

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Speculative-grade default rate at 4%, spreads widen to 1,647bps in 2008

Moody's Investors Service indicated that the global speculative-grade default rate reached 4% in 2008, more than four times the closing level of 0.9% in 2007. Measured on a dollar volume basis, the global speculative-grade bond default rate closed at 5.7% in 2008, almost a ten-fold increase from the level of 0.6% at the end of 2007. It said global economic conditions are currently substantially weaker and more perilous than they were in the two previous credit cycles of 1990-91 and 2001-02, and projected the default rate to exceed the 12% peak it reached in 1991. In parallel, Standard & Poor's said speculative corporate spreads started to widen in 2007 with the onset of the credit turmoil in the second half of the year, while there were few positives for corporate bonds at the start of 2008. The failure of big financials, deterioration in economic fundamentals, and loss of investor confidence pushed bond spreads wider throughout the year. S&P added that the investment-grade bond spread widened to 523 basis points at the end of 2008 from 204 bps at the beginning of the year, while the speculative-grade spread blew out to 1,647 bps from 576 bps.

Source: Moody's Investors Service, Standard & Poor's

Global survey shows 52% expect 2009 to be worse than 2008

Gallup International's Voice of the People end-of-year survey indicated that 52% of worldwide respondents expect 2009 to witness economic difficulties and 66% anticipate an increase in unemployment rates, while 36% expect increased international conflicts and 45% anticipate the same level of global disputes. The survey interviewed 45,700 people in 46 countries about their qualitative expectations for 2009. Globally, the survey found Kosovo to be the most optimistic country in the world with 60% of the population expecting that 2009 will be better than 2008, followed by China (53%), Australia (49%), Lebanon (48%) and Colombia (48%). In parallel, Honk Kong was the most pessimistic in the world with 67% of the population expecting 2009 to be worse than last year, followed by Iceland (67%), Singapore (63%), Ireland (61%) and Greece (60%).

Source: Gallup International

EMERGING MARKETS

Weak risk appetite likely to sustain capital outflows

Merrill Lynch indicated that persistently weak risk appetite is likely to sustain capital withdrawal from emerging markets over the first half of 2009. It considered this trend to be in the context of the broader de-leveraging process, and as a reaction to record inflows of private sector capital in recent years. It noted that emerging markets reserve accumulation is likely to slow

sharply this year, as up to 50% of recent reserve growth was driven by capital inflows, while global trade imbalances are also shrinking. It added that, although a complete unwind of portfolio capital flows is unlikely, there is scope for outflows to continue until foreign exposure drops back to pre-January 2007 levels. In turn, this would imply continued downward pressure on reserve holdings as central banks act to support local currencies. It expected confidence to gradually and tentatively return to the market in the second half of 2009, which should see capital outflows subside and foreign reserve holdings stabilize.

Source: Merrill Lynch

MENA

Equity markets drop by 54.5% in 2008

Arab stock markets fell by 54.5% and lost about \$540bn in market value in 2008. The Dubai financial market dropped by 72.4%, posting the worst performance of the year. It was followed by the Saudi stock market with a 57% drop, the Cairo bourse with a 56.4% decline, the Abu Dhabi equity market with a 47.5% fall, the Muscat exchange with a 39.8% contraction, the Kuwait stock market with a 38% decline, the Manama bourse with a 34.5% deterioration, the Doha market with a 28% fall, the Amman equity market with a 25% decline, the Beirut stock exchange with a 21.5% contraction, the Palestine bourse with a 16.2% fall, and the Casablanca stock market with a 13% drop. The Tunis equity market was the only Arab bourse to post a positive performance with an increase of 10.6% last year. In comparison, emerging markets equities dropped by 57% in 2008.

Source: Local stock markets, Byblos Research

Economic freedom improves in region

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2009, a broad indicator of economic freedom in 183 countries, shows that economic freedom in the MENA region improved year on year, as the region's average level of economic freedom reached 60% in 2009, improving from 58.7% in 2008. The level of economic freedom in the region is above the global level of 59.5%. The index evaluates individual economies on the basis of 10 broad factors of economic freedom. Among the 17 MENA countries covered by the survey, the rankings of 8 countries improved and 9 declined, while the level of economic freedom improved in 12 countries and declined in 5 economies. Bahrain is the most economically free country in the MENA region, ranking as the 16th freest economy in the world, and is the only country in the region to rank among the top 20 worldwide, while Syria, Iran and Libya are the lowest ranked economies. Bahrain's economy came in the 'mostly free' category, while seven countries had economies that are 'moderately free', 7 were 'mostly unfree', and two had repressed economic systems. The MENA region scored above the global average in 4 categories which are Business Freedom, Trade Freedom, Fiscal Freedom and Government Size.

Source: Heritage Foundation, Wall Street Journal

OUTLOOK

WORLD

Fiscal deficits, collapse in asset prices, and gaps in governance are key risks for 2009

The World Economic Forum indicated that the key risks facing the world this year are deteriorating fiscal positions, a hard landing in China, a collapse in asset prices, gaps in global governance and issues relating to natural resources and climate. It highlighted the need for concerted action to mitigate risks that are increasingly global in their nature and in their impact, as illustrated by the financial crisis. The WEF said that massive government spending to support financial institutions is threatening the already precarious fiscal positions of developed economies and might lead to unintended consequences. It warned that government interventions in support of the financial and manufacturing sectors carry the risk of rewarding failure or propping up inefficient corporations and industries. It also identified an inherent risk of creating uneven playing fields for companies excluded from access to government funds, which tends to impede competition among locally and globally active corporations, ultimately hurting consumers. It stressed that, if interventions are necessary, governments should develop exit strategies by setting firm milestones for their duration and clear conditions for the industries concerned.

The WEF said the continued depreciation of asset prices is another key risk. It noted that although global equity markets have declined on average by more than 50% in a very short time, the vicious circle between falling asset values, write-downs and pressure on the capital position of financial institutions and continued deleveraging continues to evolve. This vicious circle is now affecting manufacturing, services and households around the world and the credit crunch has generated a substantial weakening of economic activity and growing credit losses. It added that selling equities on a massive scale means that markets are flooded with more assets than they can absorb, triggering further price falls which need to be marked to market, and in turn requiring further capital charges. The WEF acknowledged the need for better governance globally but warned against over-reacting, which would increase transaction and compliance costs and ultimately prove ineffective in the face of the next crisis.

Source: World Economic Forum

EMERGING MARKETS

Non-financial firms face severe weakening of fundamentals in 2009

Moody's Investors Service indicated that the key challenge facing the majority of industries within the non-financial corporate sector in Europe, the Middle East and Africa (EMEA) in 2009 will be the severe weakening of fundamentals and the continued scarcity and high cost of liquidity and funding. It said the deteriorating credit environment in 2008, which culminated in the near-closure of capital markets after the default of Lehman Brothers in September, weakened consumer and corporate demand and exerted severe negative pressure on corporate ratings. As a result, the agency issued four times as many downgrades as upgrades in the EMEA corporate sector in 2008.

Moody's expected a gradual improvement towards the beginning of 2010, by which time some corporate issuers are likely to have adopted a more cautious stance to debt and, in some cases, a lower-leverage policy.

The agency noted the dramatic contraction in high-yield issuance in 2008 of the speculative-grade segment is likely to be followed by a strong rise in defaults in 2009. It did not expect a return to material volumes of issuance in this segment until secondary market prices begin to tighten and until there is greater clarity on the path and likely end of the downturn. It said the central theme among corporates in the Middle East, Central & Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) is that the end of easy access to credit has prompted the scaling-back of ambitions, particularly in the Middle East, with capital spending plans deferred or cancelled. It noted that corporate ratings in the CEE have additionally been and will continue to be influenced by moves in sovereign ratings, while corporate ratings in all three regions will be driven by issuers' ability to manage liquidity and refinance debt, and their flexibility with regard to capital expenditure programs.

Source: Moody's Investors Service

UAE

Negative outlook for banking system

Moody's Investors Service considered that the fundamental credit outlook for the banking sector of the United Arab Emirates is negative, reflecting growing pressures in the operating environment that will weaken the financial fundamentals of UAE banks in the foreseeable future. It attributed its outlook to the growing potential for a deterioration in asset quality in light of the property market correction that started having an impact in the fourth quarter of 2008. It expressed concern about the loans to 'opportunistic' developers that have been extended over the past four to five years following Dubai's decision to allow freehold ownership for foreigners in 2003. It cited other negative factors such as the liquidity constraints observed in the second half of 2008, which will have severe consequences for future asset growth and profitability; the equity price collapse in 2008 that has affected end-of-year results; and the sharp decline in oil prices and the subsequent oil production cuts, which will significantly weaken the UAE's fiscal surplus and real economic growth in 2009. The agency said these factors will negatively affect the credit environment over the next 12 to 18 months, in an economy that has recorded an annual growth of over 7% in real terms and more than 17% in nominal terms since 2003.

In parallel, Moody's considered that UAE banks have strong financial fundamentals overall, with satisfactory capitalization levels and fully provided non-performing loans. It said high oil revenues in the past five years have served as a catalyst for growth and the accumulation of substantial financial reserves. Also, the banking sector's strong association with local governments and quasi-government institutions, which are the principal architects and drivers of infrastructure, have helped to boost the franchises of local banks. It added that the UAE banks' deposit ratings are underpinned by a high probability of systemic support, in a high-support environment.

Source: Moody's Investors Service



ECONOMY & TRADE

WORLD

Sukuk issuance down 56% to \$15bn in 2008

Standard & Poor's indicated that the value of Sukuk issued in 2008 reached \$14.9bn, down by 56% from 2007. It attributed the decline to global market turmoil, drying up of liquidity, widening of credit spreads, and investors' wait-and-see attitude. It added that part of the decline may be due to comments about the Sharia compliance of some Sukuk by the Accounting and Auditing Organization for Islamic Financial Institutions. The agency did not expect the market to start reviving before the second half of 2009 or early 2010, adding that the long-term prospects for the Sukuk market remain strong. It said the sustainable growth of the market is supported by the increasing popularity of Sharia-compliant products and government openness to Islamic finance, massive investment and financing needs in the Gulf, and issuers' desire to tap investors from the Middle East and Muslim Asia. It noted that issuers from more than 20 countries have expressed interest in issuing, or announced their intention to issue Sukuk, and anticipated that several new sovereigns will enter the market. It estimated Sukuk issues that have been talked about or announced to be in excess of \$45bn.

Source: Standard & Poor's

EGYPT

Tourism revenues at \$11bn in 2008

The Ministry of Tourism indicated that tourist arrivals to Egypt totaled 12.8 million in 2008, up 15.3% from 2007, while total tourist nights reached 129.2 million in 2008, up 15% year-on-year. Tourist arrivals grew by 25% the first half of 2008 and by 11% in October and November but declined by 4.5% in December. Russia, Germany, the UK, Italy, France, Poland, Ukraine, Libya, Saudi Arabia and the US accounted for 63% of tourists. Tourism revenues totaled \$10.98bn in 2008 and accounted for 40% of total services exports and 7% of GDP. The ministry plans to take measures to support the sector in light of the expected slow down in arrivals in 2009 due to the global economic crisis.

Source: Al Mal, Al Ahram

UAE

Dubai to post budget deficit of 1.3% of GDP in 2009

The government of Dubai announced its budget for 2009 that foresees a deficit of AED 4.2bn, or \$1.14bn, equivalent to 1.3% of GDP. Overall spending is set to increase by 42%, with a particular focus on social services, infrastructure, transport and services. The budget was based on an average oil price of \$45 bb/d. Infrastructure investment is expected to increase by 33% and represents 32% of total government spending. The Department of Finance said that nominal GDP increased to \$82.2bn in 2008 from \$71.9bn in 2007. It added that the aim of the 2009 budget is to maintain the economic momentum of 2008.

Source: Standard Chartered

OMAN

Investment fund to be set up to raise market confidence

The Investment Stability Fund, Oman's sovereign wealth fund, indicated that an investment fund will be set up soon to restore investors' confidence in Oman's bourse and that the fund will be operational soon. The fund will be capitalized at 150 million Omani rials, or \$389.7m, and will be 60%-owned by the government while the remaining stake will be held by banks, investment companies and securities firms. The Muscat Securities Market was the fifth worst performer in the Arab world in 2008, dropping by 40% in 2008.

Source: Dow Jones Newswires

TURKEY

Sovereign rating affirmed, outlook stable

Fitch Ratings affirmed Turkey's Long-term foreign currency Issuer Default Rating (IDR) at 'BB-' and the Long-term local currency IDR at 'BB', with 'stable' outlooks, as well as the short-term IDR at 'B' and Country Ceiling at 'BB'. It said Turkey has been relatively resilient to the global credit crunch so far. The agency noted that the timely agreement of a new IMF loan program will be important to help moderate fiscal and external financing risks in the current uncertain global environment. Fitch estimated real GDP growth at just 1.8% for 2008 and contracting by 0.5% in 2009. It considered the external financing outlook as the main risk facing the country. It forecast the current account deficit to narrow to around \$23bn, or 3.6% of GDP, in 2009 helped by lower oil prices and weak domestic demand. However, medium- and long-term amortization of \$53bn and short-term debt of \$50bn represent a large financing requirement relative to foreign exchange reserves of \$70bn. It added that such concerns are partly mitigated by Turkey's strong banking sector, which is well-capitalized, has a close to balanced net external debtor position, no significant open FX position and a low loan-to-deposit ratio of 80%.

Source: Fitch Ratings

NIGERIA

S&P assigns new national scale rating

Standard & Poor's assigned its 'ngAA+' long-term and 'ngA-1' short-term Nigeria national scale ratings to the Federal Republic of Nigeria. The national scale rating reflects Nigeria's creditworthiness relative to other issuers active in the Nigerian financial markets. The agency said the rating allows it to make finer distinctions between the credit quality of local debt issuers than is possible on its global scale. It added that the rating will provide issuers, counterparties, intermediaries, and investors in Nigeria's financial markets with both debt ratings, which apply to a specific instrument, and issuer credit ratings, which apply to a specific obligor. The 'ngAA+' rating is one notch lower than the highest potential rating on this scale. S&P's global ratings for Nigeria are 'BB-' for its foreign currency and 'BB' for its local currency. The ratings are supported by external and fiscal positions that are among the strongest of all 'BB' rated sovereigns, and are constrained by long-standing political and ethnic tensions and fragile institutions.

Source: Standard & Poor's



BANKING

WORLD

Release of principles for sound stress testing

The Basel Committee on Banking Supervision issued the consultative paper on the Principles for Sound Stress Testing Practices and Supervision that presents sound principles for the governance, design, and implementation of stress testing programs at banks. It addresses weaknesses in stress testing exposed by the financial crisis such as the underestimation of the potential severity and duration of stress events and the insufficient identification and aggregation of risks on a firm-wide basis. It also sets expectations for the role and responsibilities of supervisors in reviewing firms' stress testing practices and emphasizes that a sound stress testing program should be directed by the board and senior management, provide forward-looking assessments of risk, complement information from models and historical data, be an integral part of capital and liquidity planning, guide the setting of a bank's risk tolerance, and facilitate the development of risk mitigation or contingency plans across a range of stressed conditions.

Source: *Bank for International Settlements*

KUWAIT

Government fund will not back financial firms

The Ministry of Finance stated that the KD1.5bn, or \$5.4bn, government stock market fund would not support investment companies suffering from the global financial crisis, adding that it would work in line with a special mechanism. It said the fund, set up by the Kuwait Investment Authority, will work on supporting the Kuwait Stock Exchange and be a guide to the market. It revealed that only KD300m were pumped in the market and considered that the amount was enough for the time being. In parallel, the National Bank of Kuwait said a fund of KD5bn-KD6bn, or about \$17.4bn-\$21bn, needs to be invested in local equities on a long-term strategic basis if Kuwait is to weather the global economic downturn.

Source: *KUNA, Dow Jones Newswires*

SAUDI ARABIA

Bad consumer loans rise to 24%

The Saudi Credit Bureau (SIMAH) indicated that at least 24% of borrowers in Saudi Arabia have fallen behind on loan repayments. It said the possible bad debt affects 200 financing institutions across the Kingdom, with 85 firms in Riyadh alone. It noted that most of these financing institutions are not registered with SIMAH, but they are monitored by the Ministry of Commerce and Industry. SIMAH is the Kingdom's first comprehensive consumer credit bureau, grouping 10 commercial banks. The bureau gathers information on the payment history of potential borrowers to help member-banks improve lending decisions. The volume of consumer credit in Saudi Arabia fell to SR178.9bn by mid-2008 from SR185.4bn a year earlier, after SAMA restricted consumer credit reportedly because consumer loans were being used for speculative trading on the stock market.

Source: *Saudi Gazette*

EGYPT

Mortgage company portfolios more than double to EGP1.1bn in 2008

Figures issued by the Mortgage Finance Authority show that the loan portfolio of Egypt's four mortgage companies rose to a combined EGP1.1bn as of end-2008 from EGP491m as of end-2007. These companies lent EGP610m in 2008, up from a combined EGP491m since mortgage operations were launched in February 2004 until December 2007. Most of the loans were given to middle-income borrowers, with 60% provided to borrowers making less than EGP1,500 per month, and 14% provided to borrowers making EGP1,500 to EGP5,000 per month. In total, low and middle-income borrowers received mortgages worth EGP814 m. Competition to extend mortgages is expected to increase in 2009 due to the entrance of four new mortgage companies, two of which are backed by Gulf financial institutions.

Source: *Al Mal, EFG Hermes*

NIGERIA

Foreign reserves drop on currency depreciation

The Governor of the Central Bank of Nigeria (CBN) indicated that the sharp depreciation of the naira in recent weeks had been deliberately engineered by the CBN in order to adjust to sharply lower oil prices and to allow the CBN to maintain its foreign currency reserves. He added that the naira would stabilize and strengthen soon from current levels against the U.S. dollar. The currency has weakened by over 10% since end-2008 and by over 30% since mid-November. Foreign reserves stood at \$52.8bn at end-2008, down from \$57.5bn at end-November 2008. The Governor also indicated that the CBN will consider imposing a trading band for the currency when a new equilibrium will be reached.

Source: *Reuters, Citigroup*

KAZAKHSTAN

Banks' external debt service at \$11bn in 2009

Figures released by the National Bank of Kazakhstan show that Kazakh banks' scheduled external debt service total \$11bn for 2009, including interest payments of \$2.5bn and principal payments of \$8.5bn. The banks' scheduled external debt repayments for 2010 stand at \$7.5bn, which include interest payments of \$2bn and principal payments of \$5.5bn. External banking sector debt fell to 32.5% of GDP at end-September from 38.5% of GDP at end-June and 41% of GDP in at end-March 2008. The decline was relatively more pronounced for long-term bank debt, which fell to 29.9% of GDP at end-September from 34.4% at end-June, whereas short-term debt fell to 2.6% of GDP in the third quarter from 4.1% in the second quarter. As large external debt repayments are coming due for Kazakh banks in the next 12 months and rollover ratios are likely to remain low, the external debt stock will continue to decline.

Source: *Credit Suisse*



ENERGY / COMMODITIES

Oil edges higher to near \$38 after early drop

Oil increased to \$38 a barrel on January 15 after an early \$1 fall, but more negative figures from world markets put a cap on further gains. Weak global economic data showing on January 14 had lead oil lower. U.S. light crude for February delivery was up 53 cents at \$37.81, after having fallen by as much as \$1.15 in early session trade. London Brent crude rose \$1.73 cents to \$46.81 a barrel on thin volumes in the final day of the front month contract. U.S. distillate fuel demand fell to the lowest level in five years, causing inventory to surge by 6.4 million barrels in the week to January 9th.

Crude stocks also rose for the third consecutive week, by 1.2 million barrels to 326.6 million barrels, according to the Energy Information Administration. Analysts said oil traders will be looking toward U.S. economic indicators including weekly jobless claims and monthly producer price changes, to further estimate how the economy is faring. Oil was \$147 a barrel in July but has collapsed as the economic crisis cut global oil demand, with the EIA now forecasting a world consumption drop by more than 800,000 barrels per day in 2009.

Source: Reuters

Oil revenues at \$60bn in 2008

Iraq's State Oil Marketing Organization (SOMO) said the country's revenues from crude oil sales reached about \$60bn in 2008, constituting an increase of 33.6% from 2007. It added that crude oil exports increased by 13.5% and averaged 1.85 million barrels a day in 2008. The increase in oil revenues was helped by a surge in oil prices and an anticipated rise in exports at the beginning of 2008 that helped offset the sharp decrease in the market from a record high of \$147 a barrel in July to as low as \$36.94 a barrel in the last week of December.

Source: Dow Jones Newswires

U.S., UAE to sign nuclear pact

The United States plans to sign a nuclear-cooperation agreement with the UAE despite concerns in Congress. The pact could help the UAE become the first Arab nation to develop a nuclear-power industry as early as 2017. However, some U.S. lawmakers are seeking to block the deal over fears it could fuel a nuclear-arms race in the Middle East at a time of mounting concerns over Iran's nuclear ambitions.

Source: The Wall Street Journal

Shell to increase its investment in Egyptian oil and gas field by 26%

Badr Petroleum Co said Royal Dutch Shell, Europe's largest oil company, will invest \$337m in Egypt's West Desert field in FY2009-10, constituting an increase of \$70m, or 26% annually. Badr Petroleum is a joint-venture between Shell and the state-owned Egyptian General Petroleum Company.

Source: Bloomberg

EU donates €77m for Moroccan energy sector reform

The European Union donated €6.6m to Morocco to help the country diversify energy sources, develop renewable energies, and improve energy monitoring and efficiency.

Source: Magharebia News

Base metals: Construction and automotive woes continue to impact demand

Demand for base metals has dropped in recent months following very poor economic data, especially in the metal sensitive construction and automobile sectors. Metals demand is also highly correlated to the health of global manufacturing, which is showing pronounced weakness as evidenced by a wave of disappointing industrial production data across Japan, the U.S. and the Eurozone. The developed economies were the first to show economic weakness, and the subsequent slowdown in exports to these mature economies has affected emerging markets, most notably China. In November, China's exports fell for the first time in seven years while China is the most significant contributor to metals demand growth.

Given the absence of any recovery signs in the U.S. housing and auto markets, continued global macroeconomic weakness is expected through the first half of 2009, which is expected to further weigh upon metals demand. Recent weakness in China's property markets, in terms of both prices and construction growth, is also a significant negative factor for metals demand. Further into 2009, the government stimulus packages and decisive monetary action are expected to stabilize growth prospects and restore normal functioning in the credit markets. China's stimulus package will be a key part of any demand-led recovery in metals markets. The package should help to underpin a more supportive environment for metals demand in the second half of 2009. Copper and zinc demand are most closely tied to infrastructure activity, so they should respond most positively to the implementation of government spending plans.

Source: Standard Chartered

Gold: Low central bank sales boost prices

Gold prices rallied strongly through the past few weeks and have held up well in the face of a resurgent dollar. Demand for gold is being driven by two conflicting factors. On the one hand, jewellery demand is under pressure from high prices as well as consumers' reluctance to spend on discretionary items given rising unemployment. On the other hand, Central Bank sales of gold have dropped by 47% year-on-year and were just 48 tons in the fourth quarter of 2008. In the short term, gold is expected to push higher on the back of tighter supply and continued safe-haven buying by investors. In the second half of 2009, this should combine with a weaker dollar to help push gold prices above \$1,000 an ounce once more.

Silver: Investors help offset weak demand

Silver has broadly tracked gold both higher and lower in the past few weeks. The spot price reached a high of \$11.4 an ounce in the first few days of 2009 before retreating. The market has also made some improvement relative to gold. The gold-silver ratio fell from a relatively high 79.6 in December to a low of 75.7 in early January. One reason is lower silver mine output, which was down 2% year-on-year in the first 10 months of 2008. Also, investors have extended their holdings of physical silver via exchange-traded funds. However, silver's fundamentals remain under pressure from continued weakness in the industrial economy. Silver is expected to be lifted in the weeks ahead but a major bull run is unlikely given the world's recessionary conditions.

Source: Standard Chartered



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	13.9	15.1	2.3	4.0	2.3	2.7	14.4	0.7
	-	-	-	-	Stable								
Angola	-	-	-	-	BB	10.7	8.6	13.9	14.8	4.0	41.2	47.5	3.1
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.0	84.5	20.9	53.4	4.0	98.9	1.3	6.0
	Stable	-	Stable	Stable	Stable								
Ethiopia	-	-	-	-	B	-4.4	-	13.6	217.5	2.9	458.7	-6.6	2.2
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	B	-10.5	-	38.0	1.0	3.3	219.3	-12.7	-
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	CCC	-3.4	-	47.6	97.4	4.2	339.0	6.9	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BBB	34.9	3.3	6.6	7.9	1.6	5.6	55.5	2.4
	-	-	-	-	Stable								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-5.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-2.9	54.3	23.9	74.7	7.6	77.4	-1.2	3.4
	Stable	-	Stable	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-0.6	11.3	4.6	7.3	0.5	-	10.7	0.9
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-0.8	84.2	49.6	183.9	2.5	-	-3.7	3.1
	-	-	-	-	Stable								
Tunisia	BBB	Baa2	BBB	BBB	BBB	-3.4	53.3	53.6	95.9	11.1	261.8	-2.7	3.5
	Stable	-	Stable	Stable	Stable								
Middle East													
Bahrain	A	A2	A	A	A	8.6	17.3	150.1	151.4	3.4	635.0	20.1	0.4
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-4.2	24.7	6.3	24.0	2.3	19.2	13.4	0.3
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	26.0	-	80.9	94.4	1.3	194.7	29.6	-
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.5	70.9	86.2	143.0	16.2	295.6	-19.9	16.7
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	28.0	5.5	27.8	39.8	2.4	227.3	48.6	-4.9
	Stable	-	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B-	CCC	-9.4	154.6	103.8	545.1	18.6	283.8	-9.9	10.0
	Stable	Positive	Stable	Stable	Stable								
Oman	A	A2	-	A	A	21.3	4.7	22.4	28.9	5.9	91.7	14.5	2.1
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	8.3	8.3	57.0	77.0	5.2	450.6	38.7	6.6
	Stable	-	-	Stable	Stable								
Saudi Arabia	AA-	A1	AA-	AA-	A	25.7	8.8	7.6	10.9	1.8	96.3	33.0	0.2
	Stable	-	Stable	Stable	Stable								
Syria	-	-	-	-	CCC	-1.3	30.4	24.8	52.6	2.2	85.0	-0.4	4.2
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	A	32.1	10.4	65.4	71.4	1.8	167.0	25.6	1.6
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	B	B	-1.9	30.4	24.8	66.3	2.2	84.5	-0.9	
	-	-	-	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	-	-	-1.6	14.1	26.8	288.7	2.6	220.4	-6.8	5.4
	-	-	Stable	-	-								
Bulgaria	BBB+	Baa3	BBB-	-	BBB	3.2	14.1	100.2	141.2	15.7	278.5	-21.1	16.2
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	3.3	4.9	84.4	149.5	33.8	578.4	-5.0	5.3
	Negative	-	Stable	-	Stable								
Romania	BBB-	Baa3	BB+	BBB-	BB	-2.9	13.6	60.2	158.4	17.9	251.2	-16.1	5.4
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB+	-	BBB	2.8	6.2	33.3	97.4	13.1	92.1	3.0	0.4
	Negative	Stable	Negative	-	Stable								
Turkey	BB-	Ba3	BB-	BB-	BB	-1.9	39.1	35.8	144.6	36.8	408.7	-5.7	2.0
	Negative	-	Stable	Stable	Stable								
Ukraine	BB-	B1	B+	-	BB	-2.5	13.2	60.1	98.2	26.0	263.0	-5.8	5.1
	Negative	Positive	Negative	-	Stable								

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	0.25	16-Dec-08	Cut 75bps	28-Jan-09
Eurozone	Refi Rate	2.00	15-Jan-09	Cut 50bps	N/A
UK	Base Rate	1.50	09-Jan-09	Cut 50bps	05-Feb-09
Japan	O/N Call Rate	0.10	19-Dec-08	Cut 20bps	22-Jan-09
Australia	Cash Rate	4.25	02-Dec-08	Cut 100bps	03-Feb-09
New Zealand	Cash Rate	5.00	04-Dec-08	Cut 150bps	29-Jan-09
Switzerland	3 month Libor target	0.50	11-Dec-08	Cut 50bps	12-Mar-09
Canada	Overnight rate	1.50	09-Dec-08	Cut 75bps	20-Jan-09
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	17-Dec-08	Cut 100bps	28-Jan-09
Taiwan	Discount Rate	1.50	07-Jan-09	Cut 75bps	Mar-09
South Korea	Target Rate	3.00	11-Dec-08	Cut 100bps	Jan-09
Malaysia	O/N Policy Rate	3.25	24-Nov-08	Cut 25bps	21-Jan-09
Thailand	1D Repo	2.75	03-Dec-08	Cut 100bps	14-Jan-09
India	Repo rate	4.00	02-Jan-09	Cut 100bps	27-Jan-09
UAE	Overnight repo rate	1.50	Dec-08	No change	N/A
Saudi Arabia	Repo rate	1.50	16-Dec-08	Cut 50bps	N/A
Egypt	Overnight Deposit	11.50	22-Sep-08	Raise 50bps	N/A
Turkey	Base Rate	15.00	18-Dec-08	Cut 125bps	15-Jan-09
South Africa	Repo rate	12.00	11-Dec-08	Cut 50bps	12-Feb-09
Kenya	Central Bank Rate	8.50	01-Dec-08	Cut 50bps	01-Feb-09
Nigeria	Monetary Policy Rate	9.75	11-Dec-08	No change	Feb-09
Ghana	Prime Rate	17.00	28-Oct-08	No change	Jan-09
Mexico	Target Rate	8.25	28-Nov-08	No change	16-Jan-09
Brazil	Selic Rate	13.75	10-Dec-08	No change	21-Jan-09
Armenia	Refi Rate	7.25	03-Dec-08	Cut 50bps	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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