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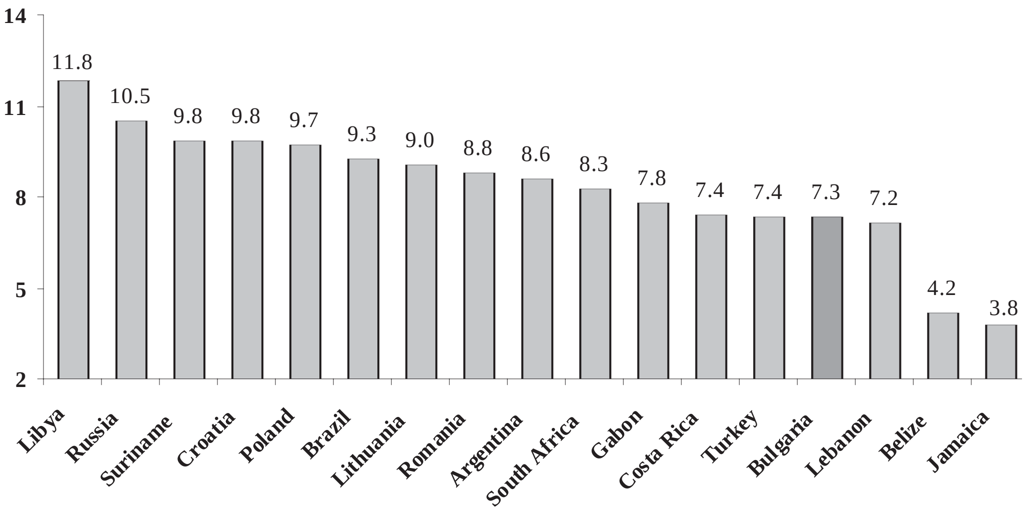
# LEBANON THIS WEEK

## *In This Issue*

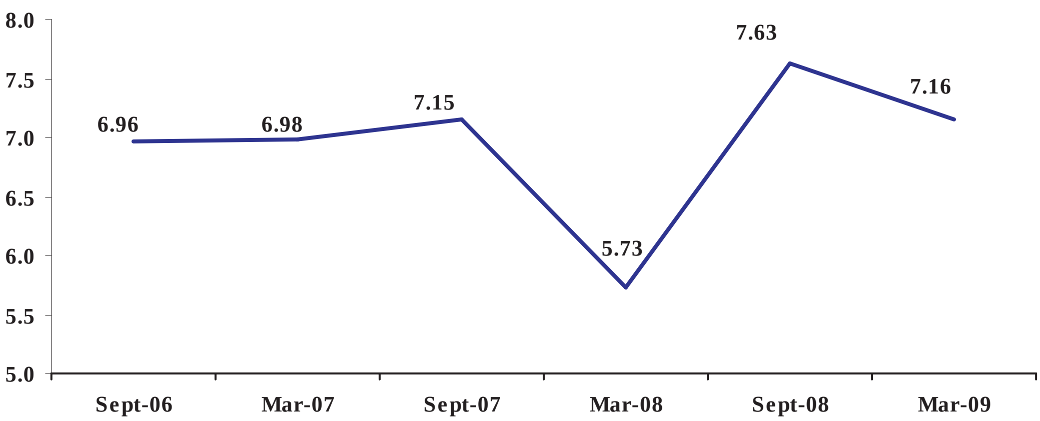


## Charts of the Week

**Level of Economic Performance in selcted Upper Middle Income Countries as at March 2009**




**Level of Economic Performance for Lebanon**




*Source: Euromoney Magazine, March 2009*

## Quote to Note

"The banking secrecy in this country is not designed to hide illegal money, it is designed to be a part of the Lebanese economy as a whole."

*Minister of Economy & Trade Mohammad Safadi, on bank secrecy in Lebanon*

## Number of the Week

**702:** Number of candidates to the June 7 parliamentary elections to fill the 128-seat Lebanese Parliament

# Economic Indicators

| **$m** *(unless otherwise mentioned)* | 2007 | Jan. 08 | Nov. 2008 | Dec. 2008 | 2008 | Jan. 09 | % Change* |
|---|---|---|---|---|---|---|---|
| Exports | 2,816 | 262 | 330 | 250 | 3,478 | 281 | 7.25 |
| Imports | 11,815 | 1,107 | 1,664 | 1,135 | 16,133 | 1,067 | (3.61) |
| Trade Balance | (8,999) | (845) | (1,334) | (885) | (12,655) | (786) | (6.98) |
| Balance of Payments | 2,036 | (259) | 303 | 714 | 3,462 | 364 | (240.54) |
| Checks Cleared in LBP | 8,409 | 766 | 764 | 832 | 9,350 | 927 | 21.02 |
| Checks Cleared in FC | 29,893 | 3,109 | 3,548 | 3,181 | 43,174 | 3,434 | 10.45 |
| Total Checks Cleared | 38,302 | 3,875 | 4,312 | 4,013 | 52,524 | 4,361 | 12.54 |
| Budget Deficit/Surplus | (2,546) | (183) | (511) | (332) | (2,921) | (305) | 66.67 |
| Primary Balance | 731 | 175 | (246) | (49) | 597 | (7) | (104.00) |
| Airport Passengers | 3,408,834 | 280,278 | 299,175 | 419,329 | 4,085,334 | 307,127 | 9.58 |

| **$bn** *(unless otherwise mentioned)* | Dec. 2007 | Jan. 2008 | Oct. 2008 | Nov. 2008 | Dec. 2008 | Jan. 09 | % Change* |
|---|---|---|---|---|---|---|---|
| BdL FX Reserves | 9.78 | 9.79 | 16.17 | 16.42 | 17.06 | 17.59 | 79.67 |
| *In months of Imports* | *9.19* | *8.84* | *10.85* | *9.87* | *15.03* | *16.48* | *86.42* |
| Public Debt | 42.03 | 42.23 | 46.08 | 46.83 | 47.01 | 46.99 | 11.27 |
| Net Public Debt | 39.03 | 39.07 | 40.74 | 41.15 | 41.49 | 41.43 | 6.04 |
| Bank Assets | 82.26 | 83.07 | 90.43 | 91.76 | 94.25 | 93.79 | 12.90 |
| Bank Deposits (Private Sector) | 67.29 | 68.08 | 74.80 | 75.60 | 77.78 | 77.74 | 14.19 |
| Bank Loans to Private Sector | 20.42 | 21.38 | 24.61 | 24.69 | 25.04 | 24.96 | 16.74 |
| Money Supply M2 | 16.47 | 16.56 | 23.10 | 23.87 | 24.76 | 25.41 | 53.44 |
| Money Supply M3 | 59.83 | 60.28 | 66.38 | 67.08 | 68.66 | 68.62 | 13.83 |
| LBP Lending Rate (%) | 10.10 | 10.04 | 9.90 | 10.08 | 9.95 | 10.07 | 3b.p. |
| LBP Deposit Rate (%) | 7.40 | 7.35 | 7.28 | 7.27 | 7.22 | 7.22 | (13b.p.) |
| USD Lending Rate (%) | 8.02 | 7.93 | 7.53 | 7.54 | 7.47 | 7.35 | (58b.p.) |
| USD Deposit Rate (%) | 4.69 | 4.57 | 3.54 | 3.47 | 3.33 | 3.31 | (126b.p.) |
| %* Change in CPI** | 5.92 | 5.68 | 11.16 | 8.35 | 6.36 | 4.03 | (165b.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" | 15.82 | 2.13 | 144,818 | 18.09% |
| Solidere "B" | 15.50 | 1.71 | 72,833 | 11.52% |
| Byblos Common | 1.70 | 1.80 | 13,000 | 4.22% |
| Byblos Priority | 1.71 | 1.18 | 82,500 | 4.03% |
| Byblos Pref. 08 | 99.80 | 1.84 | 200 | 2.28% |
| BLOM GDR | 66.00 | 7.93 | 19,933 | 5.58% |
| BLOM Listed | 64.95 | 0.00 | 0 | 15.96% |
| Audi GDR | 50.35 | 7.13 | 460 | 5.66% |
| Audi Listed | 41.00 | 0.00 | 0 | 16.03% |
| HOLCIM | 12.95 | 7.47 | 1,583 | 2.89% |

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

| Sovereign Eurobonds | Coupon % | Mid Price $ | Mid Yield % |
|---|---|---|---|
| Mar. 2010 | 7.125 | 101.50 | 5.43 |
| May 2011 | 7.875 | 102.38 | 6.66 |
| Mar. 2012 | 7.500 | 101.38 | 6.98 |
| Sep. 2012 | 7.750 | 102.00 | 7.08 |
| June 2013 | 8.625 | 103.38 | 7.67 |
| Apr. 2015 | 10.000 | 108.13 | 8.27 |
| Jan. 2016 | 8.500 | 101.13 | 8.28 |
| May 2016 | 11.625 | 116.38 | 8.50 |
| Mar. 2017 | 9.000 | 102.75 | 8.52 |
| Apr. 2021 | 8.250 | 94.75 | 8.97 |

*Source: Byblos Capital Markets*

| | This Week | Last Week | % Change | Mar. 2009 | Mar. 2008 | % Change |
|---|---|---|---|---|---|---|
| **Total Shares Traded** | 339,327 | 697,111 | (51.32) | 2,056,873 | 2,427,822 | (15.28) |
| **Total Value Traded** | $5,018,029 | $7,031,960 | (28.64) | $32,104,177 | $49,644,714 | (35.33) |
| **Market Capitalization** | $8.75bn | $8.60bn | 1.76 | $8.48bn | $11.36bn | (25.36) |

*Source: Beirut Stock Exchange (BSE)*

## Merrill Lynch maintains recommendation on Lebanese Eurobonds to 'Market Weight', Eurobonds performance slows down in March

Merrill Lynch maintained its recommendation on Lebanon's external debt to 'Market Weight' in its model portfolio of emerging markets debt and increased Lebanon's market weight by 0.1 percentage point to 7.4% in April, after raising it by 0.4 percentage point in March and by 2.2 percentage points last November due to the performance of Lebanese Eurobonds, specifically since the spread of financial turmoil to emerging markets in September. Merrill Lynch upgraded its recommendation to 'Market Weight' from 'Underweight' following the Doha Accord last May.

Lebanon's external debt rating of 'Market Weight' placed Lebanon in the same category as Argentina. Lebanon's Market Weight compares well with the Under Weight recommendation on the Europe, the Middle East & Africa (EMEA) region and to the Under Weight recommendation for similarly-rated countries. Merrill Lynch increased Lebanon's weight in the portfolio to 7.3% in March after decreasing it earlier in the year to 6.9% from 7.7% in November, but still up from 5.5% in September and 5.6% in May. Lebanon had just a 1.5% weight in March 2008, a higher allocation of only Iraq. Lebanon is represented in the portfolio by the Republic March 2013 Eurobond. Lebanon accounted for 25.6% of the allocations in the EMEA region, up from 25% in March, 21.8% in February, 24% in November and significantly up from 19% in September and from 14.6% at the beginning of May 2008. Lebanon's allocation is the 6th highest among countries in the portfolio, down from 5th highest in March but up from 7th highest earlier this year and from 9th highest last September.

**Emerging Markets External Debt Portfolio**

| **Country** | **Bonds** | **Weight (%)** |
|---|---|---|
| Turkey | Turkey ’18s | 11.5 |
| Brazil | Brazil ’17s | 10.7 |
| Philippines | Philipines ’16Ns | 8.1 |
| Mexico | Mexico ’31 | 8.0 |
| Russia | Russia ’18s | 7.7 |
| Indonesia | Indonesia ’18s | **7.5** |
| Lebanon | Lebanon ’13s | 7.4 |
| Venezuela | Venezuela ’18Ns | 6.8 |
| Peru | Peru ’37s | 5.3 |
| Colombia | Colombia ’17s | 4.4 |
| Panama | Panama ’36s | 2.7 |
| Uruguay | Uruguay ’22s | 1.5 |
| South Africa | South Africa ’14s | 1.4 |
| Argentina | Pars | 1.3 |
| Jamaica | Jamaica ’17s | 0.8 |
| El Salvador | El Salvador ’23s | 0.6 |
| Iraq | Iraq ’28s | 0.5 |
| Ivory Coast | FLIRB’s | 0.4 |
| Cash | | 13.3 |
| **Total** | | **100** |

*Source: Merrill Lynch, April 2009*

In parallel, Lebanon's external debt posted the 10th highest return at 9.29% among 19 markets in the EMEA region in the first quarter of 2009, as well as the 17th best return among the 39 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA returns of 5.9% and the overall emerging market returns of 3.66% in the cover period. Also, Lebanon's external debt performed better than the 5.41% posted by similarly-rated sovereigns during the first quarter of the year, while Lebanon posted the 8th best performance at 9.25% in the EMEA region and the 15th best performance in emerging markets in US dollar terms. Further, Lebanon's external debt posted the 5th highest returns among 9 countries in the Middle East & Africa region during the first quarter of the year, as it tied with South Africa, and came ahead of Tunisia with 8.11% and Egypt with 5.34%, but behind Iraq with 22.18%, Morocco with 17.4%, Gabon with 13.52% and Ghana with 11.31%. Also, it posted returns of 2.65% in March, ahead of Egypt (2.48%), South Africa (1.92%), Tunisia (0.57%) and Ghana (-3.4%), but behind Iraq (15.92%), Gabon (13.75%) and Morocco (3.92%).

Further, Lebanon's external debt posted the 8th highest return in the EMEA region and the 18th highest return in emerging markets at 2.65% during March 2009. It underperformed the EMEA returns of 4.54%, the emerging markets returns of 3.41% and the 4% returns of similarly-rated sovereigns for the same month.Merrill Lynch said the spread on Lebanese Eurobonds ended March 2009 at 623 basis points, 11th lowest in the EMEA region and 21st lowest among emerging markets compared to 7th lowest in the EMEA region and 17th lowest among emerging markets at the end of February 2009. It was wider than the EMEA spread of 602 basis points and the emerging markets overall spread of 597 basis points as at end-March 2009. Also, Lebanon's spread tightened by 29 basis points in March, similar to Turkey, making it the 9th most tightening in spreads in the EMEA markets included in Merrill Lynch's Sovereign Plus Debt Index, as spreads in the EMEA tightened by 37 basis points while spreads in emerging markets overall tightened by 11 basis points in the same month.

## Balance of payments posts surplus of $664.4m year-to-February

Central Bank figures show that Lebanon's balance of payments (BoP) posted a surplus of $664.4m in the first 2 months of 2009compared to a surplus of $283.5m in the same period last year. The BoP posted a surplus of $300.1m in February compared to a surplus of $364.3m in January and a surplus of $542.7m in February 2008. The February 2009 surplus was caused by a rise of $761.4m in the Central Bank's net foreign assets and a decline of $461m in those of banks and financial institutions. The cumulative surplus over the first 2 months of 2009 was caused by a surplus of $1.43bn in the Central Bank's net foreign assets and a decline of $772m in those of banks and financial institutions. The balance of payments posted a cumulative surplus of $3.5bn in 2008.

## Lebanon ranks 120th globally, 18th in MENA region in terms of political instability

The Economist Intelligence Unit's Political Instability Index for 2009 ranked Lebanon in 120th place among 165 countries worldwide and 18th among 20 countries in the Middle East and North Africa region. Lebanon ranked 109th globally and 17th regionally in the previous survey that was conducted in 2007. Also, Lebanon came in 25th place among 29 upper middle income countries (UMICs) included in the survey. The Political Instability Index indicates the level of threat posed to governments by social unrest over the 2009-10 period. The index ranks countries on a scale of zero to 10, with zero reflecting no vulnerability and 10 the highest level of vulnerability. The index uses 15 underlying indicators grouped in two sub-indices of Underlying Vulnerability and Economic Distress.

Globally, Lebanon tied with Colombia, Peru, South Africa, Thailand, Lesotho, Nigeria and Mali, ranked ahead of Argentina, the Kyrgyz Republic and Madagascar, and came behind Cameroon, Papua New Guinea and Mauritania. It also tied with South Africa, ranked ahead of Argentina and Panama and behind Turkey and Latvia among UMICs. Lebanon's score deteriorated to 7 points from 5 points in the previous survey, and it moved from the 'Moderate Risk' category to the 'High Risk' category. It was among 17 UMICs, 7 MENA countries and 77 countries overall in this category. Its score was worse than the global average of 5.89 points, the UMICs' average of 5.66 points, as well the MENA and Arab averages of 5.73 points and 5.71 points respectively.

**MENA Scores & Rankings**

| | Index Score | MENA Rank | Global Rank |
|---|---|---|---|
| Oman | 3.9 | 1 | 17 |
| UAE | 4.1 | 2 | 21 |
| Qatar | 4.1 | 2 | 21 |
| Libya | 4.3 | 4 | 26 |
| Tunisia | 4.6 | 5 | 32 |
| Egypt | 5.4 | 6 | 59 |
| Jordan | 5.4 | 6 | 59 |
| Kuwait | 5.5 | 8 | 62 |
| Bahrain | 5.5 | 8 | 62 |
| Israel | 5.5 | 8 | 62 |
| Morocco | 5.6 | 11 | 68 |
| Syria | 5.8 | 12 | 71 |
| Saudi Arabia | 6.1 | 13 | 80 |
| Yemen | 6.1 | 13 | 80 |
| Iran | 6.2 | 15 | 88 |
| Algeria | 6.6 | 16 | 103 |
| Mauritania | 6.9 | 17 | 115 |
| **Lebanon** | **7.0** | **18** | **120** |
| Iraq | 7.9 | 19 | 160 |
| Sudan | 8.0 | 20 | 161 |

*Source: Economist Intelligence Unit, Byblos Research*

Lebanon tied with 15 countries that include South Africa, Thailand, Moldova and Peru, ranked ahead of Turkey and Georgia, and behind Honduras and Indonesia on the Underlying Vulnerability Sub-Index. The category covers the history of political instability, a country's neighborhood, state history, corruption, ethnic fragmentation, trust in institutions, inequality, status of minorities, tendency for labor unrest, level of social provision, regime type, and factionalism. Lebanon tied with Malaysia and South Africa, ranked ahead of Turkey and came behind Venezuela among UMICs, while it ranked ahead of Sudan and Iraq and came behind Algeria and Morocco in the region.

Lebanon tied with 29 countries that include Uruguay, Armenia and Romania, ranked ahead of Ireland and the United Kingdom, and came behind Sierra Leone and Liberia on the Economic Distress Sub-Index. This category covers growth in incomes, unemployment, and the level of income per head. Also, Lebanon tied with South Africa, Uruguay, Belize and Romania, ranked ahead of Hungary and Lithuania, and came behind Turkey and Malaysia among UMICs; while it tied with Egypt, Jordan, Algeria, Iran, Iraq and Syria in the region. Norway is the country with the least political instability worldwide, while Zimbabwe is the most unstable country in the world.

| Sub-Indicator | Global Rank | MENA Rank | UMIC Rank | Lebanon Score | Global Average Score | MENA Average Score | UMIC Average Score |
|---|---|---|---|---|---|---|---|
| Underlying Vulnerability | 126 | 18 | 26 | 7.1 | 5.2 | 5.3 | 5.2 |
| Economic Distress | 80 | 11 | 17 | 7.0 | 6.6 | 6.2 | 6.2 |

*Source: Economist Intelligence Unit, Byblos Research*

## USAID extends $50m for budgetary support

The United States Agency for International Development (USAID) signed an agreement with the Ministry of Finance to extend to Lebanon $50m in budgetary support. The grant is a part of $250m in budgetary support pledged by the United States at the Paris III donor conference held in January 2007. The $50m will be used for servicing debt payments due to the World Bank Group.The United States pledged $890m to Lebanon at the Paris III conference, including $250m for budgetary support, $120m for private sector support, $50m for development projects, $185m for support of the UNIFIL and $286m for support of the Lebanese Armed and Internal Security Forces.

## Lebanon in the News

### External challenges are key obstacle to positive ratings trend

Global investment bank Credit Suisse indicated that the one-notch upgrade by Moody's Investors Service of Lebanon's sovereign ratings from 'B3' to 'B2' constitutes the first upgrade of any emerging market credit over the past two quarters, highlighting the strongly counter-cyclical nature of Lebanon's credit. It said Lebanon's unique features include a loyal and largely captive investor base, a sophisticated local banking system with a strong and capable regulator, and ease of access to foreign investors with close links to the region such as members of the large Lebanese Diaspora and GCC-based private investors. It noted that, since the onset of the global financial crisis in August 2007, Lebanese banks have benefited from the ongoing savings diversification away from large Western banks, a trend that accelerated sharply after the bankruptcy of Lehman Brothers Holdings Inc. in September 2008. It noted that this diversification, along with to the benefits for the economy from the strong recovery in tourist receipts and overall business activity since the election of President Michel Suleiman and the formation of a unity government, has so far offset the adverse impact on capital inflows from sharply lower oil prices.

Credit Suisse added that the continuation of capital inflows to Lebanon critically depends on the ability of the Lebanese political leaders to preserve relative social and political stability ahead of the June 7 parliamentary elections. It said that an equally significant and potentially more serious risk to continuing stability and security comes from the recent formation of the Natanyahu-led government in Israel. It said that while the recent assurances by the Hezbollah leaders that they have no plans to attack Israel across the border is a good sign, the scope for an "accidental" conflict remains high, as demonstrated by the instances of cross-border missiles launch earlier this year by some breakaway groups in South Lebanon.

Credit Suisse considered that Lebanon's extraordinary resilience to diverse challenges in recent years has been hugely impressive and warrants recognition by rating agencies and investors. However, it warned that external challenges remain too severe to be able to conclude that the positive rating trend could continue much further without two key factors. The first factor is an early return of global growth, which is the ultimate basis for accumulation of savings of offshore investors in Lebanon and keeps capital flows and tourist receipts healthy. The second, factor consists of political continuity, either in the form of an orderly political transition of power to a new post-lections government, or the easing of regional tensions, none of which can be taken for granted at this stage.

### Average Coincident Indicator rises by 10.4% year-on-year in February

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 212.4 points in February 2009 compared to 215.3 points in January and 194 points in February 2008. The Coincident Indicator, an average of 8 weighted economic indicators, regressed by 1.3% month-on-month and rose by 9.5% on an annual basis. The indicator averaged 201.8 points in the 12-months ending February 2009 compared to 200.3 points in the 12 months ending January 2009 and to 182.8 points in the 12-months ending February 2008. As a result, the average coincident indicator rose by 10.4% year-on-year. The indicator posted it best performance ever in January of this year, surpassing the previous peak of 209.8 points reached in November 2008. The results of the first two months of the year reflect continuing growth following the traditional increase in activity during the holidays season. The decline of monthly activity in February follows a historical trend where the indicator regressed 9 times and improved 7 times in the Februarys since the index was launched in 1993. Further, the indicator improved 8 times, regressed 4 times and was twice unchanged in the month of March since 1993. The indicator averaged 198.4 points in 2008, 180 points in 2007 and 171.6 points in 2006.

### Net public debt at $41.9bn at end-February 2009

Lebanon's gross public debt reached $47.2bn at the end of February 2009, constituting an increase of 0.4% from end-2008, and an increase of 10% from end-February 2008. Domestic debt increased by 22.7% to $26.3bn, while external debt decreased by 2.6% annually to $20.9bn. Local currency debt accounted for 55.6% of gross public debt at end-February 2009 compared to 49.9% a year earlier, while foreign currency-denominated debt represented 44.4% of the total at the end of February relative to 50.1% a year earlier.

Commercial banks accounted for 60.6% of the local public debt at the end of February 2009 compared to 54.8% a year earlier. It was followed by the Central Bank with 24.2%, down from 27.8% at end-February 2008; while public agencies, financial institutions and the general public accounted for 15.3% of local debt relative to 17.3% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.4% of the external debt, followed by multilateral institutions with 7.1%, foreign governments with 4.5% and Paris II loans with 1.9%. 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 6.1% to $41.9bn.

In parallel, figures issued by the Finance Ministry indicate that market-issued Eurobonds totaled $13.9bn at end-2008, up marginally by 0.7% year-on-year. They accounted for 65.7% of external debt and for 29.5% of overall public debt compared to 65% of external debt and 32.8% of total public debt at end-2007. Further, gross market debt totaled $31.2bn at end-2008, up nearly 20% year-on-year. It accounted for 66% of total public debt relative to 62% at end-2007. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

## Commercial banks' assets reach $95.1bn at end-February 2009

The Association of Banks in Lebanon released the consolidated balance sheet of commercial banks showing that total assets reached $95.1bn at the end of February 2009, up 0.9% from end-2008 and up 12.9% from end-February 2008. Private sector deposits totaled $78.8bn, up 1.4% from end-2008 and up 14.1% from end-February 2008. Total deposits increased by $1.13bn in February compared to a decline of $42m in January. Deposits in Lebanese pounds rose by 6.9% from end-2008 and by 59.5% year-on-year, while deposits in foreign currencies increased by 1% from the end of last year and by 0.5% from end-February 2008. Non-resident foreign currency deposits reached $10.7bn at end-February 2009, increasing by 1.2% from end-2008 and increasing by 12.7% year-on-year. In parallel, deposits of non-resident banks reached $3.5bn, down 19.2% from end-2008 and down 10.9% from end-February 2008. The dollarization rate of deposits reached 67.9% at end-February 2009, down from 69.6% at end-2008 and from 77.1% a year earlier. Further, the average deposit rate in Lebanese pounds reached 7.13% compared to 7.26% a year earlier, while the same rate in US dollars was 3.25%, down from 4.20% in February 2008.

Loans to the private sector amounted to $24.9bn, down 0.5% from end-2008 and up 14.3% year-on-year. The dollarization rate in private sector lending reached 86.1% compared to 86.6% at end-2008 and 87% a year earlier. The average lending rate in Lebanese pounds was 10.03% in February 2009 compared to 9.94% a year earlier, while the same average in US dollars was 7.28% compared to 7.71% in February 2008. Claims on the public sector stood at $25.4bn, up 14.7% year-on-year and down 0.1% from end-2008, and accounted for 50.4% of the banking sector's total loans. The ratio of private sector loans to deposits in foreign currencies stood at 40.1%, well below the Central Bank's limit of 70%, and up from 35.6% a year earlier. In parallel, the same ratio in Lebanese pounds was 13.7% compared to 17.8% a year earlier. The ratio of total private sector loans to deposits stood at 31.6%, up from 31.5% a year earlier. The banks' aggregate capital base stood at $7.18bn, up 1.2% from end-2008 and 14.6% from $6.27bn in February 2008.

# Corporate Highlights

### AUB business school earns global accreditation

The Suliman S. Olayan School of Business (OSB) at the American University of Beirut received accreditation from the Association to Advance Collegiate Schools of Business (AACSB) International, becoming the first business school in Lebanon to receive this accreditation. Founded in 1916, the US-based AACSB International is a global accrediting body for business schools that offer undergraduate, master's and doctoral degrees in business and accounting. According to the AACSB, achieving accreditation is a process of rigorous internal review, evaluation and adjustment, and can take several years to complete. It said the applying school develops and implements a plan to meet the 21 AACSB standards requiring a high-quality teaching environment, a commitment to continuous improvement, and curricula responsive to the needs of business. OSB's accreditation process took three years, which is considered a record time relative to other universities. The AACSB indicated that 8 institutions of higher learning from 5 countries have earned accreditation in business this year. In addition to Lebanon, the other universities are from the United States, the United Kingdom, France, and South Korea. The OSB joins an elite group, as less than 5% of the world's business schools have earned AACSB accreditation. King Fahd University of Petroleum and Minerals, Kuwait University, the United Arab Emirates University, and the American University in Cairo are the only other universities in the Arab world with a similar accreditation. A total of 567 business schools in 33 countries maintain AACSB accreditation, with 103 such schools outside the United States.

### Sultan Center posts $18.5m net loss in 2008

The Kuwait-based Sultan Center (TSC) announced net losses of KWD5.4m, or $18.5m, in fiscal year 2008 compared to profits of KWD16.9m in FY2007. The firm reported a net loss of KWD17m in the fourth quarter of 2008 compared to a net loss of KWD1.3m in the same period of 2007 and a net profit of KWD2.7m in the third quarter of 2008. Revenues totaled KWD270m, or $926m, up 20% from the previous year. Revenues reached KWD80m in the fourth quarter, up 37% from the same period of 2007. The company said fourth quarter profits were affected by one-off items, including KWD12m in unrealized losses on investments.

Sultan Center-Lebanon, a fully-owned subsidiary of Kuwait's Sultan Center Food Products Co. KSC, acquired last August the Monoprix and Géant Casino supermarkets in Lebanon that from ADMIC sal. The deal included $97m for the assets of the six outlets and $11m for the inventory in stock. The Monoprix and Géant outlets were renamed TSC Plus and TSC Mega, respectively. Sultan Center Food Products Co. is Kuwait's largest independent retailer. The company operates 47 supermarkets in Kuwait, Oman and Jordan, and plans to expand its activities in Bahrain, Egypt, Saudi Arabia and Syria. The company is credited with introducing the 'one-stop shop' format in the Middle East.

### BLOM distributes dividends for 2008

BLOM Bank sal announced that its Ordinary General Assembly held on April 8, 2009 approved the distribution of dividends for 2008. The bank will pay LP5,500, or $3.60, per share for holders of common shares; LP12,800, or $8.50, per share for holders of Preferred Shares 2004 Series; and LP14,300, or $9.50, per share for holders of Preferred Shares 2005 Series. The dividends will be paid net of a 5% distribution tax. BLOM Bank, Lebanon's largest bank by profits, posted net profits of $251.6m in 2008, up 23% from the previous year. It had total assets of $17.9bn, loans of $3.5bn and aggregate deposits of $15.1bn at end-2008.

### Bank Audi plans dividends of LP3,400 per common share for 2008

The Board of Directors of Bank Audi sal called for an Ordinary General Assembly to be held on April 21, 2009 and announced that it will propose to distribute dividends of LP3,400 ($2.20) per share, net of a 5% distribution tax, for shareholders carrying common shares. Bank Audi, one of Lebanon's largest banks, posted net profits of $238.5m in 2008, up 19.1% from the previous year. It had total assets of $20.4bn, loans of $5.97bn and aggregate deposits of $17.1bn at end-2008.

### Television station MTV resumes broadcasting

The MTV television station resumed broadcasting on April 7, 2009 after a seven-year interruption. MTV was shut down on September 4, 2002 after a court ruled that it violated Article 68 of the electoral law on election broadcasts. Established in 1991, MTV focused at first on general entertainment but added in 1995 news bulletins and political programs to its line up, and started satellite broadcasting in 2002. The station resumed both terrestrial and satellite broadcasting and will offer news and documentaries rather than pure entertainment. MTV will also recover some of its previous staff. The station's chairman said he intended to launch the station in September 2006, but the summer war that started in July of that year between Israel and Hizbullah led to the postponement of the plan. Financing of the station will come mainly from existing shareholders. With MTV's re-opening, Lebanon now has 9 operating television stations that include 8 private stations and state-owned Télé Liban.

## 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 | B2 | 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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