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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Default rates decline in first quarter

Standard & Poor's indicated that the corporate default rate for speculative grade entities was 0.97% at the end of the first quarter of 2010 compared with 2.21% during the same period last year. It said the global speculative-grade default rate was 8.31% as of March 2010 on a trailing-12-month basis, compared with 9.32% in December 2009. It noted that although the default rate has declined, it is still much higher than the long-term average of 4.4% in the 1981-2009 period. It added that overall credit quality has started showing signs of stabilization with the number of downgrades declining significantly across all regions, as the downgrade-to-upgrade ratio fell to 1.14% in the first quarter of 2010 from 1.22% in the fourth quarter of 2009 and 11.62% during the same period last year. It attributed the decrease to fewer downgrades, which fell to 2.73% relative to total rating actions in the first quarter, from 3.15% in the fourth quarter of 2009 and 10.95% in first-quarter 2009. *Source: Standard & Poor's*

EMERGING MARKETS

Sovereign wealth funds step up investments

The Monitor Group indicated that the number and value of Sovereign Wealth Fund (SWF) transactions for the first half of 2009 were the lowest in more than five years, but that SWFs realigned investment strategies with long-term goals by the third quarter. It said spending in the third and fourth quarters accounted for 85% of the 113 transactions made by SWFs during the year, with an overall value of $68.8bn. It indicated that SWFs showed a strong preference for energy, natural resources, and engineering or technology-based industries, rather than for the financial and real estate sectors. It said SWFs transactions in financial services dropped from 49 publicly-reported investments valued at $81.7bn in 2008 to just 28 deals with a value of only $10.2bn. It also noted that SWFs showed a greater tendency to invest in their local economies in 2009. It added that many SWFs have maintained an appetite for Western markets to take advantage of underpriced, high-quality assets. It said Europe remained the largest market for SWF investments, as European targets accounted for 42.5% by value, adding that investment in Latin America, sub-Saharan Africa and Non-Pacific Asia doubled in real terms to $3bn in 2009. It indicated that Asia Pacific accounted for the largest number of investments with 32 SWFs transactions in 2009, followed by Europe with 29 deals, the MENA region with 21 transactions, and North America with 19 deals. It noted that the most active funds were the China Investment Corporation and the Government of Singapore Investment Corporation, making 17 and 18 publicly-reported investments, respectively, but that the largest spending fund was the Qatar Investment Authority, which made 14 investments valued at over $32bn.
Source: Monitor Group, Fondazione Eni Enrico Mattei

MENA

Region continues to face key challenges

The World Bank pointed out that MENA countries continue to face formidable long term challenges such as stagnant standards of living, high unemployment rates, and low private investment rates. It added that key long term challenges to growth include very low access to finance, low competitiveness, weak regulatory systems, policy and regulatory uncertainty, arbitrary implementation of reforms, and the non-competitive business environment facing enterprises in the region. It noted that ensuring access to finance without compromising financial stability will be a major challenge, while issues related to weak regulatory systems, corporate governance and overdependence on the banking system also are significant. It added that the region's key problems related to the business environment include policy and regulatory uncertainty and discretion in implementing reforms, which prevent a level playing field for all firms and encourage the pursuit of privileged access.
Source: World Bank

UAE

Dubai World reaches preliminary agreement with main creditors

The state-owned holding firm Dubai World announced that it has agreed in principle with the coordinating committee, which represents about 60% of the bank lenders, on the restructuring of $23.5bn of its financial liabilities. The agreement stipulates that the Dubai Government will convert $8.9bn of its claims and debt into equity, while $14.4bn of bank debt will be restructured. It said the $14.4bn of bank debt will be restructured into a 5-year tranche of $4.4bn and an 8-year tranche of $10bn, both tranches will pay a coupon of 1%, and the latter will have an additional "payment in kind" coupon. Further, lenders will have the choice to select one of three options on the 8-year tranche, as lenders in US dollars will be able to select from two options, while lenders in AED have a third option to choose from. It added that the first option has been designed to address the preferences of lenders that value an increased shortfall guarantee that would be used if DW cannot repay or refinance the second tranche at maturity. The second option offers lenders a higher overall payment-in-kind coupon for which lenders forgo the increased shortfall guarantee offered in the first option. Finally, it said lenders who extended facilities in AED and who elect the third option forgo a shortfall guarantee but receive higher cash and payment-in-kind coupon. It noted that the third option is in recognition of the differential cost of funds between EIBOR and LIBOR. Dubai World still requires agreement from the remaining lenders on the terms of the proposal.
Source: Dubai World

OUTLOOK

WORLD

Fiscal risks on the rise, advanced economies face bigger adjustment challenge than emerging markets

The International Monetary Fund indicated that fiscal risks have increased worldwide even as the global economy recovers. It attributed the growing risks to further deterioration in underlying fiscal conditions, increased financial market concerns about fiscal pressures, and slow progress in defining fiscal exit strategies. It forecast the world's overall fiscal balance to post a deficit of 6% of GDP in 2010, including a deficit of 8.4% of GDP for advanced economies and 3.9% of GDP for emerging markets. It expected the cyclically-adjusted primary balance of advanced economies to post a deficit of 4.8% of GDP this year compared to a deficit of 4.3% of GDP in 2009, and to post a deficit of 1.5% of GDP in emerging economies this year relative to a deficit of 2% of GDP in 2009. As such, it estimated the cyclically-adjusted primary balance to deteriorate by 5% of GDP in advanced economies and by 3.2% of GDP in emerging markets during the 2007-10 period. Further, the Fund projected the average public debt for advanced economies to rise from 91% of GDP at end-2009 to 110% in 2015, while it projected the debt level in emerging economies to gradually decline in 2011 assuming sustained growth and relatively low interest rates. It added that the debt build-up could slow potential growth by up to 0.6% annually in advanced economies.

The IMF considered that government financing needs remain exceptionally high in most advanced economies given relatively short average debt maturities and significant expected deficits. It noted that lowering the debt-to-GDP ratio back to the pre-crisis level of 60% of GDP for advanced economies by 2030 would require improving the cyclically-adjusted primary balance by 8.7 percentage points, from a projected deficit of 4.9% of GDP in 2010 to a surplus of 3.8% of GDP in 2020. It added that the adjustment would have to average 2.7% of GDP for emerging economies due to the lower debt target of 40% of GDP, confirming that fiscal policy challenges are more modest for these countries.

Source: International Monetary Fund

GCC

Growth to average 4.6% in 2010-11

The Institute of International Finance indicated that the economies of the Gulf Cooperation Council (GCC) are emerging from the global recession and returning to solid growth due to higher oil prices that are supporting production and exports, robust government spending, and some normalization of global trade and capital flows. It noted, however, that vulnerable financial sectors and weak property sectors could slow down the recovery and expected the private sector to recover modestly. It projected overall real GDP for the region to grow by 4.4% in 2010 and 4.7% in 2011 compared with 0.3% in 2009. It forecast growth prospects to be lower but more sustainable over the medium term due to deeper structural reforms, following the defaults of the two family-affiliated conglomerates in Saudi Arabia and Dubai's debt crisis. It said the reforms include the rehabilitation of banks' balance sheets, restructuring of the non-banking financial sector, and significant improvements in corporate governance, transparency and risk management. It expected inflationary pressures in the region to remain contained, and projected average inflation in the GCC at 3% in each of 2010 and 2011, up from 2.7% in 2009.

The IIF forecast the GCC's consolidated current account surplus to widen from $48bn in 2009 to $129bn in 2010 and $165bn, or 15% of GDP, in 2011, mainly due to higher projected oil prices and modest increases in oil production. As a result, it expected the region's net foreign assets to rise from $1,049bn at end-2009 to $1,340bn, or 122% of GDP, at end-2011, providing substantial funds to sustain robust government spending levels in the next few years. Also, it forecast the fiscal surplus to widen from 3% of GDP in 2009 to 10% of GDP in 2010-11 despite a continued rise in government spending. However, the IIF warned that a slower-than-expected global recovery could dampen oil prices, negatively affecting the region's export earnings, fiscal and external balances, and hydrocarbon growth. It also noted that market concerns about sovereign liquidity and solvency in the euro zone may turn into a contagious sovereign debt crisis.

Source: Institute of International Finance

DEM REP CONGO

Economy to grow by 5% in 2010, inflation to decrease

The Economist Intelligence Unit projected real GDP in the Democratic Republic of Congo to grow by 5.2% in 2010 and 6% in 2011, up from 2.7% in 2009 supported by a robust agricultural performance, a strong recovery in mining, and a higher growth in the construction sector due to public infrastructure projects financed by China's Exim Bank. It forecast emergency balance-of-payments support received in 2009 to induce the government to activate current expenditure during 2010. However, it projected the quality of public expenditure management to deteriorate as the government starts spending freely a head of the 2011 elections. The EIU expected the authorities to maintain the current monetary policy tight for at least the first half of 2010 and considered that the prime interest rate that currently stands at 66% should increase the value of the Congolese franc.

The EIU noted that declining world oil and food prices have been more than offset by the fall in the value of the Congolese franc, and inflation is far above its target range. However, it forecast inflation to decline from an average of 35% in 2009 to an average of 25% in 2010 due to higher agricultural production, improved distribution of products around the country and the tighter control over the money supply. However, it projected inflation to rise again to an average of 30% in 2011 as renewed fiscal pressures are expected to put the currency under pressure. The EIU also projected the current account deficit to fall from 18.3% of GDP in 2009 to 15.1% of GDP in 2010 and 9.8% of GDP in 2011, supported by increased funding from donors after debt relief.

Source: Economist Intelligence Unit

ECONOMY & TRADE

EGYPT

Launch of project to improve alternative dispute resolution

The International Finance Corporation, the private sector arm of the World Bank, launched a project in Egypt to help speed the settlement of commercial disputes, which would reduce the cost of doing business in the country, encourage more firms to join the formal sector, and enhance the competitiveness of Egyptian firms, particularly smaller businesses. The IFC said it will work with different stakeholders from the public and private sectors to build mediation skills and raise awareness about commercial mediation. It will also offer assistance on implementing more efficient and less expensive conflict resolution mechanisms for businesses. It noted that contract enforcement represents a major challenge to improving the investment climate in the country, as Egypt was ranked 148 out of the 183 economies on the contract enforcement indicator on the Ease of Doing Business Index for 2010. It added that it takes a minimum of three years to enforce a contract, with the enforcement cost equaling approximately 26% of the value of the claim.

Source: International Finance Corporation

YEMEN

IFC to support tourism development and investment

The International Finance Corporation signed an agreement with the government and its private investment arm, Shibam Holding, to help improve the country's tourism regulations and the investment climate. The IFC said it will help the Ministry of Tourism develop tourism regulations to attract investments, clarify the different roles and responsibilities of government regulatory agencies, and ensure that international social and environmental sustainability guidelines are met. It will also work with the newly-established Yemen Tourism Development Company to attract targeted investment in the sector, while investing in pilot projects. The IFC said tourism currently generates only about $50m in new investments and about 3,000 new jobs annually, but it is becoming increasingly important for Yemen's economic growth as the country's revenues from oil decline. Most investments in Yemen's tourism sector are in small projects, with large-scale investments hampered by unclear regulation, insufficient assessments, and little knowledge about investment opportunities.

Source: International Finance Corporation

ANGOLA

First time sovereign ratings put Angola four notches below investment grade

Standard & Poor's assigned a 'B+' long-term and 'B' short-term foreign and local currency sovereign credit ratings to Angola with a 'stable' outlook. Also, Fitch Ratings assigned Long-term foreign and local currency Issuer Default Ratings of 'B+', while Moody's Investors Service assigned first-time issuer ratings of 'B1/Not-Prime' to the country's local and foreign-currency debt, with 'positive' outlooks. The ratings are four notches below investment grade. The agencies said the ratings are supported by the country's large hydrocarbon endowment, strong growth prospects, and low government and external debt levels. They added that the implementation of IMF-supported reforms will strengthen economic stability, improve financial management and transparency, mitigate the impact of oil price volatility, and strengthen public and external balance sheets. They noted that the ratings are constrained by the country's narrow economic base, its weak institutional capacity, a short track record of policy reform implementation, and uncertainty regarding an eventual political transition. S&P added that Angola's GDP per capita significantly exceeds the median for 'B'-rated peers and is closer to 'BB'-rated sovereigns.

Source: Fitch Ratings, Moody's Investors Service, Standard & Poor's

ARMENIA

IMF reaches $392m deal with Yerevan

The International Monetary Fund announced that it has reached a staff-level agreement with Armenian authorities on a program that would give Armenia access to $392m and would cover the period through June 2013. The Fund said the Armenian economy is gradually recovering, as growth is expected to rebound in 2010, external inflows are picking up, public finances have improved, and inflation is expected to decline gradually this year. It indicated, however, that important medium-term challenges have emerged such as boosting growth while reducing poverty, reversing the debt build-up, and maintaining financial stability. It said the authorities have committed to a strong set of macroeconomic policies under the program that include a gradual reduction in budget deficits to keep the public debt on a sustainable path, widening the tax base through improvements in the tax administration, improving the targeting and efficiency of spending, enhancing the social safety net, and maintaining low inflation. It said the new program should allow Armenia to meet its medium-term challenges, helping to sustain the economic recovery, strengthen the balance of payments, and lead to continued progress in poverty reduction.

Source: International Monetary Fund

UKRAINE

Sovereign ratings upgraded

Standard & Poor's raised Ukraine's foreign currency sovereign credit ratings to 'B/B', from 'B-/C', and the local currency ratings to 'B+/B', from 'B/B', with a 'stable' outlook. It attributed the upgrade to the government's improved external relations with key trading partners; a 30% reduction in this year's tariffs on gas negotiated with Russia, which is expected to reduce the cost of energy imports by nearly 3% of GDP on an annualized basis; and the country's engagement in talks with the IMF. It said the upgrade also reflects the stabilization in Ukraine's external liquidity position and expectations of an increase in foreign exchange reserves, as well as a relatively moderate debt level that is forecast to reach 27% of GDP at end-2010. It forecast Ukraine's real GDP growth at 3.5% in 2010 and 4% in 2011 as domestic demand gradually recovers from the impact of the 2008-09 economic crisis. It noted that the ratings could be upgraded with a shift to a more sustainable fiscal position and a reduction in the country's vulnerability to terms-of-trade and other external shocks.

Source: Standard & Poor's

GCC

Banks' financial indicators to remain sound

The Institute of International Finance indicated that GCC banks' soundness indicators continue to show stability across countries. It said banks remain well capitalized and profitable. It estimated average capital adequacy ratio at above 15% in 2009 for each of the banking systems in the region, well above the 8% Basel II framework requirement and the local regulatory minimums. It considered that the system's wide capital and liquidity cushions, along with stronger regulation and high government participation, helped the banks weather the global financial crisis in 2009. It said the weighted average non-performing loans (NPLs) to total loans in the region have almost doubled, increasing from 2% at end-2008 to 4% at end-2009, but remains relatively low by international standards. It noted, however, that the ratio of banks' loan-loss reserves-to-NPLs declined significantly in Kuwait, Saudi Arabia and the UAE. It added that the profitability of the banking sectors have been affected in 2009 by the higher provisioning requirements related to the exposure to the two Saudi family affiliated conglomerates and Dubai World, some deterioration in corporate loan portfolios, and defaults in personal loan and credit card portfolios. Finally, it projected uncertainty over the true state of banks' balance sheets to persist in 2010, restraining bank funding and credit growth, but expected the risks to remain manageable.

Source: Institute of International Finance

UAE

Exposure to Dubai World at 25% of capital

The Institute of International Finance indicated that the banking system in the UAE is significantly exposed to the construction sector and the highly speculative real estate sector, which account for 25% of total loans. It said several banks in the UAE are exposed to high levels of credit risk related to the family-affiliated conglomerates in Saudi Arabia and sizeable government-related entities in Dubai. It noted that the exposure to the Saudi conglomerates is unknown, but presumed it to be substantial for a few large banks. It estimated overall exposure to Dubai World by domestic banks at about $12bn, equivalent to about 25% of total capital. It said the average capital adequacy ratio for UAE banks is one of the highest for the region, reaching 20.3% at end-March 2010 up from 13.3% at end-2008, due to government capital injections of $16bn. It expected the NPLs ratio to rise to about 9% in 2010, from 4.3% at end-2009, partly due to the Central Bank's tightening of regulatory standards. It noted, however, that loan-loss provision coverage dropped from 102% at end-2008 to 79% at end-2009. It expected the restructuring of Dubai World's debt to have a moderate impact on domestic liquidity. It estimated liquid assets at 18.5% of total assets in 2009, compared to 8.6% in 2008. It noted that some banks with significant exposure to Dubai World will need to strengthen capital buffers, which may constrain the supply of credit.

Source: Institute of International Finance

Uncertainty remains for banks

Fitch Ratings indicated that some UAE banks will have to book large provisions based on the terms presented for the restructuring of Dubai World and that were accepted by 60% of the lenders. It noted that the amount of provisions taken and when they will be taken will ultimately be decided by the Central Bank of the UAE, but will not cause major difficulties for the domestic banking system. It also expressed concerns that other Dubai government-related entities may be experiencing debt problems, but not of this magnitude. It added that it is not clear whether the remaining lenders will accept the restructuring terms, or which of the options banks will ultimately accept. Fitch considered that, given the persisting uncertainty, it should maintain the Rating Watch Negatives it previously placed on the individual ratings of Dubai-based Emirates NBD, Mashreqbank, HSBC Bank Middle East, Commercial Bank of Dubai and Dubai Bank until further progress is made on the restructuring.

Source: Fitch Ratings

GHANA

OPIC approves $30m to develop mortgage market

The Overseas Private Investment Corporation (OPIC) approved $30m in financing to support mortgage lending to low- and middle-income borrowers in Ghana, helping the country address demand for affordable housing that significantly exceeds supply. It said Ghana Homes Loans (GHL), one of only two mortgage lenders in Ghana, will use the OPIC loan to expand its mortgage lending to approximately 400 middle-income families, while a small portion of its lending will be directed to refinancing and home improvements. OPIC has previously committed a $30m loan to the company in 2006. GHL has originated 545 mortgages worth a total of more than $36m by the end of September 2009. OPIC noted that demand for affordable housing significantly exceeds supply in Ghana, where the price of housing and a widespread lack of access to financing constitute significant barriers to home ownership. It added that many developers in Ghana prefer to build a few high income properties than a large number of low or middle-income properties because of the lack of both capital and a liquid real estate market.

Source: OPIC

ARMENIA

Central Bank raises refinancing rate by 25bps

The Central Bank of Armenia (CBA) raised its refinancing rate by 25bps from 7% to 7.25% on May 11, citing inflation that reached 6.8% in April 2010 on an annualized basis, down from 8.8% in the previous month. It attributed the decrease in inflationary pressures to its toughening fiscal policy. It noted that the 12-month inflation is on a downward trend but forecast inflation to remain high due to a faster-than-expected global economic growth, the recovery of demand for raw commodities, and growth of utilities fees. The CBA noted that it is planning to continue to toughen fiscal policy at a slower pace in an attempt to preserve positive real interest rates. The decision to increase the refinancing rate was the fifth in 2010, raising rates from 5% in January.

Source: Central Bank of Armenia

ENERGY / COMMODITIES

Oil falls to near $69 on Europe concerns

Oil prices fell by 20% from the $87.15 a barrel peak in early May to nearly $69 a barrel, due to concerns about the impact of the European fiscal crisis on fuel demand. The weakness of U.S. crude is partly attributed to a regional excess supply at the Cushing delivery point for West Texas Intermediate where stocks reached a record of 37.9 million barrels. Oil prices fell below the $70-$80 a barrel range this week, where many members of OPEC stated that the range is still fair for both producers and consumers. U.S. weekly inventory data showed that the smaller-than-expected 200,000 barrel rise in crude stocks helped define the bottom of the market at $70 a barrel. U.S. crude is expected to remain around $69 a barrel, and then form a base for a possible increase in the coming weeks. Also, U.S. oil demand is expected to increase after the sharp decline in distillates and a smaller than forecast drop in gasoline. Historically, oil demand is the weakest in the second quarter of the year, between the winter heating oil season and the summer gasoline season.

Source: Thomson Reuters

Nigeria signs $23bn deal with China for new refineries

Nigeria and China signed a $23bn deal for China to build three gasoline refineries and a fuel complex in Nigeria. The deal between state-run Nigerian National Petroleum Corporation and China State Construction Engineering Corporation Ltd is expected to add 750,000 barrels a day to Nigeria's refining capability. Nigeria said it wants to reduce the approximately $10bn a year it spends to import refined fuel. Funding for the three refineries will come from the China Export & Credit Insurance Corp. and a group of Chinese banks. each refinery is expected to pump out 250,000 a day of refined products.

Source: Wall Street Journal, Voice of America

CNPC buys 35% stake in Syria Shell subsidiary

China National Petroleum Corporation (CNPC) signed an agreement with Shell for the acquisition of a 35% stake in Syria Shell Petroleum Development (SSPD), a unit of Royal Dutch Shell. SSPD has interests in three production licenses, Deir-Ez-Zor, Fourth Annex and Al Sham, which are operated by the Al Furat Petroleum Company, in which Shell has an interest of 31.25%.

Source: Xinhua, CNPC

Shell to spend $2bn to reduce flaring

Royal Dutch Shell plans to spend $2bn on upgrading and replacing its gas gathering facilities at 26 locations in Nigeria's Niger Delta in order to reduce flaring. Gas flares burn day and night from onshore oilfields in the Niger Delta creating a health hazard to nearby communities and contributing to global warming. Many of these projects were previously delayed due to funding or security problems. Nigeria flares burns off more gas than any other country except Russia, burning as much as 2.5 billion cubic feet of gas per day because it lacks the infrastructure to make use of it.

Source: Thomson Reuters

Basic Metals: Prices decline with crisis news from Greece and China's cooling property sector

Base metals prices declined partially resulting from concerns over the strength of the economic recovery on falling news from Europe and Greece and the announcement of measures aimed at cooling China's property sector. However, the Chinese government is expected to prevent a collapse in the housing market, where the local government funding vehicles are for instance heavily exposed to the property sector. China is projected to increase aluminum shipments as the domestic aluminum market is oversupplied, but there is considerable uncertainty over the global aluminum production volumes in the medium term. Restocking through the supply chain has brought back some copper demand, and mines that had been closed down during the economic downturn are projected to be brought online more quickly than previously anticipated. Market participants are expected to focus on a set of data points in the coming weeks, including the extent to which tightening in China slows the economy, concrete announcements of measures by Eurozone governments that structural issues will be undertaken and signs that the problems in Europe do not spread further.

Source: Merrill Lynch

Precious Metals: Gold rises with stronger dollar

Gold prices moved up quickly in recent weeks as safe-haven flows returned to the front following renewed panic about Greece and aggressive selling of the Euro. The clearest signal of investor concern was the increased buying of SPDR physical ETFs. Gold prices increased alongside a stronger dollar instead of falling complying with the normal relationship and as it did throughout much of 2009, which confirmed that this was very much a risk-aversion rally. The correlation between gold and the U.S. dollar-Euro was 13% in April and early May, a high change from a correlation of -52% in the first quarter of 2010. Sales of coins reached 41,500 an ounce in the first week of May, compared to 60,500 an ounce in April. The International Monetary Fund is expected to use this as an opportunity to offload its gold. The IMF's gold reserves declined by 19 tons in March, in line with its previous plan to sell without disrupting the market. Gold prices are expected to further rise in the coming months, with rising investor demand to hedge against sovereign and inflation risks.

Source: Standard Chartered

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								
Africa													
Algeria	-	-	-	-	BBB								
	-	-	-	-	Stable	-11.5	7.8	1.9	3.4	1.7	1.9	-3.0	0.8
Angola	B+	B1	B+	-	B								
	Stable	Positive	Positive	-	Stable	4.6	19.1	17.4	25.4	9.4	-	7.6	7.2
Egypt	BB+	Ba1	BB+	BBB-	BB								
	Stable	Stable	Stable	Stable	Stable	-7.9	73.8	17.0	47.0	5.8	100.6	-2.9	3.2
Ethiopia					CCC								
	-	-	-	-	Stable	-2.3	-	14.1	263.0	-	-	-7.2	-
Ghana	B+	-	B+	-	CCC								
	Negative	-	Negative	-	Stable	-10.1	-	35.6	-101.7	-	-	-17.0	
Ivory Coast	-	-	-	-	CC								
	-	-	-	-	Stable	-1.4	-	55.7	134.4	-	556.0	0.3	-
Libya	A-	-	BBB+	-	BB								
	Stable	-	Stable	-	Stable	-2.0	6.5	15.5	20.0	3.3	-	15.5	2.8
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-3.1	-	47.6	92.7	-	-	-4.7	-
Morocco	BBB-	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-3.6	52.8	24.2	79.5	0.5	95.6	-2.1	3.3
Nigeria	B+	-	BB-	-	B								
	Stable	-	Stable	-	Stable	-3.0	12.3	5.0	16.5	0.3	-	-5.6	1.6
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-3.3	104.5	67.2	428.5	3.2	-	-5.1	2.4
Tunisia	BBB	Baa2	BBB	BBB	BB								
	Stable	-	Stable	Stable	Stable	-4.0	51.0	53.0	114.6	9.7	232.0	-2.6	3.8
Middle East													
Bahrain	A	A2	A	A	BBB								
	Stable	-	Stable	Stable	Stable	-6.4	22.7	178.0	220.3	15.9	934.9	-2.9	0.9
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	-4.8	19.3	5.2	20.1	2.8	23.1	0.6	0.2
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-12.7	-	67.3	128.4	2.3	112.8	-0.1	0.9
Jordan	BB	Ba2	-	BB	B								
	Stable	-	-	Stable	Stable	-1.2	59.0	65.4	131.2	8.1	183.0	-10.7	6.9
Kuwait	AA-	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	12.9	7.5	31.7	57.7	2.8	221.2	25.8	-2.0
Lebanon	B	B1	B	B	CCC								
	Positive		Stable	Stable	Stable	-12.6	154.3	96.3	631.1	15.0	168.6	-10.4	5.5
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	-5.1	6.0	30.9	45.9	5.4	117.1	-0.3	2.0
Qatar	AA-	Aa2	-	AA-	A								
	Stable	Stable	-	Stable	Stable	4.2	10.4	72.8	157.3	8.4	603.4	8.7	7.9
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	-4.7	11.3	9.7	18.8	2.0	89.1	-6.1	0.3
Syria	-	-	-	-	CCC								
	-	-	-	-	Stable	-7.9	32.3	14.6	75.3	1.0	151.1	-2.9	1.4
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-11.2	-	22.5	112.7	-	-	-9.7	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	- -	Ba2 -	BB- Stable	- -	- -	-3.1	23.6	42.5	579.3	1.5	344.9	-0.8	0.9
Bulgaria	BBB Stable	Baa3 Stable	BBB- Stable	- -	BB Stable	-2.7	17.5	102.0	200.0	35.3	283.9	-8.0	8.2
Kazakhstan	BBB- Stable	Baa2 -	BBB- Negative	- -	BB Stable	-3.5	6.6	95.9	231.5	48.0	426.6	-7.6	9.2
Romania	BB+ Negative	Baa3 -	BB+ Stable	BBB- Negative	BB Stable	-5.1	20.8	61.5	202.5	15.9	348.0	-7.1	3.3
Russia	BBB Stable	Baa1 Positive	BBB Stable	- -	BBB Negative	-6.5	7.0	38.0	133.6	33.7	139.1	1.3	0.4
Turkey	BB Positive	Ba2 Stable	BB+ Stable	BB- Stable	B Stable	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
Ukraine	B Stable	B1 Positive	B Negative	- -	CCC Stable	-4.0	22.1	86.6	223.7	20.1	407.1	-0.1	4.5

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2009

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	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
Emerging Markets					
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	13-May-10	No change	08-July-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	13-May-10	No change	N/A
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	11-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

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

BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

SUDAN

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

IRAQ

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

ARMENIA

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

NIGERIA

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

BELGIUM

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

ENGLAND

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

FRANCE

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

CYPRUS

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

UNITED ARAB EMIRATES

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