

LATIN AMERICA**Argentina**

Argentina's government will negotiate with local banks and pension funds to refinance about \$6 billion in debt due in 2009 and 2010, La Nacion said, without identifying where it obtained the information. Officials in the economy ministry are studying the possibility of exchanging so-called guaranteed debt issued in 2001, just before the country defaulted on \$95 billion in bonds, for bonds that mature after 2010, La Nacion said. Refinancing the debt may help the country reduce its obligations during the next two years by 15 percent, La Nacion said. President Cristina Fernandez de Kirchner announced Sept. 2 that Argentina will use central bank reserves to pay back about \$6.7 billion in debt to the Paris Club, an informal association of creditors whose members include Japan, Germany and the U.S.

Brazil

Brazil's industrial production expanded faster than forecast by economists in July, cementing expectations that the central bank will raise interest rates further next week. Output rose 8.5 percent from a year ago, more than the revised 6.4 percent increase in June and more than the 8 percent median forecast in a Bloomberg survey of 32 economists.

Colombia

Colombia lifted requirements that foreign investors must deposit 50 percent of their stock and convertible bond investments in the central bank for six months or pay a fine. Colombia also lifted its two-year requirement for foreign direct investment, the Finance Ministry said today in an e-mailed statement.

Ecuador

Ecuadorean consumer prices rose 0.21 percent in August from the previous month. Consumer prices climbed 10 percent last month from the same month a year earlier, Byron Villacis, director of the South American country's National Statistics and Census Institute, told reporters in Quito. President Rafael Correa has said he wants to keep annual inflation less than 10 percent this year.

Mexico

Mexico's Finance Minister Agustin Carstens said violence and a lack of security cost the country 1 percent of its gross domestic product each year, El Universal newspaper reported. Lost sales, jobs and investments because of crime subtract 100 billion pesos (\$9.6 billion) from GDP, the newspaper reported citing comments from Carstens at a press conference in Morelia, Michoacan.

Mexican workers' remittances fell 6.9 percent, the most ever, in July from a year ago, the central bank said. Money sent from abroad declined to \$2.02 billion last month, the bank said on its Web site. The decline was the largest since the bank began measuring the amount in 1995. Remittances, which totalled \$24 billion last year, are the second-biggest source of dollar flows to Mexico after revenue from oil exports.

Venezuela

Venezuela's government had a 3.27 billion-bolivar (\$1.5 billion) budget deficit in the first half of 2008, according to a budget report published on the central bank's Web site. The government posted a deficit in five out of the first six months of the year, according to the report.

AFRICA & MIDDLE EAST**Angola**

The leader of Angola's largest opposition party said on Sunday he was contesting the results of the country's parliamentary election, which showed the ruling party headed for a landslide victory. The dispute over the poll, the first to be held in 16 years, threatens to shatter the fragile political stability that has existed since the end of Angola's civil war in 2002 and could dent the oil-rich nation's standing among foreign investor. The international community has been watching the vote closely after tarnished elections in Zimbabwe and Kenya, hoping that the former Portuguese colony would defy its own history and emerge from the election with political consensus. UNITA leader Isaias Samakuva, however, said the two-day vote had been badly flawed, with polling stations opening late or not at all and officials failing to properly confirm the identify of voters on registration lists. He vowed to contest the results. "The facts suggest that the final results of this election might not rigorously reflect

the wishes expressed in the ballot box by the Angolan people," Samakuva told a news conference at his party's office in the capital Luanda.

Ghana

Ghana's state-owned cocoa board signed a \$1 billion trade-finance facility with 23 international banks for the purchase of beans from growers in the 2008-09 season. The agreement was signed in the capital, Accra, by Isaac Osei, the chief executive officer of the board, and representatives of lenders including Societe Generale and Standard Chartered Plc.

Kuwait

Ratings agency Fitch upgraded Kuwait on Wednesday, saying higher oil prices this year had led to a rapid accumulation of reserves. Fitch said it had upgraded the foreign currency rating to AA from AA- and affirmed the local currency long-term rating at AA, with outlooks on both remaining stable. "High oil prices have generated a large revenue windfall, which Kuwait has largely used to strengthen its external balance sheet," said Charles Seville, associate director of Fitch's sovereign group. "Kuwait ran a fiscal surplus of over 40 percent of GDP in the fiscal year ending in March 2008." Fitch said in a statement the net public external creditor position was as strong as any sovereign rated by the firm, including Abu Dhabi, which is substantially wealthier in per capita terms.

Nigeria

Nigerian President Umaru Yar'Adua is well enough to manage the country's affairs, the Information Ministry said, following reports that the 57-year-old leader has been hospitalized in Saudi Arabia. "He is in good health to steer the affairs of the state," Information Minister John Odey said in a statement read on state-owned Nigerian Television late yesterday.

South Africa

South Africa's current account deficit narrowed to 7.3 percent of gross domestic product in the second quarter as power outages eased, boosting gold and platinum exports. The shortfall, the broadest measure of trade in goods and services, shrank from a revised 8.9 percent of GDP in the previous three months, the Pretoria-based Reserve Bank said in its Quarterly Bulletin.

South Africa's economic growth outlook is "quite a bit weaker," with the economy likely to expand about 4 percent this year, Fitch Ratings said. Foreign investment in stocks and bonds to fund the widening current account deficit has also reversed, which may require the government to increase borrowing, boosting the country's external debt, Tertius Smith, managing director of Fitch Southern Africa, said in a speech in Johannesburg.

United Arab Emirates

Dubai's real estate market increasingly faces the chance of a sharp correction as signs of overheating emerge, Saudi Arabian bank Samba said in a report released on Sunday. "Signs of overheating are emerging, fuelled by expansionary monetary conditions and high oil prices," Samba Financial Group said in the report. "This is raising the risk that a significant imbalance may develop over the next two years as scheduled new supply comes on to the market, increasing the prospect of a -- possibly sharp -- market correction." Shares in Dubai property firms have plunged in recent trading sessions, with the biggest listed firm, Emaar, falling on Sunday by around 8 percent to hit a 3-1/2 year low. Investors have fled the Dubai property sector in recent weeks in the wake of corruption investigations and confusion over visa rules for expatriate homebuyers. Samba said it expected the sector to enter a cyclical weak phase in 2009-2010. "Soaring property price increases over the last five years, have attracted increasing supply which will eventually exceed demand," the bank said.

ASIA**Hong Kong**

Hong Kong's opposition pro-democracy parties scored a surprise success on Monday in legislative elections, winning enough seats to retain their veto power and influence over future political reforms. The pro-democracy camp that includes the Democratic Party, Civic Party and harder-line factions, clinched 23 of the 60 seats. That is two less than the 2004 polls, but enough to ensure they maintain crucial control of one-third of the legislature. Sunday's polls were the most fiercely contested since Hong Kong reverted from British to Chinese rule in 1997. A record number of candidates festooned the city in banners and courted last-minute swing votes by foot and open-top vehicles. The pan-Democrats won 19 of the 30 directly elected geographical constituencies and four

seats in the so-called functional constituencies, mostly commercial groups that are traditionally dominated by pro-Beijing forces.

Indonesia

Indonesia's central bank raised its key interest rate on Thursday by 25 basis points to 9.25 percent, the fifth increase in 2008 although analysts say it may be the last this year as inflation has probably peaked. Ten of 16 analysts polled by Reuters had expected the central bank, Bank Indonesia (BI), to raise its overnight policy rate by 25 basis points to 9.25 percent. Six predicted no change. The expected 25 basis point hike did not have a significant impact on financial markets. The rupiah was steady at 9,200 per dollar, while stocks remained in negative territory. The bond market also largely shrugged off the rate hike. "Economic growth is not too worrisome because we have seen a high growth rate in the first and second quarters, so the real issue lies in inflation management ... if we can manage inflation, household purchasing power will be strong enough," said economist Eric Alexander Sugandi of Standard Chartered Bank. August consumer prices rose 11.85 percent over a year earlier, a modest easing from July's annual pace of 11.9 percent, which was the highest level in almost two years. However, the data marked the first fall in annual inflation in seven months, underlining a view that inflationary pressures, led by the soaring cost of raw materials and food, may have peaked despite the onset of the Muslim celebration of Ramadan.

Malaysia

Malaysia's widening budget deficit is a "matter of concern" as a growing opposition challenge forces Prime Minister Abdullah Ahmad Badawi to spend more to bolster support, said Standard & Poor's. "The fiscal trajectory of Malaysia is a little bit worse than, for example, half a year ago," Takahira Ogawa, director of sovereign ratings at S&P in Singapore, said in an interview. "Malaysia's fiscal consolidation is very slow. If the large size of the fiscal deficit is difficult to consolidate in the medium term, then it will be a bigger issue."

Pakistan

Pakistan's Asif Ali Zardari is set to take over as president of a country with the world's riskiest debt, the weakest currency in its history and a stock market so depressed that the exchange ordered a freeze on price declines. "I mean business and will pull Pakistan out of its present state of affairs," Zardari told the News newspaper after being elected Sept. 6 by Parliament where his Pakistan Peoples Party has a majority. While Zardari has pledged to continue a decade of economic liberalization, he has given no details. Zardari's swearing-in tomorrow may end 18 months of government paralysis caused by his power struggles with former president Pervez Musharraf and ex-prime minister Nawaz Sharif, whose Pakistan Muslim League is the second-largest party. International investors have fled a stock exchange that has nearly halved in value this year, the second-worst performance in Asia after China.

Philippines

BSP Gov Tetangco is optimistic that continued strong OFW remittances will help boost the country's foreign reserves and keep the balance of payments in surplus in 2009. BSP expects remittances to rise 10% y/y to a record \$15.9bn this year. Tetangco sees fx reserves to climb higher in 2009 to above the estimated \$37bn in 2008. He expects the BoP surplus at \$2.5 bln for the full year in 2008 from \$2.1bn in the Jan-July period, though it would mark a sharp fall from \$8.6 bln in 2007. Elsewhere Fin Sec Teves said the govt expects to raise \$1.1 bln from official development loans and \$1.5 bln of sovereign debt in 2009.

The Philippines has ended peace talks with the country's largest Muslim rebel group, the president's spokesman said on Wednesday, ending an 11-year peace process that has been marred by violence and disagreement. Manila has dissolved its negotiating panel and will shift its peace policy towards wider and more direct dialogues with local communities in the south of the mainly Catholic state, said Jesus Dureza, also a former peace adviser.

The Philippine central bank said the smallest gain in the nation's inflation rate in 10 months was "positive" for consumer prices, suggesting that interest-rate increases may be nearing an end. Consumer prices climbed 12.5 percent in August from a year earlier after rising a revised 12.3 percent the previous month, the National Statistics Office said in Manila.

South Korea

Korea Development Bank is in talks to buy a stake in Lehman Brothers Holdings Inc., the fourth-biggest U.S. securities firm, as Asian investors shore up Wall Street firms beaten down by the global credit squeeze. Lehman climbed as much as 5 percent in Frankfurt trading after Korea Development Chief Executive Officer Min Euoo Sung confirmed the discussions in an interview in Seoul.

Thailand

Thai lawmakers may speed up plans for a plebiscite to resolve the country's political standoff, Prime Minister Samak Sundaravej said, as protesters occupied his office for a 12th day. "Parliament is looking at" the referendum, Samak said in an address to the nation. The process would normally "take 90 days but there are ways to fast-track it." Thailand's Cabinet agreed last week to hold the vote after Samak reaffirmed he would not yield to demands for his resignation from the People's Alliance for Democracy. Bangkok remains under a state of emergency after clashes on Sept. 2 between pro- and anti-government protesters.

EMERGING EUROPE & CIS**Hungary**

Hungary posted a trade deficit of 238.6 million euros in July according to preliminary data after a surplus of 89.7 million euros in June, the Central Statistics Office (KSH) said on Monday. The July deficit exceeded analyst forecasts for 120 million euros in a Reuters poll and was also above a deficit of 115.4 million euros posted a year earlier. For the first seven months, the trade account showed a surplus of 227 million euros versus a deficit of 281 million in the same period a year earlier.

Kazakhstan

Kazakh President Nursultan Nazarbayev told the government to create a "stressed assets fund" as assets provided to banks as collateral for loans lose value, threatening the country's banking industry. The diminishing value of assets put up as collateral "doesn't allow banks to recoup their expenses," Nazarbayev told lawmakers in the capital Astana. State development holding Kazyna and international financial institutions will work on creating the fund, he said, according to the text of his remarks posted on the presidential Web site.

Romania

Romania's unadjusted industrial output fell 1.4 percent on the month in July, but advanced 5.1 percent on the year, statistics office data showed on Friday. Romania's economy expanded by 9.3 percent in the second quarter, its fastest rate in almost 4 years. It is expected to grow at around 8 percent this year.

Russia

Russia's Economy Ministry may change the terms of its trade agreements with Ukraine because of the Black Sea nation's entry into the World Trade Organization, said a ministry official with direct knowledge of the review. The changes may affect free trade with Ukraine, including food and plant imports and other goods, the official said on condition of anonymity, citing ministry policy.

Turkey

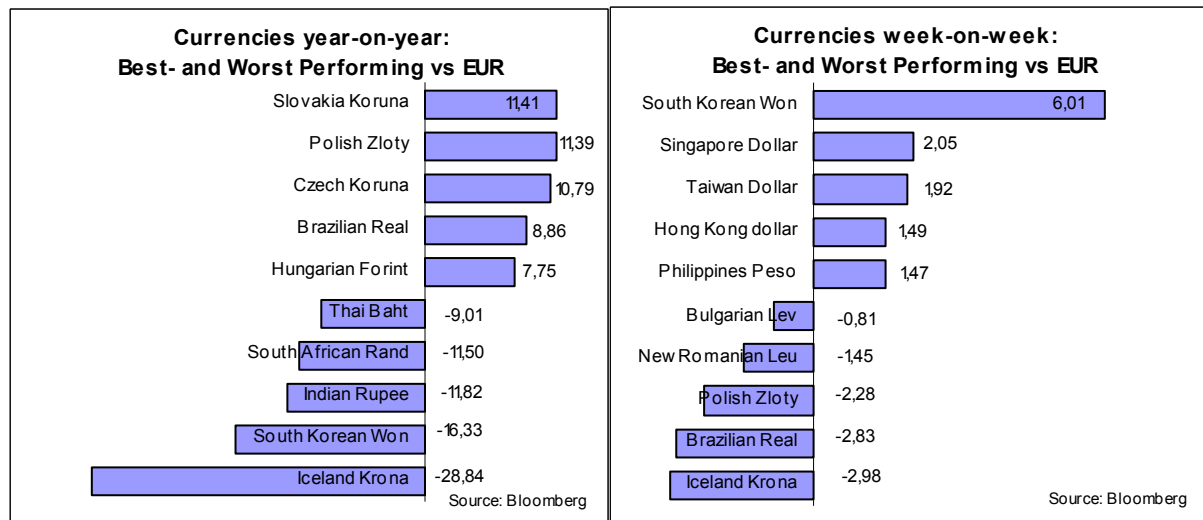
Turkey's central bank will consider all possibilities including cutting interest rates when its monetary policy committee meets this month, Governor Durmus Yilmaz said. Bond yields fell by the most in almost three weeks. The committee will "evaluate all policy options, including a measured cut" on Sept. 18, Yilmaz said at a televised conference in the northern city of Trabzon. That doesn't mean a shift to being "dovish from hawkish," he said. The bank in August halted three months of increases that pushed the benchmark rate up to 16.75 percent, higher than any in Europe.

Ukraine

Ukraine's Prime Minister Yulia Tymoshenko accused President Viktor Yushchenko on Saturday of putting his political ambitions before the national interest, adding to the bad blood between the former allies. In an open letter, Tymoshenko said that Yushchenko was unable to change his ways and had his eye on winning a presidential election in 16 months' time. A coalition of his and her parties that supported the 2004 "Orange Revolution" that brought Yushchenko to power collapsed last week after ruling for only nine months. The former allies argued over almost all policy issues during that time. Yushchenko and his party accused the prime minister of betraying Ukraine by siding with Russia in its war in Georgia, a charge she denies. "If I were thinking not about the national interest, but about the next presidential election -- as you are -- I could also set you hundreds of ultimatums," Tymoshenko wrote. "Apologise to me and the government of democratic forces for the absurd accusations of high treason and your various fantasies of 'Kremlin scenarios'," would have been one of her ultimatums. "However, Viktor Andreevych (Yushchenko), I will not pose any ultimatums, because I know that the nature of some people cannot be changed." Both are expected to run for the presidency, along with former prime minister Viktor Yanukovich who was defeated by Yushchenko in 2004. Polls show Yushchenko lagging

far behind Tymoshenko and Yanukovich, with just 7 percent support. Yushchenko's Our Ukraine party left the coalition after Tymoshenko's bloc and a rival party mustered a large majority in parliament to pass laws that reduced Yushchenko's powers.

Ukraine's foreign currency and gold reserves rose in August more slowly than in the previous month as the central bank bought less on the interbank market. Reserves were up 0.4 percent, to \$38.1 billion, compared with growth of almost 7 percent a month earlier, the central bank said in a statement on its Web site. The Natsionalnyi Bank Ukrainy bought \$1.21 billion in August, compared with \$2.49 billion in July, according to the statement.

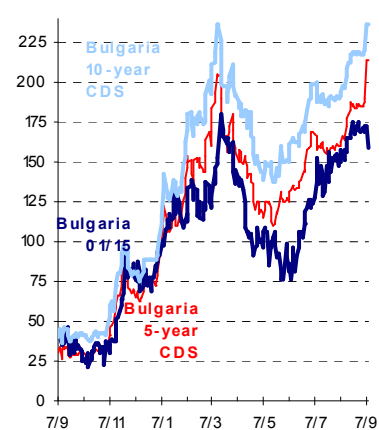
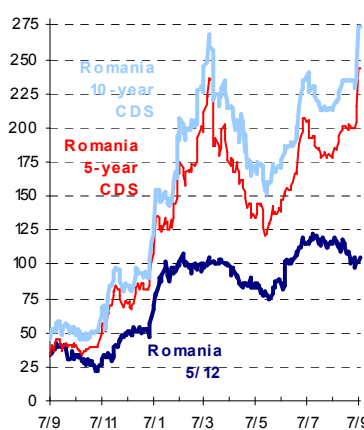
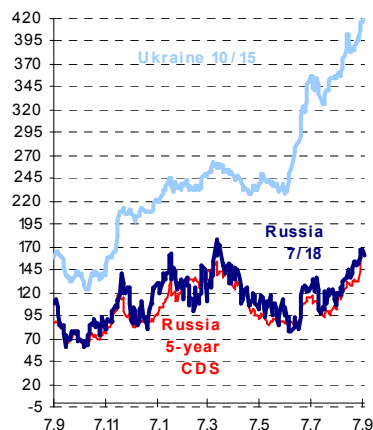
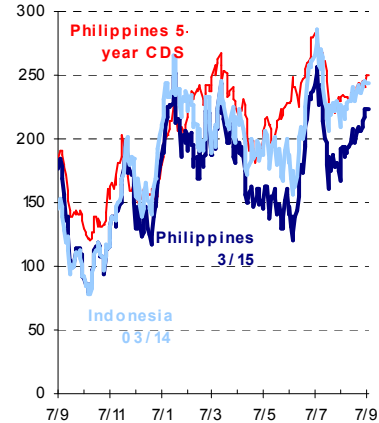
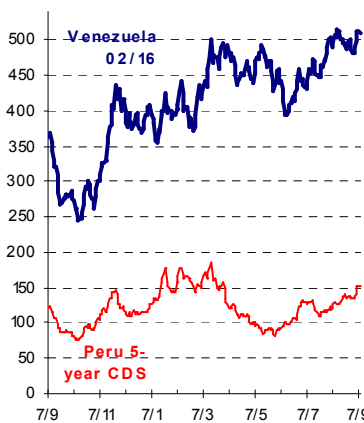
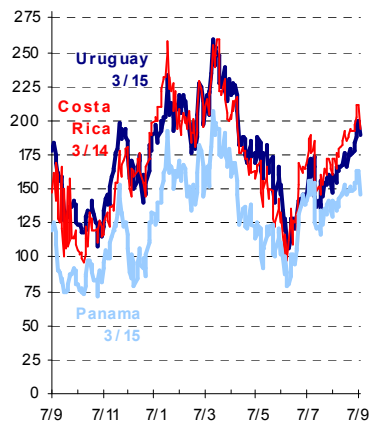
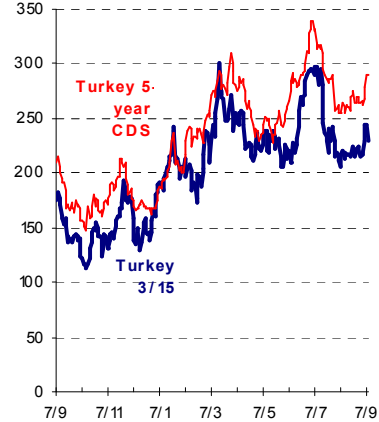
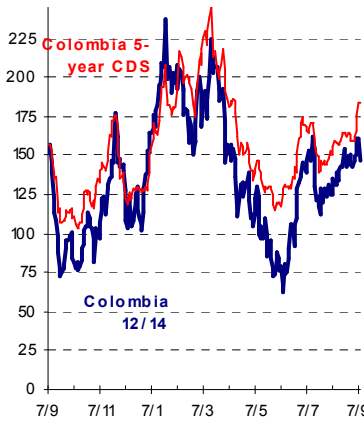
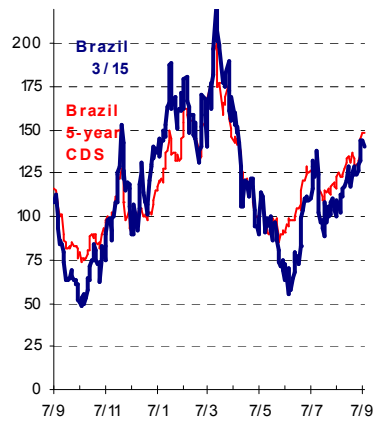
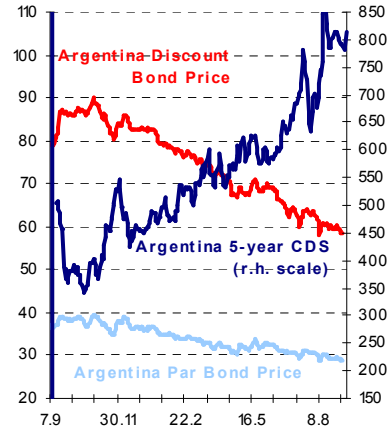
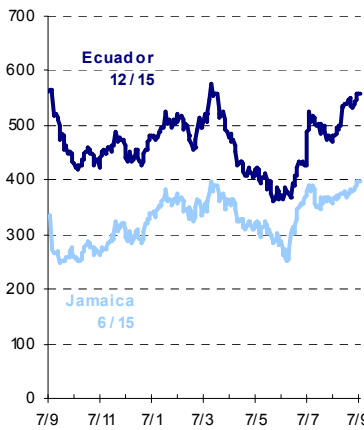
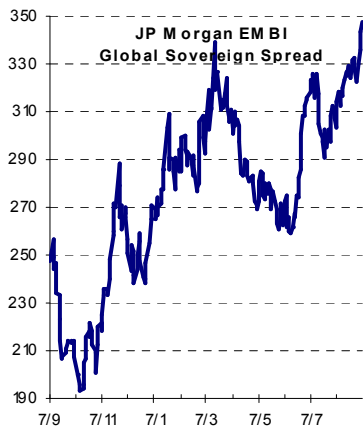


Sources: Reuters, Bloomberg, Erste Group Country Risk

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Credit Spreads, Source: Bloomberg



Credit Spreads, Source: Bloomberg

