Issue 173
July 15, 2010

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

M&As up 8% to $881bn in first half, emerging markets deals up 59% to $241bn

Global merger & acquisitions (M&A) activity reached $881bn in the first half of 2010, constituting an increase of 7.8% from $817bn in the same period last year; while the number of deals totaled 5,026 announced deals, up 13.3% from 4,437 deals in the first half of 2009. But deals in the second quarter totaled $403bn, the second lowest quarter in the last five years. A total of 312 deals announced in the first half of 2010 had a value exceeding $500m each, up 68.6% from 185 deals in the same time period last year; and were equivalent to 6.2% of announced deals in the covered period, the highest share since 2007.The average deal size in the first half of 2010 was $312.2m, the lowest since 2005, but only 3% lower than the 2009 average of $ 322m. Cross-border transactions between regions accounted for 25.6% of global M&As in value, the highest share since the first half of 2008; while emerging markets posted $241bn worth of deals announced in the first half of the year, up 59% year-on-year. Further, the average EBITDA multiple across global M&A for H1 2010 was 14.7x, the highest since 2008, while the average premium paid was 20.4%, the lowest since 2007.

North America accounted for 41.3% of the value of global deals and 33.5% of the number of deals in the first half of 2010, followed by Western Europe with 16.3% in value and 22.5% in number, North Asia with 7.2% in value and 9.4% in number, Central & Eastern Europe with 5% of value and number of deals, Australasia with 4.1% in value and 3.4% in number, and the Middle East & Africa with 3.7% of the value and 2.8% of the number of deals. M&As deals in energy, mining & utilities totaled $204.5bn and accounted for 23% of the total. They were followed by financial services with $105bn (12%), industrial & chemicals with $100bn (11.4%), pharmaceuticals, medical & biotech with $96bn (11%), and telecommunications with $88.5bn (10%) as the top sectors for M&As.
Source: Mergermarket Group

Corporate default rate at 6.1% in June

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 6.1% at the end of June compared to 11.1% a year earlier, and down from 9.9% at the end of the first quarter of 2010 and 13% at the end of 2009. The agency expected the global speculative-grade default rate to fall to 2.4% at the end of the year and to 1.8% at the end of June 2011. It expected the decline in default rates to continue through the end of this year, but added that uncertainty is high as Europe continues to address sovereign debt issues that could impact the debt market. Measured on a dollar volume basis, the global speculative-grade bond default rate ended June at 3.1%, down from 6.6% in May and 10.3% at the end of the previous quarter. 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 17.1% at end-June unchanged from end-March, but down from 19.3% at the end of 2009 and from 40.4% at end-June 2009.
Source: Moody's Investors Service

EMERGING MARKETS

Sovereign issuance at $48bn in first half of 2010

Merrill Lynch indicated that aggregate sovereign bond issuance in non-G10 emerging markets reached $48.1bn in the first half of 2010 compared to $74bn for all of 2009 and to a forecast issuance of $79.5bn for all of 2010. It said issuance in Emerging Europe, the Middle East & Africa (EEMEA) reached $34.9bn, or 72.6% of the total, followed by Asia with $6.8bn (14%), and Latin America with $6.4bn (13.3%). As such, issuance from the EEMEA region represented 71.7% of the area's projected issuance this year, while issuance from Asia accounted for 69.4% of forecast issues, and year-to-date sovereign issues from Latin America represented 30.6% of the region's expected issuance in 2010. Further, sovereigns with ratings of 'BBB+' or below issued $35bn in external sovereign debt in the first half of 2010 compared to $43bn in 2009 and to a forecast of $60bn for 2010. They accounted for 73% of sovereign issuance in the first 6 months of the year. Merrill Lynch noted that the increase in the issuance forecast for 2010 is almost entirely attributed to issuance in the EEMEA region, but with a shift from the GCC to Central & Eastern Europe (CEE) and the Middle East & Africa. It said the largest contribution to the increase is the $5.5bn Russian sovereign issue. It expected CEE issuance to grow from $20bn in 2009 to $35bn in 2010, and ME&A issuance to increase from $4bn to $9.5bn, which would offset the expected decrease in GCC issues from $15bn in 2009 to $2.5bn this year.
Source: Merrill Lynch

MENA

World Bank Group commits $3.8bn to region in fiscal year 2010

The World Bank declared that it committed a record $3.8bn in the fiscal year ending June 30, 2010 to support the countries of the Middle East & North Africa region as they recover from the financial crisis. It said financial assistance in the region more than doubled from $1.7bn in FY2009 to $3.8bn in FY2010, with more than $3.6bn in commitments from the International Bank for Reconstruction and Development, and slightly more than $200m in commitments from the International Development Association It added that spending on knowledge and technical assistance also increased from $6m in FY2007 to nearly $12m in FY2010. It noted that investments by the International Finance Corporation, the private sector arm of the World Bank Group, increased to $1.6bn for 59 projects in 13 countries in FY2010. In addition, 40% of the investment and advisory services projects carried out by the IFC, were in the region's poorest and conflict affected countries.
Source: World Bank

MENA

IMF calls for stepping up financial sector reforms

The International Monetary Fund called on regulators and supervisory authorities in the Middle East to implement the reforms needed to render the region's financial systems more resilient. It added that many of the global financial market regulatory reforms and measures underway will impact the region's financial markets in the future. It stressed the importance of discouraging regulatory arbitrage by making sure that regulations designed at the national level are internationally consistent.

The IMF noted that the crisis has revealed a number of vulnerabilities across the region, reflecting the need for further reforms and continued supervisory vigilance. It said ensuring an adequate level of high-quality capital and reducing cyclicality, including by using counter-cyclical capitalization and provisioning requirements, will be particularly relevant for the region's financial sectors that are vulnerable to swings in capital inflows and oil prices. It also encouraged the region's regulatory authorities to strengthen liquidity management practices and buffers, as episodes of rapid credit growth in the region have not been accompanied, by rising stable retail funding, forcing banks to turn to foreign financing sources.

It indicated that global efforts to strengthen crisis preparedness, resolution frameworks, and cross-border cooperation will be very relevant to the financial sectors in the Middle East. It noted that cross-border banking activity is growing, large international banks are active in the region, and several countries provide licenses to banks that appear large relative to the ability of authorities to provide support. As such, it encouraged authorities to put in place a more comprehensive legal framework for financial institutions that provides for early preemptive measures and, when needed, speedy restructuring options, both locally and across borders.

Source: International Monetary Fund

SYRIA

Key challenges are increasing financial intermediation, improving the business environment and opening the economy

The World Bank indicated that the Syrian economy's main policy challenge remains largely the same as before the global crisis, which is to increase non-oil production and employment to offset the ongoing depletion of oil reserves. It noted that the decline in oil production has driven both the current and the fiscal accounts in deficit. It considered that this trend needs to be reversed through policy measures aimed at boosting non-oil growth and diversifying and increasing exports volumes and earnings. It said authorities need to gradually withdraw the expansionary fiscal policy in order to rebalance fiscal accounts; and to continue ongoing improvements in the efficiency of fiscal spending, especially in infrastructure. It added that the ambitious reform agenda launched since 2004 has to be strengthened and implemented at a faster pace. The World Bank identified three areas for structural reform. First, it said financial intermediation needs to improve in order to increase the financial sector's capacity to channel credit to the private sector. It noted that an excessively large share of credit is still channeled to the public sector and too little is reaching private firms, leading to low levels of private investment. It suggested increasing the risk assessment capacities of private and public banks, strengthening the Damascus stock exchange, and issuing Treasury bills. It added that the second main challenge is to continue opening up the economy to world markets and to further diversify its production base and export basket. It said the level of protectionism is still high, the trade regime is unnecessarily complicated, trading costs exceed those of Syria's peers. It considered that reforms should focus on simplifying the import protection regime, reducing trade costs and improving export incentives.

Third, it stated that the poor business environment and weak business infrastructure constitute a major obstacle to increasing domestic and foreign private investments in the economy. Further, corruption and regulatory uncertainty are two major obstacles holding back business growth in the private sector. It encouraged streamlining the subsidies system that is severely distorting markets, and the implementation of the governance action plan recently adopted by the government.

Source: World Bank

AFRICA

Key risks to the recovery area a fall in commodity prices and slower growth in China and the EU

Fitch Ratings indicated that growth in Sub-Saharan Africa (SSA) has begun to recover and should reach close to 5% this year, adding that continued structural reforms and strong public investment, even during the downturn, means that SSA is better placed to take advantage of trade and investment opportunities as the global economy recovers. It said the region's growth is being driven this year by the sustained recovery of commodity prices since mid-2009, the recovery in global growth and the easing of risk aversion, which is reviving private capital flows. Also, governments are refocusing on infrastructure, with capital spending rising to an average of 9%-10% of GDP in 2010-11. It noted that the global crisis demonstrated that SSA's prospects are closely linked to the pace of the global recovery, as the region's external vulnerabilities are tied to direct trade links to the developed world and indirect links via the impact of global growth on commodity prices. It added that the region's merchandise exports to the EU account for one?third of its total exports, the largest of any emerging market region except for Emerging Europe. It considered, therefore, that SSA is relatively vulnerable to slower-than-expected growth in the EU.

The agency indicated that SSA economies emerged from the global crisis with their fiscal buffers and official reserves reduced, adding that the region would not be able to manage another global shock as well as it did in 2009. It noted, however, that higher tax revenues due to the economic growth recovery and higher commodity prices should help contain deficits and allow oil and other commodity-producing countries to rebuild fiscal buffers. It considered that the main risks to the economic outlook are a fall in commodity prices due to a slowdown in China's growth and a weaker-than-expected global recovery due to muted EU growth.

Source: Fitch Ratings

MENA

FDI in Arab world down 15% to $81bn in 2009

Figures issued by the Arab Investment and Export & Guarantee Corporation (AIEGC) show that aggregate foreign direct investment (FDI) in 18 Arab economies reached $80.7bn in 2009, constituting a decline of 15% from $95.1bn invested in 21 economies in 2008. FDI in Saudi Arabia totaled $35.5bn, accounting for 44% of the total and making the kingdom the largest destination of FDI in the region last year. It was followed by Qatar with $8.7bn, representing 10.8% of the total; the UAE with $8.6bn, or 10.6% of the total; Egypt with $6.7bn (8.3%), Lebanon with $4.8bn (6%) and Sudan with $2.9bn (3.6%) as the top destination of FDI last year. The top 5 destinations accounted for 80% of aggregate FDI in the region last year, while the top 10 destinations represented 94.4% of the total. FDI in Kuwait increased by 161% year-on-year, the highest such growth in the region. It was followed by Iraq with a jump of 89%, Yemen with 58%, Lebanon with 33%, Qatar with 30%, Sudan with 12%, and Algeria with 1%. In parallel, FDI in Bahrain declined by 86% in 2009, followed by Libya with a drop of 79%, Djibouti (-61%), the UAE (-38%), Tunisia (-35%), Morocco (-30%), Syria (-28%), Egypt (-29%), Mauritania (-19%), and Jordan (-16%).

Source: Arab Investment and Export & Guarantee Corporation

IRAQ

Construction and real estate are most promising non-hydrocarbon sectors

A survey on business conditions in Iraq indicated that most respondents expect the security situation for foreign executives and employees to improve over the next two years, with 46% saying it would improve somewhat and 9% saying it would improve significantly despite the drawdown of Western troops. The survey was conducted by the Economist Intelligence Unit and covered 300 executives from multinational companies. The survey shows that investors viewed Northern Iraq as the most favorable region, as 46% of respondents viewed it as either highly favorably or somewhat favorably. Also, 46% viewed Baghdad either highly favorably or somewhat favorably, reflecting the economic importance of the country's capital. Further, 38% of respondents considered that Iraq offers significant opportunities for those willing to accept risks in the short-term, while 45% judged that doing business in Iraq will remain too risky for some time. Also, 40% of respondents are not currently considering doing business in Iraq but would do so if circumstances change. In parallel, 43% of respondents considered construction and real estate to be the country's most promising non-hydrocarbon sectors, followed by consumer goods (23%), and health care & pharmaceuticals and chemicals (18% each); while media (4%) and retail (6%) were seen as the least promising sectors. Respondents said the top three risks to doing business in Iraq are violence (67%), corruption (44%) and the lack of infrastructure (35%), followed by bureaucracy, lack of contract protection, and credit risk. Executives said the opportunity to make high returns (49%), and the opportunity to reach a largely untapped consumer market (38%) are the two most important reasons they are doing, or are considering doing business in Iraq.

Source: Economist Intelligence Unit

ALGERIA

New rules provide preferential treatment to local firms in public contracts

The Algerian Cabinet approved a presidential decree that introduces new procedures for the award of public contracts in the non-hydrocarbon sector. The government said the measures aim at achieving greater efficiency and transparency, and at promoting the development of local businesses. The new rules encourage contracting bodies to organize projects in a way to maximize the participation of Algerian companies, and increase the preference margin for local firms to 25% from 15%, which means that an Algerian firm competing with foreign bidders will win the contract even if its bid is up to 25% more expensive than the lowest price quoted. Also, the rules limit tenders to Algerian companies if they possess national production capacity and if it meets the required standard. They also require including in international tender documents a clause stipulating that foreign bidders must commit to establishing a joint venture with a local firm, as well as impose a penalty clause in the event that the contractor does not abide by this commitment after it is awarded the contract. Bidders must also list all contracts awarded during the previous financial year; provide a schedule for contract awards in the forthcoming budget period; and sign a statement of probity, including an anti-corruption clause. Earlier this year, the Cabinet approved a plan to invest $286bn in development projects between 2010 and 2014, with a significant portion allocated to projects that were already approved or started during the 2005-09 period.

Source: Economist Intelligence Unit

DEM REP CONGO

World Bank grants $50m to raise transparency and improve governance

The World Bank approved a $50m grant to the Democratic Republic of Congo to increase transparency and accountability in the mining sector so that the income from natural resources can be used in support of sustainable growth. The project also aims to help public sector agencies become more efficient and transparent in handling mining operations. The World Bank said that good governance is essential if mining operations are to benefit the country and improve local opportunities, as well as to attract investors. It added that its future lending decisions to the DRC will be influenced by actions taken on governance. The project is part of a joint approach with the British Department for International Development, which is providing an additional $42m in financial support. A central aim of the project is helping DRC move towards compliance with the enhanced Extractive Industries Transparency Initiative, a global standard that promotes revenue transparency in extractive industries. The DRC is one of the most mineral-rich countries in the world and its copper reserves are the second richest after Chile.

Source: World Bank

SUDAN

Progress in anti-money laundering efforts, deficiencies remain

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Sudan has demonstrated progress in improving its AML/CFT regime, including by taking initial steps to operationalize the Financial Intelligence Unit (FIU), but considered that certain strategic AML/CFT deficiencies remain. It noted that Sudan has made a high-level political commitment last February to work with the FATF and the FATF-style regional body MENAFATF to address these deficiencies. It said the commitment includes implementing adequate procedures for identifying and freezing terrorist assets; ensuring a fully operational and effectively functioning FIU; making sure that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and terrorism financing; and implementing a supervisory program for the regulators to ensure compliance with the provisions of the new law and regulations. FATF encouraged Sudan to address its remaining deficiencies and continue the process of implementing its action plan.

Source: Financial Action Task Force

SAUDI ARABIA

Agency takes ratings action on banks

Capital Intelligence affirmed Samba Financial Group's long- and short-term foreign currency ratings at 'AA-' and 'A1', respectively, and its Financial Strength rating at 'AA-' with a 'stable' outlook. It said SAMBA's asset quality is sound, as the bank maintains almost full coverage of its NPLs by loan-loss-reserves, and capital ratios are above those of its peers. It also affirmed the long- and short-term foreign currency ratings of Banque Saudi Fransi at 'A+' and 'A1' respectively, with a 'stable' outlook, and the Financial Strength rating at 'A'. It said the ratings reflect the bank's low level of NPLs and high provisioning, its solid profitability and traditional credit policies that helped it avoid the high-profile default cases in Saudi Arabia last year. Further, the agency affirmed the long- and short-term foreign currency ratings of Arab National Bank at 'A+' and 'A1', respectively, and its Financial Strength rating at 'A+' with a 'stable' outlook. It said the ratings reflect the bank's sound capitalization and liquidity and acceptable asset quality with adequate coverage of NPLs. Also, the agency affirmed the long- and short-term foreign currency ratings of the Saudi British Bank at 'A+' and 'A1', respectively, with a 'stable' outlook, but reduced the bank's Financial Strength rating to 'A' from 'A+' and changed the outlook from 'negative' to 'stable'. It attributed the ratings to the deterioration in assets quality that negatively impacted the bank's balance sheet and profitability, adding that the coverage of NPLs continued its steady decline to a very low level and the capital ratios are below the peer-group average. Finally, the agency affirmed Bank Aljazira's long-term and short-term foreign currency ratings at 'BBB+' and 'A2' respectively, and its Financial Strength rating at 'BBB+', and maintained a 'negative' outlook. It said the bank's rating reflect a strong capitalization and a very sound liquidity.

Source: Capital Intelligence

ANGOLA

Strategic anti-money laundering deficiencies remain

The Financial Action Task Force (FATF) indicated that Angola made a high-level political commitment In June 2010 to work with the FATF to address its strategic deficiencies in anti-money laundering and combating the financing of terrorism (AML/CFT), and has demonstrated some progress in improving its AML/CFT regime. But it considered that certain strategic AML/CFT deficiencies remain and encouraged Angola to address its remaining deficiencies and continue implementing its action plan by adequately criminalizing money laundering and terrorism financing; ensuring a fully operational and effectively functioning Financial Intelligence Unit; establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; and ratifying the UN Convention for the Suppression of the Financing of Terrorism and the UN Convention on Transnational Organized Crime.

Source: Financial Action Task Force

GHANA

Asset quality and profitability deteriorate in 2009

The risk-weighted capital adequacy ratio of banks operating in Ghana reached 18.2% at the end of 2009, up from 13.8% in 2008. The sector's liquidity slightly improved year-on-year, with core liquid assets reaching 26.3% of total assets at the end of 2009, up from 25.2% in 2008; while core liquid assets reached 34.5% of short term liabilities at end-2009 compared to 33.5% in 2008. The sector's non-performing loans (NPLs) were equivalent to 14.9% of total gross loans at end-2009, up from 7.7% at end-2008, and continued to rise to 20% as at February 2010. Further, the ratio of provisions to total gross loans for the sector increased to 11.1% at end-2009 from 6.3% at end-2008, and rose to 12.7% in February of this year. In parallel, banks' profitability deteriorated, as the sector's return on average assets reached 2.8% in 2009 down from 3.2% in 2008, and the return on average equity fell to 17.5% from 23.7% in 2008. Interest margin reached 39.4% of gross income in 2009 compared to 41.3% a year earlier, while the average interest spread was 17.1% in 2009 relative to 20.8% in 2008. Further, foreign currency deposits accounted for 32.7% of total deposits and foreign liabilities represented 6% of overall liabilities last year.

Source: International Monetary Fund

KAZAKHSTAN

Negative outlook for banking sector

Moody's Investors Service maintained its negative outlook for credit conditions in Kazakhstan's banking system due to the poor provisioning and under-capitalization of Kazakh banks, their subdued loan origination, and lack of access to the wholesale capital markets. It expected banks' earnings generation capacity to remain constrained as new lending will be subdued. It said the loan loss provisions-to-loans ratio was 14% at the end of March 2010 and forecast the ratio to reach 24% of gross loans. It added that the banks' ability to grow their loan book will be hindered in the near term by weak demand and the limited number of borrowers with good credit profiles.

Source: Moody's Investors Service

Oil rise to $78 with a rebound in equities

Oil prices rose to $78 a barrel on July 15 due to a rebound in equities. U.S. crude rose 40 cents to $77.44 a barrel, after reaching a two-week high of $78.15 on July 14th. Earlier prices declined to $76.50 a barrel after news that China's GDP growth slowed to 10.3% in the second quarter of 2010, which is expected to extend over the rest of the year. ICE Brent prices also increased 40 cents to $77.17. Prices ranged from just under $23 earlier this year to slightly more than $87 in early May, before the significant decline to $65 on May 20th. The doubling of oil prices from $40 a barrel in late 2008 is attributed to higher fuel demand by Asia as the global economy pulls out of recession. Stocks data from the U.S. Energy Information Administration were widely viewed as neutral for the oil market.
Source: Thomson Reuters

World Bank grants $180m for Ethiopia's Energy Access Project

The World Bank approved $180m in financial support to the Ethiopian government to maintain its Energy Access Project. The project is aimed to supply good quality and cost effective electricity and help develop renewable energy resources in the country. It said the project increased the number of electricity consumers in Ethiopia from 700,000 consumers to almost 1.9 million consumers. However, only 14% of the Ethiopian population remains with direct access to electricity.
Source: World Bank

ENEC gets licenses for UAE nuclear power plants site

The Federal Authority for Nuclear Regulation (FANR), the UAE's independent regulator for the nuclear sector, issued two licenses to the Emirates Nuclear Energy Corporation (ENEC). The site preparation licence allows ENEC to conduct site preparation activities at the 13 kilometer square Braka site, near the Saudi Arabian border. It allows for works such as the installation of site infrastructures and construction of parts of the facility not related to nuclear safety. The limited construction licence allows ENEC to manufacture and assemble structures, systems and components, such as reactor pressure vessels, steam generators, coolant pumps and other components important to the safety of the nuclear power plant.
Source: Arabianbusiness.com

Saudi Arabia invites bidders to build $1.5bn power plant

Saudi Arabian utility Marafiq invited international firms to build a $1.5bn, 850 megawatt steam power plant in the Red Sea port of Yanbu. The plant is part of Saudi Arabia's plan to increase power generation and keep pace with rising industrial demand. Those invited to bid for the main power package include Germany's Siemens, Spain's Tecnicas Reunidas, Italy's Saipem and U.S. engineering company Bechtel.
Source: Thomson Reuters

Base Metals: Higher Aluminum prices with a rebound in Chinese and U.S. consumption

Aluminum prices rose significantly in the second half of 2009 due to optimism about a recovery in demand. Price volatility is expected to continue throughout 2010, with the price averaging $2,083 per ton, up by 22.6% from 2009. Prices are forecast to rise further in 2011 to $2,121 per ton, as global demand broadly keeps pace with rising production. World Aluminum demand fell by 4.7% to 35.3 million tons in 2009, the second consecutive year of falling demand. However, consumption started to recover from September 2009, and is up by 29% in the first five months of 2010 from the same period in 2009. Overall, global Aluminum demand is expected to grow by 14.3% in 2010 due to a rebound in Chinese and U.S. consumption, but to fall to 4.3% in 2011 with concerns over the fiscal crisis in EU countries and cutbacks in public spending to weaken European growth.

Primary smelter production started to rise since mid-2009 due to Chinese smelters restarting production in anticipation of stronger demand. As new capacity becomes fully operational in the Middle East and China, other smelters will remain under pressure to restrain production and avoid oversupply. Global smelter production is projected to average 87.7% in 2010, which is lower than any year since 1983 apart from 2009. The continued increase of physical price premiums indicates that large quantities of LME stocks are still held by investors or as collateral for finance and are not available for use by consumers. With the market recording a small deficit in 2010, Aluminum stock prices are forecast to decline slightly and to fall more sharply in 2012 as demand strengthens.
Source: Economist Intelligence Unit

Precious Metals: Gold prices rise to $1,212 an ounce on weaker dollar, stocks and commodities

Gold prices rose in Europe as investors perceived assets as risky after the U.S. Federal Reserve stated that more measures are needed to help the U.S. economy, and after a decline China's economic growth. Investors are turning to gold after prices of the dollar, stocks and industrial commodities decline. U.S. gold futures for August rose $5.10 to $1,212.10 on July 15 from a day earlier. Investor caution also weakened European shares, which gave more support to gold prices. Silver prices also increased to $18.30 an ounce on July 15 from $18.24 an ounce a day earlier, while Platinum was up by $3.6 to $1,523.10 an ounce but Palladium decreased by $0.8 to $463.70 an ounce.
Source: Thomson Reuters

Commodity Prices Forecast

	2010	2011	2012	2013	2014
Oil ($/barrel; Brent)	80	79	82	78	76
% change	29.0	-1.3	3.8	-4.9	-2.6
World non-oil commodity prices	11.4	0.8	2.9	4.1	3.8
Food, feedstuffs & beverages	-3.7	-1.6	1.8	8.2	7.7
Industrial raw materials	35.6	3.5	4.1	-0.2	-0.6
Metals	34.3	6.3	5.1	1.9	1.8

Source: Economist Intelligence Unit

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	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 (%)
Africa													
Algeria	-	-	-	-	BB								
	-	-	-	-	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+	-	B								
	Negative	-	Negative	-	Stable	-10.1	-	35.6	-101.7	-	-	-17.0	
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	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	-	-	-	-	B								
	-	-	-	-	Stable	-7.9	32.3	14.6	75.3	1.0	151.1	-2.9	1.4
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-11.2	-	22.5	112.7	-	-	-9.7	

COUNTRY RISK METRICS

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

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	23-Jun-10	No change	10-Aug-10
Eurozone	Refi Rate	1.00	08-Jul-10	No change	05-Aug-10
UK	Bank Rate	0.50	08-Jul-10	No change	05-Aug-10
Japan	O/N Call Rate	0.10	15-Jun-10	No change	15-Jul-10
Australia	Cash Rate	4.50	06-Jul-10	No change	03-Aug-10
New Zealand	Cash Rate	2.75	10-Jun-10	Raise 25bps	29-Jul-10
Switzerland	3 month Libor target	0.25	17-Jun-10	No change	16-Sep-10
Canada	Overnight rate	0.50	01-Jun-10	Raise 25bps	20-Jul-10
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	23-Jun-10	No change	10-Aug-10
Taiwan	Discount Rate	1.38	24-Jun-10	Raise 12.5bps	Sept-10
South Korea	Base Rate	2.00	10-Jun-10	No change	09-Jul-10
Malaysia	O/N Policy Rate	2.75	08-Jul-10	Raise 25bps	02-Sep-10
Thailand	1D Repo	1.25	02-Jun-10	No change	14-Jul-10
India	Reverse repo rate	4.00	20-Apr-10	No change	27-Jul-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	17-Jun-10	No change	15-Jul-10
South Africa	Repo rate	6.50	13-May-10	No change	22-Jul-10
Kenya	Central Bank Rate	6.75	20-May-10	Cut 25bps	July-10
Nigeria	Monetary Policy Rate	6.00	02-May-10	No change	July-10
Ghana	Prime Rate	15.00	16-Apr-10	Cut 100bps	July-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	18-Jun-10	No change	16-Jul-10
Brazil	Selic Rate	10.25	09-Jun-10	Raise 75bps	21-Jul-10
Armenia	Refi Rate	7.25	08-Jun-10	No change	N/A
Romania	Policy Rate	6.25	06-Jun-10	No change	N/A
Bulgaria	Base Interest	0.18	30-Jun-10	Raise 2 bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jul-10	No change	N/A
Ukraine	Discount Rate	8.50	08-Jul-10	Cut 100bps	N/A
Russia	Refi Rate	7.75	23-Jun-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

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

Baghdad Branch, Iraq
Karada - Salman Faeq Street
Facing Al Sheruk Building
P.O.Box: 3085 Al Elweyah - Iraq
Phone: (+ 964) 1 7177493
(+ 964) 1 7177294
E-mail: aabdelkader@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

ARMENIA

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

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

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

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

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

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC
4, Avenue du Marche
C/Gombe, Kinshasa, Democratic Republic of Congo
Phone: (+ 243) 817 070701
(+ 243) 991 009001
E-mail: melamm@byblosbank.com.lb