

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

IMF to increase quota of emerging economies

The Executive Board of the International Monetary Fund recommended an overhaul of the institution's governance structure that will realign quota and voting shares of member countries with their relative weight and role in the global economy, and therefore enhance the participation and voice of emerging market and low-income countries in the 185-member organization. The proposed reforms include a simpler and more transparent quota formula, a second round of ad hoc quota increases to enhance the representation of dynamic economies, and a tripling of basic votes that will increase the voice of low-income countries.

Source: *International Monetary Fund*

MENA

Country risk improves in region

Euromoney magazine's semi-annual survey on global country risk shows that risk in the MENA region slightly regressed in the past 6 months but improved on an annual basis. The average rating score of 20 countries in the MENA region reached 50.9 points in March 2008, down 0.9% from 51.36 points in September 2007, but up 2.5% from 49.66 points in March 2007. Also, the average score of the Arab countries reached 50.5 points, almost unchanged from 50.88 point in September, and up 2.7% from 49.16 points in March 2007. The scores of 9 MENA countries improved and 6 regressed from September, while the scores of 15 countries improved and 5 regressed from March 2007. The rankings of 9 countries improved, 5 declined and 4 remained unchanged from March 2007. Kuwait is the country with the best risk ratings in the MENA region while Iraq continued to have the worst country risk.

Source: *Euromoney, Byblos Research*

IPOs total \$4.1bn in first quarter of 2008

Companies in the Middle East raised almost \$4.1bn through initial public offerings in the first quarter of 2008, four times higher than in the same period last year. The number of IPOs in the region increased by 7.1% to 15 share issues in the first three months of the year, reflecting the positive economic environment across the region. The average size of IPOs almost tripled to \$271m compared to the same period last year earlier but was still below the \$310m raised by IPOs in the first quarter of 2006. Companies are pressing ahead with IPOs in the Middle East, where record oil revenues are bolstering the economy, regardless of an increasingly bleak outlook overseas.

Source: *Dow Jones Newswires, Zawya.com*

ALGERIA

New law grants Parliament power to oversee government spending

The government approved a bill allowing parliament to hold the executive branch accountable for disbursing public funds. The new Budget Control law, which is scheduled to take effect next year, is seen as a substantial leap towards introducing transparency and reinforcing public budget management. Under the new legislation, the government must submit all accounts related to the public budget every year to the Council of the Nation, or Parliament, that has 389 members. The new law also stipulates that ministries must update parliamentarians with progress in budget disbursement. Making the government disclose budget disbursement accounts has long been a bone of contention between the executive and legislative branches, and passing the law has been delayed for nearly 20 years.

Source: *Magharebia News*

ARMENIA

Anti-money laundering cooperation approved

Constitutional Court validated the agreement between CIS countries on anti-money laundering measures, confirming the compliance of the agreement with the country's constitution. The CIS agreement was signed between Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan in October 2007. It aims to improve the legal basis for cooperation in the fight against money laundering among the signatory states. The Ministry of Justice said the agreement does not present a conflict with national laws and has no norms that require amending existing laws.

Source: *ARKA*

NIGERIA

China offers Nigeria \$50bn credit

China has offered export guarantee facilities worth up to \$50bn to encourage investment in Nigeria, Africa's biggest oil producer. Sinosure, China's export credit guarantee agency, made the offer when Nigeria's president led a delegation of oil industry and business leaders to Beijing. Sinosure had offered \$40bn-\$50bn of its facilities to help fund projects in Nigeria over the next three years. Nigerian officials said Chinese companies were keen to invest in railways and the power sector. Sinosure's offer would support renewed efforts by Beijing to win access to energy resources in Nigeria. Past attempts to offer infrastructure finance in return for oil blocks have foundered. Nigerian officials play down the risk that Sinosure's offer could saddle the government with debt, saying the offer represents a strategy by Beijing aimed at encouraging Chinese companies to invest in African infrastructure on a commercial basis.

Source: *Financial Times*

MARCH POLITICAL RISK OVERVIEW

ALGERIA

Al-Qaeda in the Islamic Maghreb (AQIM) requested on March 10 the release of its members held in Tunisia and Algeria in exchange for 2 Austrian hostages taken in Tunisia on February 22nd. AQIM claimed on March 9 it killed 20 Algerian soldiers in eastern province. Security forces reported killing a suspected AQIM member planning to assassinate President Bouteflika. Two journalists were jailed after reporting on the government's corruption. Algeria rejected Morocco's call on March 20 to normalize ties and open the border.

ARMENIA

At least eight people were killed and more than a hundred others wounded on the night of March 1-2, as security forces put an end to daily demonstrations in Yerevan by supporters of Levon Ter-Petrosian, the country's former president and the main opposition presidential candidate. The State of emergency was lifted on March 21, but the police prevented the daily peaceful rallies. In an emergency session, the Parliament approved, on March 17, constitutional changes to allow government restriction of mass gatherings. The Constitutional Court rejected on March 9 the opposition claims of rigged elections. Four of five parties in the Parliament signed the coalition agreement ahead of the Prime Minister Sarkisian's inauguration as president.

EGYPT

Some one hundred Muslim Brotherhood (MB) members were arrested as authorities continued to target the potential candidates for the municipal elections that will take place on April 8th. Under 10% of the group's candidates were able to register. Thirty three Palestinians held by Egypt after crossing from Gaza were released.

IRAN

Conservative candidates in Iran's general election that took place on March 14 have kept control of the parliament, winning over 70% of the 290 seats. Reformists saw a small increase in their representation, despite the disqualification of many of their proposed candidates. The election turn-out of 60% was greater than expected. The UN Security Council imposed a third round of sanctions on March 3, again demanding the suspension of the enrichment activity. Tehran rejected further talks with the EU's foreign policy chief, Javier Solana, on March 5th. The U.S. Treasury warned on March 22 financial institutions on transacting with Iran's Central Bank. President Ahmadinejad received a warm welcome in Baghdad in a historic visit on March 2, the first by an Iranian leader to Iraq since 1979.

KAZAKHSTAN

A military court sentenced on March 26 in absentia President Nazarbayev's former son-in-law Rakhat Aliyev for 20 years for a coup plot.

IRAQ

Hundreds were killed since the government mounted an operation on March 25 against the Shiite militias in Basra. PM Maliki initiated the crackdown involving some 30,000 Iraqi troops and the police. The U.S. and British forces provided their support. The fighting appeared to subside after the Shiite cleric Moqtada

Sadr called for an "end to armed appearances". The three-day curfew ended on March 31, amid bombing of Baghdad's fortified Green Zone. The U.S. said rockets were supplied by the Iranian Quds Force. A suicide strike in Mosul on March 23 killed some 40 people. Bombing in Karbala on March 17 killed over 50 people. Turkey bombed PKK positions in northern Iraq on March 29th. It claimed that 15 rebels were killed. The U.S. Vice-President Cheney, during a visit to Iraq, held talks with Kurdish leaders in the North, Maliki and the U.S. General Patraeus in Baghdad. Oil exports and operations in Basra were restored at the end of the month after pipelines were bombed.

SUDAN

North-South tensions flared and West Darfur situation remained precarious, despite the peace agreement with Chad on March 13th. Up to 70 people were killed in a clash between the southern army (SPLA) and the Misseriya in the Abyei border region on March 1st. The SPLA accused Khartoum of backing the Misseriya. Fresh clashes were reported on March 16 and 20, hundreds were displaced. The Darfur peace process was further weakened as the Justice and Equality Movement (JEM) rebels requested on March 16 a one-on-one peace talks with the government. The JEM reported opposing a major army assault on March 18 in West Darfur. The UN Darfur envoy Jan Eliasson and its AU counterpart Salim Salim urged the donor nations on March 18 to rapidly deploy peacekeepers to the region. Four water engineers working for the UNICEF counterpart were kidnapped in North Darfur on March 20th.

SYRIA

The Arab League summit that took place in Damascus on March 29-30 reflected a growing regional gap. Saudi and U.S. pressure increased. Riyadh recalled its ambassador to Damascus. Egypt, Saudi Arabia and Jordan sent only low-level delegations to the summit. Lebanon boycotted the summit. Israeli PM Olmert announced on March 17 that Israel was prepared to restart the peace talks if Damascus ends its support for Hizbollah and for Palestinian militant groups. Syria's Foreign Minister said that Syria was ready to talk, but did not mention any conditions. Syrian security forces fired on Kurds during the New Year celebrations on March 20 in the city of Qamishli, killing 3.

TURKEY

A police crackdown on Kurdish Newroz spring festival rallies on March 20-25 left two protesters dead in Van and Yuksekova. Ten suspected PKK members were killed in army raids on March 13th. The Constitutional Court will hear the case brought by chief prosecutor Yalcinkaya to ban the governing Justice and Development Party (AKP), and to suspend PM Erdogan, President Gul and 69 party members from politics for 5 years, on charges of undermining secularism. PM Erdogan announced working on constitutional changes to complicate party closures. Iraq president Talabani, in a visit to Ankara on March 7, pledged to take measures against the PKK.

UKRAINE

Gazprom and Ukraine signed a gas deal on March 13 after Gazprom cut 50% of its supply to Ukraine at the beginning of the month.

Source: *International Crisis Group*



OUTLOOK

WORLD

Growth forecast at 2.6% this year, weakest in 5 years

Fitch Ratings projected global GDP growth at 2.6% in 2008 and at 2.9% for 2009, adding that the world economy is set for a tough time over the next 18 months. It said that housing- and consumer-led downturns in advanced economies will drive world growth to its lowest level in five years in 2008 despite robust growth in Brazil, Russia, China and India (BRIC) and other emerging markets. The agency predicted GDP growth in 2008 to be 1% in the United States, 1.3% in Japan, 1.4% in the United Kingdom and 1.7% in the eurozone, resulting in a growth of 1.3% in the major advanced economies this year, lowest since 2001. It said deteriorating prospects for the U.S. consumer and a deeper and more prolonged than expected slump in the U.S. housing market lie at the heart of the weaker global outlook. It said global GDP growth will be stronger than in 2001 thanks to the new-found economic resilience of emerging markets and projected growth at 8% in 2008 and 8.1% in 2009 for BRIC countries.

According to Fitch, given the importance of U.S. consumers as a source of final demand for the rest of the world in the current decade, weak U.S. demand this year will have sizeable knock-on effects elsewhere through trade linkages, including in emerging markets. Moreover, the persistence of stress in global credit markets increases the prospect that widespread deterioration in credit conditions will take a macroeconomic toll by restraining lending to the real economy.

The agency stated that the ability of policymakers in advanced economies to offset this slowdown is being constrained to various degrees by recent increases in inflation related to a surge in global energy prices since late last year and high rates of world food price growth. Fitch predicted inflation to average 2.9% in advanced economies this year, which would be the highest rate since 1992, while it projected global CPI inflation at 3.7%, the highest since 1999. But despite the rise in inflation, Fitch expected further rate cuts by the U.S. Federal Reserve, the Bank of England and the European Central Bank, as weaker activity manifests itself more firmly through the course of the year. In parallel, stronger growth dynamics and larger and more lasting effects from food and energy price increases in emerging markets are creating an imperative to tighten policy in order to avoid the damaging effects of inflation on economic performance in the medium term.

Source: Fitch Ratings

KAZAKHSTAN

Banking sector structural weaknesses worsen outlook

Standard & Poor's expected that global uncertainty and the continued risk repricing in financial markets will keep liquidity tight, credit spreads wide and volatility elevated in the Kazakh banking sector in the near future. It said that the longer the downturn persists, the higher the probability that it will hurt bank fundamentals, adding that the external financing shortage is shaking up the sector, but inherent structural weaknesses

exacerbate the slump and represent a more-lasting concern. The agency noted that Kazakh banks' creditworthiness remains constrained by limited disclosure of ownership, a corporate sector in need of restructuring, high lending and funding concentrations, rapidly built unseasoned loan portfolios, substantial dollarization of operations, tight capitalization, and untested risk management. It noted that the Kazakh banking system has reached a decisive point in its development, with the ongoing turbulence highlighting the need for a deep transformation of business practices, strategies, and regulation.

According to S&P, as the market turmoil stretches on, Kazakh banks' asset quality will increasingly be threatened by a slowdown in economic growth and the tight domestic credit and liquidity conditions, which are likely to persist throughout 2008 and possibly into 2009. However, it expected the painful correction to ultimately be healthy for the financial sector, leading to more sustainable business strategies, more developed domestic funding, and more conservative financial profiles. S&P warned that, even if Kazakh banks weather the current storm, it would still view negatively a return to the old strategies of extremely fast credit growth funded through opportunistic wholesale sources. Also, new shocks could occur in the future, but the macroeconomic environment and the government's financial position might not be as supportive.

Source: Standard & Poor's

GHANA

External debt to average 34% of GDP in 2008-09

The Economist Intelligence Unit forecast Ghana's external debt to reach \$5.2bn at end of 2008, equivalent to 35% of GDP, and \$5.6bn at end-2009, equivalent to 33% of GDP. It said that external debt write-offs of \$3.8bn by the IMF, the African Development Bank and the World Bank significantly reduced the country's debt stock to just \$3.3bn, or 28% of GDP in 2006 from around 64% of GDP in 2005. It noted that although debt relief has reduced the outstanding stock of debt, Ghana's fundamental ability to service its debt has not changed, as the country remains heavily dependent on gold and cocoa exports as its main source of foreign exchange. Moreover, Ghana will need to access external funding, in some cases in the form of new loans, for decades to come. However, Ghana's successful launch of a \$750m Eurobond in September 2007 will boost the country's international credit profile and provide an incentive for maintaining its current sovereign risk rating.

According to the EIU, the structure of the country's external debt is beginning to change, which will bring higher interest payments and less room for maneuver if repayment problems arise. It considered that Ghana's debt-servicing requirements will rise faster than the stock of external debt due to external borrowing at market rates, and due to the country's largely concessional nature of its existing external debt. This situation will be further exacerbated by increases in short-term debt to pay for increasing imports. It forecast external debt-service payments to rise by 74% in 2006-09, from \$182m to \$316m.

Source: Economist Intelligence Unit



ECONOMY & TRADE

EMERGING MARKETS

Annual inflation at 10.2% in February

Consumer price inflation in the Eastern Europe, Middle East and Africa region (EMEA) rose to a new four-year peak of 10.2% year-on-year in February from 9.8% in January 2008. Aggregate EMEA headline inflation has been increasing steadily since reaching a low of 6.8% in May 2007. The acceleration in food inflation has been the primary driver of the surge in aggregate headline inflation, as food inflation rose to a new three-year high of 14.8% year-on-year in February 2008 from a low of 6.5% in May 2007. Food prices account for an average 34% of the EMEA countries' CPI baskets. Non-food inflation has also continued to climb, reaching 7.4% year-on-year in February 2008 after having been in a general decline over the past two years and hovering around 6.8% year-on-year in the second half of 2007. While food inflation is a concern for almost all countries in the region, non-food price inflation is becoming another common concern.

Source: *Credit Suisse*

JORDAN

Debt buyback deal signed with Paris Club

The government signed a debt purchase agreement with 10 Paris Club member states in a bid to alleviate the Kingdom's foreign debt burden. The agreement covers a total of \$2.4bn to be bought at an 11% discount par value, bringing down the purchase amount to around \$2.1bn. At the end of last year, privatization revenues earmarked to pay down the national debt totaled around JD800m, while debt owed to industrial countries was JD4.5bn. The debt buyback is expected to reduce the country's external debt by 13% of GDP and will allow the Kingdom to reach the targeted debt ceilings. Despite a 14.5% rise in domestic revenues and a 13% rise in external grants, the state budget posted a deficit of 5.4% of GDP. Net outstanding public debt reached about 66% of GDP at the end of last year.

Source: *Jordan Times, Petra*

MOROCCO

Public debt at 54% of GDP at end-2007

Figures released by the Ministry of Economy & Finance show that total public debt reached \$44.9bn at the end of 2007, down \$136.4m from \$45.1bn at end-2006. Public debt was equivalent to 54% of GDP at end-2007, down from 57% of GDP in the previous year. The ministry said that debt payments were equivalent to 12% of GDP in 2007 against 14% in 2005 and 2006, adding that the repayment of the debt has contributed to reducing the budget deficit to 3.2% of GDP last year. It attributed the decline in public debt mainly to a drop in domestic debt, which accounts for 80% of total debt. Domestic debt has dropped some \$258.9m to \$35.9bn at end of 2007 and represents 44% of GDP. It noted that Morocco's external debt has increased by 5.5% in 2007 to \$16.6bn due to a sharp increase in foreign backers' funding.

Source: *ANSA*

SAUDI ARABIA

Tariffs reduced on 180 imported goods

The Council of Ministers reduced customs fees, or canceled them in some instances, on 180 major food items and some necessary construction and consuming materials for a period of three years. Tariffs on most products were cut to 5% from about 20%. The state will bear the difference between the fee category applied under the GCC unified customs tariff and the protection fee category currently applied in the Kingdom. The tariff cuts aim to contain growing inflation in Saudi Arabia, which surged to a 27-year high of 8.7% year-on-year in February.

Source: *Reuters, Arab News*

LIBERIA

IMF restores Liberia's status, approves financial support of \$952m

The International Monetary Fund approved measures to fully normalize financial relations with Liberia after the country cleared its long standing overdue obligations of \$888m to the Fund that it built up since the 1980s. The IMF agreed to restore Liberia's voting and related rights, and to restore the country's eligibility to use the general resources of the Fund. The decision also enables the IMF to commit financial support of \$952m, and to agree in principle to designate Liberia as a Decision Point country under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The IMF will also start providing debt relief to Liberia, along with other creditors, to cover at least \$4.4bn of the country's \$4.7bn debt outstanding at end-June 2007. It said the clearance of Liberia's arrears marks an important step towards the country's reintegration into the international community.

Source: *International Monetary Fund*

UKRAINE

Ratings under review for possible upgrade

Moody's Investors Service placed Ukraine's key sovereign ratings on review for possible upgrade, including the the 'B1' foreign- and local-currency government bond ratings, and the 'Ba3' and 'B2' foreign-currency ceilings for bonds and bank deposits, respectively. The ratings have carried a positive outlook since November 2006. The agency said the current government is adopting reasonable and largely affordable macroeconomic policies despite the populist rhetoric that characterized last year's parliamentary election campaign. Moody's added that it no longer perceives a change of government as an indication of wholesale shifts in political or economic direction nor a threat to macroeconomic stability. It noted that a prudent fiscal stance would build on a strong track record accompanied by improving public debt ratios and reduced external vulnerability. The agency's review will focus on whether Ukraine's sovereign creditworthiness can strengthen further over the medium term, in particular whether low government debt and the apparent reduction of political risk have bolstered the economy's resilience in an adverse global financial environment.

Source: *Moody's Investors Service*



BANKING

EGYPT

United Bank to be privatized

The government announced plans to sell United Bank, either to a strategic investor or through a public offering. United Bank, which is fully owned by the Central Bank of Egypt, was formed in June 2006 from the merger of United Bank of Egypt, Islamic International Bank for Investment & Development and Nile Bank. The bank has an NPL portfolio of around EGP5bn, of which EGP1bn has been recovered and the remaining still being settled. The sale is expected to take place after the bank completes its current restructuring.

Source: *Al-Alam al-Yom*

KUWAIT

Central Bank caps consumer lending

The Central Bank of Kuwait (CBK) capped consumer loans in an attempt to curb money supply and high personal indebtedness. Retail banks have been instructed to reduce consumer borrowing to the equivalent of 40% of a person's salary, down from 50% previously, and to 30% in the case of retirees. The new cap is a response to the issue of rising consumer debt, with Kuwaitis owning more than KD4bn in personal loans and many unable to repay their debt. The Cabinet refused last year to write-off billions of dinars of consumer debt. The CBK said a total of 450,900 loans totaling KD4.6bn were extended to Kuwaitis as at end-October 2007. It added that legal action has been taken against 2.2% of the number of loans and 1.8% of the loan value for failing to pay installments. The CBK's decision will limit interest rates to 3% above the discount rate, rather than 4%. The new regulations, effective at the start of April, do not apply to loans taken prior to this date.

Source: *KUNA, Kuwait Times*

IRAN

Export Development Bank of Iran's ratings affirmed, outlook stable

Fitch Ratings affirmed Export Development Bank of Iran's (EDBI) Long-term Issuer Default rating (IDR) at 'B+' with a Stable Outlook, Short-term IDR at 'B', Individual rating at 'D', Support rating at '4' and Support Rating Floor at 'B+'. EDBI is wholly-owned by the Iranian government and plays a key role in promoting Iran's non-oil exports and diversification of the Iranian economy. However, the ability of the Iranian authorities to support the bank could be limited, as indicated by the sovereign's Long-term foreign currency IDR of 'B+'. Fitch said EDBI's Individual rating reflects its leading position in financing Iran's non-oil exports, reasonable profitability and very strong capital ratios. However, its asset quality is relatively weak and the operating environment difficult. EDBI's equity was \$2.1bn and its assets totaled \$3.5bn as at December 20, 2007. It provides working capital, buyer's and supplier's credit, project finance, letters of credit and guarantees, as well as other commercial banking services.

Source: *Fitch Ratings*

NIGERIA

Central Bank raises policy rate

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) increased the monetary policy rate by 50 basis points to 10%, in line with market expectations. The CBN said that the sustained rise in asset prices continues to pose inflationary risks, adding that it intends to address inflationary pressures "by strengthening the current restrictive monetary policy," through issuing Treasury bills for liquidity management and increasing foreign exchange sales. Inflation is expected to be a challenge this year due to poor prospects for the 2008 harvest and inflation pressures stemming from increased government spending and a large disbursement from the Excess Crude Account of about \$4bn. Inflation pressures may be significant enough to warrant further hikes of between 50bps and 75bps this year. Annual inflation reached 8% in February.

Source: *Credit Suisse*

ARMENIA

Top 5 banks account for 52% of sector's assets

The consolidated balance sheets of the 22 commercial banks operating in Armenia show that the top 5 banks account for about 52% of the banking system's assets, 57% of its total loans and 59% of its total deposits at the end of 2007. HSBC Bank Armenia is the leader in total assets with a market share of 13.2%, followed by Ardshinvestbank with 11.9%, ACBA-Credit Agricole Bank with 10.2%, Bank VTB Armenia with 8.9% and Conversebank with 7.4%. Araratbank posted the highest asset growth at 224% last year, followed by Armswissbank with 122% and Armbusinessbank with 99.7%. ACBA-Credit Agricole Bank had the largest loan portfolio, constituting 13.7% of the total, followed by Ardshinvestbank with 13.5% and HSBC with 12.7%. HSBC holds 19% of total customers' deposits, followed by Ardshinvestbank with 14.7% and Conversebank with 9.8%. ACBA-Credit Agricole Bank had the largest capital, reaching \$68.9m at end-2007, followed by VTB Bank with a capital of \$67m. HSBC's profits accounted for 20% of the sector's earnings, followed by Conversebank with 18% and Armeconombank with 14.5%.

Source: *Central Bank of Armenia, Byblos Research*

Central Bank increases policy rate

The Central Bank of Armenia increased its annual refinancing rate by 0.25% to 6.5%, the second such rise in 4 weeks, and kept all other key policy rates unchanged. It attributed the decision to inflationary pressures, as well as to rising domestic demand and private consumption. It said that imported inflation is the key driver of overall inflation, adding that global food inflation is having a clear impact on domestic food prices. The CBA said the effects of imported inflation are leading to rises in non-food prices and services. It expected a gradual tightening of monetary and credit policy in order to mitigate inflationary expectations and neutralize the secondary effects of imported inflation. Annual inflation in March rose by 1.4% month-to-month and by 9.6% year-on-year.

Source: *ARKA*



ENERGY / COMMODITIES

Oil eases after near \$4 surge on U.S. fuel build

Oil prices edged down below \$105 a barrel on April 3, after surging almost \$4 in the previous session due to the sharp reduction in refined fuel in the United States. U.S. crude fell 31 cents to \$104.52 a barrel, while London Brent crude shed 38 cents to \$103.37 a barrel. Gasoline inventories in the United States fell by 4.5 million barrels last week. Distillate stocks fell by 1.6 million barrels. The reduction in refined fuels came as the United States gears up for summer vacation season, when fuel demand usually peaks.

U.S. crude stocks jumped 7.4 million barrels last week, the largest build since March 2004, as imports rose and demand from domestic refiners remained low. Some analysts said the crude stock build, partially reflecting the abundant supply that the United States was getting, would eventually weigh down oil prices since demand was expected to remain weak given the slowing U.S. economy. Also supporting crude's surge, the dollar fell after Federal Reserve Chairman Ben Bernanke conceded for the first time that the U.S. economy may fall into recession in the first half of 2008.

Source: Reuters

TOTAL prepares to resume oil activities in Sudan's Jonglei

TOTAL SA, the fourth largest oil company in the world, has started preparations to resume its activities in Jonglei state, after more than a 20-year absence. The French oil firm set foot in Sudan in 1980 but had to leave the country in 1984 because of the civil war. The oil firm is expected to restart seismic and drilling work in south Sudan late 2008 after the end of the rainy season and the arrival of its equipments to the region. TOTAL's staff met twice with Jonglei governor, after successfully receiving 'a-go-head message from the Government of Southern Sudan. Other Oil extracting companies already in Jonglei include ASCOM Sudd Ltd, White Nile Co., and PETRONAS.

Source: Sudan Tribune

Mubadala buys 20% stake in Shell's oil venture

Abu Dhabi-based Mubadala Development Company said its wholly-owned subsidiary Liwa Energy has purchased a 20% stake in Shell's current exploration and production ventures in Algeria. Shell holds two production sharing contracts in the Reggane Djebel Hirane and Zerafa permits in Algeria where it is conducting an exploration and appraisal campaign in partnership with Sonatrach, the Algerian national oil and gas company. The revised interests in the Reggane Djebel Hirane and Zerafa Production Sharing Contracts give a 25% share to Sonatrach, 60% to Shell affiliates and 15% to Liwa Energy.

Source: Gulf News

U.S. demands review of Swiss-Iran contract

The US is demanding that it be allowed to review a Swiss contract for natural gas supplies from Iran to see whether it violates American sanctions against Tehran. The 25-year contract, worth between \$28bn and \$42bn, is between Swiss energy trading company EGL and the state-owned National Iranian Gas Export Company.

Source: Associated Press

Base metals: China's appetite for base metals remains healthy

Base metals prices suffered from the general sell-off in the commodities markets, but recovered somewhat during this week. The broad sell-off was triggered by concerns over demand prospects after the decline in U.S. industrial production in February and the temporary recovery in the U.S. currency. China's appetite for base metals looks very constructive. The rebound in base metals prices was supported by the release of the latest Chinese trade data that confirmed once more the strong demand for metals from the country. Aluminum, copper and nickel that pushed net Chinese base metal imports higher are the metals that are expected to have the most upside potential since they are currently suffering from supply side problems.

Source: Credit Suisse

Precious metals: interest rate decision triggers profit-taking activity

Precious metals prices suffered last week from a sharp sell-off, after the U.S. Federal Reserve announced it was cutting interest rates by 75bp. As the market priced in a 100bp cut, this caused a rebound in the dollar and saw investors taking profit. Gold prices fell below \$915, where buying support emerged. The financial market environment is still favorable for precious metals and especially gold. Declining U.S. interest rates, a weakening U.S. dollar and inflationary concerns should bode well for gold prices. Investment demand for gold is expected to remain strong, but in the physical market, the recent price rally started to have a negative impact on the jewelry demand.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	254.7	229.3	215.9	-1.4	32.0
LME metals price index	4204.3	3775.5	3908.1	-0.1	9.7
Oil prices USD	107.2	93.9	81.8	7.5	70.3
Oil prices SDRs	65.2	59.3	52.6	4.7	56.6
Gold \$/troy oz	945.2	853.7	762.8	-1.2	42.4
Silver cents/troy oz	1820.0	1581.6	1440.2	-5.9	36.4
Platinum \$/troy oz	2002.0	1645.8	1465.3	-6.5	61.6
Copper \$/MT	8456.5	7465.9	7556.5	-0.7	23.4
Nickel \$/MT	29972.5	29068.3	34271.1	3.9	-34.3
Aluminium \$/MT	2917.5	2576.5	2618.2	-4.8	7.5
Zinc \$/MT	2279.5	2535.2	2994.6	-12.3	-29.8
Steel - HR coil dry \$/MT	605.0	596.7	571.8	0.0	16.3

Source: Credit Suisse



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BBB	9.4	14.0	3.1	5.4	1.9	3.7	14.4	0.8
	-	-	-	-	Stable								
Angola	-	-	-	-	BB	3.8	10.9	13.8	14.5	5.3	41.2	31.6	2.4
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BB+	B	-6.9	82.5	21.9	55.2	6.0	109.2	1.4	4.6
	Stable	-	Positive	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-4.8	-	20.5	327.7	2.9	458.7	-8.7	2.2
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	B	-8.0	-	35.3	120.0	3.3	219.3	-9.8	-
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	CCC	-3.4	-	47.6	97.4	4.2	339.0	6.9	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BB	31.4	4.3	8.9	11.4	2.8	5.6	16.8	2.4
	-	-	-	-	Stable								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-2.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-1.8	54.3	22.2	115.7	7.9	63.3	1.0	4.0
	Positive	-	Stable	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.2	14.4	4.2	8.6	0.5	-	9.6	1.2
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	CC	-3.1	83.6	51.3	205.9	2.1	-	-5.6	3.8
	-	-	-	-	Negative								
Tunisia	BBB	Baa2	BBB	BBB	BBB	-1.5	49.1	52.7	90.5	12.3	232.1	-1.9	2.8
	Stable	-	Stable	Stable	Stable								
Middle East													
Bahrain	A	A2	A	A-	A	8.3	25.6	112.1	140.2	5.1	680.5	12.6	10.5
	Stable	-	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-9.3	22.7	4.4	16.5	2.8	19.2	7.7	2.4
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	C	26.5	-	90.6	137.1	2.9	267.8	18.2	-
	-	-	-	-	Positive								
Jordan	BB	Ba2	-	BB	B	-4.6	72.6	87.6	237.8	6.1	220.6	-13.2	11.5
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	33.0	6.9	15.2	3.1	3.5	83.2	47.9	-7.3
	Stable	-	Stable	Stable	Stable								
Lebanon	CCC+	B3	B-	B-	CCC	-13.2	176.1	100.0	767.3	22.8	255.8	-11.2	5.1
	Stable	-	Stable	Negative	Stable								
Oman	A	A2	-	A-	A	10.4	5.6	11.4	20.5	5.9	79.6	13.6	2.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	12.0	11.4	59.3	104.0	11.0	565.3	35.8	2.2
	Stable	-	-	Stable	Stable								
Saudi Arabia	AA-	A1	A+	AA-	A	17.6	3.8	7.8	15.2	2.0	154.9	29.3	0.2
	Stable	-	Positive	Stable	Stable								
Syria	-	-	-	-	CCC	-5.5	40.3	13.7	39.8	3.2	100.7	2.2	1.6
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	A	28.5	11.8	55.6	64.5	2.5	303.9	20.9	1.8
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-5.2	-	25.8	97.0	3.1	80.6	-3.9	
	-	-	-	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-	-	-	-2.4	14.6	22.2	227.3	2.6	126.2	-4.0	2.8
	-	-	Positive	-	-								
Bulgaria	BBB+	Baa3	BBB	-	BBB	3.1	16.2	106.9	174.3	18.1	299.8	-19.3	13.7
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB	-	BB	3.4	4.6	88.9	201.9	48.5	578.4	-5.0	5.6
	Stable	-	Stable	-	Stable								
Romania	BBB-	Baa3	BBB	BBB-	BB	-3.4	12.8	45.3	193.5	24.0	238.0	-15.6	6.4
	Stable	-	Stable	Stable	Stable								
Russia	BBB+	Baa2	BBB+	-	BBB	3.5	5.3	29.4	112.5	17.1	82.4	3.7	0.9
	Stable	-	Stable	-	Stable								
Turkey	BB-	Ba3	BB-	BB-	B	-0.7	50.2	44.5	200.2	37.5	249.5	-5.2	3.1
	Stable	-	Stable	Stable	Stable								
Ukraine	BB-	B1	BB-	-	BB	-2.5	14.5	48.4	143.3	16.4	193.4	-4.4	3.8
	Negative	-	Positive	-	Stable								

Sources: Moody's Investors Service; EIU - The above figures are estimated for 2008



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25	18-Mar-08	Cut 75bps	30-Apr-08
Eurozone	Refi Rate	4.00	06-Mar-08	No change	10-Apr-08
UK	Base Rate	5.25	06-Mar-08	No change	10-Apr-08
Japan	O/N Call Rate	0.50	07-Mar-08	No change	09-Apr-08
Australia	Cash Rate	7.25	04-Mar-08	Raise 25bps	01-Apr-08
New Zealand	Cash Rate	8.25	06-Mar-08	No change	24-Apr-08
Switzerland	3 month Libor target	2.75	13-Mar-08	No change	19-Jun-08
Emerging Markets					
China	One-year lending rate	7.47	20-Dec-07	Raise 18bps	N/A
Hong Kong	Base Rate	3.75	19-Mar-08	Cut 75bps	N/A
Taiwan	Discount Rate	3.50	27-Mar-08	Raise 12.5bps	end Q208
South Korea	Target Rate	5.00	07-Mar-08	No change	10-Apr-08
Malaysia	O/N Policy Rate	3.50	25-Feb-08	No change	29-Apr-08
Thailand	1D Repo	3.25	27-Feb-08	No change	09-Apr-08
India	Reverse repo rate	6.00	29-Jan-08	No change	29-Apr-08
UAE	Overnight repo rate	2.25	19-Mar-08	Cut 75bps	01-May-08
Saudi Arabia	Repo rate	5.50	Mar-08	No change	N/A
Egypt	overnight lending	11.00	23-Mar-08	Raise 50bps	N/A
Turkey	Base Rate	15.25	19-Mar -08	No change	18-Apr-08
South Africa	Repo rate	11.00	31-Jan-08	No change	10-Apr-08
Kenya	Central Bank Rate	8.75	Feb 08	No change	Apr 08
Nigeria	Monetary Policy Rate	10.00	Apr-08	Raise 50bps	N/A
Ghana	Prime Rate	14.25	17-Mar-08	Raise 75bps	May 08
Mexico	Target Rate	7.50	14-Mar-08	No change	18-Apr-08
Brazil	Selic Rate	11.25	14-Mar-08	No change	16-Apr-08
Armenia	Refi Rate	6.50	Apr-08	Raise 25bps	N/A
Romania	Policy Rate	9.00	Feb-08	Cut 100bps	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 April 3, 2008



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