



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

International Working Group of Sovereign Wealth Funds established

The International Monetary Fund announced that an International Working Group (IWG) of Sovereign Wealth Funds (SWFs) was formally established to prepare a set of SWF principles that properly reflects their investment practices and objectives. The IWG aims to agree on a common set of voluntary principles for SWFs to help maintain the free flow of cross-border investment and open and stable financial systems. The set of voluntary best practices would cover issues of public governance, transparency, and accountability principles. It said the set of best practices should help alleviate some of the prevailing concerns about SWFs, reduce protectionist pressures, and allow the international financial system to remain open. The IWG is comprised of representatives from 25 IMF member countries, and is co-chaired by a senior representative of the Abu Dhabi Investment Authority (ADIA) and the Director of the IMF's Monetary and Capital Markets Department. Current plans are to release the first draft by the semi-annual meetings of the IMF in October. The IMF estimates that SWFs will grow from \$2-3trn currently to about \$5-10trn within five years.

Source: *International Monetary Fund*

EMERGING MARKETS

IMF reforms raise emerging economies' voting powers

The Board of Governors of the International Monetary Fund adopted by a large margin far-reaching reforms of the institution's governance. Governors from 175 countries representing 92.9% of the total voting power in the Fund voted in favor of changes to the quota and voting share structure that will enhance the participation and voice of emerging market and developing countries, and realign members' shares with their relative weight and role in the global economy. In addition to changes in the quota structure, the reform package will increase the voting shares of more than two-thirds of the 185 member countries. It will also enhance the voice and participation of low-income countries through a tripling of basic votes, the first such increase since the Fund's creation in 1944.

Source: *International Monetary Fund*

TUNISIA

Nuclear deal signed with France

Tunisia signed an agreement on civilian nuclear energy cooperation with France. The agreement entails cooperation in developing civilian nuclear infrastructure, training human resources and the safeguarding of nuclear materials and facilities. The 20-year nuclear deal is similar to those France signed with Algeria, Morocco and Libya earlier this year. Also, French engineering conglomerate Alstom signed a deal to build a 700-megawatt conventional power station valued at \$560m.

Source: *AFP*

SUDAN

Donor nations pledge \$4.8bn

The Sudan Consortium of donor nations pledged a preliminary \$4.8bn in assistance to Sudan. The United States pledged \$1.6bn, followed by the United Kingdom with \$650m, Norway with \$500m and the European Union with \$435m, as the biggest contributors. The funds will be disbursed during the 2008-11 period to help Sudan continue its implementation of the 2005 Comprehensive Peace Agreement (CPA) that ended the 21-year civil conflict. A report to the consortium, put together by the Khartoum government and Government of Southern Sudan, said the country needed \$6.1bn in development aid over the next three years, in addition to \$2bn in humanitarian aid. South Sudan's government said it had received only \$550m of the \$4.1bn, or about 13% of the sum pledged by donors following the peace accord in 2005. The Sudan Consortium conference brings together the Government of National Unity and the Government of Southern Sudan, along with donor countries, the World Bank and United Nations agencies. This is the third Consortium conference since the signing of the CPA. The forum was established to address a wide range of issues related to peace and development programs in the country.

Source: *Reuters*

ALGERIA

Parliament adopts laws on competition, entry of foreigners

The Algerian Parliament adopted amendments to the laws on competition and the entry and movement of foreigners in order to encourage competition and prevent monopolies. The law on foreigners in Algeria includes 48 amendments to 31 articles, providing simplified procedures governing the entry, stay and movement of foreigners, as well as more strict government oversight.

Source: *APS*

UAE

Potential 6-year limit for expatriates

The UAE Federal National Council (FNC) is examining new rules allowing expatriates to remain in the country for a maximum of six years. FNC members have repeatedly voiced concern that the growing number of foreigners working and living in the UAE could eventually threaten the social fabric. The proposal for a six-year residency limit, if approved by the FNC and the Cabinet, would manifest the Government's emphasis on the "contractual and temporary" nature of foreign labor. It is not clear whether it would restrict all expatriates or just certain professions. According to a recent study by Dubai Municipality, the number of Emiratis will constitute less than 8% of the workforce in 2009 and the proportion will drop to 4% by 2020.

Source: *The National*

POLITICAL RISK OVERVIEW - APRIL 2008

ALGERIA

Security forces reportedly killed 10 and arrested 25 Al-Qaeda in the Islamic Maghreb (AQIM) suspects in mid-April. Foreign Minister Noureddine Zerhouni confirmed on April 8 his rejection of the Moroccan call to reopen borders, saying that this issue was not a priority.

ARMENIA

Central Bank's chairman Tigran Sarkissian was appointed as Prime Minister on April 9th. President Serzh Sarkisian completed the formation of his cabinet on April 22 where 17 ministers were appointed. The protests continued. Several dozen protesters clashed with the police in Hrazdan province on April 8th. 7,000 participated in the first authorized rally since the end of the state of emergency in Yerevan. The U.S. threatens to cut aid if the government fails to engage in a national dialogue.

EGYPT

Thousands of citizens staged violent riots on April 6 in the northern city of Mahalla over low salaries and rising prices. Three people were killed during the protests, 80 were injured and about 400 were arrested. Egypt's president Hosni Mubarak announced a 30% salary increase for all government employees on April 30. Egypt's ruling National Democratic Party won 92% of the seats in the municipal election on April 8th. The election was boycotted by the Muslim Brotherhood. The military tribunal jailed on April 15 25 members of the opposition Muslim Brotherhood for up to 10 years for financing terrorism.

IRAN

President Ahmadinejad announced on April 8 the installation of further 6,000 centrifuges in Natanz facility, bringing the total to 9,000 centrifuges. This move again defied the UNSC calls for suspension of enrichment. The IAEA said on April 23 it has reached an agreement with Iran that aims to provide answers to the allegations by May. An Additional cabinet reshuffling followed the parliamentary elections. The finance minister was replaced amid major price increases and the interior minister ousted. Conservatives consolidated control of Iran's legislature in run-off elections on April 25, holding 69% of all seats. President Ahmadinejad ordered the police on April 15 to protect Nobel Prize winner Shirin Ebadi after receiving intensified death threats. An explosion at a mosque in the southern city Shiraz on April 12 killed 11 people and wounded over 200.

IRAQ

Iraqi soldiers took control on April 20 of the last bastions of the cleric Moktada al-Sadr's militia in Basra. Riyad al-Nuri, a key senior aid and relative of Sadr, was shot dead on April 11 in Najaf. Clashes continued in Sadr City where thousands were killed. U.S. general Petraeus called for a suspension of troop reductions, reflecting concern about increasing violence. U.S. Secretary of State Condoleezza Rice made an unannounced visit on April 20 to Baghdad to support Maliki and acknowledge the attacks that U.S. envoys face. An Assyrian Orthodox priest was killed on April 5 in Baghdad. The trial of Tariq Aziz, who served as foreign minister and deputy prime minister under the Iraqi leader Saddam Hussein, was opened in Baghdad on April 29 and has been adjourned until May 20th.

KAZAKHSTAN

The government announced a ban on wheat exports in order to contain domestic inflation and stave off bread shortages. The decision raised supply concerns in neighboring countries. A Free-trade zone was agreed with Uzbekistan on April 22nd.

MOROCCO

Nine detained Islamic extremists in connection with the Casablanca bombings in 2003 that killed 45 people, escaped from prison on April 7th. Other Islamist prisoners began hunger strike. A total of 26 members of the banned Islamic group Justice and Spirituality were arrested on March 31st.

SUDAN

More than 30 people were killed on April 24 in violent clashes in the Abyei region between the southern army (SPLA) and northern Misseriya. A total of 95 people were killed in an inter-tribal fighting in southern Lakes and Warrap states. The United Nations has been given 14 days of unhindered access to the Abyei region to stop escalating tensions. The AU/UN Special Representative in Sudan said on April 30 that about 1,600 troops will join the combined peacekeeping mission in Darfur by June. The UNMIS mandate was renewed the same day.

SYRIA

Turkish Prime Minister visited Damascus on April 26 in an effort to mediate between Syria and Israel to revive peace talks. President Assad believes that only few issues remain but the U.S. is discouraging Israel from proceeding. U.S. intelligence officials released information on April 24 accusing Syria of building a nuclear reactor with North Korean assistance. The site was destroyed by an Israeli air strike on September 6th. The IAEA said it will investigate claims, criticizing the delay in handing over the evidence to its inspectors.

TURKEY

The ruling AK Party announced it was working on a democratization package in an effort to avoid the party's ban. Thousands of demonstrators participated in a rally in Ankara on April 12 to support secularism. EU Commission President Barroso said during his visit to Turkey on April 9-12 that two more EU accession chapters will likely be opened to negotiations in June. He said that his visit aimed at encouraging Turkey's reform process. Foreign Minister Babacan announced on April 21 that Turkey was ready to "normalize" relations with Armenia. More than 45 al-Qaeda members were arrested on Apr 1st in Istanbul. A total of 27 PKK members and three Turkish soldiers were killed in clashes in Sirnak, Hakkari, Bingol and Diyarbakir provinces.

UKRAINE

President Viktor Yushchenko has suffered a crushing defeat over his plan to change the constitution and to boost presidential powers. Prime Minister Tymoshenko announced on April 20 her plan to change Ukraine into a parliamentary republic in which the president would perform mainly representational functions. Our Ukraine bloc leader Vyacheslav Kyrylenko said on April 23 that Tymoshenko's proposals are a threat to the "territorial integrity" and that an effective president is crucial for Ukraine.

Source: International Crisis Group



OUTLOOK

EMERGING MARKETS

Period of sovereign upgrades exceeding downgrades nears end

Standard & Poor's expected that a five year run of emerging market sovereign upgrades exceeding downgrades may be nearing an end due to the ongoing global liquidity crisis and market turbulence. It said that, although upgrades still outnumber downgrades and emerging market governments with positive outlooks are more than those with negative outlooks, macroeconomic data is mixed and many particular credit stories are clouded. It forecast that growth will slow in 27 sovereigns from 2007 to 2009 and the general government balances of 21 emerging economies will deteriorate between 2007 and 2009. However, the agency noted that fiscal and external debt dynamics for most emerging market sovereigns will not worsen over the near-term. It said the spillover effects to emerging markets, from conditions in the credit markets of industrial economies, will be contained. It noted that no emerging market sovereign has defaulted over the past 12 months, and the overall default experience is well within the norms established by the Basel Committee on Banking Supervision.

S&P said that global credit markets remained extremely volatile at the end of the first quarter due as much to the absence of near-term clarity as to the significant tide of bad news. Uncertainty about the timing of the crisis along with deteriorating housing, as well as corporate earnings, and other economic indicators continues to shake investor confidence in advanced economies. According to S&P, credit risk escalated substantially in the first quarter, notably in the financial sector. Tight liquidity, widening credit spreads, steep falls in share prices, and headline-making loss announcements because of subprime write-downs contributed to extraordinary market turbulence. S&P expects the ongoing financial instability to add pressure on emerging markets, with downgrades accelerating as the year progresses. It indicated that sovereign downgrades outpaced upgrades for the first time since the second quarter of 2005. S&P said it downgraded four sovereigns and upgraded just one economy in emerging markets in the first quarter of 2008, compared with eight upgrades and one downgrade in the previous quarter.

Source: Standard & Poor's

KAZAKHSTAN

Economic outlook on the downside, health of banking sector is key

The International Monetary Fund forecast real economic growth in Kazakhstan at 5% in 2008 and 6% in 2009, down from 8.5% in 2007, adding that the "sudden stop" in capital inflows is affecting the economy. It indicated that risks to the outlook are firmly on the downside, particularly if the global economy weakens further or if pressures in the domestic banking sector persist. The Fund said Kazakhstan has been significantly affected by the global financial market turmoil that began last summer, with banks now having limited access to external funding after borrowing heavily in international markets in 2006 and the first half of 2007. As a result, banks have curtailed lending activities and credit growth has stalled since September. But although, the current situation is difficult, Kazakhstan has con-

siderable financial resources to help it weather the situation, and medium-term growth prospects remain very favorable. The country's foreign assets totaled \$43.4bn on April 18, well above the level reached just prior to the onset of market volatility in August 2007. It said short-term policies should focus on managing risks to the outlook and setting the stage for a resumption of strong and sustained growth, with monetary and fiscal policies, as well as financial sector supervision, all moving toward achieving these broad objectives. It called for further steps to strengthen the banking sector and for macroeconomic policies to be supportive of growth.

The IMF stressed that the health of the banking sector is central to the outlook of the economy. It expected NPLs to continue to rise in the coming months given the slowdown in growth and the tightening of credit availability. Banks also face further large external debt repayments during the remainder of the year and this will continue to put pressure on their liquidity. It called for the development of a clear picture of the vulnerabilities facing the banks, and steps taken to mitigate risks. It said efforts to postpone adjustment by replacing maturing external borrowing with new higher-cost and short-maturity credits are likely to increase vulnerabilities in the future. It encouraged banks to have in place plans to maintain liquidity, preserve asset quality, and continue to meet solvency standards, including, if necessary, by raising additional capital. It also encouraged supervisory authorities to ensure that banks are realistically assessing their business model, adequately provisioning to cover rising NPLs, taking a conservative approach to collateral valuations in an environment of limited liquidity and falling prices in the property market, and carefully monitoring all risks taken in the form of off-balance sheet transactions.

Source: International Monetary Fund

SYRIA

Growth to slow to 4.1% in 2008-09

The Economist Intelligence Unit forecast the Syrian economy to grow by an annual average rate of 4.1% over the 2008-09 period, down from an estimated 6% in 2007, due largely due to falling oil output, and expected the agricultural sector to remain depressed this year after another poor harvest. It said these negative trends will be only partly offset by continued expansion in the services sector, boosted by solid growth in tourism and demand for goods and services, in part from the large Iraqi refugee population. The EIU noted that growth in private consumption is likely to be weaker in 2008-09 because of lower disposable incomes from some cuts in fuel subsidies and higher inflation, and because the impact of the influx of Iraqi refugees on consumption levels will start to decline. It expected that foreign investment will continue to expand steadily, provided there is no deterioration in the regional political environment, as Syria will continue to attract FDI from the Gulf Arab countries and, to a lesser extent, from Russia and Iran. It forecast import growth to remain relatively strong in 2008-09, averaging 6.5% a year, reflecting the steady expansion in domestic demand. But the ongoing decline in oil production, and oil export volumes, will prevent the export sector from making a positive contribution to growth despite healthy growth in non-oil exports.

Source: Economist Intelligence Unit



ECONOMY & TRADE

SYRIA

New raises to cost Treasury SP58bn

President Bashar Assad issued decrees 24 and 25 stipulating a raise of 25% in the wages and salaries of public sector employees and retired persons, as well as a similar raise of 25% in the minimum wage in all sectors including the private, cooperative and public-private sectors. The Finance Ministry declared that the new raises come after a regular 9% increase in the public sector's wages and salaries that took place at the start of the year. The ministry estimated the cost of the new raises at SP58bn, or \$1.21bn, adding that it could be higher, as the raises will be calculated based on the wages after the 9% annual raise for the more than two million public sector staff and retirees. The raises, which are effective May 1, are part of measures authorities are taking to contain the impact of subsidies' reductions on oil derivatives.

Source: *Syria News*

BAHRAIN

Manama to scrap labor sponsorship system

Bahrain plans to scrap its sponsorship system by the end of this year as part of measures to liberalize the kingdom's labor market. The Labour Ministry said the government wanted to promote the free movement of labor as well as stamp out human rights abuses and human trafficking. Under the sponsorship system employees' work visas are issued through their employer. The system has been criticized for giving employers too much power over their employees and leaving workers open to abuse and exploitation.

Source: *Gulf Daily News*

MOROCCO

Outlook revised to 'stable' on more challenging environment

Standard & Poor's revised its outlook on Morocco from 'positive' to 'stable', citing political and economic developments that make fiscal and external objectives more difficult to achieve. At the same time, the agency affirmed its 'BB+' long-term and 'B' short-term foreign currency, and its 'BBB' long-term and 'A-3' short-term local currency sovereign credit ratings on Morocco. S&P said the outlook revision reflects its view that the policy response to the current difficult conjuncture of higher global commodity prices and high social demands will be a fiscal loosening in 2008. In turn, this will slow the pace of debt reduction and extend the horizon for Morocco's debt burden indicators to converge with those of higher rated sovereigns. S&P said the central government achieved good fiscal results in 2007, but keeping the central government deficit below 3% of GDP will be tough in the coming years. It added that subsidies have already increased by more than 20% in 2007 to 2.7% of GDP and are likely to increase further, depending on the movement of commodity prices on international markets.

Source: *Standard & Poor's*

UAE

VAT infrastructure to be ready by end-2008

The UAE announced that the infrastructure to levy value added tax (VAT) will be ready by the last quarter of 2008. The tax on goods and services will replace the existing customs duty, which will be phased out as part of free trade pacts the GCC will sign with a number of key trading partners such as the EU, China and India. The tax rate is likely to be between 3% and 5% and is initially expected to generate about the same amount as customs receipts. The VAT is expected to be implemented across the country by early 2009.

Source: *EFG Hermes*

SUDAN

New investment law issued

The Southern Sudan Investment Authority issued a draft law to regulate local and foreign investments and to attract potential investors to various sectors of the economy. The Council of Ministers approved Investment Provisional Order 2008, which still needs to be ratified by the Southern Sudan Legislative Assembly and signed into law by the President of the Government of Southern Sudan. The law guarantees investment protection of both foreign and national investors, and allows foreign investors to repatriate capital and profits from Southern Sudan. The Southern Sudan Investment Authority will be collecting, compiling and publishing information on investment opportunities from relevant government institutions at central and state levels of government and coordinate areas of priorities with such institutions. Sectors targeted for potential investment include agriculture, energy, mining, industry, infrastructure, transport, housing, animal resources, hotels, health, and education.

Source: *Sudan Tribune*

KAZAKHSTAN

Annual inflation at 19% in April

Data released by the National Bank of Kazakhstan shows that annual consumer price inflation reached 19.1% in April, up from 18.7% in March. Food prices rose by 27.5% annually in April, compared to 27.1% in March, and non-food goods and services prices rose 13.7% year-on-year in April compared to 13.1% in March. Inflation rose by 0.9% month-on-month in April, with food prices rising 1%, non-food goods prices increasing 0.8%, and services prices rising 0.7%. Non-food inflation contributed 8.3 percentage points to the April inflation rate compared to 8pp in March, whereas food inflation contributed 10.8pp relative to 10.7pp in March, indicating that inflationary pressures are spilling over into the rest of the economy.

Source: *Credit Suisse*



BANKING

JORDAN

Bank assets reach JD27.5bn at end-March 2008

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD27.5bn at the end of the first quarter of 2008, constituting an increase of 2.7% from JD26.8bn at year-end 2007 and a rise of 9.5% from end-March 2007. Private sector deposits reached JD12.9bn, up 3.3% from end-2007 and 12.3% year-on-year. Private sector loans rose by 4.6% in the first quarter and by 14.6% year-on-year to JD11.81bn, driven by a 4.9% quarterly increase and a 15.1% annual rise in resident private sector lending that reached JD11.5bn at end-March 2008. Resident private-sector lending accounted for 41.8% of total assets. In parallel, claims on the public sector rose by 41% year-on-year to JD3.24bn, with claims on the central government accounting for 79.4% of lending to the public sector compared to 76% at the end of March 2007. Claims on the public sector accounted for 11.8% of total assets compared to 9.1% a year earlier. Further, deposits at the Central Bank of Jordan (CBJ) totaled JD3.63bn, down from JD 3.98bn a year earlier and accounted for 13.2% of total assets. Foreign currency deposits at the CBJ accounted for 13.4% of the total. Capital accounts and allowances rose by 7% quarterly and by 14.3% year-on-year to JD3.77bn.

Source: Central Bank of Jordan, Byblos Research

GCC

Central banks cut key rates

GCC central banks reduced key interest rates after the U.S. Federal Reserve's decision to cut the Fed Funds Target Rate (FFTR) by 25 basis points to 2% on April 30th. The Federal Reserve stated that the substantial easing of monetary policy to date should promote growth and mitigate risks to economic activity, signaling a possible pause in its rate-cutting campaign. The Fed has now lowered rates seven times since last September, bringing the total rate cuts to 325 bps and to 225 bps since the start of the year.

The Saudi Monetary Agency cut its reverse repurchase rate by 25 basis points to 2% from 2.25% and left the repurchase rate unchanged at 5.50%. In addition, it raised commercial banks' reserve requirements at the central bank to 13% of their demand deposits, up from 12%. This was the fourth increase since November when this rate stood at 7%. Also, the UAE Central Bank cut its overnight repurchase rate by 25 bps to 2%, while the Central Bank of Bahrain cut its one-week deposit and overnight deposit rates by 25 bps to 2% and 1.50%, respectively, and kept the repurchase, or lending rate, unchanged at 5.25%. Also, Qatar's Central Bank cut its deposit rate by 25 bps to 2% from 2.25%, and kept the repo rate and lending rate at 5.55% and 5.50%, respectively. In parallel, the Central Bank of Oman cut its repurchase rate by 17 bps to 3.7%.

Source: Bloomberg, Dow Jones Newswires

QATAR

Central Bank to tighten home finance rules

The Central Bank of Qatar plans to limit real estate loan terms by tightening home finance rules. The CBQ issued a circular to lenders who will have to respond to the proposal within one week. The circular is proposing to increase the mandatory deposit on mortgage transactions to 30% from 10%, and to reduce the maximum loan property term to 20 years, down from 30 years. The CBQ also proposed that retail borrowers should pay their loans in full, including interest, within 20 years, while monthly installments should not exceed 50% of the buyer's salary. Last month, Standard & Poor's warned that Qatari banks have been quickly building up untested consumer and real estate loans over the past three years, increasing their vulnerability to an economic downturn or a real estate sector correction.

Source: Gulf Times

ARMENIA

Banks' assets up 4.7% in first quarter of 2008

Figures released by the Central Bank of Armenia show that total assets of commercial banks reached \$2.6bn in the first quarter of 2008, constituting a 4.7% rise from the beginning of the year. Loans to the economy grew by 13% over the quarter to \$1.58bn. The banks' aggregate capital base stood at \$591.3m, up 6% from \$557.5m at the end of 2007. The sector's first quarter profits totaled \$19.2m. The top 5 banks accounted for about 54% of the banking system's assets in the first quarter of 2008. Ardshinvestbank is the leader in total assets with a market share of 13%, followed by HSBC Bank Armenia with 12.6%, ACBA-Credit Agricole Bank with 10.7%, Bank VTB Armenia with 10.6% and Conversebank with 7%. ACBA-Credit Agricole Bank had the largest capital, constituting 12.2% of the total, followed by VTB Bank with 11.8% Ardshinvestbank with 10.9%, HSBC with 7% and Conversebank with 6.4%.

Source: Central Bank of Armenia

RUSSIA

Central Bank tightens monetary policy

The Central Bank of Russia raised by 25 basis points all key interest rates under its control effective the beginning of May. It raised the refinancing rate from 10.25% to 10.50%, the one-day direct repo rate from 6.25% to 6.50%, short-term deposit rates such as tomorrow-next, spot-next and call from 3% to 3.25%, and the one-week deposit rate from 3.50% to 3.75%. All other rates controlled by the CBR, including on foreign exchange swap operations, have also been raised by 25bps, replicating a similar move announced in February. The package of measures reflects a comprehensive approach to address inflationary pressures. But the magnitude of the rates increase continues to lag behind the pace of inflation increases, thus leaving the door open for further policy moves if inflation continues on the upside.

Source: Credit Suisse



ENERGY / COMMODITIES

Oil steadies near record high

U.S. crude oil was up 18 cents to \$123.71 a barrel on May 8, close to the record high of \$123.93 reached on May 7th. London Brent was up 33 cents to \$122.65. The dollar slipped to a record low against the euro last month, boosting dollar-denominated commodity prices, but has since recovered against the European currency. The weak dollar and concern about Nigerian supply were cited by Iran's Oil Minister for the surge in oil prices, which he said could have further to run. Traders will be looking at the release of U.S. government data for initial jobless benefit claims and wholesale inventories for an indication of how the economy is performing. The EIA reported a decline in distillate inventories which include diesel and heating oil that left stockpiles in U.S. nearly 13% below a year ago. Tight power supplies in China, South Africa, Chile, Argentina and parts of the Middle East have set off a boom in demand for diesel for use in electric generators, adding to robust demand in Europe.

Source: Reuters

Iran completes 20% of €2bn Tabriz refinery

Iran has completed 20% of the construction work on a new €2bn refinery at Tabriz, located in northwestern Iran, close to the Turkish border. The Tabriz Shahriar refinery, which will produce 70,000 barrels of gasoline, is presently under construction and will have initial capacity to process 110,000 barrels a day of crude oil. The refinery's processing capacity will eventually rise to a daily rate of 150,000 barrels. Iran needs to build up domestic refining capacity to reduce its dependence on costly gasoline imports, which amount to more than half of total domestic consumption.

Source: Dow Jones Newswires

Iran to develop oil facilities to boost production

Iranian Offshore Oil Company (IOOC) expects to complete new onshore and offshore facilities at the Hendijan and Bahregansar fields by September. IOOC recently commissioned a study of the Hendijan reservoir, which is thought to have showed that a total of 1.5 billion barrels of crude were recoverable from the field, almost three times the original estimate. The company said it would raise overall production volumes to 60,000 bpd from about 40,000 bpd currently.

Source: Middle East Business Intelligence

Sudan targets extra 100,000 barrels per day output

Oil Minister Zubair Ahmed al-Hassan said Sudan is targeting an increase of 100,000 barrels of oil a day (bpd) to 600,000 bpd by mid-2009, compared with 500,000 bpd now. The country holds one of Africa's largest proven oil reserves at 6.4 billion barrels but growth in output has been hindered by the civil war. The minister said the projects that will fuel this output hike will include a ramp up of Block 6 in the Southwest of the country. He said the operator, China National Petroleum Corp., intends to increase production from 40,000 barrels a day to 60,000 this year. He also said Sudan is mulling joining the Extractive Industries Transparency Initiative, a program that aims at improving resources revenue transparency by governments and companies.

Source: Dow Jones Newswires

Base metals: Nickel falls in London as miners add output, tin nears record

Nickel fell for a second day in London on May 8 as mining companies ramped up production, adding to a surplus, and stainless-steel makers cut back on purchases. Nickel for delivery in three months dropped \$395, or 1.4%, to \$28,150 a metric ton on the London Metal Exchange. Nickel, mostly used in stainless steel, is expected to be in surplus for a second straight year in 2008. Stockpiles of nickel monitored by the LME have risen tenfold in the past 12 months. They dropped 204 tons, or 0.4%, to 51,030 tons. Tin jumped as much as \$600, or 2.5%, to \$24,600 a ton, close to the record \$24,602 a ton reached on April 24th. The metal rose after the LME reported inventories dropped by 45 tons, or 0.6%, to 7,585 tons, the lowest since September 22, 2005. LME-monitored copper stockpiles rose 1,100 tons to 110,125 tons, the biggest increase since April 4th. The metal fell \$6 to \$8,424 a ton. The amount of copper stockpiles earmarked for withdrawal from LME-registered warehouses jumped 18% to 10,200 tons, or about 10% of existing stockpiles. Among other industrial metals, aluminum fell \$18.75 to \$2,901.25 a ton and zinc rose \$1 to \$2,254. Lead added \$7 to \$2,427.

Source: Bloomberg

Precious metals: Gold gains in London trading as investors add to fund holdings

Gold rose in London on May 8 after StreetTracks Gold Trust, the biggest exchange-traded fund backed by bullion, reported a second consecutive gain in investors' holdings. Platinum, palladium and silver also advanced. Gold for immediate delivery rose \$1.89, or 0.2%, to \$870.64 an ounce in London. Futures for June delivery rose 50 cents, or 0.1%, to \$871.7 an ounce in after-hours electronic trading on the Comex division of the New York Mercantile Exchange. Platinum rose for a fifth consecutive trading session, up \$25.5, or 1.3%, at \$1,985 an ounce. The metal has advanced 30% this year and traded at a record \$2,301.5 an ounce on March 4th. Among other metals for immediate delivery, silver rose 0.13 cent to \$16.625 an ounce. Palladium rose \$8.25, or 2%, to \$429.75 an ounce.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	246.1	235.6	220.5	1.4	31.0
LME metals price index	4155.0	3805.7	3907.7	6.5	-3.0
Oil prices USD	116.1	98.0	85.4	15.3	79.8
Oil prices SDRs	71.2	61.3	54.6	14.9	68.4
Gold \$/troy oz	891.7	879.0	781.2	-3.4	30.0
Silver cents/troy oz	1709.0	1643.6	1471.0	-2.5	21.8
Platinum \$/troy oz	1994.0	1735.5	1521.2	9.4	51.0
Copper \$/MT	8700.3	7562.3	7639.5	11.7	7.4
Nickel \$/MT	28665.0	28760.4	32671.5	1.4	-44.7
Aluminium \$/MT	3025.3	2656.3	2630.4	9.6	6.5
Zinc \$/MT	2219.8	2426.4	2903.8	-1.8	-41.8
Steel - HR coil dry \$/MT	605.0	602.6	577.1	0.0	12.0

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
	Negative	-	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	2.00	30-Apr-08	Cut 25bps	25-Jun-08
Eurozone	Refi Rate	4.00	08-May-08	No change	08-May-08
UK	Base Rate	5.00	08-May-08	No change	05-Jun-08
Japan	O/N Call Rate	0.50	30-Apr-08	No change	20-May-08
Australia	Cash Rate	7.25	01-Apr-08	No change	04-Jun-08
New Zealand	Cash Rate	8.25	24-Apr-08	No change	04-Jun-08
Switzerland	3 month Libor target	2.75	13-Mar-08	No change	19-Jun-08
Canada		3.00	22-Apr-08	No change	10-Jun-08
Emerging Markets					
China	One-year lending rate	7.47	20-Dec-07	Raise 18bps	N/A
Hong Kong	Base Rate	5.00	19-Mar-08	Cut 75bps	N/A
Taiwan	Discount Rate	3.50	28-Mar-08	Raise 12.5bps	N/A
South Korea	Target Rate	5.00	09-Apr-08	Raise 25bps	N/A
Malaysia	O/N Policy Rate	3.50	29-Apr-08	No change	26-May-08
Thailand	1D Repo	3.25	09-Apr-08	No change	21-May-08
India	Reverse repo rate	6.00	29-Apr-08	No change	29-Jul-08
UAE	Overnight repo rate	2.00	May-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	5.50	May-08	No change	N/A
Egypt	overnight lending	11.00	23-Mar-08	Raise 50bps	N/A
Turkey	Base Rate	15.25	18-Apr-08	No change	15-May-08
South Africa	Repo rate	11.50	10-Apr-08	Raise 50bps	12-Jun-08
Kenya	Central Bank Rate	8.75	Apr 08	No change	June 08
Nigeria	Monetary Policy Rate	10.00	01-Apr-08	Raise 50bps	01-Jun-08
Ghana	Prime Rate	14.25	17-Mar-08	Raise 75bps	May 08
Mexico	Target Rate	7.50	18-Apr-08	No change	16-May-08
Brazil	Selic Rate	11.75	16-Apr-08	Raise 50bps	04-Jun-08
Armenia	Refi Rate	6.50	Apr-08	Raise 25bps	N/A
Romania	Policy Rate	9.75	May-08	Raise 25bps	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Refi Rate	11.00	Mar-08	N/A	N/A



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