Issue 217
June 23, 2011

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading volume up 24% to $1,739bn in first quarter 2011

Trading in emerging markets debt instruments stood at $1,739bn in the first quarter of 2011, constituting an increase of 24% from $1,402bn in the same quarter last year, but down 7% from $1,862bn in the fourth quarter of 2010. The volume of trade in local market instruments stood at $1,125bn in the first quarter of 2011, up 17% from $960bn in the same quarter last year, but down 14% from $1,302bn in the last quarter of 2010. Local instruments' turnover accounted for 65% of total emerging markets debt trades compared to 69% in the same period last year. In parallel, sovereign and corporate Eurobonds' trading volume stood at $589bn, constituting an increase of 39% from $426bn in the first quarter of 2010 and compared to $545bn in the fourth quarter of last year. The volume of traded sovereign Eurobonds increased by 13% year-on-year to $288bn; while the volume of traded local corporate bonds reached $269bn, up 70% from the same period last year. Sovereign Eurobonds accounted for 17% of total debt trading, relative to 18% in the same period last year, and corporate debt represented 16% of the survey's volume compared to 11% in the first quarter last year. The most frequently traded instruments were Hong Kong instruments with 15% of the total, followed by Brazilian debt securities with 11%, Mexican assets with 19%, South African instruments with 7.8% and Turkish debt securities at 7%. Trading in Hong Kong instruments rose by 207% year-on-year, while trading in Mexican assets decreased by 17% and in Brazilian instruments by 26%.

Source: EMTA

Private capital inflows to increase by 4% to $893bn in 2011

The World Bank projected net private capital inflows to emerging markets at $892.7bn in 2011, constituting an increase of 4% from $857.8bn in 2010. It expected net private inflows to be equivalent to 3.9% of developing economies' aggregate GDP in 2011 relative to 4.4% of GDP in 2010. It said that flows to emerging economies as a percentage of GDP remain well below their peak levels of 2006 and 2007, mainly due to the slowdown in economic performance in Europe & Central Asia. It forecast net equity inflows to increase by 6.5% to $674.1bn, driven by a growth of 14.3% in net FDI to $555bn, which will offset the 19.4% contraction in portfolio equity flows of $119.1bn. Also, it forecast net private debt inflows at $218.6bn in 2011 compared to $224.6bn in the previous year. It indicated that net FDI would be equivalent to 3% of developing economies' aggregate GDP in 2011 and portfolio equity inflows to 0.5% of the region's GDP. It forecast net private inflows to reach $963.5bn in 2012 and $1,065bn in 2013, and to be equivalent to 3.8% of GDP in each of 2012 and 2013. Further, it expected net equity flows to increase to $734bn next year and to $840bn the year after, and for net private debt inflows to reach $229.6bn in 2012 and $225.5bn in 2013.

Source: World Bank

MENA

Region's network readiness marginally improves

The World Economic Forum's Network Readiness Index shows that the average score for the 15 Arab countries included in the survey slightly improved to 3.87 points in 2010-11 from 3.84 points in 2009-10, but regressed from 3.93 points in 2008-09. The Arab countries' average came below the global average of 3.9 points in 2010-11. It said that the network readiness score of low- and middle-income countries in the MENA region reached 3.5 points in 2010-11, similar to South Asia and ahead of Sub-Saharan Africa with 3.3 points, but behind East Asia & Pacific with 3.8 points and Europe & Central Asia with 3.6 points. The UAE was the region's top-ranked country on the index and came in 24th place globally, followed by Qatar in 25th place and Bahrain in 30th place as the only Arab countries to rank among the top 30 worldwide among 138 countries. In contast, Syria (124th), Libya (126th) and Mauritania (130th) were the lowest-ranked Arab economies. The rankings of 6 Arab countries improved and 8 declined, while the scores of 9 countries improved and those of 5 economies regressed from the 2009-10 survey.

Source: World Economic Forum

GCC

Business confidence improves with increasing optimism towards investments and hiring

The HSBC Business Confidence Index reached 87 points in the second quarter of 2011 compared to 85.5 points in the first quarter, reversing some of the decline recorded as a result of the political unrest in the first quarter. The survey showed that the majority of regional businesses remain positive, as over 60% of respondents expect better overall performance in the third quarter of the year, compared to 9% that expect performance to weaken. It added that 54% of the region's businesses remain optimistic on the longer-term outlook, while 7% are pessimistic. Further, it noted that more than 40% of firms expect to increase headcount over the coming year while 38% expect to increase capital spending, constituting the highest reading since October 2008. Further, it said that 60% of firms expect unrest to likely have a negative impact on their business while one-third of the region's businesses expressed concerns that the regional political situation would deteriorate further. It added that such concerns remain particularly pronounced in Bahrain, as 54% of the country's firms consider the political environment to be unstable, which four times the regional average. It stated that business sentiment increased in all GCC countries with Saudi Arabia posting the highest confidence scores of 95. It added that all the individual country scores expect those of the UAE, remain below the levels recorded before the onset of regional unrest.

Source: HSBC

OUTLOOK

WORLD

Global financial risks on the rise, banking sector reforms lagging

The International Monetary Fund indicated that global financial risks have risen recently, as downside risks to a multi-speed global recovery have increased;, concern about debt sustainability and support for adjustment efforts in Europe's periphery is leading to market pressures and worries about potential contagion; and the prolonged period of low interest rates may push investors into riskier assets in a "search for yield." It added that political risks are also raising questions about medium term fiscal adjustment in a few advanced countries, especially in the United States and Japan. It noted that the search for yield has the potential to build financial imbalances for the future, particularly in some emerging markets. As such, the Fund expressed concerns about deep-seated challenges. It said improvements in the strength of the global financial system have been insufficient so far, which may lead markets to market volatility if political developments derail momentum on fiscal consolidation and financial reforms. It called on policymakers to accelerate actions to address financial vulnerabilities before the window of opportunity closes. It noted that banks continue to be vulnerable to a further tightening in funding conditions and are required to increase the pace of rollover maturity funding. It added that banks' balance sheets still reveal a large measure of uncertainty about asset quality, given the holdings of legacy assets and significant real estate exposures. As such, it recommended to accelerate the recapitalization of banks to provide cushions against asset losses or shocks to liquidity.

Source: International Monetary Fund

MENA

Democratization to improve economic prospects

The Economist Intelligence Unit expected a 20% probability that the momentum for democratic change will be maintained across the Arab world, with successful transitions to functional democratic systems in Tunisia and Egypt providing an example of the sustainability of the revolutions. It said this would lead other regimes to fall or to be forced by popular pressure to enact meaningful reforms. Under this scenario, it anticipated most countries in the region to reach democratic systems, albeit with significant weaknesses. It said one of the crucial conditions for a virtuous outcome for the Arab democratic revolution is that the process of change in Egypt proves to be robust, given the country's historic role as a political and cultural focal point for the Arab world. The EIU's second scenario gives a 20% probability that authoritarianism would remain the norm across the region. It takes into account the risk that the process of democratic change under way in Egypt and Tunisia could suffer serious setbacks, which would undermine much of their appeal for popular movements elsewhere in the Arab world, and would reassure the surviving dictators and absolute monarchs.

The EIU's central scenario, to which it assigns a 60% probability, is for most Arab countries to implement a degree of political reform, either as a result of the overthrow of entrenched dictators or through concessions from established regimes. Under this scenario, it expected most countries to shift to some form of hybrid regime, while the rest will have more cosmetic changes. In parallel, the EIU added that democratization would produce significant economic benefits across the region and would yield a significant growth premium in terms of the impact on weak institutions, increased education, scope for reducing reliance on commodities, and increasing the openness of economies. Further, it expected the private sector to benefit over the long-term from a more transparent and less corrupt business environment. It expected that the acceleration of economic growth under the democratization scenario to significantly narrow, and even eliminate, the region's gap with world average incomes by 2050.

Source: Economist Intelligence Unit

NIGERIA

Non-oil growth at 9% in 2011, elections results is opportunity to implement reforms

Credit Suisse projected economic growth in Nigeria at 8.1% in 2011 compared to 7.5% in 2010, and forecast non-oil real GDP growth at 9% this year relative to 6.7% last year. It considered that the election results have provided the ruling People's Democratic Party with a strong mandate to implement reforms, and will give renewed impetus for stronger macroeconomic policy. It said the momentum should be directed at raising policy interest rates, returning the consolidated government budget to surplus, rebuilding the Excess Crude Account, restoring official foreign exchange reserves back to pre-crisis levels, and allowing for more flexibility in the naira.

It noted that the successful implementation of structural reforms should result in positive developments in the economy over the medium term. It said that investors will be looking for the completion of the program of recapitalization and consolidation of banks; for new initiatives to drive the development of the power sector; and for the finalization and enactment of the Petroleum Industry Bill. It added that the improved growth prospects should attract higher FDI, as net FDI inflows declined to a five-year low of $3.6bn in 2010. It forecast net FDI inflows to rebound to $6bn this year given the restoration of political certainty and the government's drive to reform the banking, energy and oil sectors. It projected the current account surplus to increase to 18% of GDP in 2011 from an estimated 10% of GDP in 2010, driven by a more moderate pace of growth in imports as monetary and fiscal policy tightens and by much stronger exports based on a 35% increase in oil prices to $110 per barrel in 2011.

Credit Suisse also expected official gross foreign exchange reserves to reach $42bn in 2011 and to rise further to $48bn in 2012. It anticipated the increase to be driven by higher capital inflows and a higher current account surplus, as well as by lesser use of official reserves, which the Central Bank of Nigeria sold in support of a stronger naira in the past year. It forecast the naira to reach 153 to the dollar at the end of this year and 150 at end-2012. It estimated that the naira would depreciate by 5.5% year-on-year in real effective exchange rate terms by end-2011.

Source: Credit Suisse

ECONOMY & TRADE

WORLD

Optimism about global growth in third quarter recedes

Barclays Capital's Global Macro Survey indicated that optimism about growth in the third quarter decreased significantly as investors expect the European debt crisis and significant slowdown in China to disrupt markets. It said that the commodities asset class, which tends to perform well amid robust growth, is considered by 15% of institutional investors as the least attractive class in the next three months, while 41% of respondents viewed it as the most attractive class in the previous quarter. Further, it noted that bonds, which tend to rally as concerns about a slowdown increase, received 32% of the votes compared to less than 20% in the previous survey. In parallel, Barclays said that 67% of emerging markets (EM) investors considered that a significant slowdown in China constitutes the most important downside risk to EM assets during the third quarter, followed by the European debt crisis with 17% of responses. It said that the region's investors consider that this year is a difficult year to take risk in EMs. It added that 40% of investors expected the situation to clarify, as investment themes will be more sharply defined, compared to 35% who expected the situation to become even more difficult as risk factors and tight valuations will make it hard to develop successful strategies. It added that 49% of respondents considered that there is room for EM foreign exchange appreciation in the next six months due to strong growth and tighter monetary policy.

Source: Barclays Capital

JORDAN

Increase in gas prices and disruption in delivery to cost Treasury 1% of GDP

Citigroup expected the net impact of the disruption of natural gas supply as well as the 167% increase in the import price of natural gas from Egypt, to cost the Jordanian budget $300m, equivalent to 1% of GDP in 2011. It said that the negotiations between the Egyptian and Jordanian authorities raised the import price of natural gas to $4 per million BTU from $1.5 per million BTU, equivalent to almost $200m in extra costs for Jordan. This represents an unanticipated increase in government expenditures of 0.5% of GDP, which will be permanent without an adjustment in local tariffs. It added that Jordan switched to high cost diesel and oil alternatives to compensate for the 10-week disruption in the delivery of natural gas from Egypt earlier this year. It noted that such alternatives cost Jordan $3m per day and totaled $210m over the 10-week period. It added that Egyptian natural gas helps generate 75% of Jordanian electricity, which is distributed at a fixed tariff to customers. It noted that the cost over-run is not reflected in the government's budget, which increases the pressure on public finances and will increase dependence on external grants if the imbalances are not addressed in a timely manner.

Source: Citigroup

TURKEY

Short-term policy challenges on the rise

The Institute of International Finance indicated that the election victory of the ruling Justice & Development Party (AKP) coincided with a sharp increase in macroeconomic imbalances as inflationary pressures are intensifying and credit to the private sector continues to grow. It added that this has caused the current account deficit to double year-on-year to $30bn, or 12.2% GDP in the first four months of 2011. It said that policy responses were muted, as the Central Bank of Turkey (CBT) opted for hiking reserve requirements on lira liabilities instead of raising interest rates. The IIF warned that further increase in capital inflows, along with growing signs of mounting demand pressures, will increase the challenges for economic policy in the short run. It expected fiscal tightening after the elections to be modest despite the government's promises to restrain spending. It noted that most of the required adjustment will increasingly shift to monetary policy, with the CBT likely to be hard-pressed to take additional actions as the current policy mix is not yielding the anticipated results. It expected the CBT's task to be further complicated by the upward pressures on the lira from the acceleration of capital inflows. As such, it expected the CBT to hike its policy rate by more than the 75bps projected during 2011, leading to the lira's appreciation in the near term. It warned that the authorities' failure to act soon would risk a widening of the current account deficit to magnitudes that could set the stage for an abrupt exchange rate adjustment if global risk appetite weakens.

Source: Institute of International Finance

DEM REP CONGO

Reforms underway to help improve investment and business climate

The U.S. Department of Commerce indicated that the Democratic Republic of Congo is working at improving the investment climate and the business environment with support from international donors. It said the one-stop agency, the National Agency for Investment Promotion (ANAPI), is working to simplify and facilitate new investments and to make procedures more transparent. It added that the government is also working to implement a series of reforms aimed at improving the business climate. Specifically, authorities are working to reduce red tape, decrease delays and the cost of establishing a business, improve transparency of procedures and strengthen judicial security. They also plan to amend the current law on trade courts and to develop new legislation on competitiveness in business. Other measures undertaken by the government to improve the business and investment climate include the promulgation of a new customs code and a new law related to the value-added tax. In parallel, it said that public administration reforms implemented since 2002 have allowed foreign investors to bid on government contracts just as domestic investors, with no discriminatory terms. It noted that foreign firms may even be favored in the bidding process because they can more easily access and present international insurance funding guarantees.

Source: U.S. Department of Commerce

BANKING

SYRIA

Crisis takes toll on private banks, assets and deposits post significant declines

Figures released by the Central Bank of Syria (CBS) indicate that the total assets of commercial private banks operating in Syria reached SYP511bn, or $10.9bn, at the end of March 2011, constituting a decline of 4% from end-2010. The banks' foreign assets contracted by 7.6% to SYP115bn, domestic assets regressed by 2.8% to SYP396bn, and reserves declined by 14.1% to SYP110bn during the first quarter of the year. The drop in foreign assets was caused by a decrease of 10.2% to SYP82bn in the balances with foreign correspondents, and a decline of 14.5% in cash to SYP4.7bn. Also, the decline in reserves was caused by a 15.7% drop in deposits at the CBS due to a 21% contraction in Syrian pound deposits and 14% increase in foreign currency deposits at the CBS. Further, the decrease in domestic assets was due to a 4.8% decline in claims on financial institutions, but it was partially offset by a 4.8% increase in claims on the resident private sector that reached SYP206.5bn at end-March. On the liabilities side, private sector demand deposits regressed by 10.2% in the first quarter of 2011 to SYP97bn, or about $2.1bn; while private sector time deposits contracted by 4.7% to SYP147bn, or $3.1bn. Also, foreign currency deposits totaled SYP122.3bn, or $2.6bn at end-March, constituting a decline of 6.2% from end-2010. The dollar figures are based on the official exchange rate of 46.9 to the dollar at end-March.

In parallel, the total assets of Islamic banks operating in Syria reached SYP93bn, or $2bn, at the end of March 2011, constituting a decline of 5.3% from end-2010. The banks' foreign assets contracted by 9% to SYP18bn, domestic assets regressed by 4.4% to SYP75bn and reserves declined by 20.5% to SYP23.4bn, while investments rose by 180% toSYP3.3bn during the first quarter of the year. The drop in foreign assets was caused by a decrease of 7.3% to SYP9.5bn in the balances with foreign correspondents, and a decline of 18.3% in other foreign assets to SYP7bn. Also, the decline in reserves was caused by a 24% drop in deposits at the CBS due to a 29% contraction in Syrian pound deposits and 36% increase in foreign currency deposits. On the liabilities side, private sector demand deposits regressed by 13.7% in the first quarter of 2011 to SYP11bn, or about $236m; while time deposits rose by 3.3% to SYP23bn, or $494m. Also, foreign currency deposits totaled SYP15bn, or $321.5m at end-March, down 7% from end-2010.

Source: Central Bank of Syria, Byblos Research

SAUDI ARABIA

Banks to start benefiting in 2012 from public spending projects

Fitch Ratings expected banks operating in Saudi Arabia to remain highly profitable in 2011 as asset quality stabilizes, but warned that low private sector demand for loans and shrinking margins would constrain profit growth. It projected banks' liquidity, funding and capitalization to remain key strengths of the industry in 2011. It said that liquidity increased due to limited lending opportunities and that the loans-to-deposits ratios are comfortable. It noted that the average NPLs ratio for rated Saudi banks improved to around 2.9% at end-2010, from 3.4% at end-2009, and expected the impact of legacy loans on performance to fade in 2011. It noted that customer deposits account for the bulk of non-equity funding, with none of the banks dependent on market funding. In parallel, Fitch warned that concentration risk constitutes one of the key risks that Saudi banks face, due to the banks' high domestic operations as well to the domination of the market by large conglomerates and family- and government-owned groups. It noted that banks will start to benefit from the country's significant public spending programs in 2012 due to the time delay between the announcement and the start of work on government-funded projects.

Source: Fitch Ratings

LIBYA

U.S. imposes sanctions on three Libyan-owned banks

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) imposed sanctions on three banks owned by the Libyan government through the Libyan Arab Foreign Bank. The sanctions covered the Istanbul-based Arab-Turkish Bank, the Tunis-based North Africa International Bank, and the Beirut-based North Africa Commercial Bank. The new sanctions freeze the assets of the three banks in U.S. jurisdictions, and prohibit U.S. nationals from engaging in any transactions with the designated entities. The Libyan Arab Foreign Bank owns 62.4% of the Arab-Turkish Bank, 50% of North Africa International Bank, and 99.5% of the North Africa Commercial Bank. The Treasury Department said the three banks have processed commercial transactions on behalf of, or for the benefit of the Libyan Arab Foreign Bank. Las March, OFAC imposed sanctions on the government-owned Libyan Arab Foreign Bank as part of its sanctions on the Libyan regime. The Treasury Department said it is carefully monitoring Libyan-associated entities worldwide to ensure that they are not trying to evade sanctions and assist the Qadhafi regime.

Source: U.S. Department of the Treasury

ANGOLA

Central Bank bans lending in foreign currency

The Banco Nacional de Angola (BNA) announced that it banned commercial banks operating in the country from issuing loans in foreign currency in an attempt to limit the use of the dollar in the economy. It indicated that financial institutions are expressly forbidden from realizing credit operations in foreign currency of any term. The BNA said exceptions may apply for borrowers such as the government and businesses with proven "revenues and receivables" in foreign currencies. Foreign currency loans accounted for 64.5% of total loans, while foreign currency liabilities represented 53.6% of total liabilities at end-September, the latest available figures. Further, the sector's loans-to-deposits ratio increased to 67% at end-September from 55.8% at the end of 2009, while credit to the private sector accounts for 89.3% of total credit. The banks' net open position in foreign currencies was equivalent to 60% of capital at end-September compared to 89% at end-2009. Also, the sector's liquid assets reached 24.5% of total assets at end- September 2010.

Source: Banco Nacional de Angola, International Monetary Fund

ENERGY / COMMODITIES

Crude oil prices to decline on lower supply risk

Following a sharp correction at the beginning of May, crude oil prices have recovered, with ICE Brent trading at $113 a barrel on June 23rd. Current market issues for oil include the strength of activity in the U.S. and worsening power shortages in China on the demand side, and doubt about OPEC's ability or willingness to increase output on the supply side. Also, geopolitical risks are still prevalent in the Middle East and North Africa region, but fears of a major disruption to prices are fading. The supply risk premium is expected to persist in the third quarter of 2011, but to slowly decline thereafter, offsetting a tightening physical market. ICE Brent prices are projected to average $115 per barrel in the third quarter and $110 per barrel in the fourth quarter of 2011, as the risk premium slowly declines. Global crude oil demand is expected to rise to 90.6 million barrels per day in the second half of 2011, pushing the call on OPEC crude to 31.2 million barrels per day in the third quarter and 30.4 million barrels per day in the fourth quarter of 2011. *Source: Standard Chartered*

IEA to release oil, compensating for the Libyan disruption

The International Energy Agency said that its 28 member countries agreed to release 60 million barrels of oil in July due to the ongoing disruption of oil supplies from Libya. It added that the Libyan unrest led to a decline of 132 million barrels of light crude oil from the market by the end of May 2011. Also, the U.S. will release 30 million barrels of oil from the Strategic Petroleum Reserve, which stands at 727 million barrels. This is the third time in the history of the IEA that its members have decided to release stocks.
Source: Market Watch

North Sudan threatens to turn off oil pipelines

North Sudan threatened to shut down the pipelines that transfer oil from the South to Port Sudan on the Red Sea unless a revenue sharing deal is reached by next month. South Sudan is preparing to declare its independence from the north on July 9, and the South holds around 75% of the country's oil reserves and the north has the refineries and pipelines. The IMF stated that with oil revenue constituting more than half of North Sudan's government revenue and 90% of exports, the economy will need to adjust to a permanent shock. It noted that North Sudan will need to reduce spending, lift fuel subsidies, reduce tax exemptions and enhance revenue administration.
Source: Thomson Reuters

Egypt agrees on exported gas price to Jordan and Iraq boosts oil supplies

Jordan agreed to raise the price that it pays for imported natural gas from Egypt to $4 per million BTUs from $1.5 per million BTUs. The new price is expected to increase Egypt's revenues by $200 million a year. The Kingdom also signed a deal with Iraq where it is receiving 15,000 barrels of Iraqi oil daily, since it relies on Egyptian gas supplies for 80% of its electricity needs. Jordan is therefore currently receiving 30,000 tons of heavy fuel oil per day from Iraq at an $88 per ton discount.
Source: The Jordan Times, Al Masry Al Youm

Base metals: Nickel prices to increase on strong sentiment return

Nickel prices were weak in the second quarter of 2011 and fell both in U.S. dollar terms and relative to the base metals complex, as stainless steel demand growth declined, nickel pig iron production started to grow strongly, and investor sentiment turned more bearish with fears of oversupply. Also, LME stocks remain high in absolute terms, at 31 days of global consumption. The stainless steel market was doing well at the start of 2011, but momentum faded in April and May as restocking declined and worries about an economic slowdown resulted in less buying by consumers. Growth in stainless consumption slowed from 21% year-on-year in January to 3% year-on-year in March 2011.

Further, global Nickel supply was hit in the second quarter and is expected to fall 2.5% quarter-to-quarter. However, a recovery is expected in supply as nickel pig iron production in China is strengthening. Nickel prices are expected to fluctuate during the rest of 2011 and may reach above $30,000 per ton since LME stocks are still very high and are expected to increase further on strong bullish sentiment return. However, nickel prices are forecast at $25,098 per ton in 2011 and $23,000 per ton in 2012.
Source: Standard Chartered

Global Nickel Outlook

(kilo tons)	2009	2010	2011f	2012f	2013f
Total supply	1,310	1,434	1,563	1,681	1,773
(% change)	-5.0	9.5	9.0	7.5	5.5
Refined demand	1,270	1,473	1,547	1,655	1,771
(% change)	-1.0	16.0	5.0	7.0	7.0
Balance	40	-39	17	26	2
Reported stocks (end-period)	391	352	368	394	396
Three-month price ($/ton)	14,762	21,913	25,098	23,000	24,000

Source: Standard Chartered

Precious metals: Platinum group metal prices are held back by worries about the economy

The platinum group metal (PGM) prices suffered more than other precious metals in the first half of 2011 due to their greater exposure to the economic cycle and softness in car sales, where figures for May pointed to low auto catalyst demand. In the U.S., car sales were up 13% in the first five months of 2011 but down 4% year-on-year in May. Also, the major physical ETFs for platinum fell by 1% in the second quarter so far from the previous quarter, while palladium fell by a more substantial 1.8%. This was partly offset by an upturn in net speculative positions on U.S. exchanges, which rose by 7.6% and 6.4%, respectively, in the same period. Platinum prices are projected to rise in the year ahead, but doubts about the global recovery and unpredictable investor flows are bound to create further volatility. Rising operating costs in South Africa are providing some support for prices. Also, palladium prices have been volatile in recent months, but are also expected to trend higher in the year ahead, where shipments of metal from Russia fell in the early part of this year.
Source: Standard Chartered

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 Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	B+ Stable	Ba3 Stable	BB- Stable	- -	B Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB Negative	Ba3 Negative	BB Negative	BB+ Negative	B Stable	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia	-	-	-	-	B Stable	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B Stable	- -	B+ Negative	- -	B Positive	-10.8	-	34.9	50.0	-	-	-11.6	10.9
Ivory Coast	- -	- -	- -	- -	CCC Stable	-0.2	-	50.1	111.2	-	-	6.8	1.8
Libya	BB Negative	- -	B Stable	- -	BB Stable	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
Mauritania	- -	- -	- -	- -	- -	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
Morocco	BBB- Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+ Stable	- -	BB- Negative	- -	B Stable	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
Sudan	- -	- -	- -	- -	CC Stable	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
Tunisia	BBB- Stable	Baa3 Negative	BBB- Negative	BBB Stable	B Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB Negative	BBa1 Negative	A- Negative	BBB+ Negative	BBB Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	- -	- -	- -	- -	CC Stable	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB Negative	Ba2 Negative	- -	BB Stable	B Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA- Stable	Aa2 Negative	AA Stable	AA- Stable	BBB Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B Positive	B1	B Stable	B Stable	B Stable	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	A Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	- -	- -	- -	BB- Stable	CCC Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	- -	- -	- -	B- Negative	CC Stable	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3

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	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
Kazakhstan	BBB	Baa2	BBB-	-	B								
	Stable	-	Stable	-	Stable	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
Romania	BB+	Baa3	BB+	BBB-	B								
	Stable	-	Stable	Negative	Stable	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
Russia	BBB	Baa1	BBB	-	BB								
	Stable	Positive	Stable	-	Stable	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
Turkey	BB	Ba2	BB+	BB	B								
	Positive	Positive	Stable	Stable	Stable	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
Ukraine	B+	B1	B	-	CCC								
	Stable	Positive	Negative	-	Positive	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0

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	09-Jun-11	No change	07-Jul-11
UK	Bank Rate	0.50	09-Jun-11	No change	07-Jul-11
Japan	O/N Call Rate	0-0.10	14-Jun-11	No change	12-Jun-11
Australia	Cash Rate	4.75	07-Jun-11	No change	05-Jul-11
New Zealand	Cash Rate	2.50	09-Jun-11	No change	28-Jul-11
Switzerland	3 month Libor target	0.25	16-Jun-11	No change	Sep-11
Canada	Overnight rate	1.00	31-May-11	No change	19-Jul-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	3.25	10-Jun-11	Raise 25bps	14-Jun-11
Malaysia	O/N Policy Rate	3.00	05-May-11	Raise 25bps	Jul-11
Thailand	1D Repo	3.00	01-Jun-11	Raise 25bps	13-Jul-11
India	Reverse repo rate	7.50	16-Jun-11	Raise 25bps	26-Jul-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	25-May-11	No change	23-Jun-11
South Africa	Repo rate	5.50	12-May-11	No change	21-Jul-11
Kenya	Central Bank Rate	6.25	31-May-11	Raise 25 bps	Jul-11
Nigeria	Monetary Policy Rate	8.00	25-May-11	Raise 50 bps	Jul-11
Ghana	Prime Rate	13.00	May-11	Cut 50 bps	Jul-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	27-May-11	No change	08-Jul-11
Brazil	Selic Rate	12.25	08-Jun-11	Raise 25bps	20-Jul-11
Armenia	Refi Rate	8.50	07-Jun-11	No change	N/A
Romania	Policy Rate	6.25	05-May-10	Raise 25bps	N/A
Bulgaria	Base Interest	0.22	01-June-11	Raise 1bps	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

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

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

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

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

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

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

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

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

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

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

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

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

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

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

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

ADIR INSURANCE
Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293