



## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### **Political risk is largest obstacle to FDI in developing economies**

A survey commissioned by the Multilateral Investment Guarantee Agency (MIGA) indicated that political risk constitutes the single most important constraint for investment into developing countries over the medium term. Respondents to the survey expect to be more constrained over the next three years by political risk than by macroeconomic instability, limited financing, poor infrastructure, or small market size. Respondents also ranked weak government institutions, which have a direct bearing on political risk, as the second main constraint to investments into developing countries in the medium term. It was followed by macroeconomic instability, lack of qualified staff, and poor infrastructure. Further, the survey shows that investors based in developed countries and developing countries alike view political risk as an important constraint to FDI over the medium term. It found that investors based in developing countries view political risk as surpassing all other constraints, followed by weak government institutions. MIGA said the results negate the notion that developing countries-based investors might be more tolerant toward political risk because of their familiarity in operating in politically risky domestic environments.

*Source: Multilateral Investment Guarantee Agency*

#### MENA

##### **Region's political parties are most corrupt segment of society, 57% think corruption level worsened in past three years**

Transparency International's Global Corruption Barometer, a panel survey about the general public's views and experiences on corruption in 90 countries, indicated that 57% of respondents in the MENA region consider that the level of corruption in their countries increased during the past three years. The percentage tied with that of Western Balkans & Turkey (57%), but came higher than the global percentage of 56%, Latin America (51%), Asia Pacific (47%), and the Commonwealth of Independent States (45%). Also, 36% of respondents in the MENA region said that they had to pay a bribe in the past 12 months to speed up government services compared to 26% of respondents globally. Also, 50% of respondents in the MENA region found that their government was ineffective in fighting corruption, tying with the worldwide percentage, but higher than that of the Commonwealth of Independent States (46%), Sub-Saharan Africa (45%), Asia Pacific (44%) and Latin America (32%). Further, the survey indicates that corruption is least widespread in the MENA regions' military, religious bodies, non-governmental organizations, media and the educational system. It also shows that corruption is most prevalent among political parties across the region, followed by public officials & civil servants, the Parliament, the police, the private sector, and the judiciary.

*Source: Transparency International*

##### **Democracy declines in region**

The Economist Intelligence Unit's 2010 Democracy Index indicates that democracy in the MENA region declined in 2010. The value of the index for the region reached 3.25 points in 2010, down from 3.34 points in 2009. The index measures 60 indicators that are grouped in five categories such as electoral processes and pluralism, civil liberties, the functioning of government, political participation, and political culture. The survey also placed countries in five categories of political freedoms that are full democracies, flawed democracies, hybrid regimes and authoritarian regimes. The rankings of 11 countries in the MENA region improved, one was unchanged and 8 regressed; while the scores of 6 countries improved, one was unchanged and 13 regressed. Egypt posted the worst decline in the regional rankings, dropping by 19 spots from 2008, as well as the steepest drop in the region, regressing by 0.82 points or 21%. Three Arab political systems came in the 'hybrid regimes' category, while the rest fell in the 'authoritarian' category. Lebanon had the highest level of democracy in the Arab world and ranked in 86th place globally. The report stated that the MENA region is the most repressive region in the world with 17 out of its 20 countries categorized as authoritarian, adding that it has much lower levels of democratization than could be inferred on the basis of income levels.

*Source: Economic Intelligence Unit*

#### IRAQ

##### **United Nations lifts remaining sanctions**

The United Nations Security Council lifted restrictions it imposed on Iraq since 1991 under Chapter VII of the U.N. Charter. The Security Council passed a resolution that terminates the U.N. supervised management of the Development Fund for Iraq (DFI) at end-June, 2011; a resolution that ends restrictions related to civilian nuclear cooperation placed on Iraq after the first Gulf War; and a resolution that ends the residual activities of the Oil for Food program. The DFI was set up in 2003 to try to ensure that the proceeds of the country's oil and gas sales were used to help its people and restore its economy. The end of the DFI arrangement gives the country control over most of its oil assets starting in July 2011, while simultaneously lifting the protection that shielded post-invasion Iraq from legal claims. Also, the end of international spending oversight means that it will be easier for the Iraqi government to qualify for a credit rating, issue bonds and obtain loans. The resolution will, however, maintain the payment of 5% of oil revenues into a U.N. escrow account as war reparations, most of which go to Kuwait. Iraq has paid \$130bn in reparations for the 1990 invasion, but still faces at least \$22bn in outstanding financial claims. In parallel, the closure of the Oil for Food program will result in about \$650m in remaining funds returned to the Iraqi government.

*Source: United Nations*

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# OUTLOOK

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## SAUDI ARABIA

### Moderate increase in age-related spending to support fiscal position

Standard & Poor's indicated that one of Saudi Arabia's main domestic challenges is to deal with its demographic dynamics, as it has a very young and rising population, and needs to increase job creation among this segment of the labor market over the medium-to-long term. It said half of the population is under the age of 21, with most filling public sector jobs. It added that Saudis make up 35% of the workforce but only about 20% of nationals are in local employment.

S&P projected Saudi Arabia's old-age dependency ratio, which is the number of people 65 and older divided by the number of those 15 to 64, to rise from 5% in 2010 to 20% in 2050. It also projected the share of the working age population to grow modestly from 65.1% currently to 67.6% by 2050. As such, it expected that demand for publicly provided health care and long-term care services and state pensions to increase. However, it projected total age-related public expenditures to rise from 5.1% of GDP in 2010 to only 12.6% of GDP in 2050, reflecting moderate rises in pensions and health care spending. It also expected the bulk of age-related spending to go towards healthcare outlays, followed by pension expenditures. It estimated that the increase in age-related spending will be moderate until the late 2030s, though spending will probably increase after this period as more people enter retirement age. It considered that such a dynamic suggests a relatively stable budget in the long term and expected the sovereign to remain a net creditor in 2050.

It noted that the Saudi government's net creditor position would decline from 276% of GDP in 2010 to 46% by 2050, as nominal GDP growth is expected to rise faster than general government assets. Under its base case scenario, S&P expected Saudi Arabia's 'AA-' rating to probably improve by three notches to 'AAA' by 2040, as the kingdom's macroeconomic indicators would have improved due to the increase in the level of economic prosperity in Saudi Arabia.

*Source: Standard & Poor's*

## LIBYA

### Non-oil growth to average 6.8% in 2010-11, key challenge is reform consistency

The Institute of International Finance projected Libya's real GDP growth at 5.2% in 2010 and 5.5% in 2011 compared to a 0.7% contraction in 2009. It forecast non-hydrocarbon growth at 6.7% in 2010 and 7% in 2011 relative to 5.8% in 2009, driven by rising private consumption and continuing public investments. It noted that the government is gradually opening up the economy to domestic and foreign private investment. But it added that despite the reforms implemented in recent years, various structural rigidities and institutional weaknesses continue to hamper foreign investment in the non-oil sector and diversify the economy, as well as pose constraints to higher and sustainable growth. It said that the government has allocated \$60bn, equivalent to 85% of GDP, for infrastructure investments between 2010 and 2012, which would require the partic-

ipation of international companies. It estimated the net foreign assets of the Central Bank of Libya and the Libyan Investment Authority (LIA) to reach \$155bn by end-2010, equivalent to about 200% projected GDP. It expected the fiscal and current account balances to continue to post large surpluses equivalent to 12.5% of GDP and 20% of GDP, respectively, in 2010.

The IIF considered that the economy's medium-term prospects depend on the country's ability to accelerate the pace of structural reforms, including pressing ahead with the modernization of financial intermediation and other measures to increase productivity and improve the business climate. It noted that Libya will need to rely on substantial technical assistance from international organizations and the private sector, given its weak institutions and serious human capacity constraints. It added that serious deficiencies in policy formulation and execution pose constraints to higher and sustainable growth.

*Source: Institute of International Finance*

## NIGERIA

### Bank reform to strengthen sector's outlook, implementation challenges remain

The Institute of International Finance considered that the forceful actions by the Central Bank of Nigeria (CNB), have paved the way for an improved outlook for the stability and orderly growth of the Nigerian banking sector. It said the CBN's measures in the wake of the near collapse of the sector and the reforms under way provide the basis for sustainable growth in banking services. It expected banks to commit to the new regulations, embrace increased oversight, and proceed with internal efforts to strengthen risk management. Last year, an audit of 24 banks operating in the country found 10 banks to have liquidity or capitalization problems. As a result, the CBN injected NGN 600bn, or \$3.9bn, in 9 of those banks for being undercapitalized and replaced their management. It also established the Assets Management Corporation of Nigeria to purchase all the margin loans in the banking sector and all the NPLs of the rescued banks at an estimated cost of \$14.5bn. Further, the CBN repealed last month universal banking licenses in order to focus banks' activities on providing core banking services to the economy through commercial banks, merchant banks, and specialized banks. The decision means that Nigerian banks can no longer invest in non-bank subsidiaries, while banks that hold such investments are required to divest or spin off these businesses. It also means that depositors' funds can no longer be used for investment or collateral in insurance.

The IIF noted that the increase in regulation, supervision, and monitoring of banks should help reduce the likelihood that banks would engage in excessive risk-taking. It noted, however, that banks need to make additional efforts to recognize and adapt to the changes that have been made to their business models, which implies a major overhaul of risk management and corporate governance. It expressed concerns that the implementation of reforms will remain a work in progress and will face challenges due to capacity constraints within banks, the fallout from the recent restructuring, and remaining weaknesses in the legal and institutional environment in Nigeria.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## EMERGING MARKETS

### Microinsurance market potential at \$40bn

Swiss Re estimated the microinsurance market has the potential to cover 4 billion persons in developing economies, which translates into potential premiums of \$40bn. It said there are 2.6 billion people living at an income of between \$1.25 a day and \$4 a day in 2005 international dollars and who represent a potential market of \$33bn; while another 1.4 billion persons earn \$1.25 a day or less and represent a \$7bn potential market. It noted that only the first group qualifies for microinsurance products that are sold at a price that is affordable to clients but also commercially sustainable. It added that South Asia has the highest ratio of low-income individuals living under \$4 per day to the total population; while the entire Asia-Pacific region account for 70% of the world's low income population. It added that Sub-Saharan Africa and the MENA regions are the next major regional markets with 865 million low-income individuals; followed by Latin America & the Caribbean, and Eastern Europe & Central Asia. It noted that the incidence of extreme poverty is highest in South Asia and Sub-Saharan Africa and totals almost one billion persons.

Source: *Swiss Re*

## EGYPT

### Government seeks \$17bn in PPPs investments

Finance Ministry indicated that Egypt aims to draw EGP100bn, or about \$17.3bn, in investment into public-private partnerships (PPPs) over the next five years. It said targeted sectors for PPP investments include transport, education, health care and water. Last May, the Egyptian parliament passed a new law on PPPs that codified procurement and tendering processes, and implemented other changes aimed to make deals proceed at a faster pace. The Finance Ministry expects the Cabinet to approve executive regulations for the law by end-2010, which will allow the government to start opening tenders. The framework faces challenges, including limitations on local bank financing, foreign exchange rate fluctuations, red tape, and competition from nearby countries with similar programs.

Source: *EFG Hermes*

## SUDAN

### IMF urges Khartoum to develop debt strategy, China writes off part of dues

The International Monetary Fund indicated that Sudan needs to develop a strategy to address the enormous challenge of its debt problem. It added that the strategy should be based on a full understanding by policymakers of the technical nature of the problem, and should leverage learning from other countries' experiences in managing large external debt burdens. It expressed readiness to support the authorities in the work of reconciling their debt with creditors. Sudan currently has a large external debt burden and significant arrears to international creditors. Total external debt stood at \$35.7bn at end-2009 and is projected to reach \$37.8bn at end-2010, with over \$30bn in arrears. Sudan owes \$11.2bn to members of the Paris Club, \$13.3bn to non-members of the Paris Club, \$4.5bn to commercial banks and \$1.4bn to international suppliers. The major

debtors of Sudan include the IMF, World Bank, Kuwait, Saudi Arabia, Austria and the United States. The debt includes arrears of \$600m to the International Development Association and around \$1.6bn to the IMF. In parallel, the government announced that China wrote off \$6m of the debt owed by Sudan. The amount represents the portion of Chinese debt related to a 1995 loan extended to Sudan interest-free.

Source: *International Monetary Fund*

## QATAR

### Government to spend \$86bn on World Cup infrastructure, banks' capacity is key

Shuaa Capital estimated Qatar's spending for the 2022 World Cup at \$86.5bn that include \$25bn on a rail network, \$20bn on new roads, \$17bn on hotel and tourism infrastructure, \$11bn on the airport, \$5.5bn on a deep water seaport, \$4bn on the construction and renovation of 12 stadiums, \$3bn on the Qatar-Bahrain causeway, and \$1bn on the crossing from the airport to Doha. It indicated that Qatar should be able to finance the projects relatively easily, as this spending would be equivalent to 8% of 2009 GDP per year. It noted that some of the spending would have taken place during the next decade anyway. It said Qatar's budget surplus has averaged about 10% of GDP per year for the last five years and did not expect this to change going forward, which would leave plenty of room for additional World Cup spending. It expressed concerns about upward inflationary pressures, as the aggressive investment in infrastructure could raise production costs and the inflow of expatriate workers would push up demand-driven inflation. It also noted that a key aspect is the local banks' capacity to support the spending plan, which is directly linked to their fundraising capabilities over the next 12 years and to the size, cost and maturity of their resources.

Source: *Shuaa Capital*

## GHANA

### GDP data revision masks economic challenges

The Institute of International Finance indicated that the revision of Ghana's national accounts data resulted in a substantial increase in nominal GDP. It said this has significantly reduced the ratios of the current account, external debt, fiscal balance and other indicators relative to GDP, therefore improving Ghana's overall macroeconomic standing. It noted, however, that the improvements mask still significant economic challenges such as the slowdown in fiscal reforms, addressing arrears, lower expenditure growth, strengthening non-oil revenues, and a near-term rise in external debt. It added that despite the positive effect of the upward revision of GDP data on lowering key ratios, the levels of debt and fiscal deficits remain relatively high and their reduction should remain a policy priority. It cautioned that oil revenues could be used to finance public consumption at the expense of more productive uses such as infrastructure, health care, and education. It noted that the windfall from oil is likely to be short, as oil production from the Jubilee field is anticipated to last around 5 to 7 years, but added that more recent discoveries at two other fields could extend the oil production and revenues horizon.

Source: *Institute of International Finance*



# BANKING

## EMERGING MARKETS

### Credit gap of SMEs could reach \$2,500bn

McKinsey & Co. estimated the total unmet need for credit by all formal and informal micro, small and medium-size enterprises (MSMEs) in emerging markets at between \$2,100bn and \$2,500bn. It added that the financing gap is equivalent to about 14% of total developing countries' GDP and to about one-third of the current total credit outstanding to MSMEs. It said about 70% of MSMEs do not use external financing from financial institutions, although they are in need of it; while another 15% of such firms are underfinanced. Further, about 85% of MSMEs in emerging markets suffer from credit constraints, and only 15% can either fully access the credit they need or do not need it because they are able to finance themselves through internal capital or informal sources of finance. It estimated the credit gap in East Asia at \$900bn to \$1,100bn; followed by Latin America with \$330bn to \$410bn; South Asia with \$310bn to \$370bn; Central Asia & Eastern Europe with \$215bn to \$260bn; the Middle East & North Africa with \$165bn to \$200bn; and Sub-Saharan Africa with \$140bn to \$170bn. It noted that 60% of MSMEs in Latin America have access to finance, followed by Central Asia & Eastern Europe with 45%; while more than 85% of MSMEs in East Asia, South Asia, and Sub-Saharan Africa are underserved or not served at all.

Source: McKinsey & Co., International Finance Corporation

## MENA

### ABC's ratings placed on review for possible downgrade

Moody's Investors Service placed the 'A3/Prime-2' foreign currency deposit ratings and the 'D+' bank financial strength rating (BFSR) of the Arab Banking Corporation (ABC) on review for possible downgrade. It attributed the decision to the change in the bank's ownership structure after the sale by the Abu Dhabi Investment Authority of its 17.7% stake in ABC to the Central Bank of Libya. The transaction raises CBL's stake to 59.4%, while the Kuwait Investment Authority remains the second largest shareholder with a 29.7% stake. The agency said it will assess the implications of the new shareholder structure on the likelihood of parental support and on the ways it might be made available by the shareholders. It will also assess whether ABC's position at the upper end of the 'D+' BFSR category remains appropriate given the still challenging wholesale banking environment in the GCC. Moody's said that it could downgrade ABC's ratings by more than one notch if it finds that the likelihood of parental support, or the capacity of shareholders to provide such support, is lower than implied by current ratings.

Source: Moody's Investors Service

## LIBYA

### Banking reforms essential for private sector participation

The Institute of International Finance indicated that Libyan banks have become well capitalized and profitable, and that the Central Bank of Libya (CBL) has made significant progress in strengthening supervision and improving regulatory requirements in line with international standards. It said the sector's

capital adequacy ratio has increased steadily in recent years from 10.4% in 2004 to 15% at end-September 2010. It noted that the NPLs ratio is high at about 16% as of June 2010, but provisioning for NPLs has steadily improved in recent years to over 100%. It added that excess liquidity is high with the loan-to-deposit ratio at 27%, the lowest among MENA countries, while financial intermediation is the lowest in the region. It noted that the CBL introduced one-month maturity CDs earlier this year in addition to the existing 3-month CDs, established an overnight facility, and allowed banks to set their interest rates freely. However, the average deposit and lending rates remains constant at 2.5% and 6%, respectively, since 2007. The IIF said that the banking system remains largely government-owned despite the increase of foreign participation in recent years, as state-banks continue to account for 68% of total assets. It stressed the need to accelerate banking reforms to strengthen and improve the sector's efficiency, and to provide appropriate incentives for private sector participation.

Source: Institute of International Finance

## ARMENIA

### Bank assets at \$4bn, NPLs down to 5%

Figures issued by the Central Bank of Armenia indicate that total assets of banks operating in Armenia reached \$4bn at the end of October 2010, up from \$3.5bn at end-2009; with loans at \$2.5bn compared to \$1.9bn at the end of at year. Also, customer deposits totaled \$1.8bn at end-October relative to \$1.7bn at end-2009. The sector's assets are equivalent to 45% of projected 2010 GDP, while loans and deposits represent 28% and 20% of 2010 GDP, respectively. The International Monetary Fund said the banking sector remains stable and credit has picked up in recent months, but mainly in foreign currencies. Also, non-performing loans have declined from a peak of more than 10% last year to less than 5% at present. It noted that prudential measures have focused on ensuring proper management of foreign exchange risks by increasing capital and provisioning requirements. It urged authorities to continue strengthening the supervision framework, tightening foreign exchange-related prudential regulations, and improving crisis preparedness and contingency planning.

Source: Central Bank of Armenia, International Monetary Fund

## BELARUS

### Banking system outlook remains negative

Moody's Investors Service indicated that the outlook on Belarus' banking system remains negative, primarily reflecting significant uncertainties about the government's continued ability to support the largely state-controlled banking sector and the overall economy. It expressed concerns about the government's weakening capacity to maintain current levels of support to the economy and the banking sector, as its ability to fund public spending at sustainable rates is likely to erode. It said that the small private sector and exports are insufficient to sustain the current recovery given the uncertainty of state support for the economy. It said the risks that the banks' asset quality will weaken are considerable, which would give rise to increased loan losses and would lead to material pressure on earnings.

Source: Moody's Investors Service

# ENERGY / COMMODITIES

## Oil prices drop, concerns over debt crisis

Oil prices declined to around \$88 a barrel on December 16 due to growing concerns over the debt crisis in the Euro-zone countries, mainly in Spain after Moody's reported an expected downgrade to its credit rating. The debt crisis overshadowed positive data from the U.S., the world's largest oil consumer, which revealed the biggest growth in its industrial output since July, indicating a faster recovery speed in the fourth quarter as well as low inflation levels. U.S. crude for January fell by 44 cents to \$88.18 a barrel while ICE Brent decreased by 34 cents to \$91.86 a barrel. Further, Credit Suisse analysts considered that the 9.85 million a barrel drop in the weekly U.S. oil inventory, is seasonal and driven by a sharp drop in oil imports and expected it to be temporary.

Source: Thomson Reuters

## IEA revises its 2011 forecast to 88.8 million barrels a day

The International Energy Agency lifted its 2011 global crude oil demand forecast by 260,000 barrels a day from its previous forecast to 88.8 million barrels a day. It noted that the forecast adjustment came after strong oil demand in the past two quarters in North America and China. It said that global oil demand grew by 3.3 million barrels a day year-on-year in the third quarter while it projected the Organization for Economic Cooperation and Development oil demand to fall by 300,000 barrels a day by 2015.

Source: Gulf News

## OPEC to maintain its output target

The Organization of the Petroleum Exporting Countries maintained its target output of 24.8 million barrels a day set in December 2008. It expected oil supplies in storage and a fragile global economic recovery to prevent crude from surging as well as to hamper global oil demand growth. It considered that \$90 a barrel is not a trend but the result of cold weather forecasts in Europe and the U.S. as well as speculation that the latter is likely to extend its stimulus measures caused the dollar to weaken.

Source: Platts Survey

## Algeria unveils renewable energy strategy

The Algerian government announced an aggressive new renewable energy development plan, hoping to produce as much electricity from renewable sources as it currently produces from its natural gas power plants over the next 20 years. Cooperation agreements for alternative energy have already been signed with a number of countries, including France, the United States, Brazil, Russia, China and Germany.

Source: Magharebia News

## Iran and Turkmenistan inaugurate gas pipeline

Iran and Turkmenistan launched on December 11 the final half of the 1,000 km pipeline to export Turkmen gas to northeast Iran. The pipeline has a daily capacity of 58 million cubic meters or more than 20 billion cubic meters per year. Iran imports around 20 million cubic meters of Turkmen gas per day and exports about the same to neighboring Turkey.

Source: AFP

## Base metals: Copper market to remain in deficit in the next few years

Copper prices rose significantly in recent weeks, where they reached an all-time high in mid-December. Chilean mine production fell back once more, dropping by 7% year-on-year to 461 thousand kilo tons. China's domestic copper supply is expected to tighten into 2011 as consumers have low stocks. Imports are likely to increase towards the Chinese New Year holiday in early February. LME stocks have fallen steadily in 2010 standing at 348 kilo tons or 7 days of global consumption, down by nearly 40% from their most recent peak.

The copper market is expected to remain in deficit for the next few years, which will keep prices on an upward trend. Also, after the ETF securities has launched its physical ETPs, this will support prices for the next few months at least, as investors start to pick up metal at the expense of consumers. Prices are forecast to average \$8,825 per ton in 2011 and \$9,250 per ton in 2012, where the volatility around this level is expected to be significant, especially with inventories expected to be low for most of the year and uncertainty around ETPs creating extra problems for consumers.

Source: Standard Chartered

## Precious metals: Gold declines with a stronger dollar

Gold prices declined for the first time in three days in London as a stronger dollar limited demand for the metal as an alternative investment. The dollar gained against the euro after Moody's Investors Service stated that Spain's debt rating is on review for a possible downgrade, and before data forecast showed growth in the U.S. industrial production. Prices reached a record of \$1,431 an ounce on December 7th. The metal for February delivery was 0.8% lower at \$1,393 on the Comex in New York. Gold gained 27% this year, set for a tenth annual gain, as investors lost confidence in currencies and bought precious metals as a protection of wealth. Gold assets in exchange-traded products fell 4.83 metric tons to 2,092 tons on December 14th. Silver holdings gained 73.1 tons to 15,163.3 tons, the highest amount since at least February. Silver for immediate delivery in London lost 0.6% to \$29.3 an ounce. It rose to \$30.7 on December 7, the highest level since March 1980, and is up 74% in 2010.

Source: Bloomberg

Global Commodity Outlook

(\$/ton)	2009	2010f	2011f	2012f
Copper	5,183	7,515	9,850	10,500
Aluminum	1,677	2,191	2,510	2,500
Nickel	14,890	21,814	24,750	24,500
Lead	1,755	2,163	2,570	2,700
Zinc	1,740	2,184	2,470	2,350
Tin	13,605	20,333	27,375	28,000
(\$/ounce)				
Gold	974	1,226	1,490	1,720
Silver	14.7	19.9	30.1	32.0
Palladium	261	522	795	970
Platinum	1,212	1,614	1,810	2,025

Source: Credit Suisse



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-7.9	20.0	2.7	5.9	3.0	-	-2.4	0.9
Angola	B+	B1	B+	-	B	-1.9	20.2	21.2	39.7	9.5	116.6	-9.5	5.0
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.0	73.2	16.8	43.9	10.2	107.7	-2.4	3.6
Ethiopia	-	-	-	-	CCC	-2.3	-	12.2	220.5	-	-	-6.7	-
Ghana	B	-	B+	-	B	-9.8	-	34.5	94.7	-	-	-8.3	-
Ivory Coast	-	-	-	-	CCC	-1.6	-	49.4	107.6	-	-	7.3	-
Libya	A-	-	BBB+	-	BB	1.8	3.9	8.6	16.0	3.4	-	13.9	2.2
Mauritania	-	-	-	-	-	-5.1	-	6.7	149.3	-	-	-12.7	-
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-3.1	47.2	26.8	95.5	8.6	113.7	-5.0	1.5
Nigeria	B+	-	BB-	-	B	-4.4	12.3	5.5	18.5	0.7	-	12.4	3.1
Sudan	-	-	-	-	C	-2.6	105.3	66.3	482.4	3.6	-	-5.2	-
Tunisia	BBB	Baa2	BBB	BBB	BB	-1.9	46.7	55.4	105.6	15.8	208.3	-2.8	3.9
<b>Middle East</b>													
Bahrain	A	A3	A	A	BBB	-5.2	24.2	169.6	246.4	7.2	991.9	1.4	0.8
Iran	-	-	B+	BB-	B	-0.9	17.0	3.5	13.4	3.2	-	0.1	0.25
Iraq	-	-	-	-	CC	-4.6	-	97.7	178.7	2.2	165.3	2.1	1.4
Jordan	BB	Ba2	-	BB	B	-8.9	63.5	63.1	135.2	4.6	133.1	-5.5	10.1
Kuwait	AA-	Aa2	AA	AA-	A	15.4	6.9	20.7	38.8	4.0	133.0	25.3	-2.6
Lebanon	B	B1	B	B	CCC	-8.6	136.3	100.6	738.9	18.5	135.3	-10.8	8.0
Oman	A	A2	-	A	A	-9.1	6.5	28.1	46.9	-	109.1	0.6	4.3
Qatar	AA-	Aa2	-	AA-	A	10.4	32.4	74.9	202.7	15.2	412.0	14.3	8.8
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.1	13.2	22.5	42.7	2.7	20.2	4.9	5.4
Syria	-	-	-	BB-	B	-9.4	30.1	15.0	63.6	1.0	43.3	-0.6	2.6
UAE	-	Aa2	-	AA-	BB	0.4	21.3	61.8	74.1	7.9	359.0	-2.6	-0.4
Yemen	-	-	-	B	CC	-10.3	-	23.6	113.8	-	-	-8.2	-



# 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-	-	-	-8.2	40.4	55.7	654.2	-	248.4	-15.4	8.0
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-3.8	14.8	77.3	159.8	19.8	220.1	-9.4	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	-3.9	9.3	94.7	230.8	40.1	553.7	-2.9	8.1
	Stable	-	Negative	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-8.3	23.7	68.1	226.6	29.9	279.7	-4.5	3.8
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.7	7.1	38.3	136.3	11.6	110.9	4.0	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-5.5	45.5	45.1	194.5	45.1	400.1	-2.8	1.2
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-6.4	30.2	88.6	191.1	43.9	407.9	-1.5	4.0
	Stable	Positive	Negative	-	Stable								

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



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	03-Nov-10	No change	14-Dec-10
Eurozone	Refi Rate	1.00	02-Dec-10	No change	13-Jan-11
UK	Bank Rate	0.50	09-Dec-10	No change	13-Jan-11
Japan	O/N Call Rate	0-0.10	05-Nov-10	No change	21-Dec-10
Australia	Cash Rate	4.75	07-Dec-10	No change	01-Feb-11
New Zealand	Cash Rate	3.00	09-Dec-10	No change	27-Jan-11
Switzerland	3 month Libor target	0.25	16-Sep-10	No change	16-Dec-10
Canada	Overnight rate	1.00	07-Dec-10	No change	18-Jan-11
<b>Emerging Markets</b>					
China	One-year lending rate	5.56	19-Oct-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	03-Nov-10	No change	14-Dec-10
Taiwan	Discount Rate	1.50	30-Sep-10	Raise 12.5bps	23-Dec-10
South Korea	Base Rate	2.50	09-Dec-10	No change	13-Jan-10
Malaysia	O/N Policy Rate	2.75	12-Nov-10	No change	27-Jan-11
Thailand	1D Repo	2.00	01-Dec-10	Raise 25bps	12-Jan-11
India	Reverse repo rate	6.25	02-Nov-10	Raise 25bps	16-Dec-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	7.00	11-Nov-10	No change	16-Dec-10
South Africa	Repo rate	5.50	18-Nov-10	Cut 50bps	Jan-11
Kenya	Central Bank Rate	6.00	25-Nov-10	No change	Jan-11
Nigeria	Monetary Policy Rate	6.25	23-Nov-10	No change	Jan-11
Ghana	Prime Rate	13.50	24-Sep-10	No change	10-Dec-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	25-Nov-10	No change	21-Jan-11
Brazil	Selic Rate	10.75	08-Dec-10	No change	19-Jan-11
Armenia	Refi Rate	7.25	08-Dec-10	No change	N/A
Romania	Policy Rate	6.25	05-May-10	No change	N/A
Bulgaria	Base Interest	0.18	01-Dec-10	Raise 1bps	N/A
Kazakhstan	Refi Rate	7.00	01-Oct-10	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	7.75	01-Jun-10	Cut 25 bps	N/A



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