



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

IRAN

U.S. House passes sanctions bill

The U.S. House of Representatives passed a bill by a vote of 480 to 6 to increase pressure on companies that invest in Iran. The Iran Sanctions Enabling Act directs the U.S. Treasury Department to publish an Internet-accessible list of persons or entities in or outside the United States investing more than \$20 million in Iran's energy sector, selling arms to Tehran or extending \$20 million or more in credit to Iran's government. The measure establishes clear congressional authorization for local and state governments and educational institutions to divest from Iran's energy infrastructure. It provides protection to private and public fund managers from potential lawsuits linked to divestment decisions. It also calls for the U.S. government's federal employee retirement fund to initiate what is called a "terror-free" investment option. House lawmakers also amended the main existing sanctions law regarding Iran, the Iran Sanctions Act, to expand and clarify the definition of companies and entities subject to sanctions. The bills now head to the Senate for debate and voting.

Source: AP, VOA

TURKEY

Ratings upgrade conditional on presidential elections

Rating agencies stressed that the parliamentary elections, which resulted in the ruling Justice and Development Party (AKP) retaining its absolute majority, were not enough on their own to improve Turkey's rating outlook and that the trigger for a credit re-rating would be the presidential elections and the elimination of political risks. Standard & Poor's said Turkey's sovereign ratings could improve if the presidential election is managed harmoniously and the AKP shows continued commitment to reforms. Also, Fitch Ratings said that a ratings hike may be on the way if the AKP follows a conciliatory approach through the course of presidential elections. In parallel, Moody's Investors Service anticipated that the re-elected government would press forward with economic and political reforms in its second five-year term. It warned of near-term uncertainties surrounding the upcoming presidential election and the government's reaction to national security threats.

Source: Fitch Ratings, Moody's Investors Service, S&P

IRAQ

Parliament recessing in August

Iraq's Parliament went into summer recess for a month, after political leaders failed to agree on a series of laws that Washington sees as crucial to stabilizing the country. Parliament is due to reconvene on September 4. As expected, this leaves little room for progress in key benchmarks, such as the oil bill, de-Baathification law and constitutional amendments, before the White House's submits its final progress report on Iraq in mid-September.

Source: Merrill Lynch

SUDAN

UN passes resolution on Darfur

The United Nations Security Council voted unanimously to create a peacekeeping operation for the Darfur region. UNSC resolution 1769 calls for a force of up to 19,555 soldiers, including 360 military observers and liaison officers, plus 3,772 police, alongside 19 police units of 140 people each. It also calls on member states to finalize their contributions to the new force, called the United Nations-African Union Mission in Darfur (UNAMID), within 90 days. UNAMID would incorporate the 7,000 Africa Union troops now in Darfur and will be led by an African general but largely run by the United Nations. UNAMID aims to carry out its mandate by the end of 2007. Estimated to cost more than \$2 billion in the first year, the operation is an effort to stop violence in Sudan's western region. Parts of the resolution are under Chapter 7 of the U.N. Charter, under which the U.N. can authorize the use of force for self-defence to ensure the free movement of humanitarian workers and to protect civilians. Sudan supported the deployment of the UN peacekeeping force as authorized by the Security Council.

Source: AFP, Reuters

U.S. House ratifies divestment act

The U.S. House of Representatives passed the Darfur Accountability and Divestment Act of 2007 by a vote of 418 to one to increase pressure on companies doing business in Sudan. The bill requires the U.S. Treasury Department to publish and maintain a list of companies or entities whose business dealings directly benefit the Sudanese government and prohibits them from receiving federal contracts. It also enables U.S. state and local governments to divest from those companies, and provides protection to fund managers from lawsuits brought by investors who disagree with any decision to divest. Among the provisions, companies would have to disclose activities with Sudan's government or government-controlled entities, as well as investments in military equipment sales or in oil-related activities. So far, 19 U.S. states, nine cities, and 54 universities have taken divestment measures.

Source: AFP, AP, Reuters

MOROCCO

Parliament ratifies assets disclosure law

The Moroccan Parliament ratified a draft law governing the conduct of public officials. The new legislation requires top civil servants, state officials, members of parliament and ministers to declare their personal assets. Members of Parliament are obliged to declare all their professional activities, electoral mandates, assets and revenues received in the year running up to their election. The deadline is set at two months following their election or the start of the legislative session. The number of corruption-related cases processed by Moroccan courts increased nearly 50% to nearly 5,900 cases last year, according to the Justice Ministry. The surge in prosecutions is part of the government program to reduce corruption.

Source: Magharebia News

JULY POLITICAL RISK OVERVIEW

ALGERIA

Suicide bombing killed 10 soldiers and wounded 35 at a military post in Lakhdaria on July 11. Al-Qaeda in the Islamic Maghreb claimed responsibility and threatened new attacks in North Africa. Security forces reportedly killed 44 militants from July 14 to July 24.

ARMENIA

The law restricting re-broadcasting of foreign media failed in parliament after opponents boycotted voting.

EGYPT

21 Muslim Brothers, on vacation in northern town Marsa Matrouh, were arrested for planning brotherhood activities on July 22. Also, 23 Egyptian and foreign men, reportedly members of Salafist group, were arrested early July. They were accused of planning attacks and advocating government overthrow.

IRAN

IAEA inspectors arrived to Iran on July 30 following talks that saw IAEA and Iran agree on a framework for conduct of future negotiations and a secured Iranian commitment to allow inspection of Arak nuclear plant. Talks were held amid discussions of a third round of UN sanctions. U.S. Ambassador Ryan Crocker and Iranian Ambassador Hassan Kazemi Qumi met in Baghdad on July 24 to discuss Iraq security. The U.S. described the meeting as "heated" but parties established a trilateral security committee including Iraq to focus on containing Sunni insurgents. Iranian suggestion of future meetings at a higher level was received coolly by the U.S. on July 25.

IRAQ

Daily car bombs, shootings and suicide attacks continued while attempts were made to move out of internal political and international diplomatic impasse. Worst violence saw 160 killed by bomb in mainly Shiite Amirli village north of Baghdad on July 7 and 3 blasts in northern city of Kirkuk killed 85 on July 16. The U.S. Joint Campaign Plan indicates that U.S. forces are likely to remain in Iraq until summer of 2008. U.S. Ambassador to UN called on UN to play expanded role as mediator both internally and with neighboring countries. U.S. and Iraqi officials began working on joint panel with Iran to investigate issues such as containing militias and insurgent group Al-Qaeda in Iraq. Saudi Arabia pledged to investigate possibility of opening diplomatic ties with Baghdad.

IVORY COAST

President Gbagbo visited the Forces Nouvelles (FN) stronghold of Bouaké for the first time since the end of the war for July 30 weapon burning ceremony as symbolic start for the disarmament process. Tensions had heightened following the failed assassination attempt on PM Guillaume Soro in Bouaké on June 29. FN commander publicly accused French and UN peacekeepers of failing to ensure Soro's safety, while peacekeepers denied responsibility for airport security. UN Security Council extended UNOCI and French peacekeepers' mandate to mid-January 2008. A donors' conference agreed to a €295 million aid package to support peace process.

KAZAKHSTAN

Campaigning began for August 18 local and parliamentary elections. President Nazarbayev's daughter Darigha Nazarbayeva was dismissed from deputy chairmanship of his Nur Otan party and was excluded from party's electoral candidate list.

MOROCCO

Police detained 15 suspected al-Qaeda members on July 10 after warnings of imminent terror attacks. 2 journalists and army officer were detained for alleged leak of secret intelligence on al-Qaeda plot. 11 suspected Islamists were sentenced to 2-4 years for planning "terrorist acts" on July 25.

NIGERIA

President Yar'Adua named a 39-member Government of National Unity on July 26. All Nigeria People's Party endorsed the government despite opposition by presidential candidate, Muhammadu Buhari. The Action Congress rejected participation. Clashes between Benue State ethnic Tiv and Kuteb communities over land dispute killed dozens and displaced thousands. Clashes between Niger Delta militants and security forces continued with apparent new kidnapping tactic targeting children. NDPVF militia leader Dokubo-Asari conveyed ceasefire conditions on July 19, including release of impeached Bayelsa State governor Diepereye Alamieyeseigha.

SYRIA

Syrian-Israeli peace talks failed to restart despite public statements of interest by both sides and mediation by Turkish officials and UN envoy Michael Williams. French envoy Jean-Claude Cousseran visited Damascus on July 18 to discuss violence and political stalemate in Lebanon. President al-Assad sworn in for a second 7-year term on July 17.

SUDAN

UN Security Council voted unanimously on July 31 to begin sending joint UN/AU force of 26,000 troops and police to Darfur. Resolution 1769 includes Chapter VII mandate to justify use of force to protect civilians and gives command and control to UN. But conflict threatens in north as hydro-electric dams displace communities and local resistance to projects becomes increasingly militant. Several violent clashes between Nubians and the government were reported. Merowe reservoir will flood in August which could displace as many as 70,000 who refuse to leave.

TURKEY

Ruling Justice and Development Party (AKP) won decisive victory in July 22 parliamentary elections, with 46.7% vote, 341 of 550 seats. Republican People's Party and Nationalist Action Party won 112 and 71 seats respectively. No other party was able to exceed the 10% threshold to enter the legislature.

YEMEN

June ceasefire between government and Al-Houthi rebels strained after rebels missed deadlines to handover weapons and withdraw from certain positions. A suspected al-Qaeda suicide bomber killed 8 Spanish tourists and 2 Yemenis in Marib on July 2.

Source: *International Crisis Group*



OUTLOOK

JORDAN

IMF recommends issuing long-term bonds in local currency

The International Monetary Fund forecast Jordan's economy to grow by 6% in 2007, driven by continued sound policies and large capital inflows, and expected inflation to remain under control and to average 5% for the year compared 6.3% in 2006. It projected the current account deficit, excluding grants, to improve by about 1% of GDP this year due to continued strong export performance and large remittances and private capital inflows. But the overall current account deficit is expected to stay at its 2006 level of 13.6% of GDP.

The Fund noted that fiscal performance was positive early in the year, but the rising cost of fuel and food subsidies points to risks of a higher-than-budgeted deficit for the year as a whole, unless offsetting measures are taken. It recommended replacing generalized subsidies by targeted measures, including cash transfers to the poor. In addition, given the sensitivity of the budget to oil price developments and the need to meet the medium-term public debt ratio of 60% of GDP by 2011, it encouraged authorities to consider raising the prices of subsidized petroleum products.

With government financing needs set to increase over the medium term, the authorities are considering issuing Islamic *sukuks*. The IMF believes that Jordan should also consider issuing long-term bonds in local currency in the region. According to the Fund, this would place Jordan on the financial market map and improve its image with foreign investors, since potential investors would undertake a thorough assessment of the country risk in terms of monetary, fiscal, and financial policies. Given Jordan's favorable economic conditions, ample regional liquidity, and the current appetite of financial markets for these instruments, the interest rate premium should be small. The public debt-to-GDP ratio fell to about 65% by end-May, from 72.5% at end-2006 but is expected to reach 67.5% of GDP at end-2007. External debt is forecast to decline to 45.4% of GDP from 51.3% of GDP at end-2006.

The Fund also encouraged authorities to accelerate fiscal structural reforms by completing the establishment of the Treasury Single Account in order to achieve better cash management, lower borrowing needs, improve revenue collection and consolidate the budget process.

Source: International Monetary Fund

ROMANIA

Current account deficit to widen, but economic risks remain manageable

The Institute of International Finance expected Romania's real GDP growth to recover from 5.6% this year to 6.2% in 2008 and forecast inflation at 4% in 2007 and 4.2% in 2008, adding that downside economic risks look manageable at present. It noted that buoyant domestic spending along with the appreciation of the leu will help to widen the current account deficit to as much as 18% of GDP in 2008 from 14.5% in 2007. Meanwhile, fewer privatization-related transactions look set to slow FDI inflows

from 8.25% of GDP in 2006 to 6% this year and next, less than half the prospective current account shortfall. Also, FDI inflows should be accompanied by another 4-5% of GDP of borrowing by domestic banks, mostly from foreign parents, to finance domestic foreign exchange lending. However, the growing current account deficit will leave other capital inflows increasingly vulnerable to reversal, especially non-resident leu deposits at local banks, which may total 3% of GDP this year.

In parallel, the widening current account deficit is likely to leave the leu vulnerable to less favorable global economic and financial market conditions. Despite modest government debt and comfortable foreign exchange reserves, the likelihood will increase of a potential leu correction, triggering resurgent inflation and marked contractions of incomes and output. External debt is forecast at 43% of GDP at end-2007 and 47.5% of GDP in 2008.

Source: Institute of International Finance

KAZAKHSTAN

Banks' aggressive growth generating credit and structural risks

Fitch Ratings stated that the very aggressive growth strategies of Kazakhstani banks are increasing credit and structural risks, adding that expansion seems likely to remain rapid in the short-term. It noted that such growth presents an important test of the banks' credit risk management capabilities, and any significant deterioration of asset quality could pose additional risks.

The agency indicated that relatively new retail lending and loans to the potentially cyclical construction and real estate sectors are the main growth drivers, with exposures to Russian borrowers also substantial at certain banks. In addition, loan books remain highly concentrated, while tenors and the share of foreign currency loans are increasing. Fitch warned that credit risks are substantial despite the fact that asset quality is reasonable, lending at most banks is primarily secured and economic growth is currently strong.

Fitch said that banks are increasingly tapping international capital markets to fund their rapid growth. Most of the large banks are heavily funded from abroad and are vulnerable to foreign currency lending, refinancing and interest rate risks. It expected medium-sized and smaller banks to increase their capital bases to comply with a new regulation that ties the permitted amount of foreign funding to regulatory capital, while larger banks will not be significantly affected. As a result, Fitch does not expect the regulation to have a significant impact on foreign funding volumes or sector growth rates. In parallel, the tapping of public equity markets represents a further source of capital flexibility for Kazakhstani banks. For instance, two of the country's largest banks, Kazkommerts and Halyk, have made public share offerings last year and earlier this year to support ongoing growth. *Source: Fitch Ratings*



ECONOMY & TRADE

SYRIA

Subsidies to cost \$7bn in 2008

Deputy Prime Minister for Economic Affairs Abdullah Al Dardari stated that the government plans to allocate \$7 billion for subsidies in its 2008 budget, adding that 2008 would mark the first year of implementation of a new subsidies policy. Current subsidies cover energy, basic commodities, food supplies, agricultural production as well as free education and health services. He said that the subsidies would be "distributed effectively among citizens, affirming the government's commitment to delivering support to deserving groups". The subsidies bill would represent alone over 59% of all government expenditures on the basis of the 2007 budget and would be equivalent to 20% of the country's GDP.

Source: *Oxford Business Group, Syria Report*

ALGERIA

Inflation at 2.6% in first half of 2007

Figures presented by the national statistics office show that inflation reached 2.6% in Algeria in the first half of 2007, constituting a slight increase compared to 2.5% in the same period of the previous year. The rise was attributed to the increase of prices of food products, particularly of fresh agriculture products (+3.7%), of various products like lubricants and household items (+2.7%), of sanitary and hygiene products (+2.7%) and furniture (+0.7%). The inflation rate declined from 29.4% in 1994 to 2.5% in 2006.

Source: *ANSAMED*

EGYPT

New stock exchange for SMEs

The Cairo & Alexandria Stock Exchanges (CASE) announced plans to establish an independent bourse for small and medium-sized enterprises (SMEs) to run parallel to the current stock market. The new SME stock exchange, expected to be launched in the coming months, will allow companies that do not meet the paid-in capital requirement for a listing on the CASE to be traded on the equity market. The Capital Market Authority said the introduction of the new stock exchange would provide smaller companies access to capital that could help them realize their growth potential.

Source: *ANIMA*

IRAQ

Auction of three mobile licenses

The government plans to offer three new mobile phone licenses to operate national cellular telephone networks for up to 15 years, with a fourth license likely to go to the Ministry of Communications. The Iraqi government announced a tender to grant the new licenses last month, with the auction expected to be held in Amman on August 16-17 and results announced on August 18th. The current operators have been pressing for the licenses to be issued as soon as possible. The current temporary licenses, which have been extended several times, are set to expire on August 31. About 10 firms are rumored to have pre-qualified for the new license tender.

Source: *Down Jones Newswires*

UAE

S&P and Fitch assign ratings to Abu Dhabi bond

Standard & Poor's assigned a 'AA' senior unsecured debt rating to the to the Emirate of Abu Dhabi's (AA/Stable/A-1+) inaugural \$1bn bond maturing in August 2012 and carrying a 5.5% rate. According to S&P, the ratings are supported by the government's very strong asset position, providing significant financial flexibility and by the country's high level of stability and wealth underpinned by its rich resource endowment. It added that the ratings are constrained primarily by the geopolitical risks facing all sovereigns in the region. In parallel, Fitch Ratings assigned a 'AA' rating to the five-year bond. It said the rating is in line with Abu Dhabi's long-term foreign currency Issuer Default Rating of 'AA' with a Stable Outlook.

Source: *Standard & Poor's, Fitch Ratings*

KAZAKHSTAN

Annual inflation at 8.8% in July

Data released by the statistical agency show that consumer price inflation increased to 8.8% year-on-year in July from 8.1% yoy in June. The main factor behind the sharp increase was food price inflation, which accelerated to 9% year-on-year in July from an annualized 7.7% in June. Non-food price inflation picked up to 8% annually in July from 7.3% year-on-year in June, while services price inflation was broadly unchanged at its already high level of 9.7%, pointing to broad-based inflationary pressures. Headline inflation is now above the upper end of the National Bank of Kazakhstan's base-case inflation expectation/target of 7.3-8.3% for end-2007.

Source: *Credit Suisse*

UKRAINE

Budget surplus declines to 1.7% of GDP

Figures released by the Economy Ministry show that the consolidated budget surplus fell to 1.7% of GDP in the first half of the year from 3.6% of GDP in the first five months of the year. Cumulative total revenue fell to 32.8% of GDP from 33.8% a month earlier, while expenditures rose to 31% of GDP from 30.2% in January-May. The overall surplus contracted to 0.4% of GDP in June on an annual basis from 0.6% in May. This is mainly because expenditure traditionally rises strongly in June, as many public sector employees receive their summer salary advances. Spending is set to rise sharply in the following three months, ahead of the early parliamentary elections scheduled for September 30. Revenue was down to 31.4% of GDP in June from 31.8% in May. The data indicate that while the deterioration in the fiscal balances is likely to accelerate between July and September, the overall budget deficit at year-end is still likely to be considerably lower than the 3.2% of GDP projected in the amended budget.

Source: *Credit Suisse*



BANKING

UAE

Fitch upgrades six banks

Fitch Ratings upgraded six UAE-based banks following the assignment of foreign and local currency Issuer Default Ratings (IDRs) to Abu Dhabi. The assigned ratings are Long-term foreign and local currency IDR 'AA' with a 'stable' outlook and Short-term foreign currency IDR 'F1+'. The Country Ceiling is 'AA'. The Long-term IDRs of Emirates Bank International and National Bank of Abu Dhabi are upgraded to 'AA-' from 'A+' and Short-term IDRs to 'F1+' from 'F1' to reflect the two banks' large government shareholdings and significant domestic franchises. The Long-term IDRs of Abu Dhabi Islamic Bank, First Gulf Bank, Mashreqbank and Union National Bank are upgraded to 'A+' from 'A' to reflect their important domestic franchises. The IDRs of the banks with less significant franchises such as Bank of Sharjah, Commercial Bank of Dubai and National Bank of Ras Al-Khaimah are unchanged. The ratings of HSBC Bank Middle East are also unchanged, as support will come from its parent HSBC Holdings. All bank outlooks remain 'stable' and all other ratings are affirmed. The agency said that all banks are rated higher than they would be if assessed purely on a stand-alone basis.

Source: Fitch Ratings

SYRIA

International Bank for Trade & Finance to double capital

The International Bank for Trade & Finance (IBTF) announced plans to double its capital to SYP3 billion, or \$60 million, through a public subscription offer to be held in August. The capital increase aims to expand the bank's credit portfolio and lending operations as well as to meet the capital adequacy requirement. Shares will be sold at a unit price of SYP 500 (\$10). Priority will be given to the Bank's founders and existing shareholders, while the balance will be offered to new investors. IBTF's total assets reached \$722 million at end-June 2007.

Source: Syria Report

ALGERIA

Recapitalization of public banks

President Abdelaziz Bouteflika signed a finance law authorizing 10 billion dinars, or about \$143 million, for the recapitalization of state-owned banks. The capital injection is expected to help public banks meet the increasing financing needs of large projects, particularly in energy and public works. The capital injection would also cover provisions for non-performing loans. Public banks' solvency and profitability is weak due to their lending to loss-making state-owned enterprises, and prudential ratios have limited their ability to extend credit. Their NPLs reached 38.2% in 2005 and were provisioned by only 49.2%. Six public banks dominate the sector, holding around 90% of total assets, with the three largest being Banque Nationale d'Algérie, Banque Extérieure d'Algérie and Crédit Populaire d'Algérie. This would constitute the seventh recapitalization of state-owned banks since 1991. The Finance Ministry will decide at later stage which banks will benefit from the capital injection.

Source: El Watan

IRAN

Deutsche Bank to cease operations in Iran

Deutsche Bank announced it has decided to cease doing business in Iran. The bank said it had informed clients in Iran on July 20 that they would have to transfer to other institutions by September 14th. It said tougher disclosure requirements introduced by the United Nations and the European Union, and moves by the German government to restrict credit guarantees, meant it was no longer worth continuing doing business with Iran. Deutsche Bank will also cease to seek any new ties with corporate clients in Iran and wind down activities until it no longer had any relationships in the country. The bank's move comes after a lobbying campaign by the U.S. Treasury Department, which has warned more than 40 banks across the world that it would follow a strict interpretation of U.S. and UN restrictions on doing business with Tehran.

Source: Financial Times

EGYPT

UAE firms buy majority stake in National Bank for Development

The Abu Dhabi Islamic Bank and Emirates International Investment Co. announced they have acquired a 51.2% stake in the Cairo-based National Bank for Development (NBD). The two institutions said that they intend to increase NBD's capital over several stages from EGP281.9m (\$50m) currently to reach EGP2bn by the end of 2009.

Source: Asharq Al Awsat

TURKEY

NBK acquires 40% stake in local bank

The National Bank of Kuwait (NBK) announced it has acquired a 40% stake in Turkish Bank for \$160 million subject to the approval of Kuwaiti and Turkish authorities. NBK said the bank's capital would be increased by \$40 million. Turkish Bank had total assets of \$481.2 million at the end of 2006. It has 17 branches and plans to increase its branch network five-fold in the coming two years. NBK is the largest bank in Kuwait and one of the largest in the Middle East with aggregate assets of \$27 billion at end-2006.

Source: Reuters

ROMANIA

Central Bank keeps policy rate unchanged

The National Bank of Romania (NBR) kept the policy rate unchanged at 7%, saying that the recent economic developments were "consistent with the aim to attain this year's inflation target". The NBR also took a series of liquidity-management measures to address the high volatility in the interbank money market rates. The NBR's board said that, in an effort to "enhance the signaling role of the monetary policy rate and reduce interbank money market rates volatility," it has adjusted the interest rates on its lending and deposit facilities as well as the maturity of the open market operations which it conducts to take deposits. The overnight borrowing rate in the interbank market was as high as 54% on April 27 this year.

Source: Credit Suisse



ENERGY/ COMMODITIES

Oil steady after fuel-led plunge from record high

U.S. light crude for September delivery shed 6 cents to \$76.47 a barrel after ending Wednesday's volatile session down \$1.68, or 2.15%. The contract surpassed the previous July 2006 all-time high of \$78.40 to mark a new \$78.77 peak, shortly after weekly oil inventory data showed an unexpectedly large drop in crude stocks in the United States. But the focus quickly shifted to a counter-seasonal rise in gasoline stocks, extending the recovery from months of unusually low supplies and sending that contract down 3.6%. London Brent crude gained 1 cent to \$75.36 a barrel on Thursday, after lagging the U.S. market's gains over the past week. Its August 8, 2006, peak of \$78.65 a barrel remains intact.

U.S. crude oil stocks plunged 6.5 million barrels last week, far more than an expected decline of 700,000 barrels. Although many analysts fear inventories will continue to fall sharply as OPEC maintains supply curbs and refineries rev up output, stocks for the moment remain some 12% above their late-July norm, putting the focus on fuels. The unexpected 600,000-barrel build in gasoline supplies and a jump of 2.8 million barrels in distillates came as refineries boosted utilization rates to the highest in 11 months, raising hope for better supplies ahead of the winter.

Source: Reuters

OPEC leads oil search

OPEC members have stepped up their search for oil and gas while oil prices surged past record highs of more than \$78 a barrel. OPEC said its members operated 336 oil rigs in 2006, an increase of 11.5% since 2005, in response to strong demand from developing countries such as China and India. Saudi Arabia managed 75 rigs last year, the largest since OPEC's records started in 1980.

Source: Financial Times

OPEC revenues hit \$649bn in 2006

An OPEC report showed the group's oil and gas export revenue grew 22% to a record \$649bn in 2006. Saudi Arabia received \$194bn from petroleum exports, including crude oil, condensates and natural gas liquids, a rise of 20%, according to OPEC's Annual Statistical Bulletin. US oil prices reached a record high \$78.40 in July 2006, a figure which is also being threatened this year.

Source: Reuters

\$2.6bn oil and gas holding company

Bahrain has set up a \$2.6bn oil and gas holding company. The government's stake in five firms will be transferred to the National Oil and Gas Authority. They are Bapco, which is 100% state-owned; Banagas (75%); Bahrain Gas Company Expansion (100%); GPIC (33.33%) and Bafco (60%).

Source: Gulf Daily News

Base metals: Nickel and lead are suffering from profit taking

Base metal prices continued to decline amid further profit-taking actions. Especially, lead and nickel prices suffered from these liquidations. Lead is now trading below \$3,200, while nickel prices fell quite sharply by more than 7% to below \$31,500. Aluminium prices declined to below \$2,800, while copper is lingering slightly below \$7,800. Tin prices traded sideways at around \$15,300, while zinc prices were supported by the latest monthly statistics released by the International Lead and Zinc Study Group (ILZSG). The ILZSG revised global refined zinc production for 2006 and for the first half of 2007 downward. Zinc prices are currently trading around \$3,600.

Source: Credit Suisse

Precious metals: Stronger USD and resolving strikes weigh on precious metals prices

Gold prices had a good start to the week and were even able to break the \$680 mark at times. Silver prices showed a similar development and prices have completely recovered from the sharp sell-off at the end of June. However, with the correction in EURUSD on Wednesday, gold and silver prices retreated. Gold is again trading at about \$670, while silver prices stand around \$13.00. Platinum and palladium prices suffered from profit-taking. Platinum prices are now trading around \$1,320, while the palladium price now stands around \$365. The trigger behind these price declines was the news that miners returned to work at two of Aquarius Platinum's operations. Moreover, Angloplat resumed talks with the workers' union on Thursday in an attempt to settle the current strike. Given the fact that speculative net long positions in the platinum and palladium markets have risen to an all-time high, investors should expect further short-term weakness in the days ahead as more profit-taking seems likely. However, such price dips should prove to be temporary. The supply / demand situation in the platinum market in particular is very tight and further price gains are expected over 3- and 12-months.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	207.7	197.6	188.6	2.7	19.7
LME metals price index	4022.5	3994.0	3853.7	1.8	13.7
Oil prices USD	74.7	64.4	63.4	10.2	1.3
Oil prices SDRs	48.7	42.5	42.2	8.8	-2.7
Gold \$/troy oz	668.2	664.5	640.7	3.7	8.0
Silver cents/troy oz	1313.0	1333.5	1284.7	2.2	20.5
Platinum \$/troy oz	1314.0	1263.1	1211.1	3.2	8.0
Copper \$/MT	7905.5	7130.5	7098.3	5.1	6.0
Nickel \$/MT	31272.5	44489.4	38445.6	-18.5	15.7
Aluminium \$/MT	2697.5	2770.6	276.6	1.4	10.3
Zinc \$/MT	3662.5	3520.9	3686.7	6.8	15.3
Steel - HR coil dry \$/MT	600.0	600.0	597.5	0.0	18.8

Source: Credit Suisse



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BBB	9.9	19.5	3.8	6.4	1.6	5.0	15.7	0.8
	-	-	-	-	Stable								
Angola	-	-	-	-	B	1.8	16.9	21.6	22.0	11.4	216.9	22.7	4.6
	-	-	-	-	Positive								
Egypt	BB+	Ba1	BB+	BB+	B	-7.5	91.5	24.7	119.2	5.8	118.0	1.4	5.1
	Stable	-	-	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-5.7	77.9	23.7	128.7	2.7	246.1	-16.5	2.2
	-	-	-	-	Stable								
Ghana	-	-	-	-	B	-3.1	38.6	26.9	86.5	2.7	152.4	-6.7	-
	-	-	-	-	Stable								
Ivory Coast	-	-	-	-	CCC	-1.8	69.4	64.3	133.3	4.2	603.3	5.4	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BB	32.2	5.8	10.3	14.5	3.1	7.8	18.5	2.8
	-	-	-	-	Stable								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-2.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BB+	BB	-2.7	55.9	24.0	130.8	9.6	75.3	4.0	1.9
	Positive	-	-	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.4	11.1	4.0	8.7	3.7	14.18	9.7	1.4
	Stable	-	-	-	Stable								
Sudan	-	-	-	-	CC	-2.3	51.5	58.4	296.5	3.6	-	-9.8	7.4
	-	-	-	-	Stable								
Tunisia	BBB	Baa2	BBB	BBB	BBB	-2.9	54.8	54.7	134.2	15.2	260.1	-1.6	2.7
	Stable	-	-	Stable	Stable								
Middle East													
Bahrain	A	A2	A-	A-	A	6.1	25.8	129.0	63.1	5.8	750.7	9.9	12.1
	Stable	-	-	Stable	Stable								
Iran	-	-	B+	-	B	-11.1	24.1	5.2	20.3	3.2	25.4	3.1	0.0
	-	-	-	-	Stable								
Iraq	-	-	-	-	D	-0.3	-	111.9	195.7	3.8	-	4.7	-
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-3.4	73.2	89.0	137.0	6.6	221.6	-13.6	12.6
	Stable	-	-	Stable	Stable								
Kuwait	A+	Aa2	AA-	AA-	A	33.3	9.2	17.9	32.8	2.0	106.2	39.3	-4.5
	Stable	-	-	Stable	Stable								
Lebanon	B-	B3	B-	B-	CCC	-13.1	174.6	101.6	492.5	14.8	242.6	-10.8	4.7
	Negative	-	-	Negative	Stable								
Oman	A	A2	-	BBB+	A	10.1	7.7	17.2	19.8	5.9	113.7	8.6	2.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	A+	A	6.8	15.5	47.0	96.5	10.9	407.7	27.8	4.3
	Stable	-	-	Stable	Stable								
Saudi Arabia	A+	A1	A+	A+	A	19.4	4.7	8.4	26.1	2.4	122.9	31.9	0.5
	Stable	-	-	Stable	Stable								
Syria	-	-	-	-	CCC	-5.3	44.1	20.1	49.3	4.1	107.8	-1.1	1.4
	-	-	-	-	Stable								
UAE	-	Aa3	-	AA-	A	23.9	10.6	60.0	29.8	2.0	332.9	18.8	5.2
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-	38.8	28.9	69.2	2.8	73.9	-5.2	-
	-	-	-	Stable	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-	-	-	-3.3	17.6	27.1	210.0	2.6	161.6	-4.1	3.5
Bulgaria	BBB+ Stable	Baa3	BBB	-	BBB	2.6	19.5	80.0	147.3	18.0	228.2	-16.1	11.0
Kazakhstan	BBB Stable	Baa2	BBB	-	BB	0.3	4.4	60.4	225.2	36.0	197.8	2.3	5.1
Romania	BBB- Stable	Baa3	BBB	BBB-	BBB	-2.9	12.8	42.0	178.3	22.3	233.1	-11.9	6.9
Russia	BBB+ Stable	Baa2	BBB+	-	BBB	3.6	8.2	33.5	90.8	12.5	98.5	6.3	1.3
Turkey	BB- Stable	Ba3	BB-	BB-	B	-2.0	60.9	52.3	194.8	37.6	340.6	-7.9	4.6
Ukraine	BB- Negative	B1	BB-	-	BB	-2.6	17.5	44.7	105.6	17.5	207.5	-3.6	4.2

Sources: Moody's Investors Service; EIU - The above figures are estimated for 2007



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	5.25	28-Jun-07	No change	07-Aug-07
Eurozone	Refi Rate	4.00	05-Jul-07	No change	02-Aug-07
UK	Base Rate	5.75	05-Jul-07	Raise 25bps	02-Aug-07
Japan	O/N Call Rate	0.50	12-Jul-07	No change	23-Aug-07
Australia	Cash Rate	6.25	03-Jul-07	No change	07-Aug-07
New Zealand	Cash Rate	8.25	25-Jul-07	Raise 25bps	12-Sep-07
Switzerland	3 month Libor target	2.50	14-Jun-07	Raise 25bps	13-Sep-07
Emerging Markets					
China	One-year lending rate	6.84	20-Jul-07	Raise 27bps	N/A
Hong Kong	Base Rate	6.75	08-Aug-06	No change	N/A
Taiwan	Discount Rate	3.125	21-Jun-07	Raise 25bps	27-Sep-07
South Korea	O/N Call Rate	4.75	12-Jul-07	Raise 25bps	09-Aug-07
Malaysia	O/N Policy Rate	3.50	24-Jul-07	No change	24-Aug-07
Thailand	1D Repo	3.25	18-Jul-07	Cut 25bps	29-Aug-07
India	Reverse repo rate	6.00	31-Jul-07	No change	31-Oct-07
UAE	3M EBOR	5.50	N/A	N/A	N/A
Saudi Arabia	Repo Rate	5.20	29-Jun-06	Raise 20bps	N/A
Egypt	overnight lending	10.75	10-Jul-07	No change	N/A
Turkey	Base Rate	17.50	12-Jul-07	No change	14-Aug-07
South Africa	Repo rate	9.50	07-Jun-07	Raise 50bps	16-Aug-07
Kenya	Central Bank Rate	8.50	15-Jun-07	Cut 150bps	Aug-07
Nigeria	Monetary Policy Rate	8.00	01-Aug-07	No change	Oct-07
Ghana	Prime Rate	12.50	21-May-07	No change	Sep 07
Mexico	Target Rate	7.25	27-Jul-07	No change	24-Aug-07
Brazil	Selic Rate	11.50	18-Jul-07	Cut 50bps	05-Sep-07
Armenia	Repo Rate	4.50	N/A	N/A	N/A
Romania	Policy Rate	7.25	N/A	N/A	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Reverse repo rate	9.00	01-Jul-06	N/A	N/A

Source: Standard Chartered - Countries in bold updated on August 2, 2007



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