



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Region's competitiveness is high, reforms still necessary

The World Economic Forum included 13 countries from the MENA region in its Global Competitiveness Index for 2007-08. Kuwait was the region's top-ranked country in 30th place, followed by Qatar (31), Tunisia (32), Saudi Arabia (35), the UAE (37), Oman (42), Bahrain (43), Jordan (49), Morocco (64), Egypt (77), Syria (80), Algeria (81) and Libya (88). The WEF said the high oil prices and intensifying global trade linkages have led to very high rates of growth for the past five years in many of the MENA countries. It added that initial reform efforts carried out in recent years have also contributed to this outcome, but the region is still far from realizing its full productive potential. It noted that this will require an acceleration of the reform process to tackle many of the obstacles to competitiveness and productivity. The WEF called on leaders in the region to seize the opportunity from the oil windfall to make the necessary reforms and cautioned that they must resist the temptation of allowing what may be a short-lived boom to lead to complacency.

Source: World Economic Forum

WORLD

Mobile penetration to reach 75% by 2011

Telecom research firm Portio Research predicted that the global mobile penetration rate will exceed the 50% mark next year, while an additional 1.5 billion mobile phone users are expected over the next four years to bring the overall penetration rate to 75% by 2011. The firm expected about 65% of additional users to come from the Asia Pacific region, rather than from Africa as has previously been supposed. Moreover, the majority of the new subscribers will be from rural regions in countries such as India and Pakistan. While mature markets such as Europe are not expected to show any serious signs of growth over the next few years, Portio predicts that the U.S. is likely to see five years of sustained high-value volume growth. The firm indicated that while there will be a rapid rise in mobile owners in emerging markets, the monthly Average Revenue Per User (ARPU) for U.S. subscribers is expected to be equivalent to yearly ARPU from customers in other countries. It notes that while Asia Pacific offers massive growth in subscriber numbers and North America and Europe offer the highest levels of ARPU, South America will see continued growth of basic services with significantly higher returns per user than much of Asia, the Middle East, and Africa. It added that Africa offers great future potential as "the last billion" when markets everywhere else are reaching saturation.

Source: Portio Research

MOROCCO

Government recalls ambassador to Spain

King Mohammed VI recalled Morocco's Ambassador to Spain "for an undetermined period" in response to Spanish King Juan Carlos' planned visit to the Spanish enclaves of Ceuta and Melilla, which Rabat considers to be Moroccan territory. A foreign ministry statement described the visit as "unacceptable" to Morocco, which claims both enclaves as integral parts of the country. Spanish Foreign Minister Miguel Angel Moratinos said Madrid will not take similar action.

Source: ANSA

TURKEY

EU urges reforms, progress on human rights

In its annual progress report on Turkey, the European Commission stated that Turkey must make significant efforts on freedom of expression and religion to move forward in its bid for EU entry now it has overcome a constitutional crisis. The Commission also demanded more efforts to allow the mainly Kurdish population of southeastern Turkey to enjoy full rights and freedoms. It noted that democracy had prevailed over military intervention in politics in this year's crisis over the election of a new president, and that the Turkish government must now renew the momentum of reforms that had slowed since 2005. The report highlighted the need for progress on the rights of Kurds, as well as women, children, trade unions and civilian oversight over the military.

Source: European Commission

IRAQ

Kurds sign more oil contracts

Kurdish Regional Government Minister of Natural Resources Hawrami announced that seven new Production-Sharing Contracts (PSCs) have been signed by the KRG despite the ongoing dispute between the Iraqi central government and the KRG on whether these contracts are binding or not. There are now 20 international companies working in Kurdistan with PSCs, and 83% of the revenues from petroleum operations will go to the central government. However, it is likely that the long-awaited oil bill pending in the Parliament will not be in breach with current Kurdish legislation and all the PSCs signed.

Source: Merrill Lynch

Australia sets up Iraqi aid program

The Australian Government recently issued a report stating that the country will launch an aid program for Iraq which will begin in the current year and end in 2010. The report further showed that the purpose of the program is to support Iraq's reconstruction efforts by enhancing the quality of life of the Iraqi people and strengthening governance systems and security.

Source: Iraq Portal

OCTOBER POLITICAL RISK OVERVIEW

ALGERIA

The authorities have confirmed the surrender of Hassan Hattab, the former founding leader of the Salafi Group for Preaching and Combat, the country's largest rebel group. The deputy chief of Al-Qaeda in the Islamic Maghreb, Hareg Zoheir, was killed with 2 other rebels at a security checkpoint on October 7. The army reported to have killed 15 suspected militants and captured 7 in the East of the country, during operations against Al-Qaeda aligned groups. The police said it arrested 11 suspects involved in September suicide attack targeting President Bouteflika

ARMENIA

Former president Levon Ter Petrosian announced his presidential candidacy at a mass rally in Yerevan. He repeated his strong criticism of the current government and Nagorno-Karabakh policy.

EGYPT

Tensions continued between Bedouin tribes and security forces in Sinai. Rebels, reportedly protesting against the police failure to halt inter-tribal violence, destroyed al-Arish office of the ruling National Democratic Party on October 7. Several independent and opposition newspapers held a press strike on October 7 to protest against official intimidation, including series of pending court cases against journalists. The Court ordered the release of the senior Muslim Brother Essam el-Erian and 9 others that were detained in August

IRAN

Tensions increased as Washington announced further financial sanctions on October 25, targeting the Islamic Revolutionary Guard Corps (IRGC) for being proliferators of weapons of mass destruction, elite Quds Force for support of terrorism, and 3 banks and several IRGC-owned companies. Tehran labeled sanctions as "ineffective". IAEA head Mohamed El-Baradei said on October 28 that there was no concrete evidence that Iran intended to build nuclear weapon. Nuclear negotiator Ali Larijani has resigned due to disagreements with President Ahmadinejad. The move followed the meeting between Russian President Putin and Supreme Leader Ayatollah Ali Khamenei where Putin reportedly presented new proposals. Larijani was replaced by deputy foreign minister Saeed Jalili, a former member of IRGC and an ally of Ahmadinejad. Larijani and his successor Jalili held nuclear talks with EU foreign policy chief Javier Solana in Rome on October 23.

IRAQ

Widespread violence persisted but civilian deaths continued to decline and security in Baghdad improved. Radical Shiite cleric Muqtada al-Sadr and Abdul Aziz al-Hakim, head of Islamic Supreme Council of Iraq, agreed on October 6 to end the fighting between the groups. Sadr also reiterated the August suspension of Mahdi army's activities for 6 months. U.S. operation on October 11 against suspected senior leaders of al-Qaeda in Iraq in Lake Tharthar region, north of Baghdad led to 34 deaths including 15 civilians. Operations on October 5 against suspected factional Shiite militia in Baquba killed 25.

KAZAKHSTAN

Rakhat Aliev, the former son-in-law of President Nazarbayev, has accused the President of ordering last year the murder of the opposition leader Sarsenbayev. Earlier in month, the authorities say they have found the remains of a corpse that could be one of two missing Nurbank executives.

MOROCCO

Moroccan leaders formed a new government on October 15, an alliance between conservative Istiqlal, centre-right RNI, Socialist Union of Popular Forces and leftist PPS. King Mohammed VI used his prerogative to appoint interior, foreign, defense, religious and finance portfolios. PM El Fassi presented his program to parliament on October 24th. The largest opposition party, Islamist PJD, appointed Mustafa Ramid as parliament group head, promising more forceful role.

SUDAN

The Sudan People's Liberation Movement (SPLM) has suspended its participation in the national government on October 11 due to delays in the implementation of the Comprehensive Peace Agreement. Issues include the demarcation of the North-South border, wealth-sharing, the withdrawal of troops from the South, and arrangements concerning the oil-rich Abyei area. The move pulled international attention back to North/South issues. Peace talks were held in Libya on October 27th. The government announced a unilateral cease-fire as talks began but the main rebel factions JEM and SLA-Unity were not among the 6 groups represented. Talks were adjourned to allow further consultations between mediators and rebel groups. The JEM attacked a Chinese-run oil facility at Diffra in Kordofan on October 25th.

SYRIA

President Bashar Al-Assad stated on October 1 that the Israeli airstrike hit an unused military building. He denied the widespread speculation that it was a nuclear site under development with North Korean assistance. Syria continued to refuse to attend Annapolis peace conference. Damascus ended the suspension of new visa rules for Iraqis on October 1st.

TURKEY

Ankara stepped up threats to launch a major anti-PKK offensive into Iraq unless an action is taken against the group by Iraqi regional and national authorities and by the U.S. The parliament gave the government one year authorization for cross-border action on October 17th. Tensions rose further after 12 soldiers were killed, and 8 abducted by PKK on October 21st. Mass protests against Kurdish separatism were held throughout the country and in the Turkish diaspora. Pro-Kurdish Democratic Society Party buildings were attacked by protestors. The army stepped up operations and massed troops in the border region. Over 80 PKK rebels and 34 soldiers were killed on Turkish territory over the month. Turkey's National Security Council recommended to the government a series of economic sanctions against northern Iraq. Consequently, Turkey closed its airspace to flights to and from northern Iraq.

Source: *International Crisis Group*



OUTLOOK

AFRICA / MIDDLE EAST

Financing flows stable in 2007-08

The Institute of International Finance projected net FDI inflows to the Middle East & Africa region to exceed \$20bn in 2008, up from an average of \$5.5bn in 2002-05. Portfolio equity flows to the region are expected to decrease to \$7.6bn in 2008 from \$11bn in 2007 and \$12.6bn in 2006. The IIF expected debt-related net flows from non-bank private sector sources to rise to \$4bn in 2008 from -\$1.4bn in 2007, while net flows from commercial banks are expected to fall to \$45.7bn in 2008 from \$59.4bn in 2007 and a peak of \$86.9bn in 2006. Further, net flows from official creditors to the region are expected to be positive in 2008, reaching \$0.1bn, with the small amount reflecting the decreasing role in recent years of the official sector in the process of financing emerging market economies.

The IIF said that financing flows to African/Middle East region will exhibit great stability in 2007-08. The region is projected to enjoy a solid current account position, helped by favorable terms of trade, with the current account balance expected to reach to reach \$15.8bn in 2008, up from \$15bn in 2007 and from \$14.8bn in 2006. It projected Algeria's current account surplus at \$28bn or 22.4% of GDP in 2007, and expected South Africa to continue posting a large but stable current account deficit of \$17bn or 6.1% of GDP in 2007. The IIF forecast covers Algeria, Egypt, Morocco, Tunisia and South Africa. Source: Institute of International Finance

Source: *Institute of International Finance*

IRAQ

Real GDP growth to average 5.8% in 2007-08

In its semi-annual economic outlook for the Middle East and North Africa region, the International Monetary Fund projected Iraq's real GDP growth at 6.3% for 2007, slightly up from 6.2% last year, and at 5.3% in 2008. It expected the country's nominal GDP to reach \$65.1bn this year and \$74.8bn in 2008, up from \$49.5bn in 2006. The IMF forecast Iraq's annual average inflation rate at 30% in 2007, down from 64.8% a year earlier, and at 12% in 2008. The Fund projected the central government's fiscal balance to post a deficit of 5.3% of GDP this year and 1.2% of GDP in 2008, down from 12% in 2006. It estimated public revenues at 55.8% of GDP in 2007 and at 57.2% next year and total expenditures at 69.1% of GDP this year and 62.7% of GDP in 2008. The IMF expected Iraq's public debt to continue its downward trend and to reach 90.9% of GDP at end-2007 and 83.3% of GDP at end-2008, down from 115.4% of GDP in 2006. It also forecast total gross external debt at 86.6% of GDP this year and 79.5% next year, down from 110.5% in 2006. Further, the country's current account balance is projected to post a deficit of 2.5% of GDP this year and a surplus of 0.9% of GDP in 2008. The Fund expects the country's gross official reserves to reach \$27.4bn at end-2007 and \$29.2bn at end-2008.

Source: *International Monetary Fund*

KAZAKHSTAN

Economic growth estimated at 11% in 2007 and 10% in 2008

The International Monetary Fund projected Kazakhstan's real GDP growth at 8.7% for 2007 and 7.8% in 2008, down from 10.7% in 2006. It expected the country's nominal GDP to reach \$95.5bn this year and 110.9bn in 2008, up from \$81bn in 2006. The IMF forecast Kazakhstan's annual average inflation rate at 8.6% in 2007 and at 7.8% in 2008. Also, it expected the growth of broad money at 35% this year, declining to 15% in the coming year. The Fund projected the central government's fiscal balance to post a surplus of 5.6% of GDP in 2007 and 5.4% in 2008. It estimated public revenues at 29.7% of GDP in 2007 and 2008, and total expenditures at 24.1% of GDP in 2007 and 24.4% of GDP in 2008. The IMF expected Kazakhstan's public debt to reach 5.8% of GDP at end-2007 and to decline to 5.4% of GDP at end-2008. It also forecast total gross external debt at 86.6% of GDP in 2007 and at 78.9% of GDP in 2008. Further, the country's current account deficit is projected at 2.2% of GDP in 2007 and at 1.1% of GDP in 2008. The Fund expects the country's gross official reserves to reach \$20bn at end-2007 and end-2008.

Source: *International Monetary Fund*

WORLD

Record oil prices unlikely to affect world growth

The International Monetary Fund indicated that rising oil prices will likely have a limited impact on global economic activity. It said the depreciation of the dollar has softened the impact of the oil price surge on other major consuming countries, while, the oil price rise has been driven by sustained strong demand growth rather than supply shortfalls. Also, economies today are much less energy intensive compared to the oil price surge in the late 1970s. The Fund noted however, that a supply-driven spike to oil prices caused by a serious deterioration of security conditions in the Middle East could have a significant impact on global growth. It said a sharp supply-induced rise in oil prices could result in a global slowdown, as income is redistributed to oil-exporting economies, which have a lower propensity to spend than oil-importing economies. Further, higher oil prices would raise the cost of production and put upward pressure on the aggregate price level. This would cause central banks to increase interest rates and would then further dent economic activity in the short run.

In parallel, the IMF declared that rising oil prices will likely increase headline inflation in the months ahead, but only slightly. It estimated that the direct effect of the recent oil price rise on inflation in the United States at about 0.1% by the end of the year. Overall, the impact should be manageable, because greater monetary policy credibility has anchored inflation expectations more securely, particularly in advanced economies. The Fund warned that the situation may be more challenging in some emerging market and developing countries where overheating pressures are of greater concern and rising fuel costs may put pressure on household budgets and external balances, particularly in low-income oil-importing countries.

Source: *International Monetary Fund*



ECONOMY & TRADE

SYRIA

Bourse to partner with Abu Dhabi Stock Exchange

The Damascus Stock Exchange signed a Memorandum of Understanding with the Abu Dhabi Securities Market (ADSM) for the latter to provide technical and financial support. Terms of the agreement stipulate that the two stock markets will cooperate in various areas, including joint company listings on the two exchanges, as well as regulating listing, trading, clearing and settlement of securities in both markets. The ADSM will also provide training to Syrian brokers.

Source: Syria Report

ALGERIA

Parliament amends investment law

The Algerian Parliament passed a draft law to amend legislation on investment promotion. The law will streamline approval processes for establishing a business and facilitate access to benefits and incentives offered by the state. It expands the role of the National Development and Investment Agency, turning it into a one-stop-shop for investors seeking to launch a business in the country. The agency will also be responsible for providing information to investors and facilitating the application and approval processes, and will monitor investors' compliance with the terms and conditions of their agreements. The amended legislation would reduce red tape and the number of administrative procedures, and remove restrictions on land ownership.

Source: Oxford Business Group

TUNISIA

Transport agreements signed with France

France and Tunisia signed a series of transport-related agreements. One accord calls for the production of Airbus plane parts in Tunisia and technical co-operation to promote maintenance activities between Tunisair Technics and Air France Industry. The two sides also agreed for Tunisia's Rapid Railway Network Company and France's Railway Network Company to conduct joint studies and consultations on establishing a rapid railway network in Greater Tunis. Also, Tunisian transport company Transtu and French multinational Alstom signed a contract for the delivery of nine Citadis 302 trains.

Source: Magharebia News

TURKEY

Annual inflation at 7.7% in October, outlook still benign

October CPI inflation increased 1.8% month-on-month compared to the market consensus expectation of 1.2%. Annual CPI inflation now stands at 7.7% compared to 7.1% in September. Food prices increased by 3.4% in October, accounting for a 0.95% increase in headline inflation, as annual food inflation has reached 14.7%, almost double headline CPI inflation. Clothing prices increased by 8.2% due to new-season prices and added 0.63% to headline inflation. Given the announced tax increases for tobacco and oil products, and the expected price hike for electricity, headline inflation may rise even higher through year-end.

Source: Merrill Lynch

SAUDI ARABIA

Bourse to restructure and reclassify firms

The Saudi Capital Market Authority (CMA) plans to restructure the stock market in order to keep pace with rapid changes in the market such as the increasing number of listed companies and the diversification of their activities. The CMA has decided to classify the listed companies into 14 sectors, instead of the present eight, into banks and financial services, insurance, telecommunication, real estate development, petrochemical industries, media and publishing, energy, transport, hotel and tourism, agriculture and food industries, building and construction, industrial investment, retail sector and multi-investments. Besides considering a listed company's major activity, the level of its assets utilization and the income from its separate activities will also be considered in the new classification system. The market value of each listed company in the general and sector-wise indexing will be on the basis of the total value of the number of shares available for trading, as any share not available for trading will not be considered in the computation of the index.

Source: Business Intelligence

EGYPT

\$100m industrial zone for Chinese companies

Egypt and China signed an agreement to establish a Chinese industrial zone near the city of Suez. Trade and Industry Minister Rachid Mohammed Rachid said the Chinese Egyptian Zone for Cooperation and Trade is devised to attract about \$2.5bn worth of investments to Egypt, and will serve as a hub in the region for Chinese manufacturers looking to move closer to markets throughout the Middle East and Africa. Chinese industries expected to locate in the zone include textiles, automobile and auto part manufacturers, oil and gas pipe makers and electronics firms, among other sectors. The zone is to cover five sq km and is due to be completed by 2015 at a cost of around \$100m. It will be developed by Chinese firm TEDA, which has already set up two industrial zones in China.

Source: Oxford Business Group

ROMANIA

S&P revises outlook

Standard & Poor's revised the outlook on Romania's 'BBB-' sovereign credit rating to "negative" from "stable." This follows a revision by the rating agency of Romania's sovereign credit rating outlook to "stable" from "positive" in April. S&P said that the outlook revision reflects the government's limited policy response to Romania's rapidly growing external imbalances. It added that the fiscal and incomes policies are expansionary, and the upcoming elections are likely to stimulate further increases in current expenditures. As for the prospects for a downgrade in Romania's sovereign credit rating, S&P stated that if external imbalances continue to worsen and Romania continues to pursue significantly pro-cyclical fiscal and incomes policies, or private sector balance sheet stress causes the economic outlook to deteriorate, it would lead to a downgrade within the next 18-24 months.

Source: Standard & Poor's



BANKING

EGYPT

Central Bank keeps policy rates unchanged

The monetary policy committee (MPC) of the Central Bank of Egypt kept the overnight deposit and lending rates unchanged at 8.75% and 10.75%, respectively. The MPC acknowledged that the risks to the inflation outlook were to the upside when it said that the possible spill-over from recent inflationary shocks, mainly from food prices in the last two months, to other non-food prices and the inflationary demand pressures from higher economic growth exert upward pressure on inflation. It said that over the medium-term, this has the potential to drive inflation above the upper level of the CBE's comfort zone. Inflation rose to 8.8% year-on-year in September from 8.45% in August, its second increase in two months, driven mainly by a rise in domestic food prices, which rose to 13.3% annually in September from 12.8% in August.

Source: *Credit Suisse, EFG-Hermes*

Net foreign reserves at \$31bn

The Central Bank of Egypt indicated that net foreign reserves reached \$30.92bn at the end of October, up by \$1bn on a monthly basis and posting its highest monthly increase since December 2006. Reserves rose by 26.8% annually and by 3.5% in October, driven by a continuing rise in portfolio inflows, the sale of a \$460m stake in Al Watany Bank of Egypt to National Bank of Kuwait and speculation on an appreciating Egyptian pound.

Source: *Central Bank of Egypt, EFG-Hermes*

UAE

Central Bank reduces key rates

The UAE Central Bank cut its one-week, one-month and three-month certificate of deposit interest rates by 20 basis points. The move came in response to the U.S. Federal Reserve's decision to reduce its key interest rate by 25 basis points. The Central Bank cut its one-week interest rate to 4.40% from 4.60%, one-month interest rate to 4.50% from 4.70%, and three-month interest rate to 4.60% from 4.80%. The Federal Reserve eased last week its monetary policy for the second time since September, with the Federal Open Market Committee voting unanimously to cut the Fed's funds rate to 4.5% from 4.75%. The UAE already cut rates in September after the Fed by 15 basis points in September in response to the Fed's rate cut. The UAE's dirham is pegged to the U.S. dollar.

Source: *Dow Jones Newswires*

SAUDI ARABIA

SAMA raises reserve requirements, reduces repo rates

The Saudi Arabian Monetary Agency (SAMA) cut the reverse repo rate by 25 bps to 4.75% (the deposit rate at the central bank), while leaving the repo rate (the rate at which the central bank lends to commercial banks) steady at 5.5%. Moreover, SAMA raised the reserve requirement for banks to 9% from 7% in order to drain liquidity from the banking system. Increasing the reserve requirement also reduces the lending base of the commercial banking sector, which limits credit growth.

Source: *EFG-Hermes*

KUWAIT

Central Bank cuts repo rate

The Central Bank of Kuwait (CBK) cut its repo rate by 25 basis points to 4.50%, down from 4.75% in response to the U.S. Federal Reserve's decision to reduce its key interest rate in an effort to stimulate the U.S. economy. The CBK already cut the repo rate in September by 75 basis points. Kuwait ended its dinar's peg to the U.S. dollar on May 20th in order to reduce the impact of imported inflation.

Source: *Dow Jones Newswires*

KAZAKHSTAN

Four banks downgraded

Moody's Investors Service took rating actions on six Kazakh banks to reflect the negative impact of the continued credit and liquidity crisis on the banks' credit risk profiles. The agency downgraded the foreign currency senior unsecured debt rating of Kazkommertsbank by two notches to 'Ba1' from 'Baa2', that of Bank TuranAlem by one notch to 'Ba1' from 'Baa3', that of Halyk Bank by one notch to 'Baa3' from 'Baa2', and that of TemirBank to 'Ba2' from 'Ba1'. In addition, it downgraded the foreign currency subordinated debt rating of Kazkommertsbank and Bank TuranAlem to 'Ba2' from 'Baa3' and to 'Ba2' from 'Ba1', respectively, and that of TemirBank to 'Ba3' from 'Ba2'. In parallel, the outlook on all the deposit and debt ratings of Alliance Bank and Bank CenterCredit's is changed to negative from stable.

Moody's said the continuing turbulence in global credit markets increases the likelihood that Kazakh banks will suffer from a lack of access to international capital markets for a prolonged period of time. It added that such a lack of access to international funding to finance loan portfolio growth and an inability to refinance maturing foreign debt on the part of many Kazakh banks will slow the banks' operations and is likely to put pressure on their margins and growth rates. According to Moody's, the current total of Kazakh banks' international borrowings is around \$40bn, accounting for over a half of their total non-equity funding. Such very high level of dependence on market funding creates significant refinancing risks for both individual banks and the banking system as a whole.

Source: *Moody's Investors Service*

ROMANIA

Central Bank raises policy rate

The National Bank of Romania (NBR) increased the policy rate by 50bps to 7.5%, in line with market expectations. The NBR board said that the country was going through "a relative slowdown of economic growth, attributable to the negative supply-side shock triggered by farming sector output," but also highlighted the still-strong credit growth with "renewed fast growth of foreign currency lending." The NBR also acknowledged that "the persistence of negative supply-side effects, high household income dynamics, the projected rise in public spending towards year-end, as well as uncertainties over leu exchange rate movements signal that end-2007 inflation will exceed the upper limit of the 3-5% target band."

Source: *Credit Suisse*



ENERGY / COMMODITIES

Oil resumes march to \$100

U.S. crude for December delivery rose as high as \$96.48 a barrel and stood 77 cents higher at \$96.23 a barrel, reversing the previous day's 91-cent drop. London Brent crude rose 63 cents to \$93.42. Oil had fallen on Thursday after U.S. Federal Reserve Chairman Ben Bernanke highlighted the twin threats of slower growth and inflation for the U.S. economy. But the dollar's slide to yet another record low against the euro on Friday helped maintain the allure of oil for financial investors and speculators who have helped lift oil by 40% since mid-August. The loss of North Sea production due to a storm coupled with the shut of a diesel refinery unit in Texas due to a fire, added fundamental fuel to the gains.

Oil traders are concerned that global stockpiles could decrease further before Northern Hemisphere demand peaks this winter, driving prices beyond the \$100 mark. But those fears have had to contend with worrying signals from the U.S. economy, which could grow more slowly and register higher inflation than expected, even though it did not appear headed for a recession. Signs of slowing growth would suggest lower demand for oil from the U.S., where average consumption over the past four weeks fell about 0.4% from a year ago.

Source: Reuters

Syria raises gasoline prices by 20%

The government raised gasoline prices by 20% to SYP36 (74 cents) a liter from SYP30 pounds (60 cents) starting on November 1st. Earlier this year, authorities declared they will start lifting subsidies on petroleum products, as subsidies are expected to cost the budget \$7bn, or about 19% of GDP, in 2008. The government's original plan was to raise gasoline prices to SYP40. The move came as a surprise, as plans to reduce fuel subsidies had focused on gasoil, which represents a much more significant part of total fuel consumption. The last time Syria raised gasoline prices was in January 2006, when they were raised by 25%, to SYP30 a liter.

Source: Associated Press, Syria Report

Algeria grants mining licenses to local and foreign operators

Algeria's National Agency of Mining Heritage (ANPM) granted 61 licenses to 35 national and foreign operators. The tender, which is the 23rd of its kind since 2001 and the third this year, dealt with seven sites for exploitation and 54 for exploration. The areas intended for exploitation have deposits of aggregates, clay, tufa and sand. Those meant for exploration are aggregates and cement as well as decorative stones, dolomite, clay, gypsum and sand.

Source: APS

U.S. urges OPEC to raise output

U.S. Energy Secretary Sam Bodman has urged OPEC to raise production, saying that current oil prices were not in any exporter's interest. Current high oil prices are a problem for U.S. consumers, particularly people with low incomes, Bodman said, adding that he is worried about its impact on America's economy.

Source: Reuters

Base metals: Equity markets as the main driver

Base metal markets had a mixed performance this week, as prices have been heavily influenced by the Federal Open Market Committee (FOMC) meeting and the recovery of equity markets. While most markets started the week rather poorly, the overall price trend over the last couple of days was one of consolidation. The London Metal Exchange Index (LMEX), which tracks the performance of all LME-traded base metals, is trending sideways. Aggregate inventories of all LME-traded base metals have increased sharply during the third quarter of 2007 amid a slowdown in demand and falling Chinese imports. While inventories have stopped increasing recently, there is still no clear turnaround. The same is true for Chinese imports. While imports were increasing again in September, there is no clear trend yet. Base metal prices will continue to be driven by equity market developments as long as there is not a clear trend in these two variables.

Source: Credit Suisse

Precious metals: Increasing prices amid a weaker U.S. dollar

Precious metal prices weakened slightly ahead of the FOMC meeting but increased after the interest rate decision. Gold prices even managed to surpass the \$790 mark as investors believe the rate cut could lead to further dollar weakness and rising inflation. Silver and platinum prices have benefited as well, while palladium remains the laggard in the precious metals complex. While the interest rate decision was supportive for precious metal prices and prices are likely to test new highs on the back of this news, the risks in the sector are also increasing, particularly for gold. Speculative long positions in the gold market have reached new historical highs, which increases the risk of profit taking in the market. Moreover, volatility is increasing, particularly in the gold and platinum market, which means the upward trend is becoming increasingly unstable.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	214.9	206.0	197.4	-0.7	16.6
LME metals price index	3849.9	3994.9	3888.8	-3.6	0.5
Oil prices USD	93.5	73.9	67.0	16.6	59.9
Oil prices SDRs	59.5	48.2	44.2	15.7	51.1
Gold \$/troy oz	791.5	688.1	668.2	5.9	28.6
Silver cents/troy oz	1436.0	1301.6	1315.8	4.3	16.2
Platinum \$/troy oz	1443.0	1313.7	1253.8	4.8	31.3
Copper \$/MT	7660.5	7714.9	7134.2	-5.8	5.0
Nickel \$/MT	31600.0	35838.1	38027.3	6.0	-3.1
Aluminium \$/MT	2499.0	2591.1	2688.4	2.4	-10.3
Zinc \$/MT	2729.5	3343.4	3561.3	-10.3	-36.2
Steel - HR coil dry \$/MT	565.0	552.7	527.3	0.0	17.7

Source: Credit Suisse



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. 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+	-	-	-	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-	BBB-	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	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								
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	4.75	31-Oct-07	Cut 25bps	11-Dec-07
Eurozone	Refi Rate	4.00	04-Oct-07	No change	08-Nov-07
UK	Base Rate	5.75	04-Oct-07	No change	08-Nov-07
Japan	O/N Call Rate	0.50	31-Oct-07	No change	13-Nov-07
Australia	Cash Rate	6.75	06-Nov-07	Raise 25bps	04-Dec-07
New Zealand	Cash Rate	8.25	24-Oct-07	No change	04-Dec-07
Switzerland	3 month Libor target	2.75	13-Sep-07	Raise 25bps	13-Dec-07
Emerging Markets					
China	One-year lending rate	7.29	14-Sep-07	Raise 27bps	N/A
Hong Kong	Base Rate	6.00	01-Nov-07	Cut 25bps	N/A
Taiwan	Discount Rate	3.25	20-Sep-07	Raise 12.5bps	31-Dec-07
South Korea	O/N Call Rate	5.00	11-Oct-07	No change	08-Nov-07
Malaysia	O/N Policy Rate	3.50	30-Oct-07	No change	26-Nov-07
Thailand	1D Repo	3.25	10-Oct-07	No change	04-Dec-07
India	Reverse repo rate	6.00	30-Oct-07	No change	31-Jan-08
UAE	3M EBOR	4.50	01-Nov-07	Cut 20bps	N/A
Saudi Arabia	Repo Rate	5.50	01-Nov-07	No change	N/A
Egypt	overnight lending	10.75	Oct-07	No change	N/A
Turkey	Base Rate	16.75	16-Oct-07	Cut 50bps	14-Nov-07
South Africa	Repo rate	10.00	11-Oct-07	Raise 50bps	06-Dec-07
Kenya	Central Bank Rate	8.75	04-Oct-07	No change	Dec 07
Nigeria	Monetary Policy Rate	8.00	03-Oct-07	Raise 100bps	Dec 07
Ghana	Prime Rate	13.50	06-Nov-07	Raise 100bps	Jan 07
Mexico	Target Rate	7.50	26-Oct-07	Raise 25bps	23-Nov-07
Brazil	Selic Rate	11.25	17-Oct-07	No change	05- Dec-07
Armenia	Repo Rate	5.00	N/A	N/A	N/A
Romania	Policy Rate	7.50	Oct-07	No change	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Reverse repo rate	9.00	Oct-07	N/A	N/A

Source: Standard Chartered - Countries in bold updated on November 9, 2007



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