



LEBANON THIS WEEK

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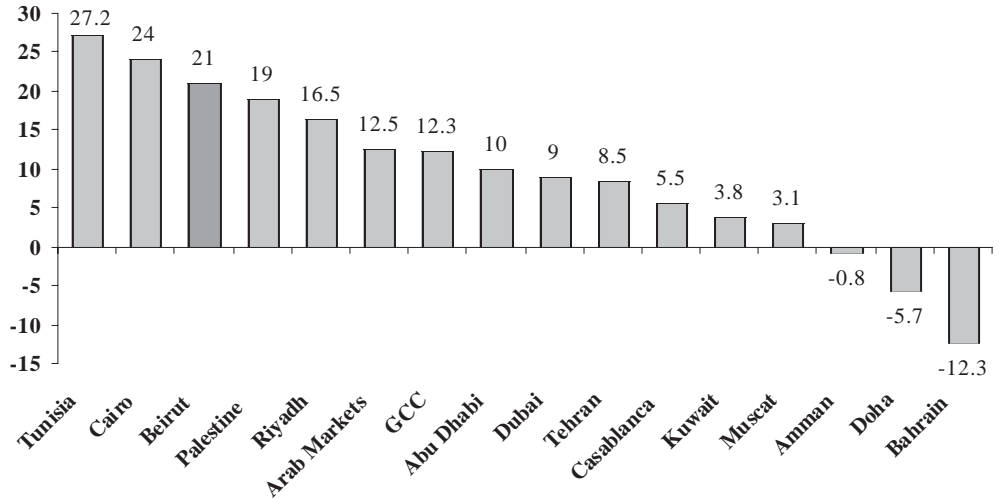
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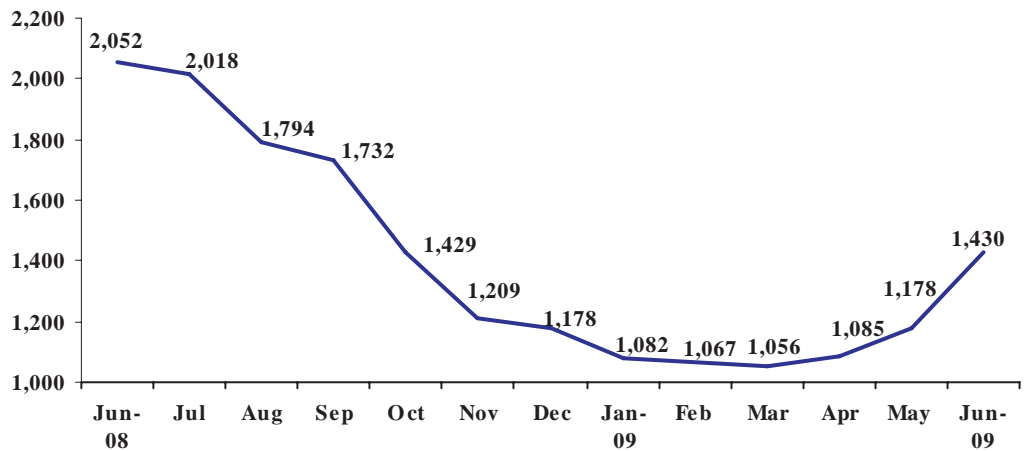
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Charts of the Week

Performance of MENA Stock Markets in the First Half of 2009 (%)



Performance of the Beirut Stock Market*



*BLOM Stock Index

Source: Local Stock Markets

Quote to Note

“The Lebanese private sector has demonstrated a strong commitment to addressing key issues that inhibit socio-economic development.”

The United Nation’s Lebanon National Human Development Report, on the private sector’s various internal measures and external outreach to support economic development

Number of the Week

34%: Upside to Byblos Bank’s common share price as at the June 29 closing price, highest among listed Lebanese banks, according to regional investment bank EFG Hermes

Economic Indicators

\$m (unless otherwise mentioned)	2007	Apr. 08	2008	Feb.2009	Mar. 2009	Apr. 09	% Change*
Exports	2,816	279	3,478	449	270	231	(17.20)
Imports	11,815	1,310	16,133	1,035	1,138	1,797	37.17
Trade Balance	(8,999)	(1,031)	(12,655)	(586)	(868)	(1,566)	51.89
Balance of Payments	2,036	73	3,462	300	(367)	839	1,049
Checks Cleared in LBP	8,409	755	9,350	815	899	804	6.49
Checks Cleared in FC	29,893	3,374	43,174	2,872	3,294	3,222	(4.5)
Total Checks Cleared	38,302	4,129	52,524	3,687	4,148	4,026	(2.49)
Budget Deficit/Surplus	(2,546)	(399)	(2,921)	(326)	(508)	(76)	(80.95)
Primary Balance	731	(13)	597	(82)	(110)	363	(2,892)
Airport Passengers	3,408,834	290,562	4,085,334	276,825	302,709	392,556	35.10

\$bn (unless otherwise mentioned)	Dec. 2007	Apr. 2008	Jan. 2009	Feb. 2009	Mar. 09	Apr. 09	% Change*
BdL FX Reserves	9.78	11.39	17.59	18.23	18.66	19.33	69.71
<i>In months of Imports</i>	<i>9.19</i>	<i>8.70</i>	<i>16.48</i>	<i>17.62</i>	<i>16.40</i>	<i>10.75</i>	<i>23.56</i>
Public Debt	42.03	43.54	46.99	47.20	47.85	47.77	9.71
Net Public Debt	39.03	39.98	41.43	41.88	42.34	42.69	6.78
Bank Assets	82.26	85.63	93.79	95.11	97.94	99.63	16.35
Bank Deposits (Private Sector)	67.29	70.13	77.74	78.88	80.50	82.62	17.81
Bank Loans to Private Sector	20.42	22.98	24.96	24.94	25.45	25.76	12.10
Money Supply M2	16.47	17.85	25.41	26.23	26.86	27.77	55.57
Money Supply M3	59.83	62.72	68.62	69.41	70.52	72.28	15.24
LBP Lending Rate (%)	10.10	9.86	10.07	10.03	10.10	9.83	(3b.p.)
LBP Deposit Rate (%)	7.40	7.26	7.22	7.13	7.10	7.08	(18b.p.)
USD Lending Rate (%)	8.02	7.42	7.35	7.28	7.32	7.21	(21b.p.)
USD Deposit Rate (%)	4.69	3.67	3.31	3.25	3.26	3.24	(43b.p.)
%* Change in CPI**	5.92	12.20	4.03	2.80	3.51	2.00	(1,020b.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"	26.68	4.14	847,102	22.99%
Solidere "B"	26.63	5.17	306,742	14.92%
Byblos Common	1.87	0.54	86,886	3.50%
Byblos Priority	1.90	4.40	154,362	3.37%
Byblos Pref. 08	98.50	3.52	1,000	1.70%
BLOM GDR	77.00	5.48	21,095	4.90%
BLOM Listed	72.00	0.21	10,500	13.34%
Audi GDR	69.70	1.01	3,328	5.91%
Audi Listed	60.00	(1.07)	12,674	17.68%
HOLCIM	13.07	(1.28)	5,868	2.20%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2010	7.125	101.50	4.77
May 2011	7.875	104.00	5.58
Mar. 2012	7.500	103.50	6.87
Sep. 2012	7.750	103.88	6.37
June 2013	8.625	106.50	6.72
Apr. 2015	10.000	110.75	7.88
Jan. 2016	8.500	104.00	7.71
May 2016	11.625	117.25	8.27
Mar. 2017	9.000	106.00	7.94
Apr. 2021	8.250	101.00	8.11

Source: Byblos Capital Markets

	This Week	Last Week	% Change	June 2009	June 2008	% Change
Total Shares Traded	1,493,816	1,165,629	28.16%	8,778,166	5,263,747	66.77
Total Value Traded	\$35,585,754	\$25,173,729	41.36%	\$174,823,842	\$167,096,917	4.62
Market Capitalization	\$11.60bn	\$11.38bn	1.93%	\$11.31bn	\$16.23bn	(30.30)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 71st globally, 7th in Arab world in insurance premiums

Swiss Re's annual survey of the global insurance market indicates that Lebanon ranked in 71st place among 88 markets in terms of nominal premiums generated in 2008. It also came in 7th place among 11 Arab markets included in the survey. Lebanon generated \$881m in total premiums last year, accounting for 0.02% of global premiums, for 0.2% of premiums generated in emerging markets and for 3% of premiums generated in the Middle East & Central Asia region. Globally, Lebanon ranked ahead of Bangladesh and Sri Lanka and behind Kazakhstan and Pakistan, while it came ahead of Oman and behind Kuwait regionally.

Lebanon generated \$290m in life premiums in 2008, ranking in 62nd place globally and 4th in the Arab world. Globally, it ranked ahead of Sri Lanka and Kazakhstan and behind Pakistan and Bangladesh, while it came behind Egypt and ahead of Kuwait regionally. Life premiums accounted for 0.01% of global life premiums, for 0.1% of such premiums generated in emerging markets and for 3.8% of life

premiums generated in the Middle East & Central Asia region. Further, Lebanon generated \$590m in non-life premiums last year, ranking in 69th place globally and 9th place among Arab countries. Globally, Lebanon ranked ahead of Sri Lanka and Bangladesh, and came behind Vietnam and Pakistan, while it came ahead of Oman and behind Tunisia in the region. Non-life premiums accounted for 0.03% of global life premiums, for 0.2% of such premiums generated in emerging markets and for 2.7% of non-life premiums generated in the Middle East & Central Asia region.

In parallel, Swiss Re said that Lebanon's insurance density, or premiums per capita, reached \$212.6 in 2008, ranking in 54th place globally and in 5th place in the Arab world. Globally, it ranked ahead of Thailand and China and behind Malaysia and South Korea, while regionally it came ahead of Saudi Arabia and behind Oman. Further, insurance penetration in Lebanon, or premiums relative to the size of the economy, reached 3.4% of GDP last year, ranking it in 39th place globally and in first place in the Arab world. Globally, Lebanon came ahead of Thailand and China and behind Malaysia and India.

Capital Intelligence upgrades sovereign ratings on decline in near-term financing risks, increased liquidity

Credit rating agency Capital Intelligence raised Lebanon's long-term foreign and local currency ratings to 'B' from 'B-' and maintained the outlook at 'stable'. It also upgraded to 'B' with a 'stable' outlook the long-term foreign currency ratings of Byblos Bank, BLOM Bank, Credit Libanais, Bank Audi, BBAC, and Fransabank. The agency attributed the ratings upgrade to Lebanon's improved international liquidity position as well as to the decline in near-term financing risks resulting from increased investor confidence and banking sector liquidity. It added that the sovereign's credit profile is supported by the return of relative political normalcy since May of last year.

It said that the decrease in political risks, along with favorable interest rate differentials, has contributed to a pick up in financial inflows and greater demand for local currency-denominated deposits, enabling the Central Bank to almost double its foreign exchange reserves between end-2007 and April 2009. It noted that official reserves are currently about four times as high as annual government foreign currency debt service and, combined with the liquid foreign assets of the commercial banks, cover more than 70% of short-term external debt. It considered that, although the government's projected gross financing requirement for 2009 is high at about 45% of GDP, the majority of foreign currency amortization has already been covered through a Eurobond exchange in March while strong deposit inflows should enable the government to tap the market again later in the year. Further, the banking sector has been little affected by the global financial crisis, confidence in the system is high and bank deposits have been remarkably stable in the face of economic and political shocks over the past decade.

Capital Intelligence warned, however, that the sovereign ratings remain constrained by weak public finances and political risk factors. It noted that the government is the most indebted of all rated sovereigns, with gross debt equivalent to 162% of GDP or 672% of budget revenues at end-2008, while the debt stock is unfavorably structured, resulting in heavy exposure to refinancing, interest rate and exchange rate risk. Further, the budget deficit is unsustainably high at around 10% of GDP and fiscal flexibility is constrained by weakness in revenue generation and substantial expenditure rigidities, with interest expenses alone accounting for more than one-third of public spending.

Insurance Density in MENA region in 2008 (Premiums per Capita in US\$)

	Life	Non-Life	Total	Rank
Israel	772.4	763.9	1,536	28
UAE	208.1	905.9	1,140	32
Bahrain	168.2	420.5	588.7	39
Kuwait	72.2	240.9	313.0	48
Oman	41	177.2	218.2	53
Lebanon	70.1	142.5	212.6	54
Saudi Arabia	6.3	115.1	121.4	63
Morocco	26.8	53.5	80.3	69
Tunisia	8.6	66.3	74.8	70
Jordan	8.4	65.5	73.8	71
Iran	4	54.8	58.8	76
Algeria	8.2	14.9	30	80
Egypt	1.3	6.9	18	84

Source: Swiss Re, Byblos Research

Lebanon ranks 146th globally and 13th in the MENA region in Government Effectiveness

The World Bank's annual World Governance Indicators for 2008 show that Lebanon's rankings were almost unchanged on five out of six governance indicators included in the survey, while it regressed in the sixth category, reflecting a lack of improvement in public governance year-on-year. The indicators cover 212 countries and are rated on a scale of -2.5 to +2.5.

Lebanon ranked in 146th place worldwide and in 13th place in the MENA region in terms of Government Effectiveness. The indicator measures the competence of the bureaucracy and the quality of public service delivery. Globally, it came ahead of Azerbaijan and Malawi and ranked behind Micronesia and Kenya, while it ranked ahead of Syria and came behind Algeria in the region. Lebanon's rank was unchanged globally and regionally year-on-year. Lebanon was one of 13 countries worldwide where Government Effectiveness posted "significant declines" between 1998 and 2008.

Also, Lebanon ranked 202nd worldwide and 18th in the MENA region in terms of Political Stability. The indicator measures the likelihood of instability, domestic violence and terrorism during the year covered. Globally, it ranked ahead of Nigeria and Sri Lanka and came behind Guinea and Chad, while regionally it ranked ahead of Iraq and behind Yemen. Lebanon's rank improved by one spot globally and remained unchanged regionally from the previous year. Lebanon was one of 15 countries globally where Political Stability registered "significant declines" during the 1998-2008 period.

In addition, Lebanon ranked 135th globally and second in the MENA region on the Voice & Accountability indicator. This category measures a country's citizens ability to participate in selecting their government as well as freedom of expression, freedom of association, and a free media. Globally, it came ahead of Singapore and Niger and behind Burkina Faso and Maldives, while it ranked behind Israel and ahead of Kuwait in the region. Lebanon's rank improved by 2 spots globally and was unchanged regionally year-on-year.

Further, Lebanon ranked 108th globally and 12th in the MENA region in terms of Regulatory Quality, the measure of market-friendly policies and laws. Globally, it ranked ahead of Moldova and Serbia and came behind Bosnia-Herzegovina and Guatemala, while it ranked regionally ahead of Yemen and behind Egypt. Lebanon's rank was unchanged worldwide and regressed by one spot in the MENA region in 2008.

Lebanon ranked 155th globally and 15th in the MENA region on the Rule of Law category, an indicator of the extent that citizens have confidence in and abide by the rules of society. Globally, it came ahead of Peru and Azerbaijan and behind Guyana and Bangladesh, while it ranked ahead of Iran and came behind Algeria regionally. Lebanon's rank improved by two places worldwide and remained unchanged in the MENA region.

Finally, Lebanon ranked 167th globally and 16th in the MENA region on the Control of Corruption indicator, the measure of a country's level of corruption. Globally, it came ahead of Timor-Leste and Cameroon and behind Honduras and Niger, while it ranked ahead of Syria and behind Libya in the region. Lebanon's rank regressed by 17 spots worldwide and by one place in the MENA region.

Government Effectiveness Rankings & Scores 2008

Country	Score	MENA Rank	Global Rank
Israel	1.30	1	26
UAE	0.82	2	47
Qatar	0.68	3	56
Bahrain	0.47	4	69
Oman	0.42	5	70
Tunisia	0.35	6	74
Jordan	0.27	7	77
Kuwait	0.11	8	86
Saudi Arabia	0.01	9	93
Morocco	-0.09	10	103
Egypt	-0.37	11	121
Algeria	-0.50	12	134
Lebanon	-0.64	13	146
Syria	-0.67	14	153
Iran	-0.75	15	160
Libya	-0.84	16	174
Yemen	-0.99	17	185
West Bank/Gaza	-1.36	18	197
Iraq	-1.41	19	200
Sudan	-1.41	20	201

Source: World Bank, Byblos Research

Lebanon's Rankings and Scores on Governance Indicators for 2008

Indicator	Global Rank	MENA Rank	Lebanon Score	MENA Average Score
Voice & Accountability	135	2	-0.40	-1.00
Political Stability	202	18	-1.94	-0.56
Government Effectiveness	146	13	-0.64	-0.17
Regulatory Quality	108	12	-0.20	-0.17
Rule of Law	155	15	-0.73	-0.08
Control of Corruption	167	16	-0.83	-0.16

Source: World Bank, Byblos Research

Central Bank foreign assets increase by 19% to \$23.5bn in first half of 2009

The Central Bank's interim balance sheet reached \$47.2bn at the end of the first half of 2009 compared to \$40bn at the end of 2008 and to \$36.5bn at the end of June 2008. Assets in foreign currencies increased by 19% in the first half of the year to \$23.5bn, up from \$19.7bn at the end of 2008. Assets in foreign currencies increased by \$402.1m in June, \$792.5m in May, \$581.3m in April, \$810.6m in March, \$612.8m in February and by \$567m in January. This resulted in an aggregate increase of nearly \$3.8bn in the first half of 2009. Further, assets in foreign currencies rose by \$8.7bn, or 58.4%, year-on-year.

The Central Bank's gold reserves increased by 7.8% in the first half and by 0.6% year-on-year to \$8.66bn, after reaching an all-time high of \$9.2bn in March 2008 on the strength of the global rise in gold prices. Its securities portfolio increased by 17.7% year-to-June and by 24.3% annually to \$7.7bn, as it continued to cover the deficit by subscribing to Treasury bills.

Further, deposits of the financial sector rose by \$6.8bn or 24.2% in the first half and by \$10.2bn, or 41%, annually to \$35.1bn due to capital inflows into the banking sector, while deposits of the public sector declined by 27.4% semi-annually and rose by 8.2% year-on-year to \$3.37bn. Assets in foreign currencies increased by \$7.34bn in 2008, declined by \$580m in 2007 and rose by \$1.32bn in 2006.

Net public debt at \$42.8bn at end-May 2009

Lebanon's gross public debt reached \$47.7bn at the end of May 2009, constituting an increase of 1.5% from end-2008 and a rise of 9.3% from end-May 2008. Domestic debt increased by 19.7% to \$26.3bn, while external debt decreased by 1.1% annually to \$21.4bn. Local currency debt accounted for 55.1% of gross public debt at end-May 2009 compared to 50.4% a year earlier, while foreign currency-denominated debt represented 44.9% of the total at the end of May relative to 49.6% a year earlier. Market-issued Eurobonds account for about 66% of external debt.

Commercial banks accounted for 57.8% of the local public debt at the end of May 2009 compared to 56.6% a year earlier. They were followed by the Central Bank with 26.4%, down from 27.2% at end-May 2008; while public agencies, financial institutions and the general public accounted for 15.8% of local debt relative to 16.2% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.2% of the external debt, followed by multilateral institutions with 7.1%, foreign governments with 4.6% and Paris II loans with 2.1%. 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 6.4% to \$42.8bn. In parallel, the gross market debt accounted for about 66% of total public debt. 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.

Fiscal deficit up 4% to \$1.41bn in first 5 months of 2009

Figures released by the Finance Ministry show that the fiscal deficit reached \$1.41bn in the first 5 months of 2009, up 3.5% from the same period last year. The deficit was equivalent to 29.1% of total budget and Treasury expenditures compared to 33.6% in the same period of 2008. Overall government expenditures reached \$4.83bn, up 19.2% year-on-year, while total revenues increased by 27.2% to \$3.42bn over the covered period. Tax revenues improved by 35.3% year-on-year to \$2.34bn, of which 34.2%, or \$798m, were in VAT receipts that posted an 18.4% annual rise. Tax revenues accounted for 71.3% of budgetary revenues and for 68.2% of total Treasury and budget receipts.

Debt servicing increased by 14.8% year-on-year to \$1.6bn, accounting for 47.9% of total expenditures and for 33.1% of budgetary spending. It absorbed 48.9% of overall revenues and 46.7% of budgetary receipts. Excluding debt servicing, the primary surplus reached \$1.57bn, or 47.1% of budget expenditures compared to a surplus of \$1.01bn, or 34.3% a year earlier. The overall primary surplus reached \$228.2m, or 4.7% of total spending compared to a surplus of \$165m, or 4.1% of total expenditures, a year earlier.

Airport passengers up 29% in first half of 2009

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 2.08 million in the first half of 2009, up 29% from the same period last year. Passengers from the UAE accounted for 19.9% of the total, followed by those from France with 10.6%, Saudi Arabia with 10.4%, Kuwait with 8.3% and Jordan with 5.7%. The total number of flights reached 25,334 in the first half of 2009, up 32.3% year-on-year. Also, the HIA processed 34,871 metric tons of cargo, of which 34,364 tons of freight and 507 tons of mail. The total cargo processed in the first half of 2009 increased by 12.2% compared to the same period of 2008.

Trade deficit down 1.3% to \$4.7bn in first 5 months of 2009

Imports increased by 2.7% to \$6.28bn in the first 5 months of 2009 and exports grew by 7.3% to \$1.53bn in the same period, leading to a trade deficit of \$4.7bn, up 1.3% year-on-year. In volume terms, imports increased by 9.7% to 5.85 million tons in the first 5 months of 2009, and exports declined by 12.9% to 1.23 million tons in the same period, leading to a trade deficit of 4.6 million tons, up 17.9% year-on-year. The coverage ratio reached 24.3% in the first 5 months of the year compared to 23.2% in the same period of 2008. The trade deficit reached \$950m in May 2009, up 1.3% from May 2008.

France was the main source of imports with \$603m or 10% of the total, followed by the United States with \$600m (10%), China with \$573m (9%), Germany with \$481m (8%), Italy with \$453m (7%) and Russia with \$265m (4%). Switzerland was the main export destination with \$350m or 23 % of the total, followed by Syria with \$168m (11%), the UAE with \$135m (9%), Iraq with \$132m (9%) and Saudi Arabia with \$108m (7%). Lebanon's main export was jewelry at \$458m or 30% of total exports, followed by machinery & mechanical appliances with \$209m (14%), mineral products with \$133m (9%), base metals with \$114m (7%), prepared foodstuff with \$112m (7%) and chemical products with \$86m (6%). Re-exports totaled \$63m in the first five months of 2009, down 5.9% from \$67m in the same period of 2008.

The Hariri International Airport was the main source of Lebanese exports accounting for 39% of total exported goods in the first five months of 2009, followed by the Port of Beirut with 25%, the Masnaa crossing point with 18%, the Abbudieh crossing point with 13% and the Port of Tripoli with 4%. The Port of Beirut was the main source for imports, accounting for 66% of total imports, followed by the Hariri International Airport with 20%, the Port of Tripoli with 6% and the Masnaa crossing point with 5%.

Customs receipts up 100% to \$726m in first 5 months of 2009

Figures released by the Higher Customs Council show that customs revenues reached \$726m in the first 5 months of 2009, up 99.7% from the same period last year. Customs revenues reached \$151m in May compared to \$149m in April and to \$79m in May 2008. The Port of Beirut continues to be the main point of customs receipts, accounting for 88.2% of the total, and was followed by the Hariri International Airport with 5.8%, the Port of Tripoli with 2.9%, and the Masnaa crossing point with 1.4%. Overall customs receipts reached \$1.28bn year-to-May when including revenues from the value-added tax that totaled \$552m over the covered period.

Association of Banks elects new Board of Directors

The General Assembly of the Association of Banks in Lebanon elected a new Board of Directors to a two-year term. The board members are Dr. Francois Bassil, Chairman & General Manager of Byblos Bank sal, Mr. Saad Azhari, Chairman & General Manager of BLOM Bank sal, Dr. George Achi, Chairman of Bank Audi sal; Dr. Joseph Torbey, Chairman & General Manager of Crédit Libanais; Dr. Tanal Sabbah, Chairman & General Manager of the Lebanese-Swiss Bank; Nadim Kassar (Fransabank), Farid Raphael (Banque Libano-Française), Mohammad Hariri (BankMed), Antoine Sehnaoui (SGBL), Ghassan Assaf (Bank of Beirut & the Arab Countries), Selim Sfeir (Bank of Beirut); and Abdel-Razzak Achour (Bank of Kuwait & the Arab Countries). In turn, the new board elected Dr. Joseph Torbey as the Association's President, Mr. Saad Azhari as Vice President, Dr. George Achi as Secretary General and Dr. Tanal Sabbah as Treasurer.

Stock market activity down 31% to \$476m in first half of 2009

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 74.6 million shares in the first half of 2009, an increase of 144% year-on-year, while aggregate turnover amounted to \$476m, down 31% from a turnover of \$689.3m in the same period last year. Market capitalization decreased by 30% to \$11.3bn year-on-year, of which 59% was in banking stocks and 37% in Solidere stocks. The market liquidity ratio was 4.2%, unchanged from the same period of 2008.

Bank stocks accounted for 78.4% of aggregate trading volume in the first half of 2009, followed by Solidere's stocks with 21.1%. In terms of value of shares traded, Solidere stocks accounted for 63.9% of aggregate value, followed by banking stocks with 35.8%. The average daily traded volume for the period was 637,974 shares for an average daily value of \$4.1m. The figures reflect an increase of 148.3% in volume and a decrease of 29.8% in value year-on-year. The significant rise in volume is due to activity related to the GDR exchange program launched by Byblos Bank in February, which consisted of giving holders of common shares the option to exchange every 50 shares for one Global Depository Receipt.

LAU acquires Rizk Hospital

The Lebanese American University (LAU), one of the largest private universities in Lebanon, has reportedly finalized a deal to acquire Rizk Hospital after reaching an agreement with the hospital's shareholders. The deal stipulates that a private company affiliated to LAU will buy the hospital and will change its name to University Medical Center - Rizk Hospital. Last March, the two sides signed a Memorandum of Understanding to allow LAU's Faculty of Medicine students to use Rizk Hospital for technical practice. LAU will launch its own faculty of medicine in September 2009 in collaboration with Harvard Medical International.

Established in 1925, Rizk Hospital is one of the largest hospitals in the country. It has around 159 operational beds, 6 surgery rooms and 45 clinics. Further, it has about 150 doctors in most medical and surgical specialties, more than 280 nurses, and nearly 270 administrative employees. It is the first hospital in Lebanon to receive the ISO certification back in 2002. Dr. Assaad Rizk holds an 85% stake in the hospital, with the remaining 15% owned by 45 practicing doctors detaining at a least four shares each. Last year, Byblos Bank sal subscribed in full to a \$75m bond issued by LAU, which intends to use the proceeds to finance a variety of projects for a total cost of about \$120m, including new capital projects and a medical school building.

Uniceramic posts net losses of \$3.8m in 2008

Tile-maker Uniceramic sal posted net losses of \$3.8m in 2008 compared to losses of \$5.4m in 2007, and \$3.2m in 2006. The company's net sales reached \$7.7m last year, constituting a decrease of 62.9% from \$20.7m in 2007. Its cost of goods sold declined by 64.5% to \$7.2m and its gross profit margin dropped by 7% to \$0.51m in 2008. Uniceramic's total assets decreased by 19.2% to \$33m in 2008 and its equity decreased by 20.3% to \$14.8m in 2008. Last November, Uniceramic announced it is shutting down its operations in Lebanon and laying off its remaining 200 employees. The decision came after the firm's inability to finance its new strategy that was approved by its general assembly in August. In 2007, Uniceramic established a joint venture with the Bahrain-based Swicorp Intaj Capital, named Uniceramic Holding, to build production plants in Algeria and Qatar and diversify its markets. Uniceramic has been listed on the Beirut Stock Exchange since May 1996.

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	Apr 2008	Mar 2009	Apr 2009	Change*	Risk Level
Political Risk Rating	55.5	57.5	57.5	▲	High
Financial Risk Rating	31.5	28.0	28.0	▼	High
Economic Risk Rating	28.5	30.0	30.0	▲	Moderate
Composite Risk Rating	57.7	57.7	57.7	↔	High

Regional Average	Apr 2008	Mar 2009	Apr 2009	Change*	Risk Level
Political Risk Rating	65.5	65.7	65.4	▼	Moderate
Financial Risk Rating	40.9	41.2	41.4	▲	Very Low
Economic Risk Rating	40.3	37.3	37.0	▼	Low
Composite Risk Rating	73.3	72.1	71.9	▼	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	Stable			
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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