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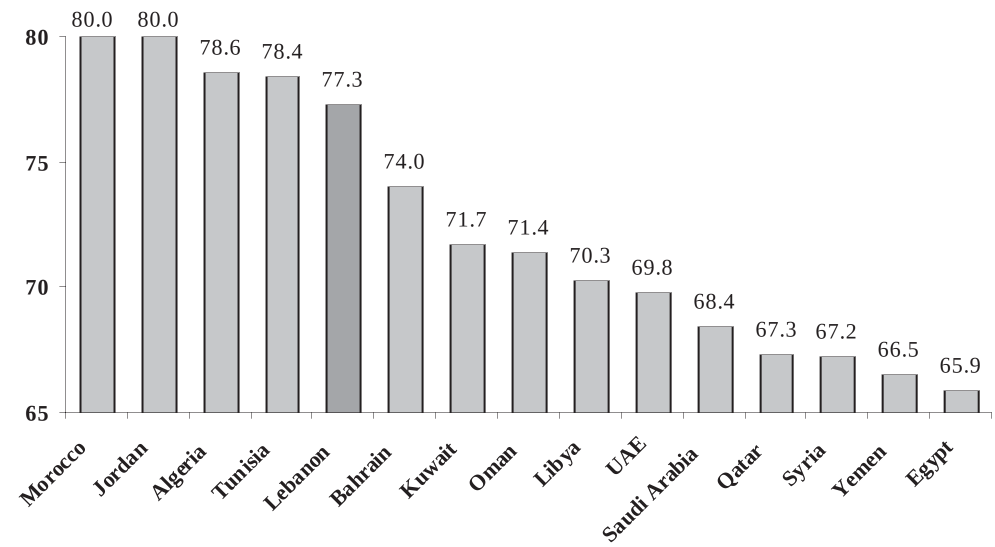
# LEBANON THIS WEEK

## In This Issue

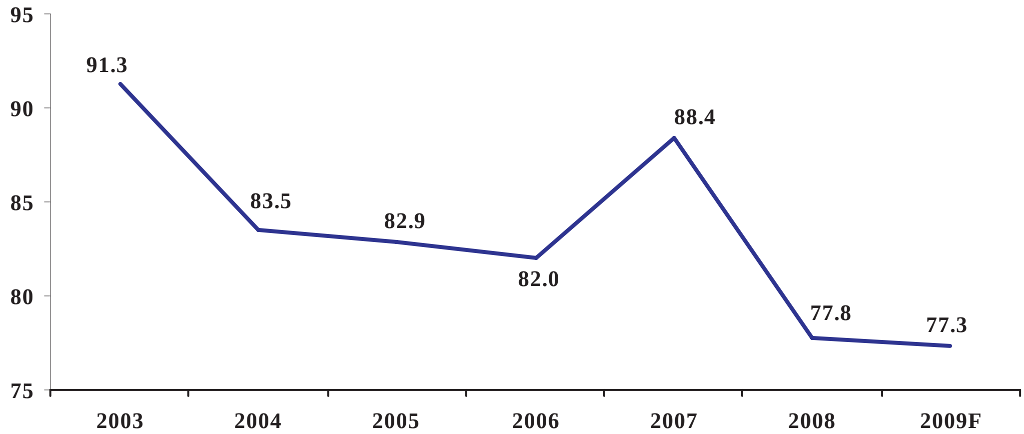


## Charts of the Week

**Monetary Freedom Index in MENA Countries for 2009**




**Monetary Freedom Index in Lebanon**




*Source: Heritage Foundation/Wall Street Journal, 2009*

## Quote to Note

"Prudent fiscal and monetary policies, ongoing vigilance in financial supervision, and proactive contingency planning should top the policy agenda."

*The International Monetary Fund, on the needed priorities of Lebanese authorities in view of the risks facing the domestic economy.*

## Number of the Week

**$2bn:** Projected net foreign direct investment in Lebanon in 2009, according to the Institute of International Finance

## Economic Indicators

| **$m** *(unless otherwise mentioned)* | **Dec. 2007** | **2007** | **Oct. 2008** | **Nov. 2008** | **Dec. 2008** | **2008** | **% Change*** |
|---|---|---|---|---|---|---|---|
| Exports | 241 | 2,816 | 254 | 330 | 250 | 3,478 | 23.51 |
| Imports | 1,064 | 11,815 | 1,490 | 1,664 | 1,135 | 16,133 | 36.55 |
| Trade Balance | (823) | (8,999) | (1,236) | (1,334) | (885) | (12,655) | 40.63 |
| Balance of Payments | 864 | 2,036 | 231 | 303 | 714 | 3,462 | 70.04 |
| Checks Cleared in LBP | 682 | 8,409 | 848 | 764 | 832 | 9,349 | 11.18 |
| Checks Cleared in FC | 2,769 | 29,892 | 3,936 | 3,548 | 3,181 | 43,162 | 44.39 |
| Total Checks Cleared | 3,451 | 38,301 | 4,784 | 4,312 | 4,013 | 52,511 | 37.10 |
| Budget Deficit/Surplus | (155) | (2,546) | (68) | (511) | (332) | (2,921) | 14.73 |
| Primary Balance | 92 | 731 | 297 | (246) | (49) | 597 | (18.33) |
| Airport Passengers | 334,486 | 3,408,834 | 351,753 | 299,175 | 419,329 | 4,085,334 | 19.85 |

| **$bn** *(unless otherwise mentioned)* | **Dec. 2006** | **Dec. 2007** | **Sep. 2008** | **Oct. 2008** | **Nov. 2008** | **Dec. 2008** | **% Change*** |
|---|---|---|---|---|---|---|---|
| BdL FX Reserves | 10.21 | 9.78 | 15.32 | 16.17 | 16.42 | 17.06 | 74.44 |
| *In months of Imports* | *11.30* | *9.19* | *10.42* | *10.85* | *9.87* | *15.03* | *63.55* |
| Public Debt | 40.37 | 42.03 | 45.68 | 46.08 | 46.83 | 47.01 | 11.85 |
| Net Public Debt | 37.42 | 39.03 | 40.89 | 40.74 | 41.15 | 41.49 | 6.30 |
| Bank Assets | 74.27 | 82.26 | 91.73 | 90.43 | 91.76 | 94.25 | 14.58 |
| Bank Deposits (Private Sector) | 60.69 | 67.29 | 75.13 | 74.80 | 75.60 | 77.78 | 15.59 |
| Bank Loans to Private Sector | 18.92 | 20.42 | 24.80 | 24.61 | 24.69 | 25.04 | 22.62 |
| Money Supply M2 | 15.57 | 16.47 | 22.13 | 23.10 | 23.87 | 24.76 | 50.33 |
| Money Supply M3 | 53.23 | 59.83 | 66.44 | 66.38 | 67.08 | 68.66 | 14.76 |
| LBP Lending Rate (%) | 10.37 | 10.10 | 9.98 | 9.90 | 10.08 | 9.95 | (15b.p.) |
| LBP Deposit Rate (%) | 7.49 | 7.40 | 7.18 | 7.28 | 7.27 | 7.22 | (18b.p.) |
| USD Lending Rate (%) | 8.55 | 8.02 | 7.37 | 7.53 | 7.54 | 7.47 | (55b.p.) |
| USD Deposit Rate (%) | 4.76 | 4.69 | 3.57 | 3.54 | 3.47 | 3.33 | (136b.p.) |
| %* Change in CPI** | 7.04 | 5.92 | 11.76 | 11.16 | 8.35 | 6.36 | 44b.p. |

** Year-on-Year; ** Consumer Price Index*
*Note: b.p. i.e. basis point*
*Sources: ABL, BdL*

## Capital Markets

| Most Traded Stocks on BSE | Last Price ($) | % Change* | Total Volume | Weight in Market Capitalization |
|---|---|---|---|---|
| Solidere "A" | 15.70 | 2.35 | 90,981 | 18.44% |
| Solidere "B" | 15.71 | 3.02 | 38,767 | 12.00% |
| Byblos Common | 1.60 | (1.84) | 1,650 | 4.08% |
| Byblos Priority | 1.69 | 0.00 | 9,000 | 4.09% |
| BLOM GDR | 62.50 | (2.42) | 2,222 | 5.43% |
| BLOM Listed | 61.00 | 0.00 | 0 | 15.41% |
| Audi GDR | 44.17 | (0.39) | 3,915 | 5.10% |
| Audi Listed | 40.00 | 0.00 | 7,525 | 16.06% |
| HOLCIM | 13.08 | (3.11) | 370 | 3.00% |

*Source: Beirut Stock Exchange (BSE); *Week-on-week*

| Sovereign Eurobonds | Coupon % | Mid Price $ | Mid Yield % |
|---|---|---|---|
| Oct.2009 | 10.250 | 102.75 | 5.32 |
| Dec.2009 | 7.000 | 100.88 | 5.80 |
| Mar.2010 | 7.125 | 100.63 | 6.46 |
| May 2011 | 7.875 | 101.63 | 7.06 |
| Sep.2012 | 7.750 | 100.50 | 7.59 |
| June 2013 | 8.625 | 101.75 | 8.13 |
| Apr.2015 | 10.000 | 106.75 | 8.56 |
| Jan.2016 | 8.500 | 99.00 | 8.69 |
| May 2016 | 11.625 | 114.75 | 8.80 |
| Apr.2021 | 8.250 | 92.50 | 9.29 |

*Source: Byblos Capital Markets*

| | This Week | Last Week | % Change | Feb. 2009 | Feb. 2008 | % Change |
|---|---|---|---|---|---|---|
| **Total Shares Traded** | 154,480 | 140,390 | 10.04 | 54,105,555 | 2,398,001 | 2,156.28 |
| **Total Value Traded** | $2,663,016 | $2,921,215 | (8.84) | $115,261,712 | $43,415,201 | 165.49 |
| **Market Capitalization** | $8.51bn | $8.47bn | 0.49 | $8.55bn | $10.54bn | (18.90) |

*Source: Beirut Stock Exchange (BSE)*

## Lebanon ranks 128th globally, 17th in MENA region in credit ratings

In its semi-annual survey on the creditworthiness of 177 countries, *Institutional Investor* magazine ranked Lebanon in 128th place worldwide and 17th among 20 countries in the Middle East and North Africa region in the March 2009 survey. Lebanon ranked 113th globally and 16th regionally in September 2008 and came in 115th place globally and 17th regionally in the March 2008 survey. Also, Lebanon came in 27th place among 30 upper middle income countries, up from 28th place in September 2008 and 29th place in March 2008. The survey rates the creditworthiness of countries on a scale of 0 to 100, with 100 representing countries with the least chance of debt default. The ratings are based on input provided by senior economists and sovereign risk analysts at leading global banks and money management and securities firms.

On a global basis, Lebanon ranked ahead of Turkmenistan, Benin and Ecuador and came immediately behind Uzbekistan, Mali and Swaziland. Also, Lebanon ranked ahead of Belize and Belarus came behind Fiji and Argentina among upper middle-income countries. Lebanon's global rank regressed by 15 spots from the September survey by 13 spot from the March 2008. Lebanon received a score of 26.1 points, below the global average of 45 points as well as lower than the MENA and Arab averages of 48.8 points and 48.7 points, respectively, according to Byblos Research. It also scored below the average of 47.9 points for upper middle income countries. Its score declined by 3.8 points, or 12.7%, from last September and by 2.8 points or 9.7% from March 2008. The rankings of 9 MENA countries improved, 10 regressed and one was unchanged, while the scores of all 20 countries declined from September 2008.

**MENA Countries Rankings & Scores**

| Country | Credit Rating | MENA Rank | GLobal Rank |
|---|---|---|---|
| Qatar | 76.7 | 1 | 26 |
| UAE | 76.0 | 2 | 30 |
| Kuwait | 74.4 | 3 | 33 |
| Saudi Arabia | 72.4 | 4 | 37 |
| Oman | 69.8 | 5 | 40 |
| Bahrain | 68.2 | 6 | 42 |
| Israel | 67.8 | 7 | 43 |
| Tunisia | 58.7 | 8 | 57 |
| Morocco | 53.7 | 9 | 63 |
| Algeria | 53.3 | 10 | 65 |
| Egypt | 49.9 | 11 | 69 |
| Libya | 49.1 | 12 | 71 |
| Jordan | 43.8 | 13 | 80 |
| Iran | 33.2 | 14 | 97 |
| Syria | 28.0 | 15 | 119 |
| Yemen | 27.9 | 16 | 120 |
| **Lebanon** | **26.1** | **17** | **128** |
| Mauritania | 20.4 | 18 | 147 |
| Iraq | 16.7 | 19 | 157 |
| Sudan | 10.8 | 20 | 171 |

*Source: Institutional Investor, Byblos Research*

The survey said creditworthiness has declined around much of the world, as the U.S. subprime crisis deteriorated into a global recession. It added that the rating of nearly every industrialized country in North America, Western Europe and Asia regressed, while most emerging markets economies, which many have thought immune to U.S. problems only a year ago, suffered significant declines. The global average score declined to 45 points from 47 points last September and from 46.6 points in March 2008. Switzerland remained the country with the best creditworthiness in the world while Zimbabwe had the highest probability of default worldwide.

## Average Coincident Indicator rises by 10.2% in 2008

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 209.6 points in December compared to 209.8 points in November and 187.6 points in December 2007. The Coincident Indicator, an average of 8 weighted economic indicators, was almost unchanged month-on-month and rose by 11.7% on an annual basis. The indicator averaged 198.4 points in 2008 compared to 196.6 points in the 12 months ending November 2008 and to 180 points in 2007. As a result, the average coincident indicator rose by 10.2% year-on-year. The indicator posted it best performance ever in November 2008, surpassing the previous peak of 201.9 points reached in July 2008. The December results reflect activity during the holidays season and a continuation of November's trend. The coincident indicator was on an upwards trend in the early months of 2008 until military confrontations across the country in May disrupted economic activity. The July 2008 result, a record at the time, reflected the peak summer season as well as restored political stability. The indicator averaged 171.6 points in 2006 and 172.6 points in 2005.

## Launch of anti-corruption center

The Lebanese Transparency Association (LTA), the national chapter of Transparency International, launched the Lebanese Advocacy and Legal Advice Center (LALAC) with the support of the United Kingdom's Department for International Development. LALAC aims at informing citizens about their legal rights and provides legal advice and assistance to victims and witnesses of corruption. It will also provide citizens the opportunity to directly file complaints with legal experts. The center is a first step towards defending citizens' rights and enhancing the available tools and mechanisms used to protect them from the risks of corruption at all levels. It seeks to translate citizens' concerns on corruption into structural changes to improve local and national governance. The center will cooperate with relevant stakeholders such as ministries, public administrations and municipalities, among others. LALC was launched in conjunction with similar centers in Morocco and Palestine, and are the first such centers in the region.

## Beirut has 33rd highest office occupancy cost and 43rd most expensive retail rent in the world

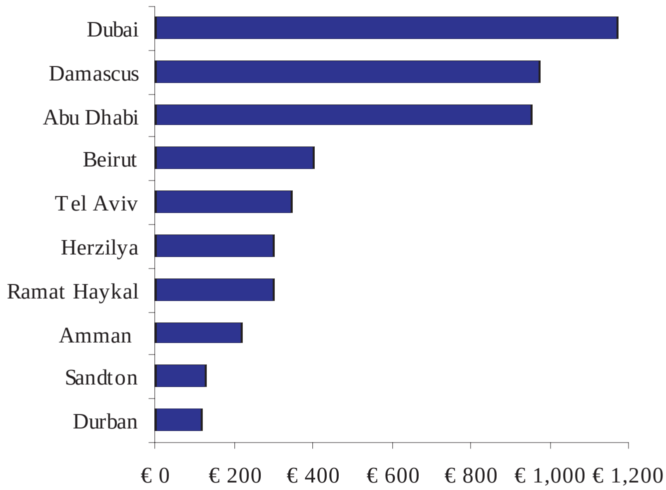
The 2009 survey of the world's most expensive office locations in 57 cities around the world by property consultants Cushman & Wakefield ranked Beirut as the 33rd most expensive city worldwide and the third most expensive among 6 cities in the Middle East & Africa region included in the rankings. Beirut was the 37th most expensive city globally and the third most expensive in the region in the 2008 survey. The study evaluates 202 key office locations in 57 countries and includes in its annual rankings the location with the most expensive occupancy cost in each country.

Globally, Beirut ranked immediately behind Brussels, Sydney, Vienna and Copenhagen and was considered more expensive than Kuala Lampur, Budapest, Vancouver and Bucharest. The cost of office space in Beirut was €398 per square meter in 2008, significantly higher than the global average of €331 and the regional average of €268 per sqm. According to Cushman & Wakefield, the rates reflect rent in addition to municipal tax, service charges and value-added tax. It said there was little change in the Lebanese market during 2008 due to the ongoing political problems earlier in the year. It added, however, that there is a shortage of good quality office accommodation within the Beirut Central District, which has led to rental values in the capital growing by 14% over the year. The increase in office space rent in the Beirut Central District was higher than the region's rental growth of 9% and above the global increase of 3% worldwide in 2008.

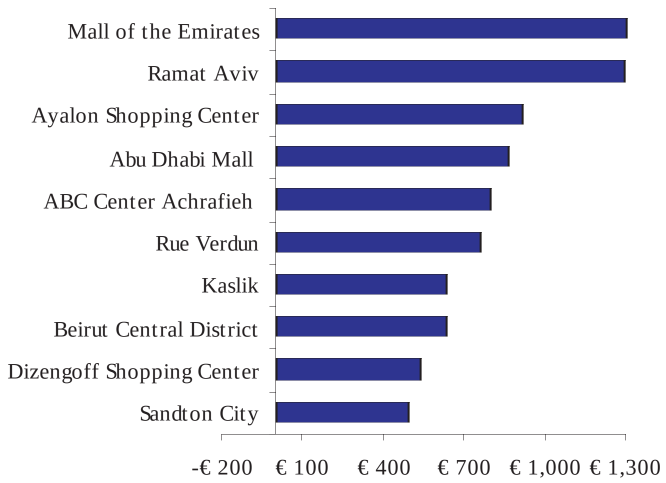
The Beirut Central District also ranked 4th among the top 10 most expensive locations in the Middle East & Africa region in 2008. Also, the Beirut Central District ranked among the top 10 best performing locations in the region with an annual rental growth of 14% last year, behind Abu Dhabi with 33%, Durban in South Africa with 30%, Cape Town with 20% and Johannesburg with 18%. Hong Kong is the world's most expensive city for office space at €1,743 per sqm a year, followed by Tokyo and London.

In parallel, Cushman & Wakefield ranked Beirut as the 43rd most expensive city worldwide for renting retail space and the third most expensive among 4 cities in the Middle East & Africa region included in the survey. The study evaluates retail rent location prices in 238 streets in 48 countries around the world.

**Top 10 Most Expensive Office Locations in the Middle East & Africa**




**Top 10 Most Expensive Retail Locations in the Middle East & Africa**




On a global basis, the rent of retail space in Beirut was less costly than in Bratislava, Lisbon, Buenos Aires and Jakarta and more expensive than in Bangkok, Johannesburg, Mexico City and Quito in Ecuador. The most expensive retail location to rent in Beirut was the ABC Center in Ashrafieh at €792 per sqm in 2008, which is significantly lower than the global average of €1,863 and higher than the regional average of €639 per sqm. According to Cushman & Wakefield, the retail market in Lebanon is recovering and most of the shops in Beirut are trading well, leading to a solid rental growth of 8.3% up to June 2008. The growth in price of rent of retail location in Beirut came below the region's growth of 21.2% and below the global growth of 14.2% worldwide up to June 2008.

Beirut's ABC Center Achrafieh ranked in 5th place among the top 10 retail locations in the Middle East & Africa region. It was followed by Verdun Street in 7th place (€760 per sqm), and the Beirut Central District and Kaslik Street in 8th place each (€633 per sqm each). In parallel, Kaslik Street ranked first among the top 10 strongest growth in the region with an annual growth of 53.8% in June 2008. New York's Fifth Avenue is the world's most expensive retail location at €12,612 sqm a year.

### Lebanon represented in *Forbes* magazine list of world billionaires

*Forbes* magazine's annual survey of the world's billionaires for 2009 included on its list 6 persons from Lebanon, down from 10 in 2008, and had 4 members from the family of the late Prime Minister Rafiq Hariri and two members of the Mikati family. The survey ranked Mr. Bahaa Hariri in 221st place with a fortune of $2.9bn, up from 349th place but down from $3.2bn last year. He was followed by former Prime Minister Nagib Mikati and his brother Taha Mikati in 334th place with a net worth of $2bn each, up from 446th place but down from $2.6bn each in 2008. MP Saad Hariri ranked in 522nd place with an estimated fortune of $1.4bn, down from 334th place and $3.3bn in 2008, while Mr. Ayman Hariri and his brother Fahd Hariri came in 647th place with $1.1bn each, down from 524th place and $2.3bn each last year. *Forbes* said the Hariri family's wealth is derived from investments in Saudi Arabia and many other countries in Europe, Africa and the Middle East in banking, real estate, tourism, telecommunications and media. It added that MP Hariri bought his brother Bahaa's share in Saudi Oger in January 2008. The magazine said the Mikati brothers made their fortune in telecommunications and have vast holdings in the sector, adding that they currently run a holding company invested in real estate, airlines and clothing.

The 2009 survey saw the fortunes of all Lebanese on the list decline along with the global trend due to the global financial crisis. The four persons from Lebanon who did not make the list this year are Ms. Nazek Hariri, widow of the late PM Rafiq Hariri, her daughter Hind Hariri, as well as Mr. Said Khoury and Mr. Hasib Sabbagh, the founders of the Consolidated Contractors Company (CCC), one of the largest construction firms in the Arab world. The wealthiest man in the Middle East is Saudi Prince al-Waleed bin-Talal who ranked in 22nd place globally with $13.3bn, down from $21bn in 2008. The richest man in the world is Bill Gates with $40bn, regaining the top spot from U.S. investor Warren Buffet. The number of billionaires has declined from 1,125 last year to 793 this year, their average net worth has dropped by 23% and their aggregate fortunes dropped by $1,400bn.

**Billionaires of Lebanese descent on Forbes' 2009 list of the world's richest people**

| Name | Rank | Worth ($bn) | Trend | Source | Country |
|---|---|---|---|---|---|
| Carlos Slim Helu | 3 | 35.0 | down | Telecom | Mexico |
| Joseph Safra | 62 | 7.0 | down | Banking | Brazil |
| Moise Safra | 318 | 2.1 | down | Banking | Brazil |
| Nicolas Hayek | 334 | 2.0 | down | Manufacturing | Switzerland |
| Joseph Jamail Jr. | 463 | 1.5 | unchanged | Law | USA |
| Alfredo Harp Helu | 701 | 1.0 | down | Banking | Mexico |

*Source: Forbes Magazine, Byblos Research*

### Beirut Port launches $120m expansion plan

The Beirut Port Authority launched a tender for the expansion of the Beirut port and asked international and local companies to submit their specifications by April 30. The project will cost $120m and will enable the port to handle about 400,000 additional containers per year. The contractors will need 140,000 square meters of land to increase the port's capacity. The expansion of the Beirut Port is expected to be completed in 30 months and will reduce the existing congestion problem.

### Activation of €45m Iranian loan to Lebanon

The Minister of Finance and the Export Development Bank of Iran (EDBI) signed a Memorandum of Understanding that modified a previous loan agreement of €45m extended to Lebanon. The MoU aims at facilitating the implementation of the loan. The initial contract was signed in 2003 and relates to the financing of four projects in the water, electricity and sanitation sectors. The EDBI is a state-owned financial institution that was established in 1991 with the objective of increasing Iran's exports and developing trade with other countries.

### Economy Ministry signs MoU with Iran, launches Lebanese Quality Management Model

The Ministry of Economy & Trade and the Ministry of Housing & Urbanism in Iran signed a Memorandum of Understanding that defines the implementation of numerous development projects in several regions of the country. The MoU includes agreements and executive programs in trade, banking and customs, as well as in healthcare, communications, industry & scientific cooperation, consular affairs & tourism, and environmental and social affairs. In parallel, the Economy Ministry launched the Lebanese Quality Management Model to encourage Lebanese producers to improve the quality of their products. The EU-funded project establishes a "Lebanese Excellence Award" to reward quality improvement in both private and public sector enterprises and institutions.

# Lebanon in the News

## Net public debt at $41.4bn at end-January 2009

Lebanon's gross public debt reached $47bn at the end of January 2009, unchanged from end-2008, and constituting an increase of 11.3% from end-January 2009. Domestic debt increased by 23.8% to $26bn, while external debt decreased by 1.2% annually to $21bn. Local currency debt accounted for 55.4% of gross public debt at end-January 2009 compared to 49.8% at end-January 2008, while foreign currency-denominated debt represented 44.6% of the total at end-January 2009 relative to 50.2% a year earlier.

Commercial banks accounted for about 60.3% of the local public debt at the end of January 2009 compared to 54.1% a year earlier. The Central Bank held 24.5% of the local public debt at the end of January 2009, down from 28.5% at the end of January 2008. Public agencies and financial institutions accounted for 15.2% of the local public debt compared to 17.4% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.1% of the external debt, while multilateral institutions accounted for 7.1%, foreign governments for 4.6% and Paris II loans for 2.2%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 6% to $41.4bn.

## Airport passengers up 18.6% in first two months of 2009

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 583,952 in the first two months of 2009, up 18.6% year-on-year. Passengers from the UAE accounted for 21.7% of total passengers, followed by those from Saudi Arabia with 10.6%, France with 10.4% and Kuwait with 8.1%. The total number of flights reached 7,488 in the first two months of 2009, up 21% year-on-year. Also, the HIA processed 10,481 metric tons of cargo, of which 10,295 tons of freight and 186 tons of mail. The total cargo processed in the first two months of 2009 increased by 5.6% compared to the same period of 2008.

## Most tourists spending in Lebanon in first two months of 2009 originated from Saudi Arabia and the UAE

According to Global Refund, the cash refund operator for international shoppers, visitors from Saudi Arabia spent the most in Lebanon in the first two months of 2009, accounting for 19% of total tourist spending, followed by tourists from the UAE (13%), Kuwait (12%), Egypt (8%) and Syria (6%). Beirut attracted 81% of total spending over the covered period, followed by the Metn area with 14% and the Keserwan region with 3%. Fashion and clothing accounted for 65% of total spending, followed by watches with 13%, perfumes and cosmetics with 5%, home and garden with 5%, and department stores with 4%.

## International institutions to provide technical support for June elections

The United Nations Development Program (UNDP), the European Union and the US Agency for International Development announced plans to provide support to the Ministry of Interior in administering the upcoming parliamentary elections in June. The UNDP project has a $4.28m budget and aims at developing a communication and outreach strategy as well as voters' identification and registration procedures. The EU project has a €4m budget and aims at supporting the establishment of the Supervisory Commission on the Election Campaign (SCEC) and at assisting the ministry in developing the SCEC. Further, the USAID will help launch a public awareness campaign about voters' registration and ensure training materials to election officials on core skills for the administration of elections. It will also establish a web portal to enhance transparency, facilitate voter information, publish results and broaden public access to the electoral process.

# Corporate Highlights

## Commercial banks' assets reach $93.8bn at end-January 2009

The Association of Banks in Lebanon released the consolidated balance sheet of commercial banks showing that total assets reached $93.8bn at the end of January 2009, down 0.5% from end-December 2008 and up 12.9% from end-January 2008. Private sector deposits totaled $77.7bn, down 0.1% from end-December 2008 and up 14.2% from end-January 2008. Deposits in Lebanese pounds rose by 3.3% from end-2008 and by 57.3% year-on-year, while deposits in foreign currencies decreased by 1.5% from end-2008 but increased by 1.4% from end-January 2008. Non-resident foreign currency deposits reached $10.4bn at end-January 2009, decreasing by 1.4% from end-2008 and increasing by 13% year-on-year. In parallel, deposits of non-resident banks reached $3.4bn, down 20.2% from end-December 2008 and down 10% from end-January 2008. The dollarization rate of deposits reached 68.6% at end-January 2009, down from 69.6% at end-December 2008 and from 77.2% at end-January 2008. Further, the average deposit rate in Lebanese pounds reached 7.22% compared to 7.35% a year earlier, while the same rate in US dollars was 3.31%, down from 4.57% in January 2008.

Loans to the private sector amounted to $24.9bn, down 0.3% from end-December 2008 and up 16.7% year-on-year. The dollarization rate in private sector lending reached 86.3% compared to 86.6% at end-2008 and 86.8% a year earlier. The average lending rate in Lebanese pounds was 10.07% in January 2009 compared to 10.04% a year earlier, while the same average in US dollars was 7.35% compared to 7.93% in January 2008. Claims on the public sector stood at $25bn, up 15% year-on-year and down 1.7% from December 2008, and accounted for 50% of the banking sector's total loans. The ratio of private sector loans to deposits in foreign currencies stood at 40.4%, well below the Central Bank's limit of 70%, and up from 35.3% a year earlier. In parallel, the same ratio in Lebanese pounds was 14% compared to 18.2% a year earlier. The ratio of total private sector loans to deposits stood at 32.1%, up from 31.4% a year earlier. The banks' aggregate capital base stood at $7.17bn, up 1% from December 2008 and 14.7% from $6.25bn in January 2008.

## Kafalat loan guarantees reach $17.1m in first two months of 2009

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $17.1m in the first two months of 2009, down 21.3% from $21.7m in the same period of 2008. The number of loan guarantees totaled 126 in the first two months of 2009 compared to 158 in the same period last year. The average loan size reached $135,941 compared to $137,673 in the first two months of 2008. Mount Lebanon accounted for 40.5% of guarantees, followed by the Bekaa with 23.8%, the South & Nabatieh with 15.1%, the North with 12.7% and Beirut with 7.9%. The agriculture sector accounted for 51.6% of total guarantees, followed by industries with 35.7%, tourism with 8.7%, and handicraft with 4%.

Kafalat is a state-sponsored organization that provides financial guarantees for loans up to $400,000 earmarked for the set up and expansion of small and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

## SGBL's profits at $44m in 2008

SGBL sal announced unaudited net profits of $44m in 2008, up 234% from the previous year. Net interest income rose by 75.9% to $82.4m and net financial income grew by 104.3% to $130m.General administrative expenses increased by 75.7% to $31.2m and staff costs increased by 56.7% to $43.9m. Total assets reached $3.4bn at the end of 2008, constituting a 16.8% rise from end-2007, while loans & advances to customers increased by 19% to $972m. Also, Customers' deposits rose by 14.6% year-on-year to $2.6bn. The bank's equity increased by 92.8% to $310m year-on-year.

## Ratio Highlights

| (in % unless specified) | 2006 | 2007 | 2008 | Change* |
|---|---|---|---|---|
| Nominal GDP*(1)* ($bn) | 22.7 | 24.6 | 28.8 | |
| External Debt / GDP | 89.9 | 86.4 | 73.4 | (1,300) |
| Local Debt / GDP | 88.1 | 84.6 | 89.8 | 520 |
| Total Debt / GDP | 178.4 | 171.0 | 163.2 | (780) |
| Trade Balance / GDP | (31.3) | (36.6) | (43.9) | (730) |
| Exports / Imports | 24.3 | 23.8 | 21.6 | (220) |
| Budget Revenues / GDP | 19.4 | 23.6 | 24.4 | 80 |
| Budget Expenditures / GDP | 30.8 | 33.9 | 34.5 | 60 |
| Budget Balance / GDP | (11.5) | (10.3) | (10.1) | 20 |
| Primary Balance / GDP | 0.4 | 2.9 | 2.1 | (80) |
| BdL FX Reserves / M2 | 65.6 | 59.6 | 68.9 | 930 |
| M3 / GDP | 234.4 | 243.2 | 238.4 | (480) |
| Bank Assets / GDP | 327.2 | 334.4 | 327.3 | (710) |
| Bank Deposits / GDP | 267.4 | 273.5 | 270.1 | (340) |
| Private Sector Loans / GDP | 67.4 | 72.2 | 86.9 | 1,470 |
| Dollarization of Deposits | 76.2 | 77.3 | 69.6 | (770) |
| Dollarization of Loans | 84.0 | 84.3 | 86.6 | 230 |

** Change in basis points 06/07*
*(1) Based on Ministry of Finance Estimations and the International Monetary Fund*
*Source: Association of Banks in Lebanon, Byblos Research Calculations*
*Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds*

## Risk Outlook

| Lebanon | Dec 2007 | Nov 2008 | Dec 2008 | Change* | Risk Level |
|---|---|---|---|---|---|
| Political Risk Rating | 56.5 | 57.5 | 57.5 | ↑ | High |
| Financial Risk Rating | 31.5 | 28.0 | 28.0 | ↓ | High |
| Economic Risk Rating | 29.0 | 30.0 | 30.0 | ↑ | Moderate |
| Composite Risk Rating | 58.5 | 57.7 | 57.7 | ↓ | High |

| Regional Average | Dec 2007 | Nov 2008 | Dec 2008 | Change* | Risk Level |
|---|---|---|---|---|---|
| Political Risk Rating | 65.6 | 65.6 | 65.6 | ↔ | Moderate |
| Financial Risk Rating | 41.3 | 41.5 | 41.8 | ↑ | Very Low |
| Economic Risk Rating | 40.0 | 39.0 | 39.5 | ↓ | Low |
| Composite Risk Rating | 73.5 | 73.0 | 73.4 | ↓ | Low |

**year-on-year*
*Source: The PRS Group, Byblos Research*
*Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)*
*Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)*

## Ratings & Outlook

| Sovereign Ratings | Foreign Currency | | | Local Currency | | |
|---|---|---|---|---|---|---|
| | LT | ST | Outlook | LT | ST | Outlook |
| Moody's | B3 | NP | Positive | | | |
| Fitch | B- | B | Stable | B- | | |
| S&P | B- | C | Stable | B- | C | Stable |
| Capital Intelligence | B- | B | Stable | B- | B | Stable |

*Source: Rating agencies*

| Banking Ratings | Banks' Financial Strength | Banking Sector Risk | Outlook |
|---|---|---|---|
| Moody's | D- | | Stable |
| EIU | | B | Stable |

*Source: Rating agencies*

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