Issue 95
December 4, 2008

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Crisis led 59% of corporate treasurers to review liquid assets policy

Fitch Ratings' annual survey of corporate treasurers found that 59% of corporate treasury departments in the Emerging Europe, Middle East & Africa (EMEA) and Asia Pacific regions have reviewed their policies for holding liquid assets in light of the ongoing dislocation in global financial markets. The other 41% of treasurers believed that their existing policies were already strict enough. Further, 50% of respondents had also reviewed their banking and counterparty relationships, and 71% of the reviews had led to changes in these relationships. The changes have typically included spreading risk among a larger number of counterparties or, where applicable, investing only with counterparties with an explicit state guarantee. The Fitch survey indicated that 56% of issuers reported they had ratings-based criteria for the investment of liquid assets, with 78% of developed market issuers having specific ratings criteria regarding liquid assets compared with only 27% in emerging markets, which look for a rating in excess of 'BBB-'. A further 27% of emerging market issuers have policies for limiting credit risk, often by buying state-issued securities, while 46% had no clear policy.

Source: Fitch Ratings

EMERGING MARKETS

Fixed income trading volume down 43% in third quarter, lowest in five years

Trading in emerging markets debt instruments stood at $956bn in the third quarter of 2008, down 22% from $1,218bn in the previous quarter and down 43% from $1, 671bn in the third quarter of 2007. Trading in emerging markets debt instruments fell to its lowest levels in five and a half years during the third quarter of 2008, as emerging markets have not been spared the effects of the global credit crisis. But improvements in fundamentals in many emerging economies have helped them weather the storm better than in previous financial crises. The volume of trades in local Treasury instruments totaled $643bn, down 22% from the previous quarter and down 46% from $1,191bn in the third quarter of 2007. In parallel, sovereign Eurobond volumes dropped by 22% from the previous quarter but declined by 36% to $293bn from the third quarter of 2007, while the volume of traded corporate bonds reached $88bn, down 33% from the previous quarter and 40% from $148bn in the third quarter of 2007. Local instruments accounted for 68% of total debt trades, unchanged from the previous quarter. Sovereign Eurobonds accounted for 21% of total debt trading, and corporate bonds represented 9% of overall volume. The most frequently traded instruments were Brazilian debt securities at 21% of the total, followed by South African instruments at 12% and Argentina's debt securities at 7.6%. The most frequently traded Eurobonds included issues from Brazil, Russia, Turkey, Mexico and Argentina.

Source: EMTA

GCC

Islamic banks resilient amid global credit crisis

Moody's Investors Service indicated that Islamic financial institutions in the Gulf Cooperation Council countries have showed strong resilience amid the current global financial crisis due to the banks' strong growth and typically conservative approach, and because the core principles of Islamic banking have protected them from elements of the crisis. The agency said their credit portfolios have been essentially domestic, with limited pressure on asset quality so far; they have strong retail platforms with high customer loyalty and deposit stability; and their high capitalization and ample core liquidity often provide a relatively high amount of confidence to counterparts. However, it noted that they have faced some cyclical challenges, as they are finding it more difficult to manage their short-term liquidity; their investment portfolios, which are concentrated on illiquid and cyclical asset classes, have been impaired; and their access to long-term funding has been postponed, forcing them to reduce the maturity profile of their assets.

Source: Moody's Investors Service

SUDAN

List of 'high offenders' includes 23 firms

The Sudan Divestment Task Force's quarterly update on publicly-traded firms that warrant extra scrutiny by investors due to their business operations in Sudan included 23 firms on its list of 'highest offenders'. The list included 7 firms from Malaysia, 5 from China, 3 from India, 2 from each of France and Kuwait, and one from each of Finland, Sweden, Switzerland and Thailand. The firms are in the oil, power and automotive sectors. They include China's SINOPEC Group and the China National Petroleum Corporation (CNPC), Malaysia's PETRONAS, Switzerland's ABB and France's ASLTOM. It said companies on the list of 'high offenders' have proven to be largely unresponsive to engagement by shareholders or unwilling to alter problematic practices in Sudan.

Source: Sudan Divestment Task Force

RUSSIA

Sovereign wealth funds' assets at $209bn

The Finance Ministry indicated that the country's sovereign wealth funds had assets of $209bn at the end of November, a sizable cushion for financial and fiscal stability. The Reserve Fund reached $132.6bn, while the National Welfare Fund (NWF) totaled $76.4bn. The share of ruble of the NWF placed in deposits within VneshEconomBank is RUR356bn or $12.7bn, which could be depleted because it is used in the government's rescue plan. The law allows the ministry to increase the ruble share of the NWF to 40%, as it is expected it to be raised in the coming month.

Source: Merril Lynch

POLITICAL RISK OVERVIEW - NOVEMBER 2008

ALGERIA

The Parliament overwhelmingly approved constitutional amendments that abolish presidential term limits on November 12, opening the door for President Abdelaziz Bouteflika to seek a third term in spring elections. The mayor of Northern town Timezrit was killed on November 5th. The government accused Al-Qaeda in the Islamic Maghreb of the assassination.

ARMENIA

On the sidelines of the Black Sea Economic Cooperation Organization (BSEC) meeting in Istanbul on November 24, Foreign Minister Edward Nalbandian met with his Turkish counterpart and urged the re-opening of borders. After signing a declaration on finding a peaceful solution to the Nagorno Karabakh conflict with Azerbaijan's President on November 2, President Sarkisian consulted party leaders on November 19 and promised a nationwide referendum on any peace deal. Ter-Petrossian-led opposition movement boycotted the meeting.

EGYPT

A new wave of violent confrontations between Egyptian police and Bedouins protesting against their marginalization by the government left three Bedouins dead and 30 policemen wounded. Human Rights Watch condemned Egypt's "shoot-to-kill" policy at Gaza border on November 13th. The police arrested further 28 members of the Muslim Brotherhood on November 29, bringing the number of detained to 171.

IRAN

The IAEA report of November 19 said that Iran is increasing its stockpile of enriched uranium and that it refused to allow the scheduled IAEA visit to the Arak heavy-water reactor. The UK and France increased informal pressure on financial and energy companies to stop doing business with Tehran. Iran accused U.S. helicopters of flying close to its border on November 5 and said it would respond to any violation. State media reported on November 13 the successful test of a new long-range surface-to-surface missile capable of reaching Europe. President Ahmadi-Nejad sent an official letter of congratulations to U.S. President-elect Barack Obama, who has expressed openness to talking with Tehran but has responded that Iran's development of a nuclear weapon is unacceptable. Iraq and Iran exchanged on November 30 remains of 200 Iraqis and 41 Iranians killed during the 1980-88 war.

IRAQ

The Iraqi cabinet approved a security pact with the U.S. on November 16, governing the future presence of 150,000 U.S. troops in the country. Under the deal, U.S. troops will withdraw from Iraqi towns and cities by the end of June 2009, and will leave Iraq by the end of 2011. The decision will need to go before the Parliament for a final vote. Thousands of al-Sadr supporters protested the U.S. troop accord in Baghdad on November 21st. The Parliament voted on November 3 to reserve six out of 400 provincial council seats for minorities. It reserved three seats for Christians and one each for Yazidi, Mandean and Shabak groups. Provincial council vote is now set for January 31st. Several explosions disrupted the relative calm during the month, including multiple morning rush hour bombs and several suicide bomber attacks.

KAZAKHSTAN

The first shipment of Kazakh oil has been pumped on November 3 through a strategic pipeline that bypasses Russia on its way to Western markets. Kazakh and Azeri state-run energy companies agreed on November 14 on an oil transport system across the Caspian Sea that will start in 2013. The Parliament ratified in November 5 the 2001-02 measures easing NATO and U.S. overflight requirements for Afghanistan re-supply missions, and facilitating overland supply routes between the Caspian Basin and Afghanistan.

SUDAN

Ahead of the Qatar peace conference, and in response to Sudan People's Initiative, President Bashir announced on November 12 an unconditional government ceasefire in Darfur and militia disarmament. Darfur rebel groups announced they would not commit to any ceasefire before the signing of a peace deal. The ceasefire was broken, with government and rebels blaming each other. Incidents included two government air strikes in the South of Darfur on November 21 and 22nd, reported by the rebels and then confirmed by the UN. More than 30 rebel fighters were killed in an insurgent attack on November 20th. Ruling NCP turned down the possibility of bilateral talks with the Justice and Equality Movement (JEM) on November 9, in favor of a comprehensive peace agreement. The JEM confirmed plans to send a delegation to the Qatari initiative. ICC prosecutor presented on November 20 the case for sealed condemnation of 3 Darfur rebel commanders and provided over 700 additional information pages to the Pre-Trial Chamber judges on application for President Bashir's indictment.

SYRIA

Tensions with the U.S. remained high following the U.S. cross-border attack on Syrian territory on October 26th. Damascus continued to reject accusations of supporting terrorists. Iraq and Syria agreed to increase border security cooperation. The International Atomic Energy Agency (IAEA) said in a report that the Syrian site bombed by Israel in September 2007 had features resembling those of a nuclear reactor site but did not exclude the possibility the site was being used for purposes unrelated to nuclear activity. The IAEA asked for further inspections and called for cooperation from both Syria and Israel. The head of Syria's atomic agency said on November 21 Syria would not allow another visit. Despite initial resistance by the U.S. and others, the IAEA approved on November 25 to give technical aid to Syria to build a power-producing reactor. During his visit to Damascus on November 19, UK foreign minister Miliband urged Syria to promote stability in the region.

TURKEY

A bomb attack on November 21 set on fire the Kirkuk-Ceyhan oil pipeline near Midyat. Kurdish rebels were held responsible for the attack. In its key progress report, the EU Commission praised Turkish regional foreign policy achievements but criticized the lack of domestic reforms, including failings in press freedom and women's rights. Turkish police blocked a pro-Kurdish rally on November 2 in Istanbul, arresting 27 people. The police clashed with a 3,000-strong rally on November 2, protesting Erdogan's visit to the Kurdish-dominated region.

Source: International Crisis Group

OUTLOOK

EMERGING MARKETS

Economic growth to slow to 2.7% in 2009 if global crisis persist

The United Nations projected economic growth in developing economies at 4.6% in 2009, down from 5.9% in 2008 and 7.1% in 2007. It said real GDP growth would reach 2.7% in 2009 in a pessimistic scenario and 5.1% in an optimistic scenario. The UN's baseline scenario also forecast global economic growth at 1% next year, while growth would contract by 0.4% in a pessimistic case and would grow by 1.6% in a best case scenario. It also expected world trade to increase by 2.1% in a baseline scenario, but to shrinking by 3.1% in a worst case scenario and to grow by 3.1% in an optimistic scenario.

The UN indicated that developing countries will be hurt by the crisis through international trade and finance channels, adding that a growing number of developing economies have already witnessed a significant deceleration in economic growth. It said the drop in commodity prices will hurt primary exporters in particular, but lower demand in developed countries will affect export growth throughout the developing world. It added that some emerging market economies are already facing severe curtailments in access to trade credit, while the threat of a sudden reversal in private capital flows has increased. It noted that the vast amounts of foreign reserves accumulated by developing countries still provide a buffer and allow some space for counter-cyclical measures, but these reserves could decline rapidly as the global crisis deepens further.

The UN forecast capital inflows to emerging market economies to drop further. It considered that continued deleveraging in the large financial institutions of developed countries and the eroded confidence of international investors are likely to limit portfolio inflows to emerging market economies, while the pro-cyclical nature of FDI flows will also imply a slowdown in FDI.
Source: United Nations

GCC

Growth revised downward to 3.6% for 2009, current account surplus to shrink to 5.3% of GDP

The Institute of International Finance revised downward its growth forecast for the six GCC economies to 3.6% in 2009 from an earlier forecast of 4.2% due to lower oil prices and the impact of the global financial crisis on the region. It expected non-hydrocarbon real GDP growth at 4.4% in 2009, down from a 5.4% forecast few weeks ago. It said risks to the GCC economies exist, but emphasized that they remain localized and manageable given ample resources and improved macroeconomic fundamentals.

The IIF expected the GCC external and fiscal surpluses to narrow substantially in 2009 from their record levels in 2008, as the sharp drop in oil prices, from an average of $99 in 2008 to a forecast of $56 in 2009, will reduce the consolidated external current account surplus from $321bn in 2008 to $48bn in 2009, and from 30% of GDP in 2008 to 5.3% of GDP this year, down from an earlier forecast of 15% of GDP for 2009. It estimated the foreign assets of governments and banking institutions to reach $1,470bn by the end of this year, adding that lower oil prices would probably lead to only a very small net addition to the region's foreign assets. It considered that GCC authorities need to take policy measures to address the expected growth slowdown, financial stress in certain segments of the banking sector, and the sharp correction in the property market that has set in. It added that the slump in equities and real estate prices in the U.S. and Europe may have reduced the value of GCC sovereign wealth funds, while pressures have risen on these funds to redirect their investments to the local markets.

The IIF considered that the impact on banks will be manageable, although some smaller institutions with significant consumer and real estate loans outstanding might face some stress. It said banks in the region with higher government participation are likely to be supported by the ample volume of public resources available. It added that a major correction in the real estate market is taking place in some GCC countries, which could cause stress in some market segments.
Source: Institute of International Finance

SYRIA

Central Bank autonomy, restructuring of state banks should be priority

The International Monetary Fund called for granting the Central Bank of Syria (CBS) full independence to formulate and implement monetary policy, and stressed the need for the CBS to gain full control over foreign exchange reserves. It supported the CBS' commitment to maintain a prudent monetary policy stance, adding that public banks should be instructed to strictly limit directed lending in order to help reduce money growth and contain inflationary pressures. It noted the need to develop indirect monetary policy instruments and for the CBS to issue its own certificate of deposits, as well as the need to establish standing facilities at the CBS.

The Fund encouraged authorities to restructure state banks and to ensure that they operate on a commercial basis. It said that public banks' credit to money-losing state-owned enterprises grew by nearly 40% in 2007 and by more than 60% in the first half of 2008. It added that such rapid credit growth could have adverse consequences for the banks and create large quasi-fiscal liabilities. It said that any necessary subsidies to strategic sectors or vulnerable groups should be provided directly from the budget rather than through public banks. It also urged public banks to comply with prudential regulations, adding that subjecting public banks to less stringent supervision than private sector banks could encourage risky lending practices. It considered that all banks should be subject to annual audits by independent firms and produce reliable financial soundness indicators. In parallel, the Fund encouraged authorities to continue to follow up on the recommendations of the Financial Sector Assessment Program. It said the CBS has started to address the deficiencies identified in the assessment of the Basle Core Principles of Effective Banking Supervision, including efforts to improve the supervision of state banks, and it has prepared for the issuance of treasury bills. It stressed the importance for the CBS to accelerate its reforms, including by further enhancing its supervisory capacity.
Source: International Monetary Fund

ECONOMY & TRADE

WORLD

Private equity investors to sell up to $140bn

Institutional investors are expected to sell $130bn to $140bn in private equity investments over the next 18 to 24 months, constituting more than 10% of the $1,200bn-$1,500bn invested in private equity globally. Pension funds, endowments, banks and insurance companies are expected to sell part of their private equity portfolios as their value is falling. At the same time, new accounting rules will require private equity funds to mark their investments to market resulting in a further likely drop in value at the end of the year. Private equity sellers have in recent months been getting only about 50 cents on the dollar of the face value of their investments compared to more than $1 last year and 84 cents in the first half of this year. Also, pension funds and endowments need to sell to cover expenses such as beneficiary pay-outs because the funds are no longer getting returns to cover such expenses. Banks, which hold an estimated 20% or more of private equity funds, are also offloading because they need capital, while insurance companies, many of which were caught in the financial crisis, are likely sellers. For instance, American International Group will try to sell part of its $30bn in private equity investments on its balance sheet.

Source: Cogent Partners, Financial Times

SYRIA

Insurance premiums up 35% to $190m year-to-September

Figures released by the Syrian Insurance Supervisory Commission show that total insurance premiums reached $190.4m in the first 9 months of 2008, up 35.3% from the same period last year. The state-owned Syrian Insurance Company continues to lead the market with total premiums of about $81.3m, accounting for 42% of the total, but down from 61.6% in the same period of 2007. Its premiums dropped by 6.4% year-on-year, the only insurer to see a drop in its premiums. National Insurance Company accounted for 19.3% of premiums generated in the first 9 months of the year, followed by United Insurance Company with 8.4%, the Syrian Arab insurance Company with 9%, the Syrian Kuwaiti Insurance Company with 6.6%, Arope Insurance with 4.9% and Arab Orient Insurance with 3.1%. Premiums collected from third-party car insurance accounted for 40.6% of the market, followed by all-risk car insurance with 21.7%, fire with 15.1%, marine with 10.6%, engineering with 3.7%, and health with 3.4%, while other categories represented the remaining 4.9% of the market. Premiums generated from life insurance jumped by 191% year-on-year.

Source: Syria Report

KUWAIT

State fund of $5.4bn to start investing in stock market

The Finance Ministry declared that the Kuwait Investment Authority is preparing to launch a $5.4bn fund to invest in the local stock market, with the participation of some institutions in Kuwait. It added that the size of the fund may be increased at a later stage. It said the fund would start buying into the market around the middle of December, and will be investing in stocks that have a return. The Kuwait Investment Authority, the country's sovereign wealth fund, will not be selling any of its investments in other countries in order to set up the new fund.

Source: Dow Jones Newswires

EGYPT

Government announces EGP15bn stimulus package

The Ministry of Finance declared that the government will implement a stimulus package of EGP15bn, or 1.3% of GDP, to support economic growth in response to the global economic slowdown. Government spending will increase by EGP12bn to be directed mainly towards infrastructure projects such as water projects and transportation facilities. The government will also increase export subsidies in different sectors by EGP1bn effective this month, raising total subsidies to exporters to EGP3bn or 0.3% of GDP. The balance will support a one-year exemption on sales tax and customs of capital and intermediary goods scheduled to take effect in January 2009. The government also decided to keep prices of natural gas and electricity for industrial users unchanged until the end of 2009. The ministry said earlier that financing of the stimulus package will be raised through savings from lower food subsidies and by widening the budget deficit, which stood at 6.6% of GDP in FY2007/08. The budget deficit is now expected to widen to 7.1% of GDP as a result of the increased spending.

Source: Al-Ahram, Al-Akhbar, EFG Hermes

SUDAN

Parliament endorses 2009 budget, deficit at 6.2% of GDP

The Sudanese national assembly approved a $10bn federal budget for 2009 that forecast a deficit equivalent to 6.2% of GDP. The budget forecast a 43.7% drop in oil exports revenues to $3.6bn in 2009, down from $6.4bn in 2008. The budget introduces tax hikes to offset the shortfall in oil revenues, including a doubling to of telecom taxes to 20% and a new 5% "development tax" on most imports. Oil exports represent 65% of revenue for Sudan and helped fuel its unprecedented economic growth. The budget estimates that oil revenue and taxation will generate about $8bn, or 13.2% of GDP, and earmarks total government expenditures at $10bn. The budget allocated $2.6bn to security and defense, more than six times the amount earmarked for education and healthcare. The Finance Ministry said that authorities had a number of options to deal with the impact of global financial crisis on the economy but chose the ones that will not affect ordinary citizens. A final vote is required before the budget becomes official. In parallel, the Government of Southern Sudan (GoSS) agreed to restructure government ministries, slash compensation for government officials by 10% and align salary structure of the South with the North.

Source: AFP, Reuters, Sudan Tribune

KUWAIT

Four banks' ratings on review for possible downgrade

Moody's Investors Service placed on review for possible downgrade the long-term deposit rating and bank financial strength rating (BFSR) of National Bank of Kuwait, Commercial Bank of Kuwait, Al Ahli Bank, and Bank of Kuwait & the Middle East. It attributed the action to concerns over the banks' exposures to real estate and lending for purchasing securities. It said demand in the Kuwaiti real estate market weakened during the first 10 months of 2008, while the steep decline of the local stock market between September and November 2008 could weigh further on real estate demand and has also caused significant problems for Kuwaiti investment companies and tensions in the local financial market. The agency also cautioned that a stock-market-related loss of wealth by Kuwaiti households and corporates could result in rising delinquencies on bank loans extended for securities purchasing purposes. Moody's also expressed concerns that the recently announced support mechanism for Kuwait's investment companies, which among other things calls on the country's banks to extend long-term secured funding to such companies, could have a material impact on the composition of banks' balance sheets and divert resources to activities that do not contribute to their franchise evolution.
Source: Moody's Investors Service

ARMENIA

No impact of global crisis on banking sector

The International Monetary Fund indicated that that the global financial crisis has not affected financial institutions in Armenia, adding that exposure to the international financial turmoil is limited due to low external commercial borrowing. It said Armenia's financial sector infrastructure, regulation, and supervision have improved significantly, and financial soundness indicators do not yet indicate significant vulnerabilities. It noted that banks continue to be profitable, well-capitalized, and non-performing loans are still low. Further, the sector's overall level of liquidity is still comfortable, and banks continue to receive capital inflows from international investors. But the Fund warned that the sharp pick-up in credit growth since mid-2007, while a welcome boost to financial intermediation, could potentially have a negative impact on financial sector stability. It encouraged authorities to further strengthen the supervisory framework and risk management, and prepare contingency plans in case of financial system stress.
Source: International Monetary Fund

TURKEY

Central Bank unveils plan to improve liquidity, government to support SMEs

The Central Bank of Turkey declared its readiness to take additional measures to improve liquidity conditions and reduce funding costs in the banking system if needed. The CBT said it may expedite the cut in its overnight funding rate to close the gap between the funding and borrowing rates. The overnight rate, the more relevant rate since the CBT has now become a net lender to the markets, stands at 18.75%, which is 200bps higher than the borrowing rate of 16.25%. Other CBT measures include lengthening the maturity of repo transactions with banks; purchasing government bonds in the secondary market; and reducing reserve requirements if the liquidity crunch is prolonged. In parallel, the government announced plans to extend TRY350m in subsidized loans to small land medium-size enterprises through seven banks with a one-year maturity and no interest, in addition to lending TRY1.5bn in 2009. Also, the Union of Chambers and Commodity Exchanges is planning to lend TRY100m to its members at an expected interest rate of 15.9% using Halkbank as its agent.
Source: Deutsche Bank

RUSSIA

State starts disbursement of funds to banks

Vnesheconombank (VEB), the bank through which government support to banks is channeled, announced financial support totaling $1.3bn to four banks. VTB will get state assistance in making foreign currency payments of $950m, provided the bank finances 25% of the amount itself. In addition, VEB will extend $364m in subordinated loans to Alfa Bank, $175m in such loans to Nomos Bank and $71m to Khanty-Mansiysky Bank. This constitutes the first tranche of public sector funding channeled via VEB in support of banks that were solvent and were staying independent. Alfa Group earlier received a $2bn loan from VEB to meet its liabilities under a loan that had its stake in Vympelcom pledged as collateral.
Source: Credit Suisse

UKRAINE

Outlook on 11 banks changed to negative

Fitch Ratings changed its outlook to 'negative' from 'stable' on Privatbank, First Ukrainian International Bank, Bank Credit Dnepr, Industrialbank, Bank Khreschatyk, Kreditprombank, Pivdennyi Bank, Ukrgasbank, Vseukrainsky Aksionerny Bank, Nadra Bank and Bank Diamant. The agency attributed the change in outlook to increased concerns about the credit profiles of Ukrainian banks in light of the renewed sharp depreciation of the Hryvnia (UAH). The official exchange rate fell by 16% in the second half of November and depreciated by 39% since the start of October. Fitch considered that exchange rate depreciation heightens risks for Ukrainian banks in three main areas. First, there is an increased risk of renewed deposit withdrawals as confidence in the banking system declines and customers seek to convert UAH into US dollar, which could put additional pressure on liquidity. Second, asset quality is likely to deteriorate more rapidly in light of the high proportion of lending in foreign currency, often to unhedged borrowers. Third, capital ratios will in many cases fall significantly, as UAH-equivalent balance sheets expand considerably without a corresponding increase in capital. Fitch said the effects add to the already significant liquidity and asset quality risks for Ukrainian banks, as liquidity has tightened significantly during the last two months due to considerable deposit outflow and the drying up of the interbank market.
Source: Fitch Ratings

ENERGY / COMMODITIES

Oil down to $46 after nearly four-year low

Oil fell on December 4 after an early drop below $46 a barrel to its lowest in nearly four years, in response to the negative outlook for the world economy and oil demand. Oil prices have dropped more than $100 a barrel from an all-time high of $147.27 in July. U.S. light crude for January delivery was down 64 cents to $46.15 a barrel. It earlier touched a low of $45.30, the lowest since February 9, 2005. London Brent crude was down 61 cents at $44.83. Oil's fall since July has echoed the global economy's slide toward recession and tracked global stock market trends. European central banks cut interest rates on December 4 to try to restore some vitality to their weak economies. Oil producer group OPEC will consider another round of output curbs to try to defend prices when it next meets on December 17 in Algeria.

Oil rose briefly on December 3 when U.S. Energy Information Administration data revealed an unexpected fall in U.S. fuel inventories last week. Crude stocks fell 400,000 barrels in the week to November 28, against an expected 1.7 million barrels build. Stocks of gasoline and distillates, which include heating oil, also showed surprise falls. But U.S. refinery utilization fell 1.9 percentage points to 84.3% of capacity against a predicted rise of 0.2 percentage point, pointing to weak demand.
Source: Reuters

Yemen LNG launches largest gas export project ever in the country

The Yemen Liquefied Natural Gas Company (Yemen LNG) launched the largest gas export project in Yemen. The project, which is 40 times greater than the average Yemeni large-scale investment, is expected to be one of the top contributors to the macro-economic growth and industrial development of Yemen over the coming years. Estimates suggest that government revenues over the next 20 years from the project will reach $30bn to $50bn. The first shipment of exported Yemeni natural gas from this project is expected by June 2009.
Source: Yemen Times

Egypt, EU sign energy cooperation pact

The European Union and Egypt signed a memorandum of understanding to enhance energy cooperation between the two sides. The MoU covers energy market reforms and convergence of Egypt's energy market with that of the EU, promotion of renewable energy and energy efficiency, development of energy networks as well as technological and industrial cooperation.
Source: MENAFN

Oman reduces budget oil prices by $10

Oman has reduced its assumed oil price for the 2009 budget by $10 to $45 following a sharp decline of around $100 in international crude prices since July. Oman's council for financial affairs and energy resources agreed at a meeting to amend the oil price assumed in the budget.
Source: Reuters

Base metals: Copper, aluminum fall by limit due to concerns about weakening demand

Copper, aluminum and zinc prices on the Shanghai Futures Exchange fell by the exchange-imposed daily limits as rising inventories increased concerns about weakening global demand for industrial metals. London Metal Exchange warehouse stockpiles are near a five- year high for copper, at the highest in more than 14 years for aluminum, and more than doubled since the start of January for zinc. February-delivery copper on the Shanghai Futures Exchange dropped as much as $156.9, or 4%, from the previous settlement price, to $3,763 a ton. This is the lowest for a most-active contract since July 2004. February-delivery zinc also fell 4% to $1,331.5 a ton. Aluminum for February delivery fell by the daily limit for a second day, by 5%, to $1633 a ton, the lowest ever for a most-active contract. On the London Metal Exchange, copper fell 1.9% to $3,380.5 a ton, aluminum lost 0.5% percent to $1,608, and tin dropped 1.9% to $11,500. Lead rose 1.4% to $985 a ton, nickel added 0.5% to $9,250, and zinc was unchanged at $1,140.
Source: Bloomberg

Precious metals: Gold falls due to stronger dollar and weaker oil prices

Gold fell for a second day in London as a stronger dollar and weaker oil prices reduced the metal's appeal as an alternative investment. Gold for immediate delivery lost $5.88, or 0.8%, to $778.07 an ounce. February futures were $1.60, or 0.2%, lower at $768.90 in electronic trading on the Comex division of the New York Mercantile Exchange. Gold has fallen 7.9% this year as the U.S. Dollar Index, which tracks the currency against six trading partners, gained 14%. Gold demand in China, the world's second-largest consumer, may stagnate this year as volatile prices dissuade buyers and industrial usage drops because of the economic slowdown. Consumption may be 360 metric tons compared with the record 362 tons last year, while production may rise 2% to 276 tons. Among other metals for immediate delivery in London, silver fell 1.7% to $9.53 an ounce. Platinum gained $4, or 0.5%, to $807.50 an ounce, and palladium was 50 cents, or 0.3%, lower at $174.50. Concerns over industrial demand for the metals, particularly from the auto sector, will continue to keep prices under pressure. Automakers account for more than half of global platinum consumption.
Source: Bloomberg

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 Stable	13.9	15.1	2.3	4.0	2.3	2.7	14.4	0.7
Angola	- -	- -	- -	- -	BB Stable	10.7	8.6	13.9	14.8	4.0	41.2	47.5	3.1
Egypt	BB+ Stable	Ba1 -	BB+ Stable	BBB- Stable	BB Stable	-7.0	84.5	20.9	53.4	4.0	98.9	1.3	6.0
Ethiopia	-	-	-	-	B Stable	-4.4	-	13.6	217.5	2.9	458.7	-6.6	2.2
Ghana	B+ Stable	- -	B+ Stable	- -	B Stable	-10.5	-	38.0	1.0	3.3	219.3	-12.7	-
Ivory Coast	- -	- -	- -	- -	CCC Stable	-3.4	-	47.6	97.4	4.2	339.0	6.9	-
Libya	- -	- -	- -	- -	BBB Stable	34.9	3.3	6.6	7.9	1.6	5.6	55.5	2.4
Mauritania	- -	- -	- -	- -	- -	-2.3	105.9	78.9	123.4	4.5	-	-5.6	-
Morocco	BB+ Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-2.9	54.3	23.9	74.7	7.6	77.4	-1.2	3.4
Nigeria	BB- Stable	- -	BB- Stable	- -	BB Stable	-0.6	11.3	4.6	7.3	0.5	-	10.7	0.9
Sudan	- -	- -	- -	- -	C Stable	-0.8	84.2	49.6	183.9	2.5	-	-3.7	3.1
Tunisia	BBB Stable	Baa2 -	BBB Stable	BBB Stable	BBB Stable	-3.4	53.3	53.6	95.9	11.1	261.8	-2.7	3.5
Middle East													
Bahrain	A Stable	A2 -	A Stable	A Stable	A Stable	8.6	17.3	150.1	151.4	3.4	635.0	20.1	0.4
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	-4.2	24.7	6.3	24.0	2.3	19.2	13.4	0.3
Iraq	- -	- -	- -	- -	CC Stable	26.0	-	80.9	94.4	1.3	194.7	29.6	-
Jordan	BB Stable	Ba2 -	- -	BB Stable	B Stable	-6.5	70.9	86.2	143.0	16.2	295.6	-19.9	16.7
Kuwait	AA- Stable	Aa2 -	AA- Stable	AA- Stable	A Stable	28.0	5.5	27.8	39.8	2.4	227.3	48.6	-4.9
Lebanon	B- Stable	B3 -	B- Stable	B- Stable	CCC Stable	-9.4	154.6	103.8	545.1	18.6	283.8	-9.9	10.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	21.3	4.7	22.4	28.9	5.9	91.7	14.5	2.1
Qatar	AA- Stable	Aa2 -	- -	AA- Stable	A Stable	8.3	8.3	57.0	77.0	5.2	450.6	38.7	6.6
Saudi Arabia	AA- Stable	A1 -	AA- Stable	AA- Stable	A Stable	25.7	8.8	7.6	10.9	1.8	96.3	33.0	0.2
Syria	- -	- -	- -	- -	CCC Stable	-1.3	30.4	24.8	52.6	2.2	85.0	-0.4	4.2
UAE	- -	Aa2 -	- -	AA- Stable	A Stable	32.1	10.4	65.4	71.4	1.8	167.0	25.6	1.6
Yemen	- -	- -	- -	B- Stable	B Stable	-1.9	30.4	24.8	66.3	2.2	84.5	-0.9	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Central & Eastern Europe													
Armenia	-	Ba2	BB	-	-								
	-	-	Stable	-	-	-1.6	14.1	26.8	288.7	2.6	220.4	-6.8	5.4
Bulgaria	BBB+	Baa3	BBB-	-	BBB								
	Stable	-	Stable	-	Stable	3.2	14.1	100.2	141.2	15.7	278.5	-21.1	16.2
Kazakhstan	BBB-	Baa2	BBB-	-	BB								
	Negative	-	Stable	-	Stable	3.3	4.9	84.4	149.5	33.8	578.4	-5.0	5.3
Romania	BBB-	Baa3	BB+	BBB-	BB								
	Negative	-	Stable	Stable	Stable	-2.9	13.6	60.2	158.4	17.9	251.2	-16.1	5.4
Russia	BBB+	Baa1	BBB+	-	BBB								
	Negative	Positive	Negative	-	Stable	2.8	6.2	33.3	97.4	13.1	92.1	3.0	0.4
Turkey	BB-	Ba3	BB-	BB-	BB								
	Negative	-	Stable	Stable	Stable	-1.9	39.1	35.8	144.6	36.8	408.7	-5.7	2.0
Ukraine	BB-	B1	B+	-	BB								
	Negative	Positive	Negative	-	Stable	-2.5	13.2	60.1	98.2	26.0	263.0	-5.8	5.1

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2008
** Figures last updated in September 2008*

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.00	29-Oct-08	Cut 50bps	16-Dec-08
Eurozone	Refi Rate	2.50	04-Dec-08	Cut 75bps	08-Jan-09
UK	Base Rate	2.00	04-Dec-08	Cut 100bps	08-Jan-09
Japan	O/N Call Rate	0.30	21-Nov-08	No change	19-Dec-08
Australia	Cash Rate	4.25	02 -Dec-08	Cut 100bps	03-Feb-09
New Zealand	Cash Rate	5.00	04-Dec-08	Cut 100bps	N/A
Switzerland	3 month Libor target	1.00	20-Nov-08	Cut 100bps	11-Dec-08
Canada	Overnight rate	2.25	21-Oct-08	Cut 25bps	09-Dec-08
Emerging Markets					
China	One-year lending rate	5.58	26-Nov-08	Cut 108bps	N/A
Hong Kong	Base Rate	1.50	30-Oct-08	Cut 50bps	16-Dec-08
Taiwan	Discount Rate	2.75	09-Nov-08	Cut 25bps	Dec-08
South Korea	Target Rate	4.00	07-Nov-08	Cut 25bps	11-Dec-08
Malaysia	O/N Policy Rate	3.25	24-Nov-08	Cut 25bps	21-Jan-09
Thailand	1D Repo	3.75	08-Oct-08	No change	03-Dec-08
India	Repo rate	7.50	24-Oct-08	No change	27-Jan-09
UAE	Overnight repo rate	1.50	08-Oct-08	No change	N/A
Saudi Arabia	Repo rate	4.00	Oct-08	Cut 100bps	N/A
Egypt	Overnight Deposit	11.50	22-Sep-08	Raise 50bps	N/A
Turkey	Base Rate	16.25	19-Nov-08	Cut 50bps	18-Dec-08
South Africa	Repo rate	12.00	09-Oct-08	No change	Dec-08
Kenya	Central Bank Rate	9.00	30-Sep-08	No change	Dec-08
Nigeria	Monetary Policy Rate	9.75	18-Sep-08	Cut 50bps	Dec-08
Ghana	Prime Rate	17.00	28-Oct-08	No change	Dec-08
Mexico	Target Rate	8.25	28-Nov-08	No change	N/A
Brazil	Selic Rate	13.75	29-Oct-08	No change	10-Dec-08
Armenia	Refi Rate	7.75	Sep-08	Raise 25bps	N/A
Romania	Policy Rate	10.25	01-Aug-08	Raise 25bps	N/A
Bulgaria	Base Interest	5.25	01-Sep-08	No change	N/A
Kazakhstan	Refi Rate	10.50	01-Oct-08	No change	N/A

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