stable' from 'negative' and kept the outlook of the other two banks at 'negative'. The agency said NBK and ABK have been more resilient than their domestic peers amid the country's difficult operating conditions due to sound coverage of NPLs by loan-loss reserves and good pre-provision earnings capabilities. It added that their stronger and higher capitalization than domestic peers, as well as sound earnings generation should be sufficient to cover weakening asset quality. In parallel, it said the asset quality of Burgan Bank and Gulf Bank has deteriorated to a much greater extent, and expected their provisioning needs to be higher and take longer. It considered their capitalization to be adequate, but significantly lower than that of NBK and ABK. It added that the negative outlook reflects concerns that the deterioration in asset quality would exert negative pressure on profitability and potentially on capitalization. S&P noted that the funding position of the four banks remains supported by deposits from Kuwaiti government-related entities, which has helped curb an excessive decline in lending.

Source: Standard & Poor's

## TUNISIA

### Banking system in need of deeper reforms

The Institute of International Finance indicated that Tunisian authorities intend to reform the banking sector to improve its efficiency, encourage consolidation, and enhance prospects for private sector-led growth. It said the ratio of NPLs decline from 15.5% of total loans in 2008 to 13.2% in 2009 but still remains very high, while provisions accounted for 58% of NPLs last year relative to 57% in 2008. It added that banks' return on equity reached 11% in 2009, almost unchanged from 11.2% in 2008, while return on assets was 0.9% relative to 1% in the previous year. It noted that the new reform plan stipulates the creation of a financial holding company that includes the three government-owned banks Banque de l'Habitat, Banque de l'Agriculture, and Société Tunisienne des Banque; reducing the NPLs ratio to 7% by 2014; modernizing the payments system and doubling bank penetration from about 8,900 persons per branch in 2009 to 4,000 persons per branch by 2014; and increasing the minimum capital requirement for establishing new banks from \$25m to \$100m. It said the expected implementation of Basel II in 2011 may necessitate further increases in the capital adequacy ratio from its current level of 12%. The IIF said authorities are hoping that the formation of the financial holding company would lead the three state-owned banks to complement each other instead of competing with each other, as well as to encourage other small banks to merge among each other.

Source: Institute of International Finance

## AFRICA

### Launch of first microfinance support fund

International agencies and development finance institutions launched the Regional Micro, Small, and Medium Enterprise Investment Fund for Sub-Saharan Africa (REGMIFA), the first fund focused exclusively on lending to microfinance institutions in Africa. REGMIFA is expected to mobilize approximately \$150m and will develop a credit portfolio of \$200m by 2014. The fund will provide local currency loans to smaller banks, non-bank financial institutions, and commercially oriented non-government organizations that serve micro and small businesses. The fund will enable microfinance institutions to finance about 300,000 companies over the next five years and to create and secure 500,000 jobs. REGMIFA is being led by KfW Development Bank on behalf of the German federal government, with technical support from the International Finance Corporation. The European Investment Bank has pledged \$15m to the fund, while the IFC will invest \$8m and provide a further \$5m to help the fund hedge its foreign currency risks. Investors in the fund include the Belgian Investment Company for Developing Countries, the Development Bank of the Netherlands, the French Development Agency, the Norwegian Microfinance Initiative, the Spanish Agency for International Development Cooperation, and the African Development Bank.

Source: European Investment Bank, International Finance Corporation



# ENERGY / COMMODITIES

## U.S. crude falls below \$75, Brent holds above \$81

U.S. crude fell below \$75 a barrel due to high stockpiles in the U.S. Midwest, while London ICE Brent held above \$81 a barrel. These two main benchmark contracts have diverged significantly over the past week, where the rising global energy demand and hopes that Europe's debt crisis can be contained led to Brent rising for four straight days, while U.S. crude prices have been falling since May 11th. Stockpiles for crude oil at Cushing in Oklahoma rose for the last eight weeks to stand at a record of 37 million barrels, pushing U.S. crude to its highest discount to Brent since the peak of the economic crises. The Energy Information Administration stated that total gasoline demand in the United States rose by 2.7% from the same four week period last year. It noted that gasoline inventories in the U.S. declined by 2.8 million barrels last week. Also, the U.S. crude contract for delivery in July is trading almost \$5 above the current contract, with the premium between the two reaching its highest level since February 2009.

Source: Thomson Reuters

## IEA sees weaker rise in global oil demand

The International Energy Agency (IEA) slightly lowered its forecasts for the rise in global oil demand for 2010 by a daily 220,000 barrels, to 86.4 million barrels a day. The agency said the change is based on fresh forecasts of rising economic growth, resulting in more oil demand, tempered by expectations of higher oil prices, which would dampen appetite for crude and its products. It added that oil prices, after suffering their biggest weekly decline in 18 months in early May on fears the Greek debt problems could spread, are likely to average \$76.50 a barrel in 2010. The agency also warned that hasty decisions to regulate markets could trigger oil price volatility and said the recent oil rig disaster in the Gulf of Mexico should not lead to a ban on off-shore drilling. The IEA added that oil demand growth is expected to be entirely driven by emerging market and developing countries, notably in Asia, where economies are projected to expand this year nearly three times as fast as in traditional industrialized nations.

Source: International Energy Agency

## Qatar's energy investments exceed \$120bn

The Ministry of Energy & Industry indicated that Qatar's total investments in the energy sector exceed \$120bn. It expected Qatar's oil production to increase to 5 million barrels per day (bpd) by 2014, including one million barrels of crude oil and 4 million bpd oil equivalent of by-products. Also, it forecast Qatar's production of liquefied natural gas (LNG) to increase to 13 million tons per year by late 2013 or early 2014.

Source: Qatar News Agency

## Qatar signs \$500m deal for helium plant

Qatar is expected to become the world's second largest helium producer by 2013 with the launch of a \$500m joint venture helium plant in the Ras Laffan Industrial City. This marks the second helium project to be built in Qatar, with the first capacity plant coming on flow in 2005. Worldwide demand for helium currently stands at around six billion cubic feet per year, which is projected to increase by around 30% by 2020.

Source: The Peninsula

## Basic Metals: Nickel prices are fundamentally supported

Metal prices have corrected sharply during the past few weeks, with an overall cautious sentiment on metal prices in the coming weeks given the continued uncertainty in the markets. However, nickel prices are overall supported at current levels for several reasons. First, nickel is the only base metal in deficit this year. Second, high physical premia indicate that there is no nickel glut, as April's average nickel premia for the US, Japan and Europe justified a nickel price of around \$27,500 per ton. Third, nickel demand has recovered due to a rebound of stainless steel production, which is on track to increase by almost 15% in 2010. However, following production rises of more than 50% in the past few months, growth rates are expected to gradually slow down. This deceleration could over the summer months be exacerbated by a seasonal weakening of activity. Also, fundamental support has been influenced by the supply side, as production at many large operations continues to run below longer-term averages. But additional signs of a slow-down in demand growth and, more importantly, of higher production could remove price support.

Source: Merrill Lynch

## Precious Metals: Gold rises to record highs on risk aversion

The price of physical gold in London's wholesale market jumped to new all-time highs against all-but-three of the world's major currencies, breaking the \$1,245 mark. Gold priced against the Euro broke above €80 an ounce, extending its 2010 gains to 28%. It also broke a 30-year high against the Swiss Franc, rising to CHF 44,400 per kilo in Zurich. Gold has proven to be the investment of choice when looking for protection against equity bear markets, inflation and currency devaluation. The new gold records are a result of a return of risk aversion from the increasing problems of Greece and other South European countries. Historically, gold has provided the best protection against stock market downturns, as it almost always outperforms each of the other metals during such periods. But given the fact that equity market downturns and high inflation rates arguably are the greatest threats to real wealth preservation, gold is the investment of choice if investors are looking for a safe haven. It has also proven to be a preferred safe haven during inflationary periods despite its slower performance in moderate inflation environments.

Source: BullionVault, Julius Baer

### Commodity Price Forecasts

	2010F	2011F
Aluminium, \$/t	2,275	2,100
Copper, \$/t	7,275	8,000
Lead, \$/t	2,300	2,650
Nickel, \$/t	20,950	20,000
Zinc, \$/t	2,325	2,750
Gold, \$/oz	1,110	1,150
Silver, \$/oz	17.6	19.0
Platinum, \$/oz	1,750	2,000
Palladium, \$/oz	500	650

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	B1	B	B	CCC	-12.6	154.3	96.3	631.1	15.0	168.6	-10.4	5.5
	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	-	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	28-Apr-10	No change	24-Jun-10
Eurozone	Refi Rate	1.00	06-May-10	No change	10-Jun-10
UK	Bank Rate	0.50	10-May-10	No change	N/A
Japan	O/N Call Rate	0.10	30-Apr-10	No change	21-May-10
Australia	Cash Rate	4.50	04-May-10	Raise 25bps	1-Jun-10
New Zealand	Cash Rate	2.50	29-Apr-10	No change	10-Jun-10
Switzerland	3 month Libor target	0.25	11-Mar-10	No change	17-Jun-10
Canada	Overnight rate	0.25	20-Apr-10	No change	01-Jun-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	28-Apr-10	No change	24-Jun-10
Taiwan	Discount Rate	1.25	25-Mar-10	No change	24-Jun-10
South Korea	Base Rate	2.00	12-May-10	No change	N/A
Malaysia	O/N Policy Rate	2.25	04-Mar-10	Raise 25bps	13-May-10
Thailand	1D Repo	1.25	21-Apr-10	No change	02-June-10
India	Reverse repo rate	3.75	20-Apr-10	No change	27-July-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	13-Apr-10	No change	18-May-10
South Africa	Repo rate	6.50	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-May-10	No change	July-10
Ghana	Prime Rate	15.00	16-Apr-10	Cut 100bps	June-10
Angola	Rediscount rate	30.00	01-Oct-09	Raise 500bps	N/A
Mexico	Target Rate	4.50	16-Apr-10	No change	21-May-10
Brazil	Selic Rate	9.50	28-Apr-10	Raise 75bps	09-Jun-10
Armenia	Refi Rate	7.25	13-May-10	Raise 25bps	N/A
Romania	Policy Rate	6.25	04-May-10	Cut 25bps	N/A
Bulgaria	Base Interest	0.18	01-May-10	Raise 1 bps	N/A
Kazakhstan	Refi Rate	7.00	01-April-10	No change	N/A
Ukraine	Discount Rate	10.25	11-Aug-09	Cut 75bps	N/A
Russia	Refi Rate	8.00	30-April-10	Cut 25 bps	N/A



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