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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 3% at end-2010

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 3% at the end of 2010 compared to 13% a year earlier, and down from 4% at the end of September 2010. The agency forecast the global speculative-grade default rate to fall to1.9% at the end of 2011. It noted that default expectations would remain stable for this year if no additional sovereign and financial sector problems develop in Europe. Measured on a dollar volume basis, the global speculative-grade bond default rate ended 2010 at 1.6%, down from 2% at the end of September and significantly lower than the 16.4% reached at the end of 2009. 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 10.5% at end-2010, down from 15% at the end of September and 22.7% at the end of 2009. North America accounted for 81% of the rated defaulters in 2010, followed by Europe with 12%, and Asia and Latin America with the remaining 7%.
Source: Moody's Investors Service

MENA

Region’s economic freedom stagnates

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2011, a broad indicator of economic freedom in 183 countries, shows that economic freedom in the MENA region stagnated year-on-year, as the region’s average level of economic freedom reached 60.6% in 2011, almost unchanged from 60.4% in 2010 and 60% in 2009. The level of economic freedom in the region is above the global level of 59.7%. The index evaluates individual economies on the basis of 10 broad factors of economic freedom. Among the 17 MENA countries covered by the survey, the rankings of 6 countries improved 9 declined and two remained the same, while the level of economic freedom improved in 11 countries and declined in 6 economies. Bahrain remains the most economically free country in the MENA region, ranking as the 10th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide; while Syria, Iran and Libya are the lowest ranked regional economies. Bahrain and Qatar's economies came in the ‘mostly free’ category, while seven countries had economies that are ‘moderately free’, six were ‘mostly unfree’, and two had ‘repressed’ economic systems. The MENA region scored above the global average in the Business Freedom, Trade Freedom, Fiscal Freedom and Government Spending categories.
Source: Heritage Foundation, Wall Street Journal

Region is transitional-level market for M&A

The Cass Business School's M&A Maturity Index classified the Middle East as a 'transitional' market for mergers and acquisitions, midway between the 'emerging' and 'mature' categories. The index evaluates 175 countries' capacity to attract and sustain M&A activity based on regulatory, economic, financial, political, technological and socio-cultural factors. The Middle East tied with Latin America and came ahead of Africa in terms of M&A maturity, but it fell behind all other regions in the world. It noted that the region's large sovereign wealth funds have become important net investors worldwide, but that it needs further development to attain the level of a 'mature' market for inbound and domestic M&A. The survey noted that the region has a stable political environment and a favorable regulatory system, ranking third on both criteria behind Western Europe and North America. It added that the region has a low level of socio-cultural and technological development, ranking it ahead of only Africa on both criteria. Also, the survey ranked the region in fourth place in terms of economic factors ahead of Latin America, Africa and Eastern Europe; while it ranked in last place on its financial environment. The UAE was the top ranked Arab country and Yemen came in last place. The index classified four MENA markets as 'emerging' and nine as 'transitional' for M&A.
Source: Cass Business School, City University of London

GCC

Current household savings are insufficient to meet future needs

A survey on savings trends in the GCC indicates that Qatar has the highest saving level and saving potential among five GCC countries. The survey measured GCC residents' attitude towards the current savings environment, their own saving potential and their outlook on their personal long-term financial stability. The survey covered 1,183 residents in Saudi Arabia, Qatar, Bahrain, Kuwait and Oman. It said that 75% of respondents considered that their current savings do not match their saving plans and that they do not save regularly, while 93% considered that their current savings are insufficient for their future needs. It noted that 60% of respondents plan to increase their savings or start to save in the near future, while 10% do not plan to save at all. It added that 49% of respondents in Saudi Arabia consider that the current environment in their country does not induce savings compared to the GCC average of 41%. Further, the survey found that 41% of Qatar's residents and 23% of Saudi Arabia's residents save regularly, constituting the highest and lowest percentages in the region, relative to an average of 26% in the GCC. It said that 55% of regular savers in the GCC save 20% of their income on a monthly basis. It added that residents who expected their financial status to be stable in the future, or 58% of respondents, have higher saving rates than those who expected their income to increase. It added that GCC residents increase their savings to offset inflation, maintain and improve their living standard, and be financially secure in difficult times.
Source: National Bonds Corporation

OUTLOOK

GCC

Economic growth to pick up to 6% in 2011, non-oil growth to remain subdued

Deutsche Bank projected real GDP growth in the GCC to reach 6% in 2011 compared to 4.5% in 2010. It said the recovery is likely to be dominated by the oil sector, as the reassessment of investment plans and reduced access to financing mean that non-oil growth is unlikely to return to its pre crisis levels of about 8% per year. It added that the credit growth is now positive in all GCC countries except the UAE, as the combination of lower provisioning, higher deposit growth and better clarity on corporate restructurings should help to boost credit extension in 2011. It considered that monetary policy should remain supportive of the recovery and expected policy rates to remain unchanged through most of 2011 and liquidity provision to remain ample. It did not anticipate that the discussion over currency revaluation would gain further traction in 2011, even though inflation rates have been increasing across the region. It indicated that fiscal policy is likely to become less accommodative despite ongoing commitment to investment spending, as earlier stimulus plans are contained.

Deutsche Bank noted that low public debt levels in the GCC shelter the region from the fiscal and refinancing challenges seen elsewhere, but added that external refinancing risks remain elevated, particularly for Dubai with $17.2bn due in foreign currency bonds and loans in 2011. It noted that the GCC's refinancing requirements become much lower when excluding the UAE, as it faces bond and loan repayments of $32.2bn, or 4% of GDP, in 2011. It expected oil prices to remain the main macroeconomic risk for the GCC in the foreseeable future, with any sustained drop below $60 per barrel likely to tip regional current account and fiscal balances into deficit. But it noted that with GCC foreign savings of an estimated $1,300bn at end 2010, or 130% of regional GDP, the GCC looks well placed to weather any unexpected decline in oil prices through the coming years.
Source: Deutsche Bank

TUNISIA

Recent events to impact fiscal plans, borrowing conditions, and negotiations with EU

Standard Chartered Bank estimated that the recent events in Tunisia are unlikely to have major consequences for the country's economic dynamics, but added that they will have an impact in several areas. It said the government's pledge to create 300,000 of jobs and invest €3.5bn will probably prevent it from narrowing the budget deficit as planned. It noted that the government intended to lower the fiscal deficit to 2.5% of GDP in 2011 from 2.6% in 2010, adding that the deficit it is now likely to increase. Further, it said the government planned to return to the international debt market at the beginning of 2011 after a two-year absence in order to borrow $2.7bn to help finance the budget deficit and repay $1.6bn in debt. It considered that the level at which Tunisia will be able to borrow will be a litmus test of the recent events' impact on offshore investors' confidence in the country's stability. It added that the planned IPO of a state-run telecom operator will also test the market's confidence and appetite.

In parallel, Standard Chartered noted that the recent events could complicate Tunisia's relationship with Europe, its primary trading partner, just as the country is negotiating an application for Advanced Status with the European Union that involves a strengthening of technical cooperation, increased aid, and an extension of the scope of free-trade agreements. It said the country's close cooperation with Europe has brought it millions of euros in aid, as well as free-trade agreements that represent a lifeline for Tunisia. It cautioned that the country's current account balance could be severely affected if the political environment deteriorates to the point that Europe is forced to impose sanctions. It indicated that the reputational risks for the regime have increased, as its social and economic progress has received a setback despite Tunisia's remarkable economic, development, and structural reforms in recent years.
Source: Standard Chartered Bank

NIGERIA

Central Bank to support currency in near term, depletion of reserves is key risk

The Economist Intelligence Unit expected the Central Bank of Nigeria (CBN) to continue to be in favor of maintaining the value of the naira within a narrow band, with periodic adjustments to avoid a further depletion of foreign-exchange reserves. It said that relatively strong oil prices in 2011 should help the CBN to implement this policy, although the CBN governor is likely to want greater liberalization of the currency markets once instability in the country's financial sector has been fully addressed. It anticipated periodic downward adjustments to the currency, in line with the expected moderation in oil prices during 2012-15, to avoid further pressure on reserves. It added that greater currency liberalization will also erode the parallel-market premium.

The EIU noted that the CBN and the government oversaw a substantial run-down of foreign-exchange reserves, which plummeted in 2009-10. But it added that the domestic currency has been stable for most of 2010, as the exchange rate fluctuated within 3% of its official central rate with the exceptions of spikes in the exchange rate, denoting a depreciation of the naira, in September and December. However, the CBN artificially maintained the currency at a set level, spending hard-currency reserves in the foreign exchange market. It said the CBN revoked licences of more than 200 microfinance firms across the country and moved to check speculation in the foreign exchange market in September. It also tightened capital regulations and rules for the sale of hard currency in the final months of the year. It noted that the CBN supported the naira exchange rate at under N150 per dollar through the end of 2010. As such, reserves fell by nearly 25% last year to reach $32.4bn at end-2010. It expected the domestic currency to slide from an average of N155 per US dollar in 2011 to an average of N177 per dollar in 2015.
Source: Economist Intelligence Unit

EMERGING MARKETS

Developing economies account for 73% of global mobile subscriptions and 60% of Internet users

The International Telecommunications Union indicated that the developing world has increased its share of mobile phone subscriptions in recent years, as it accounted for about 73% of total mobile subscriptions at the end of 2010 compared to a 53% share at the end of 2005. It estimated mobile cellular penetration rates in developing economies at 68% at the end of 2010, mainly driven by the Asia & Pacific region. It noted that penetration rates in Africa reached an estimated 41% at end-2010 compared to 76% globally, reflecting significant potential for growth. In parallel, mobile cellular growth is slowing worldwide, as the mobile market is reaching saturation levels in developed countries with an average of 116 subscriptions per 100 inhabitants at the end of 2010 and a marginal growth of 1.6% in 2010. Further, developing countries account for 60% of Internet users worldwide, while the global number of internet users has doubled between 2005 and 2010 and exceeded the two billion mark. It noted that 21% of the population in developing countries is online compared to 71% in developed countries. It said Internet user penetration is at 65% in Europe, followed by 55% in the Americas, 46% in the Commonwealth of Independent States, 25% in the Arab World, 22% in Asia & Pacific and 9.6% in Africa, for a world average of 30%. It added that fixed broadband penetration levels in developing countries remain low at 4.4 subscriptions per 100 people compared to 24.6 subscriptions per 100 persons in developed countries. But the developing world's share of fixed broadband subscriptions is growing steadily, as it accounted for an estimated 45% of global subscriptions at end-2010 relative to 42% five years earlier.

Source: International Telecommunications Union

EGYPT

Ratings affirmed, inflation and fiscal weakness are main challenges

Fitch Ratings affirmed Egypt's Long-term foreign and local currency Issuer Default ratings (IDR) at 'BB+' and 'BBB-', respectively, with 'stable' outlooks. It also affirmed the Short-term foreign currency IDR at 'B' and the Country Ceiling at 'BB+'. It said strong external indicators remain the key support for Egypt's ratings as the current account deficit is narrow and covered by FDI, foreign currency reserves are rising again, and Egypt remains a significant overall net external creditor, unlike most similarly-rated countries. It added that the sovereign debt structure is comfortable, the debt service ratio is low and external liquidity is high. It noted, however, that fiscal weakness remains the main drag on Egypt's ratings, as progress in reducing the high deficit and debt ratios will remain limited this year, and that the pace of reform has also slowed as elections loom and political uncertainties increase. Fitch pointed out that Egypt's inflation has been consistently higher and more volatile than its rating peers and expected upside inflation risks with the rise in global commodity prices, as the tools available to the Central Bank to control it remain under-developed. It noted that high inflation also hampers efforts to reduce the budget deficit through higher indirect taxes. It said the FY2011 budget envisages a slight reduction in the deficit to 7.9% of GDP, but this will hardly dent the debt ratio of over 70% of GDP. Moreover, rising commodity prices may increase pressure on subsidy and other spending. It ruled out attempts to reduce the deficit before this year's presidential election.

Source: Fitch Ratings

SUDAN

Government bans imports of several products

The government banned the import of 19 products such as furniture, bottled water, fresh meat, paint, flour products, dairy products, animal products, and manufactured plastic products. Further, the Central Bank of Sudan prohibited local banks from issuing letters of credit to finance the import of these products in order contain the budget deficit and raise the level of foreign currency reserves. Last week, the National Assembly ratified a plan that aims to reduce government spending, restrict imports, contain the budget deficit and raise the level of foreign currency reserves in light of mounting difficulties in financing the country's fiscal deficit. As such, the government partially lifted subsidies on the prices of petroleum products in an attempt to save SP2.1bn to the Treasury, as well as on sugar prices. It plans to fully remove the subsidies in three stages, with a second stage likely to take place in March or April. The Finance & National Economy Ministry blamed the widening budget deficit on the rise in consumption as well as on the improper use of subsidies that led to smuggling of petroleum products to neighboring countries where prices are higher. It said that subsidies on petroleum products cost SP6bn a year and that sugar subsidies have created a large import bill.

Source: Thomson Reuters

ROMANIA

IMF approves $1.2bn payment, calls for full implementation of reforms

The International Monetary Fund approved the disbursement of about €905m or $1.2bn to Romania, bringing total disbursements under the 24-month Stand-By Arrangement to about €12.4bn, or $16.1bn. It said Romania is on a clear path to meeting its short and medium-term fiscal goals, and that policy implementation under the Fund-supported arrangement has remained strong. It added that authorities took important structural measures, including pension and public wage reforms and the passage of a prudent 2011 budget. It noted, however, that progress on the elimination of domestic arrears has been slower than envisaged. The IMF considered that authorities' current challenge is to fully implement the approved reforms and maintain tight control over expenditures to ensure that the budget targets are met. It also urged the government to put as its top priority improving the absorption of European Union structural funds. It indicated that the banking system remains liquid and well-capitalized, but added that continued vigilance in financial sector supervision is crucial to assure financial sector resilience against increasing non-performing loans and the unsettled regional situation. Romania is also reportedly eyeing a new precautionary deal with the IMF of around €3.6bn, with the deal likely to come with strict conditions.

Source: International Monetary Fund

BANKING

SYRIA

Private sector accounts for 47% of credits, private banks' lending jumps 33% in first 9 months of 2010

Figures released by the Central Bank of Syria indicate that total credits extended by commercial banks reached SYP 1,233bn, or about $26.2bn, at the end of September 2010, constituting an increase of 10.7% from SYP 1,115bn at end-2009 and a rise of 15.7% from end-September 2009. Credits in Syrian pounds accounted for 96.6% of the total, unchanged from a year earlier, and foreign currency loans accounted for the remaining 3.4%. Loans to the resident private sector accounted for 47.2% of total lending relative to 43.2% at end-September 2009, followed by credits to non-financial public enterprises with 45.4% down from 47% a year earlier, while the central government accounted for the remaining 7.5%. Households accounted for 74% of resident private sector lending, followed by businesses with 26%. Households and businesses represented 77.2% and 22.6%, respectively, of resident private sector lending at end-September 2009.

Further, the sectoral distribution of credit shows that wholesale & retail trade accounted for 50% of the total, followed by building & construction with 15%; agriculture with 11%; mining, manufacturing & utilities with 9%, while other activities accounted for the remaining 15.3%. Also, public commercial banks accounted for 79.5% of total lending at end-September 2010, down from 84.6% a year earlier, while private commercial banks accounted for 17.4% relative to 13.3% at end-September 2009 and private Islamic banks for the remaining 3.1%. Loans & advances accounted for 64% of private banks' lending, followed by personally secured credits & overdrafts with 19.8%, and discounts with 13.4%. Private commercial banks' lending rose by 33% from end-2009 and by 55.8% year-on-year, while credits by state-owned banks increased by 5.8% and Islamic banks' activity grew by 64% from end-2009. The weighted average interest rate was 8.03% on short-term loans, 8.27% on medium-term loans and 9.17% on long-term loans in September 2010; while the weighted average rate on discounted bills was 10% and the average rate on overdrafts was 9.5%.

Source: Central Bank of Syria, Byblos Research

BSO receives first bank rating in Syria, Fransabank to list on bourse

Capital Intelligence assigned Bank of Syria and Overseas (BSO) Foreign Currency Long-and Short-Term Ratings of 'BB-' and 'B', respectively, with a 'stable' outlook. It said the ratings are constrained by the sovereign ceiling of Syria. It also assigned BSO a Financial Strength Rating of 'BB' and a Support Rating of '3'; the latter based on a high likelihood of support from its Lebanese parent BLOM Bank. The agency said the ratings are underpinned by BSO's good asset quality and very strong liquidity. It noted, however, that major rating constraints include Syria's sovereign rating, the country's developing regulatory environment, and increasingly competitive operating conditions. It added that BSO's ratings are relatively constrained by borrower concentration. In parallel, Fransabank Syria announced that it will float its shares on the Damascus stock market on January 21 with trading starting on January 23rd, making it the 12th bank to list on the bourse. The bank said all of its shares will be listed, but only 36% of the shares will be tradable, as the law stipulates that the shares of the founding members, which account for 64% of the total, cannot be traded prior to three consecutive years of profits.

Source: Capital Intelligence, Fransabank

QATAR

Sovereign fund increases stake in listed banks

The Qatar Investment Authority (QIA), the state's sovereign wealth fund, announced it will increase its stake in the listed Qatari banks by an additional 10%, which would raise the government stake in local banks to 20%. In October 2008, the QIA declared that it plans to buy between 10% and 20% of listed banks' capital to boost confidence in the market, and has purchased 10% of the listed banks' capital since then. The additional purchase reflects the Qatari government's strong and proactive support of the banking sector. It is considered a pre-emptive move to cement the banks' already-high capital adequacy ratios and to inject additional liquidity in the banks to help finance the new mega projects related to the FIFA World Cup. However, raising QIA's stake to 20% in most banks could significantly change the landscape of competition over the medium-term, as Qatar has one of the most concentrated banking systems across the GCC with total assets of the top 3 banks accounting more than two thirds of the banking system. As such, it could become increasingly difficult for non-public banks to compete with public banks that have access to stable and relatively cost-effective funds.

Source: National Bank of Kuwait, JP Morgan

UAE

Provisions up 27% in first 11 months of 2010

Figures issued by the UAE Central Bank show that total assets reached AED 1,633bn at the end of November, constituting an increase of 0.6% month-on-month and a rise of 7.5% from end-2009. Lending reached AED 1,041bn, down 0.3% from the previous month and up by 2.3% from end-2009. Loan provisioning rose by 1.7% from November and by 27% in the first 11 months of the year to AED 55bn, with specific provisions up 26.4% to AED 41bn and general provisions up by 29 % to AED 14bn from the end of last year. The limited growth in lending is a result of the banks' efforts to contain the decline in their assets' quality, to focus on their balance sheets restructuring and to meet tighter Central Bank guidelines. In parallel, customer deposits dropped by 0.4% month-on-month but were up 6.8% from end-2009 to AED 1,050bn. The AED 4m fall in customer deposits in November came after a 4% month-on-month growth in October, one of the strongest monthly increases on record, which shows that the October massive influx in customer deposits was not sustainable. The loans-to-deposits ratio was 99.1% at end-November relative to 102.4% a year earlier due to strong deposit growth. Specific provisions are expected to increase in December, which would affect the banking sector overall profitability in the fourth quarter.

Source: Shuaa Capital

Oil prices reach a 27-month high

Oil prices stood slightly below $92 a barrel driven mainly by low U.S. inventory levels and higher demand expectations. According to the Energy Information Administration, U.S. oil inventories dropped for the sixth straight week by 2.15 million barrels as the cold increased demand in the U.S. Northeast, the country's largest heating oil market. U.S. crude for February delivery increased 75 cents to a 27-month high of $91.86 a barrel, and increased further to $91.88 a barrel on January 13th. Further, the Brent-WTI premium grew to $6.42 a barrel, its highest level since the February 2009 premium of $10.67 a barrel. Also, bullish expectations in the oil market after the announcement of a further fiscal stimulus in the U.S. and improving economic performances in Europe, led ICE Brent prices to their highest level of $98.85 a barrel since October 1 2008.

Source: Standard Chartered, Thomson Reuters

South Sudan to witness explorations from French oil major Total

South Sudan is expecting the start of new oil explorations by French oil major Total SA. Since the early 1980's, the oil major has held the rights to Bloc B, a concession in Jonglei state northeast of the regional capital Juba. With the newly independent southern government likely to be eager to boost output and revenues to pay for the huge costs of construction and development, reserves currently standing at five billion barrels will decline without new explorations.

Source: AFP

Iraq's oil investments exceed $100bn

Iraq's oil investments exceeded $100bn since the first and second oil licensing rounds when the country signed 10 oil contracts with leading international oil companies. These rounds are expected to increase Iraq's daily oil production from 2.5 million barrels per day to about 12 million barrels per day in the coming six years.

Source: Aswat Al-Iraq

Iran gas exports to Turkey rise by 50%

Iran exported 8.3 billion cubic meters of natural gas to Turkey in 2010, a rise of 50% year-on-year and a 100% increase from 2008. It earned $3bn from gas exports to Turkey, which accounts for 4% of the nation's total production. The gas network between the two countries has the capacity to increase the annual transfer of gas up to 15 billion cubic meters.

Source: Tehran Times

Egypt plans 2,690 megawatts of additional wind power in 2011

The Ministry of Energy & Electricity is expected to increase the country's wind capacity by 2,690 megawatts by 2011 through the installation of wind farms. The construction of new wind farms will be carried out in cooperation with the European Union and several international development banks and governments. Egypt has 520 megawatts of installed wind capacity and aims to produce 20% of its total energy from renewable sources by 2020.

Source: Al Mal

Base metals: Aluminum prices to fall in 2011 on oversupply

Aluminum prices averaged $2,110 per ton in the first half of 2010, and grew more strongly during the third quarter to reach $2,225 per ton at end-September 2010. Prices continued to rise in October but stabilized in November at $2,332 per ton. Aluminum prices are expected to fall to an average of $2,199 per ton in 2010-11, given the ongoing uncertainty of the global recovery and the potential oversupply of stocks.

Global aluminum consumption is estimated to have recovered strongly in 2010, rising by 15.5% year-on-year to 40.2 million tons, led by strong demand from the electronics, aerospace and automotive sectors. However, tighter fiscal policy in the EU and China is forecast to weaken growth in global consumption of aluminum in 2011 due to a fall in consumer confidence, investment spending and an end to the cycle of restocking in the developed world. World production also increased in 2010 by 10.8% to 41 million tons due to a restart in capacity at independent Chinese smelters and by the start of large smelters in Oman, Qatar and Abu Dhabi. However, global primary aluminum production is expected to slow to an average annual growth rate of 5.5% in 2011-12 as monetary tightening in China restrains demand and swing producers react to signs of oversupply.

Source: Economist Intelligence Unit

Aluminum Stocks and Prices Outlook

(kilo tons)	2008	2009	2010f	2011f	2012f
China	12,413	14,276	16,745	17,950	19,150
EU	7,064	5,080	6,350	6,477	6,639
US	4,906	3,854	4,201	4,330	4,560
Japan	2,250	1,523	2,050	2,121	2,205
Former Soviet Union	2,100	1,612	1,532	1,670	1,800
India	1,284	1,458	1,481	1,541	1,633
South Korea	964	1,038	1,270	1,400	1,575
Brazil	932	799	994	1,131	1,325
Canada	714	657	590	581	605
Others	4,383	4,516	5,000	5,250	5,650
World Total	**37,009**	**34,811**	**40,213**	**42,450**	**45,142**

Source: Economist Intelligence Unit

Precious metals: Gold declines as Portuguese bond sale eases investor demand

Gold futures in New York fell for the first time this week after a government bond sale in Portugal eased concerns that the European debt crisis may widen, reducing demand for gold haven investment. Gold for February delivery on the Comex in New York fell $5.30 or 0.4% to $1,380.5 an ounce on January 13th. Gold assets in exchange-traded products or ETPs were little changed on January 12 at 2,091 metric tons.

Palladium futures for March delivery gained 1.1% to $815.4 an ounce, the highest price for a most active contract since March 2001, while platinum for April delivery gained 0.4% to $1,809.1 an ounce. Silver futures for March delivery fell 16 cents or 0.5% to $29.4 an ounce, the first decline in four sessions.

Source: Bloomberg

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	-7.9	20.0	2.7	5.9	3.0	-	-2.4	0.9
Angola	B+	B1	B+	-	B								
	Stable	Positive	Positive	-	Stable	-1.9	20.2	21.2	39.7	9.5	116.6	-9.5	5.0
Egypt	BB+	Ba1	BB+	BBB-	BB								
	Stable	Stable	Stable	Stable	Stable	-7.0	73.2	16.8	43.9	10.2	107.7	-2.4	3.6
Ethiopia					CCC								
	-	-	-	-	Stable	-2.3	-	12.2	220.5	-	-	-6.7	-
Ghana	B	-	B+	-	B								
	Stable	-	Negative	-	Stable	-9.8	-	34.5	94.7	-	-	-8.3	
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	Stable	-1.6	-	49.4	107.6	-	-	7.3	-
Libya	A-	-	BBB+	-	BB								
	Stable	-	Stable	-	Stable	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								
	Stable	-	Stable	Stable	Stable	-3.1	47.2	26.8	95.5	8.6	113.7	-5.0	1.5
Nigeria	B+	-	BB-	-	B								
	Stable	-	Negative	-	Stable	-4.4	12.3	5.5	18.5	0.7	-	12.4	3.1
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-2.6	105.3	66.3	482.4	3.6	-	-5.2	-
Tunisia	BBB	Baa2	BBB	BBB	BB								
	Stable	-	Stable	Stable	Stable	-1.9	46.7	55.4	105.6	15.8	208.3	-2.8	3.9
Middle East													
Bahrain	A	A3	A	A	BBB								
	Stable	Stable	Stable	Stable	Stable	-5.2	24.2	169.6	246.4	7.2	991.9	1.4	0.8
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	-0.9	17.0	3.5	13.4	3.2	-	0.1	0.25
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-4.6	-	97.7	178.7	2.2	165.3	2.1	1.4
Jordan	BB	Ba2	-	BB	B								
	Stable	-	-	Stable	Stable	-8.9	63.5	63.1	135.2	4.6	133.1	-5.5	10.1
Kuwait	AA-	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	15.4	6.9	20.7	38.8	4.0	133.0	25.3	-2.6
Lebanon	B	B1	B	B	CCC								
	Positive		Stable	Stable	Stable	-8.6	136.3	100.6	738.9	18.5	135.3	-10.8	8.0
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	-9.1	6.5	28.1	46.9	-	109.1	0.6	4.3
Qatar	AA-	Aa2	-	AA-	A								
	Stable	Stable	-	Stable	Stable	10.4	32.4	74.9	202.7	15.2	412.0	14.3	8.8
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	1.1	13.2	22.5	42.7	2.7	20.2	4.9	5.4
Syria	-	-	-	BB-	B								
	-	-	-	Stable	Stable	-9.4	30.1	15.0	63.6	1.0	43.3	-0.6	2.6
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	0.4	21.3	61.8	74.1	7.9	359.0	-2.6	-0.4
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-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								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	-	Stable	-	-	-8.2	40.4	55.7	654.2	-	248.4	-15.4	8.0
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-3.8	14.8	77.3	159.8	19.8	220.1	-9.4	9.8
Kazakhstan	BBB	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	-3.9	9.3	94.7	230.8	40.1	553.7	-2.9	8.1
Romania	BB+	Baa3	BB+	BBB-	BB								
	Negative	-	Stable	Negative	Stable	-8.3	23.7	68.1	226.6	29.9	279.7	-4.5	3.8
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-5.7	7.1	38.3	136.3	11.6	110.9	4.0	-0.6
Turkey	BB	Ba2	BB+	BB	B								
	Positive	Positive	Stable	Stable	Stable	-5.5	45.5	45.1	194.5	45.1	400.1	-2.8	1.2
Ukraine	B+	B1	B	-	CCC								
	Stable	Positive	Negative	-	Stable	-6.4	30.2	88.6	191.1	43.9	407.9	-1.5	4.0

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	14-Dec-10	No change	26-Jan-11
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	21-Dec-10	No change	25-Jan-11
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-Dec-10	No change	17-Mar-11
Canada	Overnight rate	1.00	07-Dec-10	No change	18-Jan-11
Emerging Markets					
China	One-year lending rate	5.81	25-Dec-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	14-Dec-10	No change	26-Jan-11
Taiwan	Discount Rate	1.63	30-Dec-10	Raise 12.5bps	Mar-11
South Korea	Base Rate	2.50	09-Dec-10	No change	13-Jan-11
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	16-Dec-10	No change	25-Jan-11
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	16-Dec-10	Cut 50bps	20-Jan-11
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	10-Dec-10	No change	Feb-11
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-Jan-10	Raise 1bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jan-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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