

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### **Mediterranean Union officially launched**

Leaders of 43 nations with nearly 800 million inhabitants from the European Union and the southern and eastern Mediterranean basin officially launched the Union for the Mediterranean on July 13th in Paris. The union is designed to build on the 1995 Euro-Mediterranean initiative known as the Barcelona process. The project, initially conceived by French President Nicolas Sarkozy, aims to improve co-operation between Europe, North Africa, the Middle East and the Balkans. President Sarkozy originally proposed the idea as an alternative to Turkish membership in the EU, whereby Turkey would instead form the backbone of the new Mediterranean Union. But the idea was abandoned with the scaling down of plans in March 2008. The declaration said the Union for the Mediterranean is to be operational by the end of this year, and unlike any previous body, it will be jointly run by all its members. It will have a dual presidency, held jointly for rotating terms by one country within the EU and one country on the Mediterranean shore. Participants agreed to clean up pollution in the Mediterranean, build highways and sea routes, improve disaster response, develop renewable energies, support education and research, and foster business.

Source: Associated Press

#### SYRIA

##### **U.S. imposes sanctions on two firms linked to Assad family**

The United States Department of the Treasury prohibited U.S. citizens and institutions from engaging in business or transactions with mobile phone provider SyriaTel, and with RAMAK, a chain of duty free shops present throughout Syria's border posts and airports. The Treasury said both companies are owned in majority by Syrian businessman Rami Makhlouf, the maternal cousin of President Bashar Assad. Last February, the U.S. announced it is freezing any assets that Mr. Makhlouf holds under U.S. jurisdiction and prohibited U.S. citizens and institutions from doing business with him. The Treasury said the action was taken pursuant to Executive Order 13460 issued by President George W. Bush on February 13, 2008, which announced sanctions on Syrian officials and individuals on charges of public corruption and misuse of public assets. The Treasury said "Rami Makhlouf is a powerful Syrian businessman and regime insider who improperly benefits from and aids the public corruption of Syrian regime officials." SyriaTel is the country's largest private firm. It posted net profits of \$145m on revenues of \$856m in 2007. It had 3.34 million subscribers at the end of last year and a 52% market share. The company was in negotiations earlier this year with TurkCell for a possible buyout of Mr. Makhlouf's stake.

Source: AFP, Syria Report

#### SUDAN

##### **ICC prosecutor seeks arrest of President Bashir**

The Prosecutor of the International Criminal Court (ICC) asked the court for a warrant of arrest for Sudanese President Omar Hassan al-Bashir for genocide, crimes against humanity and war crimes committed in Darfur. He charged Sudan's president with masterminding a campaign to kill 35,000 people and persecute 2.5 million refugees. The judges will now have to weigh the Prosecutor's evidence and decide whether to issue the arrest warrant, a process that could take several months. In seeking the warrant, the Prosecutor is acting within his mandate under the Rome Statute and from the UN Security Council, which in 2005 referred crimes committed in Darfur to him for investigation and prosecution. President Bashir is the first sitting head of state charged by an international court since Liberia's Charles Taylor and Yugoslavia's Slobodan Milosevic, and is the most senior figure pursued by the ICC since it was set up in 2002. The Sudanese leader dismissed the charges and said the ICC had no jurisdiction in Sudan.

Source: Reuters, International Crisis Group

#### SAUDI ARABIA

##### **Government sets up new fund**

The government approved the setting up of a new state investment vehicle, considered to be the nation's first sovereign wealth fund. The joint stock company, named Sanabil al-Saudia, will have an initial capital of 20bn riyals, or \$5.3bn, and will be a wholly-owned entity of the Public Investment Fund (PIF) and act as a portfolio manager. It will focus on maximizing long-term returns with investments in Saudi Arabia and overseas across various sectors and assets, as well as in stocks, bonds, real estate and commodities. The Saudi Arabian Monetary Agency has been managing the country's foreign exchange reserves and investment portfolio, and it is estimated that around 85% of the kingdom's foreign reserves are invested in dollar-dominated fixed income securities. The country's official net foreign assets are estimated at \$345bn.

Source: Financial Times

#### WORLD

##### **IMF sets priorities**

The International Monetary Fund declared it will focus its activities in the period ahead on key issues of global economic and financial concern, shifting the emphasis away from internal reforms towards the actions the Fund can take to help its members meet global challenges. It said its priorities will be to help member countries deal with imminent crises and urgent tasks such as helping the world economy respond to the challenges posed by rising food and fuel prices, drawing lessons from the financial market crisis, and advancing key surveillance issues. It will also review its lending instruments so it can continue to provide a good option for countries facing volatile capital flows and limited access to private capital. Further, it plans to ensure greater cohesiveness in the IMF's approach to low-income country work.

Source: International Monetary Fund

# OUTLOOK

## GHANA

### **Positive growth prospects ahead, but high fiscal and current account deficits pose significant risks**

The International Monetary Fund projected Ghana's economy to grow by 6.5% in 2008 and 5.8% in 2009 compared to 6.3% in 2007, and expected inflation to average 14.3% this year and 10.5% in 2009 relative to 10.7% last year. It said the private sector has responded positively to macroeconomic stability, structural reforms and an increasingly business-friendly environment.

The IMF noted that since 2007, high fiscal spending, along with strong private sector demand growth and the recent rise in oil and food prices, have led to high fiscal and external current account deficits, rising inflation, and a decline in foreign reserves. It said that the risks associated with these developments could jeopardize Ghana's significant achievements earlier this decade, and urged authorities to give priority to the near-term policy challenge of pulling back from the recent expansionary fiscal policies. It expected the fiscal deficit to increase to 10.3% of GDP in 2008 and to 10.7% of GDP in 2009 from 9% in 2007, adding that the fiscal deficit was financed by both domestic and external borrowing, including Ghana's first external sovereign bond issue and purchases of local currency denominated debt by non-residents. The IMF stressed the need for further fiscal reforms over the next few years to support macroeconomic stability, to ensure debt sustainability, and to make room for sustained private sector growth. Also, The Fund supported the Bank of Ghana's ongoing monetary tightening to bring inflation toward its medium-term target. It noted that the level of foreign reserves remains low at 2.2 months of imports.

The Fund pointed to an increase in the risks of external debt stress, although these risks are still moderate. It said total public debt reached 50% of GDP at the end of 2007, up 8% of GDP from the end of 2006 and is forecast at 51.4% of GDP this year and 56.3% of GDP at end-2009. It stressed the importance of preserving the gains from debt relief, adding that the oil prospects can improve the debt dynamics significantly, provided that the resources are used efficiently. It projected the current account deficit at 13.2% of GDP in 2008 and 12.6% of GDP in 2009.

*Source: International Monetary Fund*

## ARMENIA

### **Banks' profits to rise by 196.2%, assets to increase by 150.3% in 2008-10**

The Central Bank of Armenia's outlook for the banking sector, based on forecasts by commercial banks, shows that aggregate assets are expected to grow by an annual average of 35.8% and by a total of 150.3% between 2008 and 2010, to reach \$6.54bn or 42% of GDP at end-2010. The sector's credit portfolio is expected to expand by 205.5% over three years with annual average growth of 45.5% to \$4.11bn, or 26% of GDP by the end of 2010. As a result, total credits will constitute 63% of total assets by the end of 2010 from 53% of assets at the end of 2007. The loan portfolio growth will be driven by a 29.4% rise in consumer credit, a 21% increase in trade loans, a 16.3% jump in mortgage loans and a 12.2% rise in industry loans. Customer

deposits are expected to reach \$4.58bn at end-2010, up from \$1.29bn at end-2007, and accounting for 67% of total liabilities.

In parallel, the aggregate capital of commercial banks in Armenia is expected to grow by an annual average of 29.2% during the 2008-10 period and by a total of 114.4% during the three-year period, reaching \$1.21bn at the end of 2010 from \$0.57bn at end-2007. Twelve banks plan to increase their capital through replenishment of authorized stock along with the capitalization of profit. The capital-to-assets ratio is expected to decrease over the period from 21.7% in 2007 to 22.2% in 2008, 20.7% in 2009 and 18.5% in 2010.

The report forecast the sector to post aggregate net profits of \$200m in 2010, constituting a 43.8% average annual increase and a 196.2% rise over the covered period. Net interest income is forecast to increase by 157.2% in 2008-10 while net non-interest income is to grow by 104.7% over three years. Net interest margin of the banks is likely to range between 5.2% and 5.5% in 2008-2010 against 5.3% in 2007. Also, the sector's return on assets (ROA) is expected to range between 2.6% and 3.1% in 2010 compared to 2.6% in 2007, while the return on Equity (ROE) is forecast to range between 17.5% and 34.1% in 2010 compared to 17.9% in 2007. There are currently 22 commercial banks operating in Armenia.

*Source: Central Bank of Armenia*

## TUNISIA

### **Banking sector still dependent on retail and tourism, high NPLs is key challenge**

The Institute of International Finance indicated that sustained economic growth has led to an improvement in the performance of the Tunisian banking sector, adding that the sector remains a significant weak spot in the economy, while regulatory and judicial oversight are still inadequate. It said additional progress on reforms is required to strengthen the banking system, and the relatively high level of non-performing loans remains a concern. It noted that commercial bank performance is heavily dependent on the health of the retail and tourism sectors where loan portfolios are concentrated. Moreover, the sector has a high level of NPLs due to tourism-related problems since 2001, as NPLs fell to about 17% in 2007 from a recent high of 24% in 2003. Further, the Central Bank of Tunisia does not have a balance sheet measuring system for identifying banks that are running into difficulties and for providing a basis for taking corrective measures. But some progress has been achieved in reducing the level of NPLs, with further efforts expected. The IIF considered that a change in credit culture is also necessary to prevent a resurgence of bad loans. It noted that, although other financial soundness indicators have improved, exposure to credit risk remains considerable. Also, provisioning rates have risen but they remain too low and banks remain heavily reliant upon real estate collateral that can only be realized with a significant delay. The IIF called for additional measures to strengthen the sector such as further strengthening of the legal and accounting systems, improving corporate governance, and allowing more foreign financial institutions to establish operations, which would improve service delivery through enhanced competition.

*Source: Institute of International Finance*

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## ECONOMY & TRADE

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### JORDAN

#### Annual inflation at 16.6% in June

Data released by the Jordan Department of Statistics shows that annual consumer price inflation reached 16.6% in June, up from 15.7% in May, exceeding official forecasts of annual inflation of 8-9% for the year. Inflation increased by 0.65% in June from the previous month. Prices soared in the first half of the year after the government removed fuel subsidies on February 8, causing the prices of kerosene and diesel to rise by 76% in February, 8% in March, 5% in May and 12% in June. In parallel, the government increased the salary of about 600,000 civil servants and members of the armed forces after the removal of subsidies. Food prices jumped annually by 17.7% in June, clothing prices rose 6.7%, housing increased by 17.4% and other goods and services grew by 15.7%.

Source: Jordan Department of Statistics, Bloomberg

### EGYPT

#### Annual inflation at record high 20.2% in June

The government's statistics agency CAPMAS indicated that consumer price inflation rose to 20.2% year-on-year in June, constituting the highest rate in 19 years, and up from 19.7% in May, 16.4% in April and 14.4% in March. The rise reflects the continuing impact of food price increases in the first months of the year as well as the impact of fuel and other price increases announced by the government on May 5th. Food price inflation was broadly unchanged at 27.1% year-on-year in June, compared to 27% in May and rose by 0.8% month-to-month in June compared to 3.6% in May. It remained the key driver of inflation, contributing 12.1pp to headline CPI inflation relative to 12pp in May. Non-food inflation rose to 14.6% annually in June from 13.9% a month ago and contributed 8.1pp to headline inflation from 7.8pp in May. Inflation averaged 11.7% year-on-year in the fiscal year 2007/08 ended June 30, up from 11% in FY2006/07.

Source: Credit Suisse, EFG Hermes

### MOROCCO

#### Sovereign ratings affirmed, outlook stable

Fitch Ratings affirmed Morocco's Long-term foreign and local currency Issuer Default ratings (IDR) at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It also affirmed Morocco's short-term foreign currency IDR at 'F3' and Country Ceiling at 'BBB'. The agency said the decision reflects the country's resilient net external creditor position, which continues to exceed the peer group median despite the emergence of a small current account deficit last year. The rating is also supported by the continuing shift of the economy towards higher-value-added activities, which has translated into sustained growth of non-agricultural GDP. Fitch said the main credit weaknesses are a relatively high, but decreasing, public debt and an expected widening in the budget deficit this year due to increased subsidy costs. It indicated that government debt is likely to remain at around 53% of GDP in 2008-09, higher than for 'BBB-' range peers, while public external debt is relatively low at 21.1% of GDP at end-2007 and is expected to decline further in 2008. It noted that the financial turmoil at U.S. and European banks had

no impact on Morocco, as borrowing from foreign banks is limited. Fitch said fiscal pressure could lead to downward pressure on the rating if not contained by corrective measures or offset by revenue growth.

Source: Fitch Ratings

### UKRAINE

#### Annual inflation at 29.3% in June

Data released by the State Statistics Committee show that annual consumer price inflation reached 29.3% in June compared to 31.1% in May and 30.2% in April. As in previous months, inflation was primarily driven by food, which accounts for more than 50% of the consumer basket. Food prices rose by 43.9% annually in June compared to 48.5% in May and nearly 50% in April. The annual May inflation rate was the highest in 11 years for Ukraine. Inflation rose 0.8% month-to-month in June relative to 1.3% in May and 3.1% in April. June's monthly inflation rate was the lowest in the previous 10 months, but still pushed cumulative inflation to 15.5% in the first half of 2008. Also, producer price inflation reached 43.7% year-on-year in June from 39.4% in May, showing that underlying inflationary pressures persist. In parallel, the government raised its year-end inflation forecast from 15.3% year-on-year to 15.9%.

Source: Credit Suisse

### RUSSIA

#### Sovereign ratings upgraded

Moody's Investors Service upgraded Russia's government bond ratings and country ceiling for foreign currency deposits to 'Baa1' from 'Baa2' and assigned a 'positive' outlook to all of the ratings, as well as to the 'A2' country ceiling for foreign currency bonds. It also affirmed the 'A1' country ceilings for local-currency bonds and deposits with a 'stable' outlook. The agency attributed the upgrades to the ever-stronger government balance sheet and favorable debt metrics as well as to the likelihood of policy continuity under President Dmitry Medvedev. It said the government and the Central Bank of Russia have accumulated a very large cushion of foreign currency assets during the past 9 years and have paid the government's direct debt down to relatively negligible levels.

It also predicted that President Medvedev will continue the macroeconomic policy framework of former President Putin, who now serves as prime minister, and expected that the two leaders will closely coordinate policy initiatives over the medium-term rating horizon. Accordingly, Russian political risk has diminished with this smooth transition. Another factor in Moody's upgrade was the shift towards greater economic diversification, driven by surging domestic demand and investment outside of the hydrocarbons sector. It noted that Russia is likely to be able to sustain a strong economic performance over the medium term despite anticipated substantial reductions in both the current account and government budget surpluses.

Source: Moody's Investors Service



# BANKING

## JORDAN

### Sector ripe for growth and consolidation

A survey of the banking sector indicated that the sector has room for both growth and consolidation. The survey revealed that retail services' penetration in the Jordanian market remains quite low, as 45.6% of bank account holders with no credit facilities such as credit cards, personal, housing and auto loans believe that they are not eligible for credit facilities, while 44.8% claim they can do without assistance of credit. Also, 87.8% of Jordanian bank account holders deal with one bank only, with the remaining 12.2% who deal with more than one bank citing 'better customer service' as their primary reason for dealing with more than one bank. In parallel, the market is moderately concentrated, as 90% of the retail banking market is served by nine banks with the top two banks holding a 52.2% share, while the other 14 banks serve the remaining 10% of the market. This reflects the possible advantages of consolidation among smaller banks.

Source: Arab Advisors Group

## IRAQ

### Bank to list on Dubai bourse

Ashur International Bank for Investment has submitted a request to the Iraq Securities Commission in order to list its shares on the Dubai Financial Market. The bank, which is also listed on the Baghdad Stock Exchange, said the new listing is part of the bank's strategy to expand and boost regional and international presence. The bank has branches in Baghdad, Erbil and Suleimaniya, and is planning to open a new branch in Tikrit and another one in Duhok in the north of the country. It also has representative offices in Amman, Dubai and Damascus. The bank increased its capital recently by 100% to 50bn Iraqi dinars, or \$42m, with UAE investors contributing to the increase. The bank's 2007 profit rose to IQD6.4bn from IQD1bn in 2006.

Source: Dow Jones Newswires

## SAUDI ARABIA

### Ratings on five banks upgraded, five more affirmed

Fitch Ratings upgraded the Long-term Issuer Default Ratings (IDR) of the National Commercial Bank, Al Rajhi Banking & Investment Corp, Samba Financial Group and Riyadh Bank to 'A+' from 'A' and the IDR of Bank Aljazira to 'A-' from 'BBB+'. It also changed the outlook on the banks to 'stable' from 'positive'. It attributed the upgrades to the earlier upgrade of Saudi Arabia's sovereign ratings to 'AA-' from 'A+', with a 'stable' outlook. Also, it affirmed the ratings of the Arab National Bank, Banque Saudi Fransi and Saudi British Bank at 'A', and the ratings of Saudi Hollandi Bank and Saudi Investment Bank at 'A-'. The outlook on four of the banks remained at 'stable', while the outlook on the Saudi Investment Bank was raised from 'negative' to 'stable'.

Source: Fitch Ratings

## ALGERIA

### Foreign reserves at \$126bn

Figures released by the Bank of Algeria show that foreign exchange reserves reached \$126bn at the end of April, up \$2.5bn from \$123.5bn at the end of March, and constituting a 14.5% increase from \$110bn at the end of 2007. Bank of Algeria Governor Mohamed Laksaci said that, if the rise continues at the same pace, reserves could exceed \$160bn by the end of the year. He attributed the increase to strong hydrocarbons revenues as well as to the impact of appreciation of the Euro and Sterling pound against the US dollar. Foreign reserves increased by 40% in 2007.

Source: APS

## ARMENIA

### VTB Bank upgraded, Anelik Bank assigned ratings

Fitch Ratings upgraded VTB Bank's (VTBA) long-term foreign and local currency ratings to 'BB+' from 'BB', and affirmed the short-term foreign and local currency ratings at 'B' with a 'stable' outlook. The agency said the ratings reflect the moderate probability of support from VTBA's owner, Russia's VTB Bank. Fitch considered that the ability of VTBA to receive and utilize support from its parent bank may be constrained by Armenian country risks, in particular transfer and convertibility risks, as reflected in the country ceiling of 'BB+'. VTBA is Armenia's fourth-largest bank, with 10% of the banking system's loans and 7% of retail deposits at end-2007. In parallel, Moody's Investors Service assigned a bank financial strength rating (BFSR) of 'D-' to Anelik Bank, as well as a 'Ba3' long-term and Not Prime short-term local currency and foreign currency deposit ratings. The outlook on all ratings is 'negative'. It said the ratings are supported by the bank's lucrative niche operations in the money transfer business, which provides the bank broader brand recognition than its modest market share of 4% would suggest. The ratings also reflect operating risks in Armenia, the bank's currency-induced credit risk, and its sensitivity to price competition in its core money transfer business.

Source: Fitch Ratings, Moody's Investors Service

## KAZAKHSTAN

### Reserves reach \$44.8bn

Figures released by the National Bank of Kazakhstan show that foreign reserves, including the National Oil Fund assets, stood at \$44.8bn at the end of June compared to \$43.6bn at the end of May, up \$6.4bn from the end of 2007. Non-gold reserves reached \$19.2bn, down from \$19.5bn at the end of May, and up by \$1.9bn from end-2007, while the assets of the National Oil Fund increased by \$1.6bn in June and by \$4.6bn in the first half of the year to \$25.7bn. The NBK has set the current problem of supporting the banks as its top priority, as banks still have to repay \$6.5bn of external debt in the second half of 2008. External bank debt fell to \$45.1bn, or 41% of GDP, in the first quarter of 2008 from \$44.9bn or 44% of GDP at end-2007

Source: Credit Suisse



# ENERGY / COMMODITIES

## Oil falls for third day as slowing economic growth curbs demand

Crude oil fell for the third day in a row, the longest losing streak for a month, on speculation slower global economic growth is curbing fuel consumption. Crude fell more than \$13 from last week's record on falling U.S. gasoline purchases. Economic growth in China in the second quarter was the slowest since 2005. Plans for renewed diplomatic contacts between the U.S. and Iran eased concern a conflict will cut supplies from the Middle East's second-largest producer. Crude oil for August delivery fell as much as \$1.24, or 0.9%, to \$133.36 in electronic trading on the New York Mercantile Exchange. Prices have dropped 7.9% in the past three days, the biggest three-day decline since January 2007. Oil fell as low as \$132 a barrel on July 16, more than 10% below the record of \$147.27 reached on July 11th. Prices fell on July 16 after the Energy Department reported an unexpected increase in U.S. stockpiles and a drop in monthly gasoline demand. Consumption of motor fuel in the U.S. averaged 9.3 million barrels a day over the past four weeks, down 2.1% from the same period last year.

Source: Bloomberg

## Algeria invites bids for oil and gas exploration

Algeria unveiled details of its 7th exploration and production licensing round on July 13, inviting prequalified companies to bid for acreage with high petroleum potential. The deadline for bids for 16 zones containing 45 blocks is December 3, 2008. The contracts will be signed on December 17, 2008, and companies may bid to become an operator and/or an investor. The round, the first since April 2005, has been keenly awaited by multinational companies seeking permits to explore in Algeria, which is among the world's top owners of oil and gas reserves and a major gas exporter to Europe. The round is the first to be offered under a 2006 law that gives state energy conglomerate Sonatrach a mandatory minimum 51% share in every oil and gas exploration contract awarded to foreign companies.

Source: Reuters

## NOC signs deal with Star Consortium to upgrade Ras Lanuf refinery

Libya's National Oil Corporation (NOC) signed a 50-50 joint venture agreement with Star Consortium of TransAsia Gas International and Star Petro Energy, both affiliates of the Ghurair group. The deal, worth \$2.5bn, consists to upgrade Libya's largest oil refinery, the Ras Lanuf. NOC officials expect the upgrades to start on September 2008 and take three years to complete. It will take place in two stages, the first is to restore the existing plant to increase capacity and improve the ability to market the products. In the second stage, the companies will expand the refinery and add the latest technology for converting fuel oil into high-value products, improve efficiency and bring overall quality in line with international standards. The site at Ras Lanuf produces 220,000-barrel per day and includes a refining plant that produces naphtha, kerosene, light gas oil and heavy gas oil, and other units producing ethylene and polyethylene.

Source: Business Monitor International

## Base metals: Positive forecast for aluminum

Aluminium is expected to have an upside potential. Aluminum is very energy intensive to produce, as large amounts of electricity are needed to produce refined aluminum. However, energy prices are rising quickly. Moreover, the price for alumina, the raw material for producing aluminum is rising as well. This cost pressure is likely to intensify even further in the coming months. Additionally, China is suffering from energy shortages. As a result, the government is trying to curb aluminum production. Exports of the light metal have been falling over the last few months. Copper and nickel prices are also expected to increase. However, downside potential for the rest of base metals is expected, as those markets lack strong constraints on the supply side and are faced with weakening demand.

Source: Credit Suisse

## Gold rises on speculation dollar may fall, inflation rising

Gold gained in Asia, after falling the most in more than three weeks on July 16, as investors sought a haven on concern the dollar may decline and inflation increase. Gold has gained 9.3% in the past month as the dollar fell. Gold for immediate delivery rose 0.4% to \$964.38 an ounce in Singapore after falling 1.8% on July 16, the biggest decline since June 23rd. Silver advanced 0.5% to \$18.85 an ounce. Gold has dropped 2.3% from a four-month high of \$988.02 an ounce on July 15 as crude oil retreated from a record \$146.73 a barrel. It last traded at \$134.88 on July 17th. Gold for August delivery gained 0.2% to \$964.70 an ounce in after-hours electronic trading on Comex in Hong Kong. Gold for December delivery traded in Shanghai fell 0.3% to \$963 an ounce. Gold for June 2009 delivery was little changed at \$974 an ounce on the Tokyo Commodity Exchange.

Source: Bloomberg

## Egypt to produce 8 tons of gold in 2009

The Egyptian Geological Survey and Mining Authority said Egypt, which stopped gold production in 1958, will produce eight tons of the metal from mines in the eastern desert in 2009. Gold production started in December and one of the mines which started production has a reserve of 13 million ounces of gold. Once the mine is fully operational, it will be one of the biggest in the world. Reviving gold production last year necessitated replacing antiquated mining laws, which did not give foreign companies incentive to exploit the reserves. Egypt offered eight mining concessions last year, for various parts of the country to five companies from Australia, Canada, Europe and the U.S.

Source: Reuters

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	265.6	254.5	232.4	3.5	29.4
LME metals price index	3986.0	3965.2	3861.8	7.5	-2.2
Oil prices USD	141.2	113.6	98.9	7.2	94.3
Oil prices SDRs	86.6	70.3	62.3	6.2	82.1
Gold \$/troy oz	941.5	914.8	830.1	8.0	41.7
Silver cents/troy oz	1817.0	1752.1	1555.3	7.3	42.4
Platinum \$/troy oz	1999.0	1973.0	1676.8	-0.8	54.2
Copper \$/MT	8422.5	8199.5	7797.7	4.6	4.9
Nickel \$/MT	21877.5	26824.0	28089.9	-2.5	-33.0
Aluminium \$/MT	3271.3	2876.4	2676.2	13.2	19.0
Zinc \$/MT	1920.5	2227.3	2554.8	1.0	-43.3
Steel - HR coil dry \$/MT	605.0	605.0	588.8	0.0	10.0

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								
<b>Africa</b>													
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+	BBB-	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
	Stable	-	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								
<b>Middle East</b>													
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	AA-	AA-	A	17.6	3.8	7.8	15.2	2.0	154.9	29.3	0.2
	Stable	-	Stable	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								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB	-	-	-2.4	14.6	22.2	227.3	2.6	126.2	-4.0	2.8
	-	-	Stable	-	-								
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
	Negative	-	Stable	-	Stable								
Romania	BBB-	Baa3	BBB	BBB-	BB	-3.4	12.8	45.3	193.5	24.0	238.0	-15.6	6.4
	Negative	-	Stable	Stable	Stable								
Russia	BBB+	Baa1	BBB+	-	BBB	3.5	5.3	29.4	112.5	17.1	82.4	3.7	0.9
	Positive	Positive	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; Economist Intelligence Unit - 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	25-Jun-08	No change	05-Aug-08
Eurozone	Refi Rate	4.25	03-Jul-08	Raise 25bps	07-Aug-08
UK	Base Rate	5.00	10-Jul-08	No change	07-Aug-08
Japan	O/N Call Rate	0.50	15-Jul-08	No change	19-Aug-08
Australia	Cash Rate	7.25	02-Jul-08	No change	05-Aug-08
New Zealand	Cash Rate	8.25	04-Jun-08	No change	24-Jul-08
Switzerland	3 month Libor target	2.75	19-Jun-08	No change	18-Sep-08
Canada	Overnight rate	3.00	15-Jul-08	No change	03-Sep-08
<b>Emerging Markets</b>					
China	One-year lending rate	7.47	20-Dec-07	Raise 18bps	N/A
Hong Kong	Base Rate	3.50	02-May-08	Cut 25bps	N/A
Taiwan	Discount Rate	3.63	26-Jun-08	Raise 12.5bps	Sep-08
South Korea	Base Rate	5.00	10-Jul-08	No change	07-Aug-08
Malaysia	O/N Policy Rate	3.50	26-May-08	No change	25-Jul-08
Thailand	1D Repo	3.50	16-Jul-08	Raise 25bps	27-Aug-08
India	Repo rate	8.00	11-Jun-08	Raise 25bps	29-Jul-08
UAE	Overnight repo rate	2.00	01-May-08	Cut 25bps	26-Jun-08
Saudi Arabia	Repo rate	2.00	05-May-08	Cut 25bps	N/A
Egypt	Overnight Deposit	10.50	Jul-08	Raise 50bps	07-Aug-08
Turkey	Base Rate	16.25	16-Jun-08	Raise 50bps	18-Jul-08
South Africa	Repo rate	12.00	12-Jun-08	Raise 50bps	14-Aug-08
Kenya	Central Bank Rate	9.00	05-Jun-08	Raise 25bps	Aug-08
Nigeria	Monetary Policy Rate	10.25	02-June-08	Raise 25bps	08-Aug-08
Ghana	Prime Rate	16.00	19-May-08	Raise 12.5bps	21-Jul-08
Mexico	Target Rate	7.75	20-Jun-08	Raise 25bps	18-Jul-08
Brazil	Selic Rate	12.25	04-Jun-08	Raise 50bps	23-Jul-08
Armenia	Refi Rate	7.25	02-Jul-08	Raise 25bps	06-Aug-08
Romania	Policy Rate	10.00	26-Jun-08	Raise 25bps	31-Jul-08
Bulgaria	Refi Rate	4.25	03-Jul-08	Raise 25bps	07-Aug-08
Kazakhstan	Refi Rate	10.50	25-Jun-08	Cut 50bps	Sep-08



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