Issue 35
September 13, 2007

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Five sovereigns vulnerable to liquidity tightening

Standard & Poor's Liquidity Vulnerability Index of 15 emerging economies in Europe, the Middle East, and Africa (EMEA) shows that Latvia, Iceland, Bulgaria, Turkey and Romania are ‘vulnerable' to further tightening of global liquidity conditions; Lithuania, Lebanon, Slovakia, Poland, Hungary, and South Africa have an ‘intermediate' level of vulnerability, while the Czech Republic, Ukraine, Egypt and Russia are considered to be ‘sheltered' from adverse market conditions. The index assesses which EMEA emerging market sovereigns are most at risk if global financial conditions continue to worsen. S&P noted that, with the exception of Turkey and Romania, the sovereigns in the vulnerable category have fiscal surpluses, showing that it is not contradictory for a country to be at risk from changes in market sentiment and having a strong budget balance performance, a lesson already learnt from the 1997 Asian crisis. On the other hand, Russia is the least vulnerable in the sample despite its own currently tight inter-bank market. The agency said it has not taken any negative rating action so far on any EMEA sovereign as a consequence of the recent receding liquidity.

Source: Standard & Poor's

SUDAN

Sudan to normalize relations with CAR

President Omar al-Bashir signed an agreement with Central African Republic president François Bozizé to re-establish relations between the two countries. This followed a decision by Bozizé to re-open the common border with Sudan. Relations between the two countries have been strained and the CAR-Sudan border was closed as both Chad and CAR held the Sudanese government responsible for supporting the rebel insurgency in the northeast of CAR and Chad. Although Sudan denied the allegations, the two countries broke relations with Khartoum, thus this decision to re-open the border gives renewed vigor to diplomacy between the two neighbors and serves to boost security along the border in the establishment of joint patrols.

Source: Global Insight

MOROCCO

Istiqlal party wins most seats in Parliament

Results of the Morocco's legislative elections indicate the conservative Istiqlal party, having won 52 seats, will be the most represented party in the 325-seat Parliament. Despite expectations of landslide victory for Islamist parties, the Justice and Development party (PJD) took only 47 seats and the Popular Movement (MP) only 43 seats. The National Rally of Independents (RNI) and the Socialist Union of Popular Forces (USFP) took 38 and 36 seats, respectively. Voter participation reached approximately 37% which is the lowest in Morocco's history.

Source: Magharebia News

IRAN

Germany bans all arms exports to Iran

The German government has banned firms from exporting to Iran all products that could be used for military purposes, reinforcing an earlier EU decision to tighten sanctions against Tehran in the ongoing nuclear row. The German government said it was imposing a general ban on all arms deals with Iran, including the sale, export and transfer of all military goods to Teheran. In addition, German firms will no longer be able to import military equipment from the country irrespective of their origin. Berlin also prohibited the export of all dual-use products and technology to another EU member state if the goods were meant to be re-exported to Iran. Dual use products are those that can be used for both military and civilian purposes. Some German firms have been under suspicion for illegally supplying parts for Iran's nuclear program. Last July, the prosecutor's office in Potsdam said it had been looking into illegal exports to Iran since September 2004.

Source: Deutsche Welle

U.S. court fines Iran $2.65bn

A United States federal court issued a ruling requiring Iran to pay $2.65bn to the families of 241 American soldiers killed in Lebanon in a suicide bombing carried out in 1983. The victims' families hope to get restitution from Iranian funds blocked in U.S. banks since the aftermath of the 1979 Islamic revolution that overthrew the shah's regime. A previous court ruling in 2003 held Iran liable for the bombing and said it provided financial and logistical help for the 1983 attack allegedly carried out by pro-Iranian group Hezbollah. Iran has denied responsibility for the bombing and dismissed the 2003 ruling. It said the recent U.S. federal court decision was "baseless" and aimed at plundering Iranian assets. American troops were deployed in Lebanon in 1982 as part of a UN-sponsored multinational peacekeeping force after the Israeli invasion.

Source: AFP

IRAQ

Swift American withdrawal unlikely

In testimony before the U.S. Congress, the top U.S. commander in Iraq, General David Petraeus, and Ambassador Ryan Crocker stated that the U.S. troop surge strategy was making progress and warned against a premature withdrawal of U.S. forces from Iraq. General Petraeus urged patience, stating that there are no easy answers or quick solutions to Iraq's time-demanding problems. Ambassador Crocker reiterated similar remarks, adding that Iraq's leaders had the will to tackle the country's pressing problems, although it would take longer than originally anticipated because of the environment and the gravity of the issues before them. President Bush's strategy is likely to follow General Petraeus's recommendation to begin withdrawing an added 30,000 US troops in 2008 that were deployed earlier this year. Still, some 130,000 troops that had already been stationed in Iraq are likely to remain for now.

Source: Merrill Lynch

GCC

M&A and real estate to drive risk for banks

Standard & Poor's said merger and acquisition activity among Gulf banks and development of the real estate sector will be key drivers of GCC banks' growth but will also raise risks. The agency said Gulf banks have started to explore new opportunities outside their home markets in order to increase diversification and limit the effect of increasing domestic competition. As a result, it expects additional cross-border mergers and acquisitions in the near future. It said Gulf banks continue to operate in a highly supportive economic environment that is expected to prevail in the foreseeable future.

S&P noted that several new opportunities in the GCC are likely to help banks sustain their strong financial performance, but also lead them to incur new risks. It viewed the real estate sector, in particular, as a significant source of risk. It said that while Gulf banks showed strong resilience to the correction that took place on the GCC stock markets, their ability to withstand a major systemic shock in the real estate sector appears more limited. It added that the medium term outlook seems positive for both systemic and specific reasons if no major turbulence occurs in the meantime.

Source: Standard & Poor's

WORLD

Global FDI to grow by 10% to $1.5trn in 2007, political risk is main constraint

The Economist Intelligence Unit estimated that global foreign direct investment (FDI) flows over the next five years will continue to increase due to buoyant growth, competitive pressures and improvements in business environments in most countries. It projected global FDI at US$1.5trn in 2007, up by a modest 10% from $1.36trn in 2006. Global FDI recovered strongly in 2004-06 after a deep three-year slump, will grow at a slower rate in 2007 than annual average growth in the 2004-06 period. It said the high rates of FDI growth of recent years will not be repeated this year, as a result of some slowdown in activity and tighter financing conditions in light of volatility in financial markets and a decline in merger & acquisition activity. In particular, private equity funds were willing to inject capital into all kinds of deals, but volatile financial markets will have a dampening impact on M&A activity in the second half of 2007 and into 2008.

The EIU noted that the increase in global FDI in 2007 is expected to be slightly stronger in the developed world than in emerging markets. FDI inflows will grow at a 14% rate in developed markets but are projected to rise by only 5% in 2007, as a strong 20% growth in inflows to Latin America is offset by weak growth of flows to Asia and a slight decline of FDI flows to Eastern Europe from their 2006 peak. FDI into China is likely to be only slightly up on the 2006 figure, no growth in inflows to India is expected in 2007, and further growth in inflows to Russia and the Commonwealth of Independent States will be offset by a decline in flows to other east European subregions, including the EU's new member states.

According to the EIU, the deceleration of growth in FDI in 2007 is likely to be followed in 2008 by a modest fall, for the first time since 2003, in nominal global FDI inflows by a projected 5%. Global inflows are projected to return to steady growth in 2009-11, and to reach $1.6trn by 2011. FDI will remain geographically concentrated. The top 10 host countries are expected to account for almost 60% of the world total and the top 20 for 75% of the world total, as emerging economies will account for 8 of the top 10 FDI destinations. Globally, political risk is seen as posing a considerably greater threat to business over the next five years than in the recent past, and particularly for emerging markets where generic political risk is identified as the main investment constraint.

Source: Economist Intelligence Unit

Growth and capital inflows correlated to economic freedom

The Fraser Institute's 2007 report on economic freedom in 141 countries around the world indicated that countries with more economic freedom have substantially higher per-capita income, as economies in the top quartile of economic freedom have an average per-capita GDP of $26,013 compared to $3,305 for nations in the bottom quartile. Also, countries with more economic freedom have higher growth rates, as the top quartile has an average per-capita economic growth rate of 2.25%, compared to 0.35% for the bottom quartile. Further, countries with more economic freedom attract more FDI, as net FDI inflows to countries in the top quartile is equivalent to 15% of GDP compared to 3.7% of GDP for the bottom quartile.

In parallel, the report shows that economic freedom is directly correlated to political rights and civil liberties. Nations in the top quartile of economic freedom have a much higher score on average for political rights and civil liberties than those in the bottom quartile. Fraser said both a country's levels of economic freedom and changes in its economic freedom are affected by levels and changes in neighboring countries and its trading partners, as countries 'catch' about 20% of their average geographic neighbors' and trading partners' levels of, and changes in, economic freedom. It added that the idea that reforms within a few key nations would substantially alter the state of economic freedom in the rest of a region does not appear to be correct but broad regional changes in freedom can and do have significant impacts on surrounding countries.

Hong Kong, once again, had the highest level of economic freedom in the world. It was followed by Singapore in second place as the highest ranked emerging market, while the UAE was the highest ranked Arab countries in 15th place. The majority of nations ranked in the bottom fifth are in Africa and eight of the bottom 10 countries are Africans, with the exceptions of Venezuela and Myanmar. Zimbabwe had the lowest level of economic freedom globally.

Source: Fraser Institute

ECONOMY & TRADE

SYRIA

Sovereign rating upgraded

Risk assessment provider Global Insight upgraded Syria's medium-term sovereign credit rating by one notch to 'CCC' from 'CCC-' with a stable outlook. The upgrade reflects improvements in the country's current-account balance and strong economic growth in recent years. Global Insight said the current-account surplus widened to $904m, or 2.7% of GDP in 2006, up from 1.1% of GDP in 2005. It added that oil-export earnings grew by 4.5% in 2006, despite a 7.6% decline in output, and non-oil exports surged ahead 28% last year. Also, the service-account balance moved from a $266m deficit in 2003 to a $397m surplus in 2006, while the surplus on transfers has held relatively steady at around $600m per year. It expected the current account to continue to post modest surpluses over the short-to-medium term, supported by high oil prices and rising non-oil exports. Global Insight said Syria's sovereign credit remains in the "default" category because of the country's large stock of debt arrears, the vulnerability of its foreign-exchange earnings to volatile global oil prices, and its high political risks.
Source: Global Insight

Insurance premiums reach $68.4m in first half of 2007

Figures released by the Syrian Insurance Supervisory Commission show that total premiums of the insurance industry reached SYP4.28bn, or $85.6m, in the first half of this year, up 25% from $68.4m in the same period last year. Third-party motor insurance accounted for 41% of total premiums, followed by fire with 18.7%, all-risk car insurance (18%), marine (9.5%), engineering (4.7%), medical (2.6%), general accidents (2.4%), liability (1.6%), life (0.4%), and travel (0.3%). The market share of the state-owned Syrian Insurance Company continued to decline due to its inability to compete with private insurers that recently entered the market. SIC's share declined from 94% in 2006 to 69.3% in the first quarter of this year and to 59.4% at the end of June 2007. Its premiums fell by 19.4% year-on-year, from $68.4m in the first half of 2006 to $55.3m in the first half of this year despite ongoing market growth.
Source: Syria Report

JORDAN

Debt-equity swap with Germany, negotiations with Paris Club ongoing

The German government announced it has allocated €10.5m for a debt-equity swap arrangement for Jordan. The deal will involve writing off part of Jordan's debt from Germany against investments in education, environment protection and poverty alleviation. In parallel, Jordanian authorities are negotiating a debt repurchase deal with Paris Club members or the potential rescheduling of debt that will mature at year-end. The outcome will depend on the agreement the government will be able to reach with the creditors about the rate of discount or the debt-equity swap arrangements. Net outstanding public debt reached JD7.55bn at the end of July 2007, up by 2.8% from JD7.35bn at end-2006, constituting 66.5% of projected GDP for 2007, compared to 72.7% of GDP for 2006.
Source: Al-Ghad Daily, Jordan Times, Finance Ministry

EGYPT

Capital Intelligence upgrades ratings

Rating agency Capital Intelligence raised Egypt's long- and short-term foreign currency ratings by one notch to 'BBB-/A3' and affirmed the local currency ratings at 'BBB/A3'. The agency said the upgrade reflects the substantial improvement in external solvency and liquidity ratios over the past few years, which indicate strong repayment capacity and an increased resilience to external shocks, and that expectation that balance of payments trends will remain consistent with external sustainability over the medium term. Egypt's ratings are also supported by the progress being made on fiscal and structural reforms, which have helped to improve economic and financial fundamentals. However, the agency warned that the budget deficit is large and the public debt burden, though manageable and declining, is comparatively heavy.
Source: Capital Intelligence

ALGERIA

Annual inflation up 5.5% in July

Figures released by the National Statistics Office show that consumer price inflation reached 5.5% annually in July, up from 4.2% year-on-year in June. On a monthly basis, the CPI fell by 1.6% in July after rising by 1.6% month-on-month in June. Inflation decelerated between February and April and has accelerated since May. Year-on-year consumer price inflation has fluctuated between 0.9% and 5.5% in the first 7 months of this year, and annual cumulative inflation stood at only 2.8% in January-July. Consumer price inflation is expected to remain at 2-3% in 2007 before accelerating to 3-4% in 2008, owing to strong wage increases in both the public and the private sectors and to the strong expansionary fiscal policy currently implemented by the government.
Source: Global Insight

QATAR

Foreign workforce to be cut by 40%

A plan issued by the Development Planning Office said Qatar is expected to cut its expatriate workforce from its current 88% to 50% by 2025. The plan aims to reduce Qatar's dependence on expatriate workers gradually and encourage local Qataris to join the workforce. Foreign workers account for 88% of Qatar's population of about 860,000.
Source: The Peninsula

UKRAINE

Sale of fixed line operator postponed till 2008

The Finance Ministry announced it has pushed back the sale of a 37.86% stake in the country's former monopoly fixed line operator Ukrtelecom to next year. The State Property Fund failed to sell a 5% stake in the incumbent between March 28 and June 23 of this year, and the further planned sale of a larger stake by end-2007 has now been postponed due to early parliamentary elections scheduled for the end of September. The ministry said the government remains confident that the partial privatization of Ukrtelecom would raise up to $1.43bn.
Source: Wireless Federation

BANKING

ARMENIA

Byblos Bank acquires International Trade Bank

Byblos Bank SAL announced it has acquired a 100% stake in the International Trade Bank (ITA), becoming the first Lebanese bank to establish a direct presence in Armenia. The acquisition falls within the Group's strategy of asset diversification and expansion in emerging markets. ITA will operate as an independent subsidiary of the Byblos Bank Group and will mainly focus on commercial and retail activities as well as serve the needs of the Armenian Diaspora across the world.

The Armenian banking sector has 21 commercial banks with total assets of $1.26bn at the end of 2006, equivalent to 23.7% of GDP, with the top four banks accounting for 47% of total assets. Driven by strong economic growth, private sector loans grew by 33% and deposits increased by 24% in 2006. Credit to the economy was equivalent to 9% of GDP, reflecting the growth potential of the banking sector. The sector has a low 2.5% non-performing loans ratio and its capital adequacy ratio is 35%. The Byblos Bank Group already operates in Sudan, Syria, Iraq and the United Arab Emirates as well as in Belgium, France, the United Kingdom, and Cyprus.
Source: Byblos Bank

SYRIA

Central Bank reduces deposit rates

The Central Bank of Syria (CBS) authorized local banks to fix interest rates on deposits within a margin of 2% from its set rate, up from a margin of only 0.5%. The reference rate set by the CBS on deposits with a maturity of one-year or more stands at 9%, while rates for deposits of between one- and 12 months stand at 7.5-8.5%. Banks can now bring rates paid to depositors for maturities above one year down to 7%. The decision is intended to help ease the pressure private banks are facing on their Syrian pound deposits, as rapid deposit growth is being offset by a lack of opportunities to invest Syrian pound liquidity. The CBS also scrapped the 1% rate it paid on the local banks' legal reserves requirements. The decision to pay a 1% rate was actually made by the CBS only last November.
Source: Syria Report

KUWAIT

Central Bank cuts repo rate

The Central Bank of Kuwait cut its repo rate by 25 basis points to 5.25%, down from 5.50%, a week ahead of the U.S. Federal Reserve's decision on its interest rates. The step mainly aims at easing the pressure on the Kuwaiti dinar to appreciate, and is aligned with expectations that the U.S. Federal Reserve will cut its rates at its meeting in the coming week. Kuwait ended its dinar's peg to the U.S. dollar on May 20 and shifted it to a basket of currencies in an attempt to reduce the impact of imported inflation which it said was mainly caused by the weakening dollar. The U.S. Federal Reserve has not lowered rates in four years, but pressure has been building on it to do so to help ease tightening credit conditions.
Source: Down Jones Newswires

GCC

Monetary union unlikely by 2010

GCC central bank governors indicated that the 2010 target for the Monetary Union was unlikely but they did not officially set a new date. The postponement was expected as Kuwait abandoned the US dollar peg earlier this year and Oman already stated it would not join the union in 2010. In parallel, the other GCC nations agreed to keep their currencies pegged to the US dollar and have all ruled out any change in foreign exchange policy, as Saudi Arabia, Qatar, Oman, Bahrain, and the UAE said they are committed to making a joint decision on the issue of foreign exchange policy. Also, GCC central bankers officially recognized that inflation is a domestic issue and that each country will assess its own policy to address the issue.
Source: Standard Chartered

NIGERIA

Fitch assigns ratings to Intercontinental Bank

Fitch Ratings assigned Intercontinental Bank Plc Long-term Foreign Currency Issuer Default Rating ("IDR") of 'B+' with a Stable Outlook, as well as Short-term Foreign Currency IDR of 'B', Individual 'D' and Support '4'. A Support Rating Floor of 'B+' was also assigned. The agency said the ratings reflect the bank's developing domestic franchise, consistent levels of earnings growth and above average levels of capitalization. The ratings also take into account the risks related to the difficult operating environment in Nigeria. Intercontinental's net income increased by 104% to NGN15.5bn during fiscal year 2007 and credit expanded by 59.8% to NGN293.5bn. Lending was concentrated in the commercial, oil and gas, and real estate sectors. The non-performing loan ratio improved to 4.5% from 5.4% in the previous year, despite a 33.7% increase in the absolute amount of NPLs during the year. Fitch considers Intercontinental's Tier One capital adequacy ratio of 36.2% to be good, but expects it to be reduced over time. Intercontinental is the third largest bank in Nigeria with assets of $5.5bn.
Source: Fitch Ratings

UKRAINE

Central Bank to review decision to cap forex borrowing rates

The National Bank of Ukraine indicated that it will review and likely amend its recent decision to cap interest rates on corporate foreign currency borrowing. The NBU had previously decided that, as of October 19th, it would only authorize foreign currency borrowing by Ukrainian entities if interest rates on their debt were not higher than 200 basis points above those on Ukraine's sovereign foreign currency debt over the two preceding quarters. The NBU decision caused concerns among Ukraine's corporate borrowers, particularly in view of the widening of spread differentials between corporate and sovereign debt in the aftermath of the global liquidity crisis in August. The NBU did not say how the regulation could be amended but suggested that it may be either delayed or its application limited to a certain category of borrowings.
Source: Credit Suisse

Oil eases after topping $80 on supply fears

U.S. crude traded 14 cents lower at $79.77 a barrel on Thursday, after climbing $1.68 on Wednesday, when it hit a record of $80.18. London Brent crude shed 13 cents to $77.55. Prices have climbed 31% this year and have quadrupled since 2002, as investors buy into worries over real and potential supply disruptions in producers such as Nigeria and Iran, growing consumer demand and infrastructure constraints. U.S. crude stocks fell by 7.1 million barrels last week to their lowest level in eight months ahead of the winter heating season. Experts said OPEC's deal in Vienna to raise output by a half million barrels per day (bpd) starting November 1st was not enough to reverse rising energy prices.

Strong oil fundamentals have lured investors looking to diversify away from markets dragged down by the U.S. subprime mortgage crisis, and dealers said fresh fund money continued to pile into energy. Adjusted for inflation, prices are still below the $90-a-barrel peaks of the Iranian Revolution in 1979 and the start of the Iran-Iraq War the following year. Oil was also getting support from concerns over Mexican supplies after a leftist militant group blew up several fuel pipelines this week. Worries over OPEC-member Iran's nuclear stand-off with the West and growing resource nationalization in producer countries have also spurred investor buying this year. The Organization of the Petroleum Exporting Countries blames a lack of refining capacity in major consumers for high prices.
Source: Reuters

Iraq to issue oil tenders with or without new law

According to oil Minister Hussein al-Shahristani, Iraq will issue tenders for international oil companies to develop its existing fields this year, even if a long-awaited new law to regulate the energy sector is delayed.
Source: Reuters

Iraq to increase oil output

Iraq is seeking to raise its oil output to 3.5 million barrels per day by the end of next year and plans to construct pipelines to supply oil and gas to Iran and Syria. Iraq would supply Syria with a total of 50 million cubic feet of gas daily and Iran with 100,000 bpd of crude via pipelines that are scheduled to be built in 2008.
Source: Khaleej Times

Qatar may use alternative fuel

Qatar Fuel may consider offering liquefied petroleum gas as an alternative vehicle fuel to the public. Woqod, the sole distributor of LPG in Qatar, has teamed up with Mowasalat to launch the first LPG-fuelled taxi in Qatar.
Source: The Peninsula

Base metals: Uncertainty over financial market turbulence weighs on prices

In low volume trading, base metal prices continued to decline over the last couple of days. Concern over financial market turbulence potentially feeding through to the real economy remains one of the main issues. In this regard, base metal prices should continue to react sensitively to new macroeconomic data in particular from the U.S. Another factor behind current fragile market sentiment is the development of registered inventories at the London Metal Exchange (LME). Since the beginning of August, LME inventories of most base metals have risen significantly. While this is also due to seasonal effects during the summer, it is weighing on sentiment. Over the last couple of days, inventory inflows into LME warehouses have even accelerated and with the latest price movements, the weak performance of base metals now persists for more than three months. Given weak physical demand, a further weakness is expected over the next three months.
Source: Credit Suisse

Precious metals: General price trend still positive

Precious metals prices started the week on a positive note and the general trend still points higher. Looking at the performance of the last couple of weeks, investors should prefer an investment in gold or platinum over silver and palladium. While gold and platinum prices have fully recovered from the correction in August, silver and palladium prices are still trading quite a bit below their values at the beginning of last month. The outlook remains positive, especially for gold, as in the second quarter global jewelry demand for gold increased by more than 30% year-on-year. At the same time however, mine production stagnated. The combination of these two factors is the main reason for the current supply deficit. Initial reports show that jewelry demand for gold continues to be strong. Therefore, a further widening of the supply deficit and thus higher prices are expected.
Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	203.5	200.8	191.8	-0.2	16.6
LME metals price index	3657.5	4039.5	3866.1	-7.1	-5.9
Oil prices USD	76.3	67.5	63.5	6.2	13.1
Oil prices SDRs	49.7	44.4	42.2	6.3	9.3
Gold $/troy oz	689.4	666.0	644.8	2.6	8.2
Silver cents/troy oz	1224.5	1302.8	1286.4	-6.5	-5.4
Platinum $/troy oz	1281.0	1276.9	1214.7	-1.0	1.0
Copper $/MT	7245.0	7510.1	7079.1	-7.0	-8.4
Nickel $/MT	26675.0	41355.8	38161.3	-8.7	-11.0
Aluminium $/MT	2375.0	2702.3	2712.6	-8.9	-6.4
Zinc $/MT	2782.5	3491.7	3670.9	-18.5	-23.4
Steel - HR coil dry $/MT	600.0	600.0	600.0	0.0	0.0

Source: Credit Suisse

COUNTRY RISK METRICS

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

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	-	-	-	-	-3.3	17.6	27.1	210.0	2.6	161.6	-4.1	3.5
Bulgaria	BBB+	Baa3	BBB	-	BBB								
	Stable	-	-	-	Stable	2.6	19.5	80.0	147.3	18.0	228.2	-16.1	11.0
Kazakhstan	BBB	Baa2	BBB	-	BB								
	Stable	-	-	-	Stable	0.3	4.4	60.4	225.2	36.0	197.8	2.3	5.1
Romania	BBB-	Baa3	BBB	BBB-	BBB								
	Stable	-	-	Stable	Stable	-2.9	12.8	42.0	178.3	22.3	233.1	-11.9	6.9
Russia	BBB+	Baa2	BBB+	-	BBB								
	Stable	-	-	-	Stable	3.6	8.2	33.5	90.8	12.5	98.5	6.3	1.3
Turkey	BB-	Ba3	BB-	BB-	B								
	Stable	-	-	Stable	Stable	-2.0	60.9	52.3	194.8	37.6	340.6	-7.9	4.6
Ukraine	BB-	B1	BB-	-	BB								
	Negative	-	-	-	Stable	-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	04-Oct-07
UK	Base Rate	5.75	02-Aug-07	No change	04-Oct-07
Japan	O/N Call Rate	0.50	23-Aug-07	No change	19-Sep-07
Australia	Cash Rate	6.50	04-Sep-07	No change	02-Oct-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	7.02	21-Aug-07	Raise 18bps	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	5.00	07-Sep-07	No change	11-Oct-07
Malaysia	O/N Policy Rate	3.50	24-Aug-07	No change	30-Oct-07
Thailand	1D Repo	3.25	29-Aug-07	No change	10-Oct-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	22-Aug-07	No change	N/A
Turkey	Base Rate	17.50	14-Aug-07	No change	13-Sep-07
South Africa	Repo rate	10.00	16-Aug-07	Raise 50bps	11-Oct-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	27-Aug-07	No change	Oct 07
Mexico	Target Rate	7.25	24-Aug-07	No change	21-Sep-07
Brazil	Selic Rate	11.25	05-Sep-07	Cut 25bps	17-Oct-07
Armenia	Repo Rate	4.75	N/A	N/A	N/A
Romania	Policy Rate	7.00	26-Jun-07	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 September 13, 2007

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.lb

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
Phone: (+961) 1 335200
Fax: (+961) 1 339436

BELGIUM

Byblos Bank Europe S.A
Bussels 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

SYRIA

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

ENGLAND

London Branch
Berkeley Square House - Suite 5
Berkeley Sq.
GB - London W1J 6BS (U.K.)
Phone: (+44) 207 493 35 37
Fax: (+44) 207 493 12 33
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

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

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

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

UNITED ARAB EMIRATES

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