

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### MENA

##### Investment climate improves in Arab world

The investment climate in the Arab world improved significantly in 2006, according to the Composite Investment Climate Index issued by the Inter-Arab Investment Guarantee Corporation (IAIGC). The value of the index reached 1.49 points in 2006, up 64% from 0.91 points in 2005, and a significant improvement from 1.08 points in 2004 and 1.01 points in 2003. The index is composed of four sub-indices that reflect economic growth, public finances, the external balance, and inflation rates. The IAIGC attributed the improvement in the composite index to increases in all its sub-indices, as the External Balance Sub-Index rose by 65% to 2.26 points from 1.37 points; the Internal Balance Sub-Index increased by 61% to 1.79 points, and the Monetary Policy Sub-Index grew by 61.5% to 0.42 points, while aggregate GDP grew from 5.3% in 2005 to 6.1% in 2006. It indicated that real GDP growth improved in 12 Arab countries and regressed in 7 others, the fiscal deficit-to-GDP ratio improved in 14 Arab economies and regressed in 5 countries, while the current account balance-to-GDP ratio improved in 14 countries and regressed in 5 economies; and the inflation rate declined in 4 countries and rose in 15 others. Net inter-Arab investments totaled \$10.34bn in 2006, down 67% from \$31.2bn in 2005. They accounted for 1.5% of GDP in 2006, down from 5.2% in 2005.

Source: IAIGC, Byblos Research

#### EMERGING MARKETS

##### S&P launches index for frontier equity markets

Rating agency Standard & Poor's announced the launch of the S&P/IFCG Extended Frontier 150 Index, a fully investable index for frontier equity markets. The agency said the index offers exposure to markets previously not considered investable by most fund managers because they are dominated by companies too small and illiquid to trade. The new index contains the largest and most liquid stocks from over 30 developing markets such as Bulgaria, Ghana, Jordan, the Ivory Coast, Kazakhstan, Lebanon, Nigeria, Pakistan, Romania, Tunisia and Ukraine, among others.

S&P said accelerating economic growth, increased government focus on privatization and heightened IPO activity is luring foreign investors to frontier equity markets. Also, these markets are less exposed to swings in the global economy and less correlated with other equity markets, providing investors with distinct diversification and risk reduction benefits at a time when global equity markets are increasingly volatile. The index has been launched with companies representing an adjusted market capitalization of \$193.3bn. Colombia, Kuwait, Nigeria, the UAE and Qatar have the highest country weightings in the new index, while Pakistan has the largest number of stocks included.

Source: Standard & Poor's

#### TURKEY

##### Gul re-nominated for presidency

The ruling Justice & Development Party (AKP) re-nominated Foreign Minister Abdullah Gul as its presidential candidate. His nomination last April triggered a political crisis that led to early parliamentary elections and the withdrawal of his candidacy, as Turkey's secular elite and army generals were determined to block his election. The first round of the elections will be held on August 20, and AKP's seats in Parliament secure Gul's presidency in the third round of the elections through a simple majority on August 28. Minister Gul stated that he would protect the principles of secularism laid down in the constitution and that he would work to protect the unity, solidarity and integrity of the state and nation. He also highlighted that he would be an impartial president. However, the secular opposition led by the CHP has already announced that it will not participate in the presidential elections and that it would boycott Gul's presidency. The army also made it clear that its stance back in April was unchanged and announced openly that it was against Gul's presidency.

Source: Merrill Lynch

#### IRAN

##### U.S. plans to blacklist Revolutionary Guards

President George W. Bush's administration plans to issue an executive order blacklisting the Iranian Revolutionary Guards group in order to block its assets. The Revolutionary Guards, whose influence extends well beyond the military into business and politics, would be the first national military branch included on a U.S. list of individuals and institutions linked to terrorism. The United States, which accuses the Revolutionary Guards of stirring unrest in Iraq and supplying bombs for deadly attacks on U.S. troops, is seeking to cut off the force's financial sources. Iran has already been on the U.S. government's state sponsors of terrorism blacklist for more than two decades. There are currently about 42 organizations, including the Al-Qaeda terror network, on the State Department's list of foreign terrorist organizations.

Source: AFP

#### IRAQ

##### New alliance formed

Prime Minister Nouri al-Maliki and President Jalal Talabani announced a new alliance of moderate Shiites and Kurds, saying that Sunni Vice President Tariq al-Hashemi and his moderate Iraqi Islamic Party refused to join but that the door remains open to them. PM al-Maliki said the agreement was the first step to unblock political stagnation that has gripped the Shiite-led government since it first took power in May 2006.

Source: AP

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# OUTLOOK

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## NIGERIA

### IMF calls for maintaining reform momentum

The International Monetary Fund stated that stronger macroeconomic policies, an improved policy framework, strengthened institutions, and major progress on wide-ranging structural reforms have resulted in strong growth and low inflation as well as improved investor confidence in the Nigerian economy. It projected real GDP growth at 8.2% in 2007 and 6.2% in 2008 and non-oil GDP growth at 7.5% this year and 6.5% next year. Inflation rate was forecast to average 7.8% in 2007 and 9.2% in 2008.

The IMF considered that the main challenge for the new Nigerian administration will be to maintain the reform momentum and safeguard economic gains of recent years by focusing on three main areas. First, it called for fiscal policy to remain consistent with macroeconomic stability by reaffirming the political agreement on the use of oil revenues among all levels of government, as political pressure to spend oil savings are likely to persist. Second, it encouraged recent efforts to develop and implement the guidelines on the effective use of oil savings and ensure good quality of capital spending. Third, it stressed on continuing structural reforms, as failure to pursue these reforms could jeopardize the macroeconomic stability and future growth potential. In parallel, the Fund warned of existing risks such as the sustainability of fiscal expansion, the quality of budget spending, and the adequacy of inter-government policy coordination.

The IMF recommended improving coordination of federal-state efforts to reform the investment climate, continued improvements in customs and tax administration, as well as greater attention to the constraints within specific industries and within the informal small-scale sector. It noted the unsatisfactory situation and the lack of progress in the energy sector. The Fund also stressed the importance of a credible and transparent process to privatize utilities, as well as to complete the ongoing commercialization of the Nigerian National Petroleum Corporation, privatize oil refinery complexes and develop a plan for the introduction of a market-based mechanism for setting petroleum product prices.

*Source: International Monetary Fund*

## TURKEY

### Favorable medium term outlook, but vulnerabilities persist

The Institute of International Finance indicated that Turkey's medium-term economic and financial prospects look favorable, with the July 22 elections having returned the AKP to power as a single-party government with a sizeable majority. It said economic policies should remain focused on sustaining fiscal discipline and reducing inflation, while efforts to advance structural reforms should be renewed, especially energy privatization. It expected stronger export growth and a shift in domestic spending away from imports to boost real GDP growth to 6.5% this year, despite continued tight monetary policy, and to 6.6% in 2008. Also, Lira appreciation should help slow inflation to 7%

by end-2007 and 5.4% by end-2008, which would still exceed the 4% Central Bank target.

The IIF considered that stronger domestic spending, currency appreciation and the weakening of competitiveness are expected to widen the current account deficit to 7.5% of GDP in 2008 after a decrease to 7% of GDP this year. Net capital inflows this year again exceeded the current account deficit by a large margin, boosting foreign exchange reserves to a record \$67bn at the end of June, equal to 4.6 months of imports of goods and services.

The IIF warned that vulnerability to shifts in market sentiment will remain significant despite the overall positive outlook. Market confidence will come under pressure if fiscal or monetary easing proves excessive or if efforts by the AKP to elect its own candidate for president reignite tensions with the military, reinforcing widespread doubts about eventual EU accession. Over the longer term, progress in structural reforms remains essential to secure sustainable economic growth and help reduce vulnerabilities to shifts in market sentiment. The IIF emphasized the need for fiscal reforms, especially social security and healthcare reforms, together with measures to reduce excessive reliance on indirect taxes. Renewed progress on privatization will be critical, along with steps to improve the business environment, to ensure the FDI needed to limit financial risks.

*Source: Institute of International Finance*

## SYRIA

### IMF calls for unified exchange rate

The International Monetary Fund stressed the need to enact a new foreign exchange law in Syria that would streamline the existing complex set of foreign exchange regulations and introduce a unified exchange rate and full current account convertibility. It noted that this would send a strong signal about the authorities' commitment to reforms and to re-enter the global economy. The Fund considered that the adoption of a bank law that would grant the Central Bank of Syria (CBS) operational independence in monetary and exchange rate management would provide credibility in operating the new exchange rate regime and strengthen the monetary policy framework. This needs to be supported by the introduction of market-based instruments of monetary control, the centralization of official foreign exchange reserves at the CBS, and the establishment of the long-delayed government securities market. It also called for launching an inter-bank foreign exchange market and accelerating the process of licensing foreign exchange bureaus.

In parallel, the IMF welcomed the fast-paced expansion of private banks but expressed concerns about the emerging vulnerabilities and the remaining obstacles in the sector. It urged authorities to strengthen bank supervision capacity and to speed the process of state bank restructuring to avoid further accumulation of bad debt and to allow greater competition.

*Source: International Monetary Fund*



# ECONOMY & TRADE

## SYRIA

### **Knauf Gips to invest in state-owned gypsum plant**

Germany's Knauf Gips KG, one of the world's leading manufacturers of building materials, will develop a gypsum plant in a joint-venture with the state-owned General Company for Marble and Asphalt (GCMA). The joint venture will be named Knauf Lattakia Ltd and will have a capital of SYP250m, or \$5m. The contract is for 20 years and is extendable for 10 more years provided Knauf builds at that time a new production line that would double capacity. Knauf will hold 67% of the capital of the company, with the balance of 33% held by GCMA. Knauf plans to develop and rehabilitate the current plant as well as introduce new production lines for manufacturing four different types of plasters in addition to the existing one which is used in wall decorations. The Lattakia plant will produce 140 tons of gypsum powder a day, 360,000 square meters of plasterboards a year and 39,000 tons of five types of plaster a year. At least 50% of the production will be exported to neighboring markets.

Source: *Syria Report*

## EGYPT

### **Government reduces energy subsidies for energy-intensive companies**

The Ministry of Trade & Industry announced that fuel subsidies for companies that are large consumers of energy would be phased out over the next three years. The ministry said that energy subsidies cost the government EGP20bn or 2.7% of GDP a year, with industry receiving about EGP4bn, or 0.5% of GDP, of this amount. It added that 70% of the amount associated with industry was going to the 40 most energy-intensive companies. The government will increase the price of natural gas to \$2.65 from \$1.25 per million BTUs over three years and will also adjust the price of electricity to rise from a range of EGP0.11-0.18 per kWh to a range of EGP0.18-0.29 per kWh over the same period. After the first three years, the prices will be determined based on a formula that is linked to international prices. The new rules will initially be applied to 40 companies in sectors such as steel, cement, fertilizers and petrochemicals, and to new entrants to these sectors. The ministry estimated that the new plan could save about EGP30bn, equivalent to 4.1% of GDP, over the next five years.

Source: *Credit Suisse, EFG-Hermes*

### **Annual inflation at 8% in July**

CPI inflation reached 8% year-on-year in July, down from 8.5% yoy in June and as high as 12.8% yoy in March. The increase in the prices of food products and beverages accelerated to 10.1% annually in July from 9.6% in June, but non-food price inflation decelerated sharply to 6.3% year-on-year in July from 7.6% in June, the lowest non-food price inflation since July of last year. The governor of the Egyptian Central Bank said previously that he expected annual inflation to decline to 7% in August and even lower in the months thereafter, but added that these forecasts did not take into account the upcoming cuts in energy subsidies.

Source: *Al-Ahram, Reuters*

## MOROCCO

### **\$697.5m grant to stimulate economic growth**

The U.S. development fund Millennium Challenge Corporation approved \$697.5m, the largest amount ever granted by the fund, to fight poverty in Morocco. The overall goal of the funds is to help fight poverty by stimulating economic growth through increased productivity and job creation. The grant is expected to directly benefit 600,000 Moroccan families and raise Morocco's GNP by about \$118m annually. The Corporation has allocated \$300.9m for arboriculture projects, \$116.17m to upgrade small-scale fishing activities and \$111.9m for a project targeting the handicrafts and tourism sectors. The Corporation has also designated \$46.2m to improve financial services and \$33.85m to support SMEs that ensure employment for young graduates. Also, \$88.5m have been earmarked to monitor the programs.

Source: *MAP*

## ROMANIA

### **Current account deficit at 13.2% of GDP**

The National Bank of Romania (NBR) stated that the current account deficit in June was €1.9bn, bringing the 12-month rolling current account deficit up to €3.6bn, or 13.2% of GDP, in June from €3bn or 12.8% of GDP in May. The 12-month rolling foreign trade deficit reached €18.8bn, equivalent to 18.2% of GDP in June, up from €18.2bn (17.9% of GDP) in May and €14.9bn (15.5% of GDP) in December. The NBR also said that FDI inflows reached about €3bn in the first half 2007, implying that about 64% of the current account deficit in the 12 months to June was financed by FDI inflows. This coverage ratio was unchanged from a month ago, but remained below the record-high 95% recorded last year in October.

Source: *Credit Suisse*

## TURKEY

### **Annual inflation down to 6.9% in July**

The year-on-year CPI inflation declined sharply to 6.9% in July from 8.6% in June and as high as 10.9% in March. This was the lowest year-on-year reading on record, as inflation was considerably better than expected in July at -0.7% month-on-month. Food price inflation decelerated to 9.2% annually in July from 11.5% in June and an unprecedented 14.6% year-on-year in January. Still, food price inflation accounted for 2.6 percentage points of the 6.9% annual inflation rate, and remained the main risk to the inflation outlook.

Source: *Merrill Lynch*

## JORDAN

### **Net public debt at 65.3% of GDP**

Net outstanding public debt reached JD7,410.2m (\$10.5bn) at the end of June 2007, up by 0.8% from JD7,349.7m (\$9.8bn) as of December 31, 2006. Net public debt was equivalent to 65.3% of projected GDP for 2007 compared to 72.7% of GDP at end-2006.

Source: *Ministry of Finance*



# BANKING

## SYRIA

### Syria officially lifts peg to U.S. dollar

Prime Minister Muhammad Naji al-Otari signed a decree to end the Syrian pound peg to the U.S. dollar. The Central Bank of Syria announced in June it is abandoning the peg of the Syrian pound to the U.S. dollar in exchange for a peg to the IMF's Special Drawing Rights. The basket of currencies will consist of 44% euros, 34% U.S. dollars, 11% Japanese yen and 11% Sterling pounds. Central Bank Governor Adib Mayala said the move will help stabilize the Syrian currency and safeguard it from fluctuation, and is aimed at reducing inflationary pressures. A peg to the SDRs may add some credibility to domestic monetary policy, but the implicit diversification away from the U.S. dollar is consistent with the government's desire to move further away from the dollar due to geopolitical issues. Last year, the Central Bank indicated it had shifted half of its foreign reserves to the euro. Governor Mayaleh said the new basket will be completely adopted within a month.

Source: *Dow Jones Newswires*

## EGYPT

### Al-Watany Bank acquired for \$516m

The National Bank of Kuwait won the bid to take over the state-owned Al-Watany Bank of Egypt in a deal worth EGP5.7bn or \$516m. NBK was competing with The Commercial Bank of Kuwait and the Greek EFG Eurobank. It placed the best bid financially and technically at 4.16 times book value of AWB's shares. The Egyptian government gave NBK, along with Commercial Bank of Kuwait and EFG Eurobank six weeks to conduct due diligence on Al-Watany in June. NBK said the acquisition is part of the bank's regional expansion strategy. Earlier this month, it acquired a 40% stake in Turkish Bank for \$160m. NBK is the largest bank in Kuwait and one of the largest in the Middle East with aggregate assets of \$27bn at end-2006.

Source: *Reuters, KUNA*

## NIGERIA

### Flexible exchange rate and current account liberalization by January 2009

The Central Bank of Nigeria (CBN) stated that an inflation targeting framework and a flexible exchange rate would be adopted as of January 1, 2009. Ahead of this planned switch to a new framework, the CBN added that the currency would be redenominated as of August 1, 2008, equating 100 old nairas to one new naira, therefore removing two zeros from the currency. Additionally, the CBN decided that part of the government's revenues allocated to federal and 36 state governments will be distributed in US dollars, rather than naira, in an attempt to manage naira liquidity more effectively. The CBN said that the amount of government revenues that will be distributed in dollars will be "largely dependent on the assessment of the forex market as well as the liquidity management requirements" of the Central Bank. The Central Bank also announced that the restrictions on all current account transactions would be lifted by January 1, 2009.

Source: *Credit Suisse, Standard Chartered*

## KAZAKHSTAN

### Moody's warns of banks' refinancing risks

Moody's Investors Service warned that if global credit markets were to tighten for an extended period of time, concerns would rise about the refinancing risk of Kazakh banks funded by external debt. The agency noted that its ratings for Kazakh banks already incorporate a moderate degree of refinancing risk, and that the banking system appears to enjoy a strong liquidity cushion in the short term. Moody's added that if global debt markets were to display a severe tightening over an extended period and Kazakh banks failed to take appropriate measures to manage their liquidity accordingly, negative pressure on selected banks' ratings might ensue.

Source: *Moody's Investors Service*

## TURKEY

### Central Bank keeps rates unchanged, reduces FX purchases

The Monetary Policy Committee (MPC) of the Central Bank of Turkey (CBT) kept the overnight borrowing and lending rates unchanged at 17.5% and 22.5%, respectively, as expected. But it said that it could start cutting rates in the fourth quarter of this year. The MPC also said that it was monitoring closely the global liquidity conditions and the developments in global credit markets, as well as the government's fiscal plans and medium-term inflation outlook, and emphasized that the timing of the resumption of the expected monetary easing and the magnitude of the rate cuts would depend on these factors.

In parallel, and in a step that highlighted its concerns about the recent global developments, the CBT reduced its daily foreign exchange purchases. The CBT said that it had reduced the amount of its daily foreign exchange purchases through auctions to \$15-45n from \$40-120n previously. The CBT has been holding daily foreign exchange purchase auctions since November 10 last year and had increased the amount it bought in these auctions to \$40-120m on July 24 from \$15-45m previously.

Source: *Merrill Lynch*

## RUSSIA

### Acquisition of Absolut Bank approved

Belgium's financial services provider KBC Group NV received final regulatory approval from the Central Bank of Russia to acquire Absolut Bank, one of the country's largest banks. The group acquired a 92.5% stake in the bank last April and then raised it to 95% later on. The International Finance Corporation holds the remaining 5%. KBC already obtained approval from the Anti-Trust Commission. Absolut Bank is one of Russia's 30 largest banks in terms of assets and is also one of the country's leading independent mortgage lenders.

Source: *Banking Business Review*



# ENERGY/ COMMODITIES

## Oil falls 1% as equities slump

U.S. crude oil prices fell 79 cents or 1% to \$72.54 a barrel, after rallying 95 cents on Wednesday, partly due to a big decline in weekly U.S. crude stocks. London Brent crude lost \$1.09 to \$70.55 a barrel after gaining \$1.13 a day ago. Asian stocks headed on Thursday for their biggest daily fall since the attacks on the United States in September 2001, as persistent fears about a global credit squeeze sapped investor appetite for risky assets. European markets looked set to follow suit with book-makers calling for falls of more than 2%. Oil prices have rebounded from a more than one-month low last week, but analysts say they remain vulnerable to shock waves from the ongoing turmoil in other financial markets, which some traders fear could yet inflict wider economic damage. Easing fears of storm damage to U.S. oil platforms in the Gulf of Mexico also led to the selling. Tropical Storm Dean, expected to become a hurricane by the weekend, was first feared heading into the Gulf toward the middle of next week, but some recent computer models show it making landfall in about five days in Central America.

Source: Reuters

## Iraq signs oil pipeline deal with Iran

The Iraqi Oil Minister announced that the Iraqi government signed a contract with Iran to build a pipeline for the transfer of Iraqi crude oil and oil products. The pipeline will transfer crude oil from Basra's port in southern Iraq to the southwestern Iranian port of Abadan. Also, Iran will purchase 100,000 barrels of Iraqi crude, refine it in the port of Bandar Abbas and sell it back to the Iraqis.

Source: Gulf Daily News

## Investments in Algeria's petrochemical sector to reach \$20bn by 2008

Energy and Mines Minister Chakib Khelil said that investments in Algeria's petrochemical sector will reach \$20bn by 2008. He added that two projects are being finalized, one with Total and one with Armalt and four to five other petrochemical projects which are expected to be awarded this year.

Source: APS

## OPEC says enough crude available

OPEC has reported in its August Monthly Oil Market Report that major consumers have enough crude stocks, despite calls for more oil production. The report is OPEC's last before it meets on September 11 to set supply policy. The organization sees increased demand at present partly because of lower-than-expected production from countries outside the 12-nation group.

Source: Reuters

## Iraq's oil revenue to total \$34bn

Iraq's revenue from the sale of crude oil from its northern and southern oilfields will total around \$34bn this year. Iraq's oil revenue makes up about 93% of the national budget. Iraq's oil exports, in the first seven months of the year, averaged just over 1.5m barrels per day.

Source: Dow Jones Newswires

## Base metals: Risk still to the downside

The base metal complex continues to trend lower, as the London Metal Exchange Index (LMEX) declined by more than 4% since August 1st. Looking at global industrial production, the latest data suggest that the current correction may already be somewhat overdone. However, other effects also affect the development of base metal prices. One of the most important ones is Chinese demand for base metals. After strong base metal imports at the beginning of the year, the Chinese market is currently well supplied. This is particularly apparent for copper, whose availability in Asian locations is currently improving. Inventories in Asian warehouses monitored by the LME are increasing, which is weighing on prices. As a result, lower Chinese imports and slightly weaker growth in the third quarter will likely pressure base metal prices to the downside a bit longer.

Source: Credit Suisse

## Precious metals: Has gold lost its safe haven properties?

Precious metals prices have seen a mixed development this week. After a period of rising prices at the beginning of the week, prices corrected on August 9th. Given the equity market turbulence, many market participants would have expected better gold price performance. As a result, the question of whether gold has lost its status as a safe haven asset is currently widely discussed. The correlation between gold and the equity market is as low as ever. Considering other factors, the performance of the last few weeks is rather encouraging. The US dollar for instance appreciated recently. Moreover, following the sell-off in crude oil and some weaker US economic data, inflation expectations in the US started to decline. Given these two factors, gold prices are holding up quite well. The outlook is still positive and a test of the \$700 mark for gold is expected later this year.

Source: Credit Suisse

| Commodities price developments  | level   | 6m ave  | 12m ave | mom%  | yoym% |
|---------------------------------|---------|---------|---------|-------|-------|
| Economist commodity price index | 204.3   | 199.2   | 189.8   | 1.0   | 16.2  |
| LME metals price index          | 3826.0  | 4037.1  | 3864.7  | -7.4  | 0.8   |
| Oil prices USD                  | 71.6    | 65.7    | 63.4    | -0.6  | -6.2  |
| Oil prices SDRs                 | 46.7    | 43.3    | 42.2    | -1.3  | -8.6  |
| Gold \$/troy oz                 | 664.6   | 665.6   | 641.6   | 0.4   | 1.6   |
| Silver cents/troy oz            | 1297.5  | 1329.0  | 1288.9  | 1.8   | 5.8   |
| Platinum \$/troy oz             | 1268.0  | 1271.2  | 1212.9  | -2.7  | 2.0   |
| Copper \$/MT                    | 7675.0  | 7319.5  | 7102.3  | -4.6  | -3.0  |
| Nickel \$/MT                    | 26777.5 | 43712.9 | 38531.1 | -23.2 | -4.0  |
| Aluminium \$/MT                 | 2542.5  | 2757.7  | 2712.4  | -8.1  | 0.8   |
| Zinc \$/MT                      | 3407.5  | 3537.1  | 3691.8  | -1.7  | -0.9  |
| Steel - HR coil dry \$/MT       | 600.0   | 600.0   | 600.7   | 0.0   | -3.2  |

Source: Credit Suisse



# COUNTRY RISK METRICS

| Countries          | LT Foreign currency rating |         |       |          |          | Central gvt. balance/ GDP (%) | Public debt (% of GDP) | External debt / GDP (%) | External debt/ Exports (%) | Debt service ratio (%) | External Debt/ Forex Res. (%) | Current Account Balance / GDP (%) | Net FDI / GDP (%) |
|--------------------|----------------------------|---------|-------|----------|----------|-------------------------------|------------------------|-------------------------|----------------------------|------------------------|-------------------------------|-----------------------------------|-------------------|
|                    | S&P                        | Moody's | Fitch | CI       | EIU      |                               |                        |                         |                            |                        |                               |                                   |                   |
| <b>Africa</b>      |                            |         |       |          |          |                               |                        |                         |                            |                        |                               |                                   |                   |
| Algeria            | -                          | -       | -     | -        | 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+                         | -       | -     | -        | B        | -3.1                          | 38.6                   | 26.9                    | 86.5                       | 2.7                    | 152.4                         | -6.7                              | -                 |
|                    | Stable                     | -       | -     | -        | 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   |                               |                        |                         |                            |                        |                               |                                   |                   |
| <b>Middle East</b> |                            |         |       |          |          |                               |                        |                         |                            |                        |                               |                                   |                   |
| 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             | AA-                        | 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       | AA-                        | 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 |                               |                        |                         |                            |                        |                               |                                   |                   |
| <b>Central &amp; Eastern Europe</b> |                            |         |       |      |     |                               |                        |                         |                            |                        |                               |                                   |                   |
| Armenia                             | -                          | Ba2     | BB-   | -    | -   | -3.3                          | 17.6                   | 27.1                    | 210.0                      | 2.6                    | 161.6                         | -4.1                              | 3.5               |
| Bulgaria                            | BBB+<br>Stable             | Baa3    | BBB   | -    | BBB | 2.6                           | 19.5                   | 80.0                    | 147.3                      | 18.0                   | 228.2                         | -16.1                             | 11.0              |
| Kazakhstan                          | BBB<br>Stable              | Baa2    | BBB   | -    | BB  | 0.3                           | 4.4                    | 60.4                    | 225.2                      | 36.0                   | 197.8                         | 2.3                               | 5.1               |
| Romania                             | BBB-<br>Stable             | Baa3    | BBB   | BBB- | BBB | -2.9                          | 12.8                   | 42.0                    | 178.3                      | 22.3                   | 233.1                         | -11.9                             | 6.9               |
| Russia                              | BBB+<br>Stable             | Baa2    | BBB+  | -    | BBB | 3.6                           | 8.2                    | 33.5                    | 90.8                       | 12.5                   | 98.5                          | 6.3                               | 1.3               |
| Turkey                              | BB-<br>Stable              | Ba3     | BB-   | BB-  | B   | -2.0                          | 60.9                   | 52.3                    | 194.8                      | 37.6                   | 340.6                         | -7.9                              | 4.6               |
| Ukraine                             | BB-<br>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        | 07-Aug-07    | No change   | 18-Sep-07    |
| Eurozone                | Refi Rate             | 4.00        | 02-Aug-07    | No change   | 06-Sep-07    |
| UK                      | Base Rate             | 5.75        | 02-Aug-07    | No change   | 06-Sep-07    |
| Japan                   | O/N Call Rate         | 0.50        | 12-Jul-07    | No change   | 23-Aug-07    |
| Australia               | Cash Rate             | 6.50        | 07-Aug-07    | Raise 25bps | 04-Sep-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    |
| <b>Emerging Markets</b> |                       |             |              |             |              |
| 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    |
| <b>South Korea</b>      | O/N Call Rate         | 5.00        | 09-Aug-07    | Raise 25bps | 07-Sep-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          |
| <b>Turkey</b>           | Base Rate             | 17.50       | 14-Aug-07    | No change   | N/A          |
| South Africa            | Repo rate             | 9.50        | 07-Jun-07    | Raise 50bps | 16-Aug-07    |
| Kenya                   | Central Bank Rate     | 8.75        | 08-Aug-07    | Raise 25bps | Oct-07       |
| Nigeria                 | Monetary Policy Rate  | 8.00        | 01-Aug-07    | No change   | Oct-07       |
| Ghana                   | Prime Rate            | 12.50       | 21-May-07    | No change   | Aug 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 16, 2007



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