



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

FDI outflows up 23% to \$377bn in 2010

Figures released by the UN Conference on Trade & Development (UNCTAD) show that FDI outflows from developing and transition economies reached \$376.7bn in 2010, constituting an increase of 23% from \$306.3bn in 2009. FDI outflows from developing economies rose by 22.7% to \$316bn in 2010 and outflows from transition economies reached \$60.6bn, up 24.3% year-on-year. In comparison, FDI outflows from developed countries grew by 10% to \$969.5bn and global FDI rose by 13.2% to \$1,346bn. The UN said FDI outflows from South, East & Southeast Asia reached \$228.2bn, followed by Latin America & the Caribbean with \$83.9bn, Southeast Europe & the Commonwealth of Independent States with \$60.6bn and Africa with \$4bn, while FDI outflows from West Asia dropped to near zero in 2010. Further, FDI outflows from Latin America & the Caribbean rose by 76.4% year-on-year, followed by Southeast Europe & the CIS with a 24.3% expansion and South, East & Southeast Asia with a 22.4% growth, while FDI from West Asia contracted by 101% and outflows from Africa declined by 11.3%. UNCTAD noted that FDI from developing and transition economies accounted for 28% of global FDI. In parallel, net cross-border mergers and acquisitions by companies in developing and transition economies totaled \$106.6bn, up 30.5% from \$81.7bn in 2009, and accounted for 31.5% of global cross-border M&As.

Source: UNCTAD

Bond inflows at \$6.6bn, equity outflows at \$5bn in first 4 months of 2011, AUM at \$1,028bn

Capital inflows to emerging market equity and bonds totaled \$1.7bn in the first 4 months of 2011, with bond inflows at \$6.6bn and equity outflows at \$4.9bn. Emerging Europe, the Middle East & Africa (EMEA) accounted for \$2.56bn or 38.6% of bond inflows, followed by Latin America with \$2.2 (33.6%) and Emerging Asia with \$1.8bn or 27.8%. Further, Emerging Asia posted \$6.1bn of equity outflows year-to-April, followed by Latin America with \$2.8bn while the EMEA posted \$3.97bn of equity inflows. Brazil was the biggest recipient of bond inflows with \$805m, or 12.1% of total inflows into emerging market bonds, while China was the largest source of equity outflows with \$2.5bn, or 50.2% of overall outflows of emerging market equities. In parallel, Assets under management (AUM) in emerging markets totaled \$1,028bn at the end of April 2011, with bonds accounting for \$184.7bn and equities for \$843.5bn. The EMEA region had \$74.7bn in AUM in bonds, followed by Latin America with \$62.8bn and Emerging Asia with \$47.2bn. Further, Emerging Asia accounted for \$520.5bn in equity related AUM, followed by Latin America with \$165bn and EMEA with \$158bn. Mexico had \$20.4bn in bonds related AUM, or 11% of the total, while China had \$172.86bn in equity-related AUM, accounting for 20.5% of overall equities under management in emerging markets.

Source: Barclays Capital, Byblos Research

MENA

Equity markets down 3.4% in first 4 months of 2011

Arab stock markets decreased by 3.4% and GCC markets by a marginal 0.2% in the first 4 months of 2011 compared to increases of 10.2% and 11%, respectively, in the same period last year. Activity on the Iraqi stock exchange increased by 27% during the covered period, and posted the best performance among Arab markets. It was followed by the Saudi Arabian equity market with a 1.6% rise, the Palestine stock exchange with a 1.4% improvement and the Dubai financial market with a 0.2% growth. In parallel, the Egyptian stock market dropped by 30% in the first 4 months and posted the worst performance among Arab equity markets. It was followed by the Damascus financial market with a 29.3% retreat, the Tunis stock exchange with a 15.5% decrease, the Casablanca equity market with an 8.6% downturn, the Amman stock market with a 7.4% drop, the Kuwait bourse with a 6.24% fall, the Muscat bourse with a 6.2% decline, the Beirut Stock Exchange with a 5.9% decrease, the Bahrain stock market with a 1.9% contraction, the Doha exchange with a 1.5% reduction and the Abu Dhabi market with a 0.9% decline. In comparison, emerging market equities increased by 4.6% and global equities rose by 7.95% in the 4 months of 2011. Arab stock markets rose by 1.9% in April compared to increases of 3% for emerging market equities and 3.8% for global equities.

Source: Local stock markets, Byblos Research

Press freedom retreats in the region

In its annual survey of press freedoms in 196 countries, think tank Freedom House indicated that press freedom regressed in Arab countries in 2011. The value of the index for the region reached 71.6 points in 2011 compared to 71.05 points in 2010. The survey evaluates the degree of print, broadcast, and Internet freedom across the world. The ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2010. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. The rankings of 7 Arab countries improved and 13 regressed, while the scores of four countries improved, 8 regressed and 8 remained unchanged. Egypt posted the worst decline in the regional rankings, dropping by 16 spots from 2010, and its score regressed by 5 points, the steepest drop in the region. Three Arab countries came in the 'Partly Free' category while the rest fell in the 'Not Free' segment. Lebanon had the highest level of press freedom among Arab countries and ranked in 108th place globally, while Libya had the lowest level of press freedom in the region and ranked in 191th place worldwide. The survey noted that Egypt's press freedom status was downgraded to 'Not Free' from 'Partly Free', while scores for Iraq, Iran, Kuwait, Morocco, and Yemen also declined.

Source: Freedom House

POLITICAL RISK OVERVIEW - APRIL 2011

EGYPT

Demonstrations resumed in Egypt as protestors demanded former top regime officials to stand trial. As such, President Mubarak and his two sons were placed in detention for alleged corruption as well as their role in the death of protestors during the uprising. Also, top regime figures, including former Prime Minister Ahmed Nazif, stood trial for graft while the Supreme Administrative Court dissolved Egypt's former ruling National Democratic Party. In parallel, the formerly banned Muslim Brotherhood announced that it formed the Freedom and Justice Party, a non-theocratic political party that will contest up to half of Parliament's seats in the September elections. A government report stated that at least 846 protestors were killed and 8,000 were injured during popular uprising in January and February and held Mubarak ultimately responsible for the deaths.

IRAN

President Mahmoud Ahmadinejad called on Saudi Arabia to immediately withdraw all foreign forces from Bahrain, while the Gulf Cooperation Council condemned Iranian attempt to aggravate sectarian tensions. The U.S. accused Iran of helping Syria suppress anti-government protests. In parallel, Supreme Leader Ayatollah Seyyed Ali Khamenei rejected the resignation of Intelligence Minister Heidar Moslehi in a rare public disagreement with Ahmadinejad who had earlier accepted the resignation.

IRAQ

Clashes between protestors and security forces in Iraq's Kurdish city of Sulaimaniya continues, leaving at least 125 wounded while the Kurdish authority banned unauthorized protest. Supporters of Shiite cleric Muqtada al-Sadr protested in Baghdad against U.S. military presence, while al-Sadr threatened to reconstitute the Mahdi army if the U.S. army did not withdraw for Iraq by year-end. In parallel, a police raid on an Iranian dissident camp in Diyala province killed 34 people. The Arab League suspended again the annual summit originally scheduled for March in Baghdad.

LIBYA

Fighting between government forces and rebels continued in Libya despite the ongoing international military action against Muammar Qaddafi's forces. The African Union's proposal which includes an immediate ceasefire and the negotiation of transition, was reportedly accepted by Qaddafi but rejected by the rebel's Transitional National Council. Also, Qaddafi's offer of ceasefire, with him staying in the country, was rejected by the rebels and by NATO. Further, Qaddafi's youngest son Saif al-Arab and three of his grandchildren were reportedly killed in a NATO airstrike on Tripoli, but NATO denied targeting Qaddafi or his family.

NORTH SUDAN

Military presence increased in Abyei as tensions rose ahead of South Kordofan's elections in May while fighting continued in Darfur. United Nations Missions in Sudan stated that both North and South Sudan are militarizing Abyei, while the U.S. considered that the military build-up could lead to war. As such, both sides agreed to withdraw unauthorized forces from Abyei and to create a Joint Technical Committee to monitor redeployment. Also, the election commission announced that the referendum

that aims to determine Darfur's status will take place on July 1st. In parallel, Further, tensions and power struggle within the National Congress Party increased as President Bashir removed Salah Gosh as head of the national security committee for talking with opposition parties.

SOUTH SUDAN

Increased fighting and violence between government forces and rebel militias killed 165 persons in one week. The South Sudan Liberation Army urged the overthrow of the government of current President Salva Kiir. The U.N. World Food Program announced the suspension of its operations in most of Jonglei State's counties due to violence escalation. Further, Human Rights Watch considered that Sudan People's Liberation Army and rebel groups were responsible for the killing of more 60 persons, mainly civilians. In parallel, the draft constitution meeting between leaders of all political parties ended without consensus.

SYRIA

Syria witnessed a sharp intensification of violence that killed some 550 civilians since the start of anti-regime protests, of which 110 protestors killed on April 22. Over 300 members of the ruling Baath party resigned in protest of the ongoing military assault on Deraa as troops and tanks besieged the city. The U.N. Security Council was unable to agree on a joint statement condemning repression and violence in Syria. The U.S. imposed targeted sanctions against regime officials. President Bashar al-Assad lifted the 48-year state of emergency while protestors demanded the end of the Baath party monopoly and the establishment of a democratic political system.

TUNISIA

A high commission assigned to prepare for the upcoming elections announced that officials of Tunisia's former ruling party during the past 23 years will be barred from standing in elections. However, the transitional government amended the ban period to 10 years. Also, the government filed 18 criminal charges against former President Zine El Abidine Ben Ali that include voluntary manslaughter and drug trafficking.

YEMEN

President Ali Abdullah Saleh agreed in principal to a proposal from the Gulf Cooperation Council that calls for him to transfer power to his Vice President and resign within 30 days, in exchange for immunity from prosecution. The power transfer deal was stalled as president Saleh refused to sign as president, but only as head of the ruling party. The Joint Meeting Parties, the opposition's main coalition, accepted the plan in light of new guarantees from the international community. Further, many protestors rejected the initiative and refused to suspend demonstrations until President Saleh steps down and be prosecuted for violence. In parallel, more than 140 protestors were killed in ongoing nationwide protests, while Al-Qaeda-affiliated militants seized control of a territory in the southern governorate of Abyan.

Source: International Crisis Group



OUTLOOK

GCC

Non-oil GDP growth at 4.7% in 2011, current account surplus to rise to \$292bn or 22% of GDP

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council at 6.5% in 2011 compared to 5.1% in 2010, and for the region's non-hydrocarbon sector to expand by 4.7% this year relative to 2.9% last year. It expected economic activity to be driven by the expansion in crude oil production and larger increases in public spending. But it noted the widely different outlook for individual countries. It forecast non-oil growth in Qatar at 8.5% this year, in Saudi Arabia at 5.1%, in Oman at 4.5%, in Kuwait at 4%, in the UAE at 3.6% and in Bahrain at 2.9%. The IIF projected the consolidated fiscal surplus of the GCC to widen from 7.9% of GDP in 2010 to 13.2% of GDP in 2011 under the assumption of an average oil price of \$115 per barrel for Brent. It said the sharp increase in government revenue from oil and gas due to higher oil prices, and an expected 5% increase in export volumes for the GCC as a whole, will more than offset the substantial increase in government spending in Kuwait, Qatar, and Saudi Arabia.

The IIF expected the GCC's overall current account balance to increase from \$129bn in 2010 to \$292bn, or from 12.5% of GDP in 2010 to nearly 22% of GDP in 2011. It forecast hydrocarbon exports to rise from \$448bn in 2010 to \$681bn in 2011; and for non-hydrocarbon exports to reach \$214bn, driven mainly by petrochemicals from Saudi Arabia and re-exports from the UAE. It also projected the imports of goods to increase by 18% to \$414bn in 2011, well above the previous peak of \$368bn reached in 2008. As such, it forecast the gross foreign assets of the GCC to rise from \$1.5 trillion at end-2010 to \$1.7 trillion in 2011, against foreign liabilities of \$0.5 trillion. It noted that 75% of the region's financial assets are held by countries that are not subject to unrest, including Saudi Arabia, the UAE, Qatar and Kuwait; and that more than one-third of these assets are held by sovereign wealth funds. It added that the \$1.2 trillion in net foreign assets will continue to provide GCC governments with the flexibility to support growth through robust government spending in the next few years, given the low levels of external debt.

Source: Institute of International Finance

IRAQ

Non-oil growth at 5%, fiscal deficit at 4.4% of GDP in 2011

The International Monetary Fund projected Iraq's real GDP growth at 9.6% for 2011, up from 0.8% in 2010 and compared to growth of 4.1% for the Middle East and North Africa economies and 4.9% for the region's oil exporters. It expected the country's real non-oil GDP to grow by 5% in 2011, up from 4.5% in 2010 and relative to a growth of 3.5% in oil exporting countries this year. The IMF forecast Iraq's annual average inflation rate at 5% in 2011, relative to 5.1% a year earlier and compared to inflation of 10.9% in 2011 for oil exporting economies. Also, it expected broad money to grow by 35% this year, compared to 18.2% last year. The Fund projected the central government's fiscal balance to post a deficit of 4.4% of

GDP in 2011, down from 10.8% of GDP in 2010. It estimated public revenues at 71.4% of GDP in 2011 compared to 67.3% of GDP in 2010, and total expenditures at 77% of GDP in 2011 relative to 79.8% of GDP in 2010. Also, it expected the central government's non-oil fiscal balance to post a deficit of 187% of GDP in 2011, up from 167% in 2010, and compared to a non-oil fiscal deficit in oil exporting countries of 50.7% of GDP in 2011.

The IMF expected Iraq's public debt to reach 39% of GDP at end-2011 compared to public debt in oil exporting countries of 14% of GDP in 2011. It also forecast total gross external debt at 34% of GDP in 2011, compared to external debt in oil exporting countries of 26.5% of GDP in 2011. Further, the Fund estimated Iraq's exports of goods & services at \$74.4bn in 2011, up from \$53.4bn in 2010, and imports of goods & services at \$76.3bn in 2011, up from \$54.8bn in 2010. It forecast the country's current account deficit at \$3.5bn or 3.2% of GDP in 2011, down from \$5.1bn or 6.2% of GDP in 2010. It expected the country's gross official reserves to reach \$50.6bn in 2011, unchanged from 2010.

Source: International Monetary Fund

ANGOLA

Economic growth to average 9.2% in 2011-12, current account to post surplus of 6.6% of GDP in 2011

The International Monetary Fund projected economic growth in Angola at 7.8% in 2011 and 10.5% in 2012 relative to growth of 1.6% in 2010 and compared to growth in Sub-Saharan Africa's oil exporting countries of 6.7% in 2011 and 6.9% in 2012. It expected the country's real non-oil GDP to grow by 9.2% in 2011 and 10.4% in 2012, up from 4.6% in 2010, and compared to non-oil GDP growth of 7.8% in 2011 and 7.5% in 2012 in oil exporting countries. The Fund forecast Angola's annual average inflation rate at 14.6% in 2011 and 12.4% in 2012, compared to 14.5% in 2010 and to inflation rates of 10.3% and 8.9% in 2011 and 2012, respectively, for oil exporting economies. It estimated total investment at 11% of GDP in 2011 and 12.9% in 2012, up from 10.4% of GDP in 2010. It also expected the growth of broad money at 21.7% this year and 21.4% next year, compared to 24.3% last year.

The Fund projected the central government's fiscal balance to post a surplus of 12.2% of GDP in 2011 and 10.6% in 2012, compared to a surplus in oil exporting peers of 3.9% in 2011 and 4.9% in 2012. It estimated public revenues at 43.5% of GDP this year and 43.7% of GDP in 2012, and total expenditures at 31.3% of GDP in 2011 and 33% of GDP in 2012. Further, it expected the country's current account to post surpluses of 6.6% of GDP in 2011 and 9.7% of GDP in 2012 compared to a deficit of 1.3% of GDP in 2010. In comparison, it forecast oil exporting countries to post current account surpluses of 10.2% of GDP this year and 10.3% of GDP next year. The Fund expected the country's gross official reserves to reach 5.2 months of imports of goods and services at end-2011 and 6.2 months of imports of goods and services at end-2012, compared to 4.7 months at end-2010.

Source: International Monetary Fund



ECONOMY & TRADE

SAUDI ARABIA

Profits of listed companies up 24% in the first quarter

The aggregate net profit of listed companies in Saudi Arabia reached SAR 21.76bn in the first quarter of 2011, constituting a 23.7% increase from the same period last year and a 13.5% growth from the fourth quarter of 2010. The petrochemicals sector accounted for 51% of aggregate net profits, followed by the banking sector with 28%, the telecommunication & information technology sector with 9.4%, and the cement sector with 5.2%. Also, 9 out of 15 sectors improved their income in the covered period, relative to 4 sectors that reported a decline in net profits and 2 sectors that ended with a net loss. The petrochemicals sector's net profits increased by 51.2% year-on-year, and posted the highest profit growth among all sectors. It was followed by the hotel & tourism sector with a 19.5% rise in net income, the multi-investment sector with a 15% growth and the retail sector with a 14.6% improvement. In parallel, the agriculture & food sector had the worst performance in the first quarter, as its profits contracted by 30.2% year-on-year, followed by the insurance sector with a 21.6% profit drop, the real estate development sector with a 13.4% decline in net income, and building & construction with a 6.3% decline.

Source: *Global Investment House*

TUNISIA

World Bank to provide \$500m in budgetary support

The World Bank announced that it is working on a \$500m program in budgetary support for Tunisia that includes funding for the transitional government's efforts at freedom of association, access to information, transparency in public procurement, beneficiary participation in service delivery, and retraining of unemployed workers. It said that this support is part of a multi-donor effort and that the African Development Bank, the European Union and other donors were also supporting reforms with an additional \$700m. The World Bank added that it is moving to accelerate the implementation of two recently approved development projects for approximately \$125m that would create jobs and provide support to poorer regions. In addition, the Bank is working on a \$50m program for micro, small and medium enterprises with the African Development Bank as part of the World Bank's Arab World Initiative.

Source: *World Bank*

ARMENIA

Annual inflation at 9% in April

Armenia's inflation rate reached 8.9% in April on an annual basis and 5% from end-2010, but decreased by 0.2% month-on-month. Inflation was driven by a rise in food prices that grew by 15.9% from April 2010 and by 8% from end-December, which led to an 11.8% annual rise in overall consumer goods prices. However, food prices decreased by 0.6% in April, which led overall consumer goods prices to drop by 0.3% month-on-month. In comparison, prices of alcoholic beverages and tobacco increased by 0.5% annually but remained unchanged from the previous month, while non-food prices grew by 2.8% year-

on-year and by 0.5% monthly. Further, service prices posted a 2.3% annual growth in April but remained unchanged from the preceding month. The government has targeted inflation at 4%, with an upward or downward margin of 1.5% for 2011. In parallel, Armenia's producer price index of industrial production reached 14.7% in March on an annual basis but decreased by 0.6% from the previous month.

Source: *National Statistical Service*

DEM REP CONGO

IMF disbursements reach \$321m, reforms advance

The International Monetary Fund approved the disbursement of \$80.2m to the Democratic Republic of Congo (DRC) under the three-year Extended Credit Facility (ECF) arrangement, bringing total disbursement to about \$320.6m. The IMF approved the \$561.1m three-year ECF arrangement in December 2009. The Fund indicated that the DRC fulfilled all quantitative performance criteria at end-December 2010, and that policy implementation is progressing despite challenging conditions. It noted that structural reforms, mainly in the extractive industries, are advancing at a satisfactory rate, and expected that such reforms would contribute to the country's economic growth. Last year, the IMF and the World Bank approved \$12.3bn in debt relief for the DRC, of which \$2.32bn to be delivered by multilateral creditors and the balance by bilateral and commercial creditors. The IMF said the decision was reached after the country met the conditions for reaching the completion point under the Enhanced Heavily Indebted Poor Countries initiative and qualified for additional debt relief under the Multilateral Debt Relief Initiative.

Source: *International Monetary Fund*

GHANA

New projects at \$378m in first quarter 2011

Figures released by the Ghana Investment Promotion Center (GIPC) estimated the total value of new projects in Ghana at \$378.4m in the first quarter of 2011, constituting a 101% increase from \$188.2m in the same period last year and a 167% rise from \$142m in the previous quarter. It noted that a total of 109 new projects were registered in the first quarter compared to 108 new projects in the first quarter last year and 75 projects in the fourth quarter of 2010. Fully-owned foreign enterprises accounted for 66 projects in the first quarter or 60.6% of new projects, and had a value of \$116.7m or 30.8% of the total value; while joint ventures between Ghanaians and foreign partners accounted for the remaining 43 projects or 39.4% and had a value of \$216.7m or 69.2% of the total value in the first quarter. In parallel, the FDI component of new projects registered in the first quarter reached \$351.8m, or 93% of the total value, constituting a 118% rise from \$161.3 in the same period last year and a 168.5% growth from the previous quarter. The total initial capital transfer of new projects reached \$60m, up 363.7% from about \$15m in the same period last year. India had 19 projects in Ghana, followed by China with 13 projects and Lebanon with 10 projects; while a joint venture between Britain and Belize had the highest value of registered investment in the first quarter at \$70.5m, followed by Lebanon with \$60m.

Source: *Ghana Investment Promotion Center*



BANKING

SYRIA

Central Bank takes measures to support currency

The Central Bank of Syria (CBS) announced a series of measures aimed to contain the flight of foreign currency deposits and support the Syrian pound. The measures authorized Syrians to open savings accounts in US dollars and euros of up to \$120,000 as long as the amount is blocked for at least six months, and reduced retail dollar withdrawals to \$5,000 from \$10,000. The CBS also lowered the reserve requirement ratio on bank deposits to 5% from 10%, and increased the interest rate on savings in Syrian pounds by 2% to 9%. In parallel, the CBS canceled reserve requirements for loans to several sectors including tourism and small and medium-sized enterprises. The Central Bank's assets in foreign currencies are estimated at \$17bn.

Source: AFP, Bloomberg, SANA

JORDAN

Private sector lending up 4.3% in first quarter of 2011

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD35.5bn at the end of March 2011, constituting a rise of 1.6% from end-2010 and an increase of 9.6% from JD32.4bn in March 2010. Resident private sector loans rose by 4.6% in the first quarter of the year to JD14.2bn and credit facilities to the non-resident private sector declined by 0.1% to JD1bn, leading to an increase of 4.3% in overall lending during the covered period. Resident private-sector lending accounted for 40% of total assets, compared to 29.4% a year earlier. In parallel, resident private sector deposits reached JD18.63bn, up 1.6% from the end of 2010 and by 12.6% from the first quarter of 2010, while non-resident deposits improved by 3.5% to JD5.1bn in the first quarter of the year. Also, deposits of non-bank financial institutions grew by 1.4% quarterly to JD205.5m. The central government deposits reached JD693m, up 4% from end-2010, while those of public non-financial institutions regressed by 11.8% to JD 266.3m. Claims on the public sector increased by 5.7% to JD6bn, with claims on the central government accounting for 91% of lending to the public sector. Claims on the public sector accounted for 17% of total assets at end-2010 compared to 16.3% a year earlier. Further, reserves at the Central Bank of Jordan totaled JD5.7bn, down 12.8% from JD6.5bn at end-2010; while capital accounts and allowances rose by 6% to JD5.2bn. Deposits with foreign banks reached JD4.2bn at end-March 2011, up 7.8% from end-2010, while the sector's foreign liabilities regressed slightly by 0.3% to JD5.97bn.

Source: Central Bank of Jordan, Byblos Research

SAUDI ARABIA

Private sector lending up 3% in first quarter of 2011

Figures issued by the Saudi Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,481bn at the end of March 2011, constituting a 3.3% increase month-on-month and a 4.6% rise from end-2010. Lending to the private sector increased by 1.2% month-on-month in March and by

2.9% quarter-on-quarter to SAR 798bn, posting one of the strongest levels over the past two year. Also, credit to the public sector grew marginally by 0.8% month-on-month and by 2.2% quarter-to-quarter to SAR 219bn. In parallel, customer deposits totaled SAR 1,043bn at end-March, increasing by 4.7% from end-February and by 5.9% from end-2010, and posting the strongest quarterly increase since the second quarter of 2009. Demand deposits from both the private and public sectors were the main contributor to deposit growth during March, as a result of the strong increase in oil prices as well as the distribution of bonuses to employees of public and private institutions. The loans-to-deposits ratio was 76.5% at end-March relative to 81% a year earlier due to strong liquidity improvement. The sector's aggregate net profits reached SAR 2.7bn in March, compared to net profits of SAR 2.4bn in February and a 2010 monthly average profit of SAR 2.2bn. They totaled SAR 7.6bn in the first quarter of the year, constituting a 10% rise from SAR 6.9bn during the same period last year, as banks benefited from lower provisions to support earnings growth.

Source: Shuaa Capital

NIGERIA

Consolidation to improve confidence in banking sector

Fitch Ratings expected the Nigerian banking sector to be characterized by mergers and acquisitions in the next three years, mainly of banks that saw intervention from the Central Bank of Nigeria (CBN) after the 2009 banking crisis. It considered that the removal of toxic assets and banks' partial recapitalization are key factors in attracting new strategic investors. It expected consolidation to result in a stronger banking system with fewer banks and improved franchises. However, the agency noted that such gains are conditional on ongoing improvements in risk management and corporate governance across the sector, which could lead to improved levels of depositor and investor confidence.

It said that three of the institutions in which the CBN intervened have signed Memorandums of Understanding (MoU) with potential acquirers. It added that the acquisition and management of the intervened institutions by domestic or foreign banks should allow for the transfer of skills between institutions, which would improve risk management levels and corporate governance. It noted, however, that two of the three MoUs signed have involved private equity consortiums, which would yield little benefits other than the initial recapitalization. In parallel, Fitch considered that Nigeria's smaller banks may continue to lack the necessary scale to offset relatively high operating and infrastructure costs. It added that increased shareholder expectations and competitive pressures could lead to further consolidation across the sector. It noted that growth opportunities in Nigeria could generate increased interest by large foreign and African institutions.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices increase on stronger dollar and weaker equities

Oil prices increased this week due to a stronger U.S. dollar and weaker equity market performance. ICE Brent is currently trading just above \$121 a barrel, down from \$125.9 a barrel at the end of last week and averaged at \$120 a barrel in the first quarter of 2011. The Energy Information Administration stated that products supplied to the U.S. domestic market decelerated this week but are still expanding despite high prices, rising by 1.3% year-on-year over the last four-week period. Gasoline demand declined 1.9% year-on-year while distillate demand was up 6.9%. Distillate and gasoline stocks declined by 1.4 million barrels and 1 million barrel, respectively on April 22 from the previous week. Stocks at Cushing in Oklahoma rose slightly this week and are expected to remain high through 2011 and 2012, although a seasonal pick-up in U.S. demand from the end of May is projected. Brent ICE Futures rose 8.4% month-on-month to \$125.9 at the end of April, while the WTI NYMEX futures rose 8.2% to \$105.7 per barrel.

Source: Standard Chartered

Qatar Electricity & Water Company cancels \$900m Syria power project

The Qatar Electricity & Water Company (QEWC) in Syria announced it canceled plans to build two power plants in Syria worth around \$900m due to the unrest in the country. In April 2010, QEWC agreed with the Syrian-Qatari Holding Company to build the two 450 megawatt plants close to oil fields in Adra, through a joint venture between the governments of the two countries.

Source: Dow Jones Newswires

Jordan seeks alternative fuel after the arrest of Egyptian supplies

The Jordanian government issued new regulations for its institutions, including turning off lights at night and stopping the use of air-conditioners and heaters, following an explosion in a gas pipeline in Sinai. The explosion halted deliveries of Egyptian natural-gas to the country. The switch to fuel oil and diesel is costing Jordan \$4.2m a day, given that the country imports almost all of its energy supplies.

Source: Bloomberg

Iraq to raise discount rate on crude oil to refiners

Iraqi legislators approved legal amendments to raise the discount on crude sold to refiners from 1% to 5%, as the country seeks to attract foreign investors to build new refineries. The new discount is offered for a 50-year period, and has limits of a minimum of \$4 per barrel and a maximum of \$8. The Parliament also amended the 2007 law governing refiners to allow companies to lease land for refineries for 50 years with the right of renewal.

Source: Thomson Reuters

Base metals: Aluminum best performer in April

The price of aluminum continued its 2011 track record in April by rising more than copper and nickel prices. This was due to rising energy costs, constituting the single largest cost component of aluminum production. In contrast, lead and zinc prices fell significantly as these metals remained oversupplied. Also, tin prices continued to rise due to supply problems in Indonesia. Overall, prices of base metals are particularly sensitive to developments in global manufacturing demand, which is again showing signs of peaking. The price of copper failed to reach \$10,000 per ton in April as China increased output and Chinese demand remained low. Also, consumption of metals in the U.S. is declining far below prior peaks, with the largest area of demand for copper in construction remaining weak.

Source: Capital Economics

Precious metals: Gold and silver on the rise

Gold continued its rally reaching new all-time highs above \$1,500 per ounce, buoyed by renewed weakening in the U.S. dollar. Further support resulted from rising inflation fears, expectations of a longer period of ultra-loose monetary policy in the U.S., and increasing worries about sovereign credit risk. Investors are also rebuilding long positions. Gold prices are expected to rise to \$2,000 per ounce in 2012. Also, silver prices were rising in recent months, supported by investment and industrial demand. In April, the price of silver rose by almost 30%. As a result, the gold-to-silver price ratio fell to its lowest level since 1980 and silver reached an all-time high of around \$49.5 per ounce, which is expected to increase by end-2011.

In contrast to gold and silver, the prices of both major platinum group metals declined in April below earlier peaks, due to concerns about the prospect for industrial demand, particularly from the automotive sector in Japan. Overall, the price of gold increased by 8.9% month-on-month to \$1,556 per ounce by the end of April, while silver increased by 28.3% to \$48.6 an ounce. Palladium prices rose 4.2% to \$792 per ounce in April 2011, and platinum increased 4.8% to \$1,866 per ounce.

Source: Capital Economics

Global Commodity Outlook				
(\$/ton)	Q2 11	Q3 11	Q4 11	Q1 12
Aluminum	2,650	2,450	2,300	2,250
Copper	9,500	9,000	8,500	8,000
Lead	2,400	2,400	2,300	2,200
Nickel	25,000	23,000	21,000	19,000
Tin	33,000	32,500	31,500	30,500
Zinc	2,200	2,100	2,000	1,900
(\$/ounce)				
Gold	1,600	1,700	1,800	1,900
Palladium	775	750	710	685
Platinum	1,800	1,750	1,650	1,600
Silver	45	48	50	53

Source: Capital Economics



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
	-	-	-	-	Stable								
Angola	B+	B1	B+	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
	Stable	Positive	Positive	-	Negative								
Egypt	BB	Ba3	BB	BB+	B	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.5	-	-	257.5	-	-	-3.9	0.3
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-10.8	-	34.9	50.0	-	-	-11.6	10.9
	Stable	-	Negative	-	Positive								
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
	-	-	-	-	Stable								
Libya	BB	-	B	-	BB	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
	Negative	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
	Stable	-	Negative	-	Stable								
Sudan	-	-	-	-	CC	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
	-	-	-	-	Stable								
Tunisia	BBB-	Baa3	BBB-	BBB	B	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
	Stable	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	A3	A-	BBB+	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
	Negative	Stable	Negative	Negative	Stable								
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
	Negative	Negative	-	Stable	Stable								
Kuwait	AA-	Aa2	AA	AA-	BBB	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	B	-8.7	139.0	160.3	243.4	14.7	212.2	-11.1	10.5
	Positive	-	Stable	Stable	Stable								
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	BB-	B	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
	-	-	-	Stable	Stable								
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3
	-	-	-	Negative	Stable								

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	B	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	B	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BB	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0
	Stable	Positive	Negative	-	Positive								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2010



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	22-Apr-11	No change	22-Jun-11
Eurozone	Refi Rate	1.25	07-Apr-11	Raise 25bps	05-May-11
UK	Bank Rate	0.50	07-Apr-11	No change	05-May-11
Japan	O/N Call Rate	0-0.10	28-Apr-11	No change	20-May-11
Australia	Cash Rate	4.75	03-May-11	No change	31-May-11
New Zealand	Cash Rate	2.50	28-Apr-11	No change	09-Jun-11
Switzerland	3 month Libor target	0.25	17-Mar-11	No change	16-Jun-11
Canada	Overnight rate	1.00	12-Apr-11	No change	31-May-11
Emerging Markets					
China	One-year lending rate	6.31	06-Apr-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	22-Apr-11	No change	22-Jun-11
Taiwan	Discount Rate	1.75	31-Mar-11	Raise 12bps	24-Jun-11
South Korea	Base Rate	3.00	10-Mar-11	Raise 25bps	13-May-11
Malaysia	O/N Policy Rate	2.75	11-Mar-11	No change	05-May-11
Thailand	1D Repo	2.75	20-Apr-11	Raise 25bps	01-Jun-11
India	Reverse repo rate	6.75	17-Mar-11	Raise 25bps	03-May-11
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	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	6.25	21-Apr-11	No change	25-May-11
South Africa	Repo rate	5.50	24-Mar-11	No change	12-May-11
Kenya	Central Bank Rate	6.00	22-Mar-11	Raise 25 bps	May-11
Nigeria	Monetary Policy Rate	7.50	22-Mar-11	Raise 100 bps	May-11
Ghana	Prime Rate	13.50	Apr-11	No change	Apr-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	15-Apr-11	No change	27-May-11
Brazil	Selic Rate	12.00	20-Apr-11	Raise 25bps	08-Jun-11
Armenia	Refi Rate	8.50	Apr-11	Raise 25bps	N/A
Romania	Policy Rate	6.25	05-May-10	Raise 25bps	N/A
Bulgaria	Base Interest	0.21	01-May-11	Raise 2bps	N/A
Kazakhstan	Refi Rate	7.50	01-Apr-11	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.25	03-May-11	Raise 25bps	N/A



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