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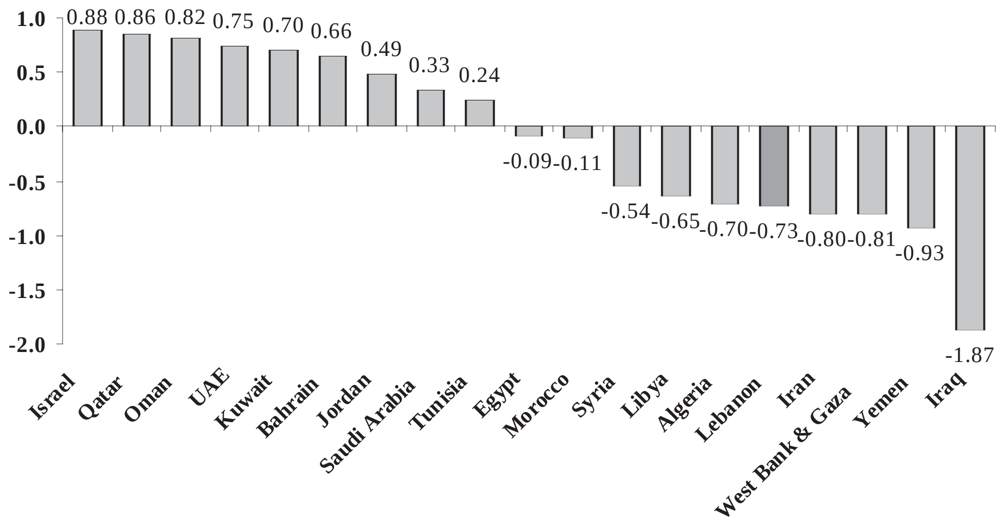
LEBANON THIS WEEK

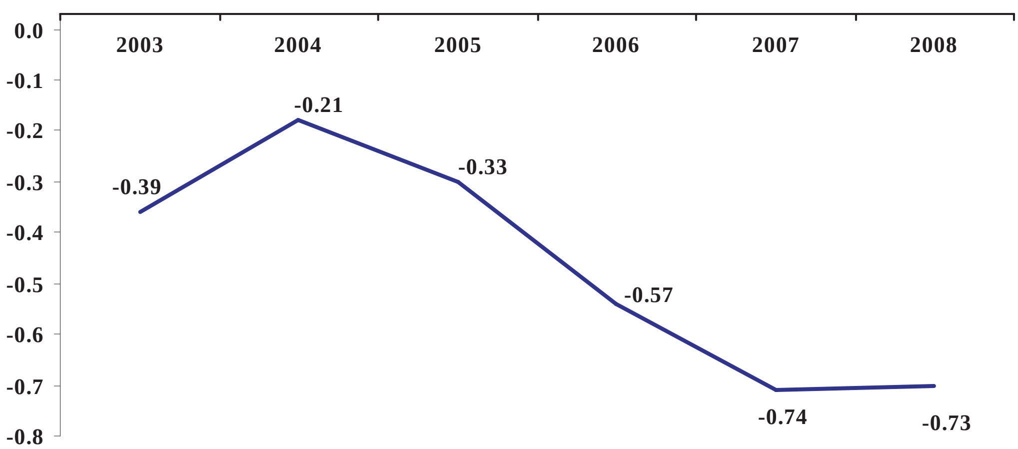
In This Issue

Charts of the Week

Rule of Law Indicator for MENA Countries in 2008



Rule of Law Indicator for Lebanon



Source: World Bank Governance Indicators, 2009

Quote to Note

"Electricité du Liban continues to make losses, absorbs huge subsidies, and is unable to provide an adequate supply of electricity."

The Economist Intelligence Unit, on the burden that the state-owned electricity utility constitutes on public finances and the economy

Number of the Week

$20.6bn: The Central Bank of Lebanon's gross foreign reserves at the end of June 2009, as estimated by the Association of Banks in Lebanon

Economic Indicators

$m (unless otherwise mentioned)	2007	June 08	2008	April 2009	May 2009	June 09	% Change*
Exports	2,816	325	3,478	231	292	249	(23.38)
Imports	11,815	1,201	16,133	1,797	1,242	1,551	29.14
Trade Balance	(8,999)	(876)	(12,655)	(1,566)	(950)	(1,302)	48.63
Balance of Payments	2,036	640	3,462	839	521	443	(30.78)
Checks Cleared in LBP	8,409	790	9,350	804	928	873	10.51
Checks Cleared in FC	29,893	3,986	43,174	3,222	3,497	3,658	(8.23)
Total Checks Cleared	38,302	4,776	52,524	4,026	4,425	4,531	(5.13)
Budget Deficit/Surplus	(2,546)	39	(2,921)	(76)	(198)	(151)	(487.18)
Primary Balance	731	264	597	363	64	161	(39.02)
Airport Passengers	3,408,834	363,818	4,085,334	392,556	348,510	460,223	26.50

$bn (unless otherwise mentioned)	Dec. 2007	June 2008	Mar. 2009	April 09	May 09	June 09	% Change*
BdL FX Reserves	9.78	12.62	18.66	19.33	20.22	20.62	63.39
In months of Imports	*9.19*	*10.51*	*16.40*	*10.75*	*16.28*	*13.29*	*26.45*
Public Debt	42.03	44.49	47.85	47.77	47.73	47.31	6.34
Net Public Debt	39.03	40.40	42.34	42.69	42.77	42.96	6.44
Bank Assets	82.26	88.45	97.94	99.63	101.65	103.62	17.15
Bank Deposits (Private Sector)	67.29	72.09	80.50	82.62	84.35	85.78	18.99
Bank Loans to Private Sector	20.42	23.68	25.45	25.76	26.07	26.07	10.09
Money Supply M2	16.47	19.30	26.86	27.77	28.15	29.07	50.62
Money Supply M3	59.83	63.55	70.52	72.28	73.58	74.68	17.51
LBP Lending Rate (%)	10.10	10.09	10.10	9.83	9.79	9.76	(33b.p.)
LBP Deposit Rate (%)	7.40	7.25	7.10	7.08	7.06	6.96	(29b.p.)
USD Lending Rate (%)	8.02	7.28	7.32	7.21	7.28	7.24	(4b.p.)
USD Deposit Rate (%)	4.69	3.55	3.26	3.24	3.22	3.18	(37b.p.)
%* Change in CPI**	5.92	12.43	3.51	2.00	1.88	3.31	(912b.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"	24.67	(0.92)	286,848	21.84%
Solidere "B"	24.52	(1.57)	85,508	14.11%
Byblos Common	1.85	(1.60)	310,426	3.56%
Byblos Priority	1.90	0.00	17,250	3.46%
Byblos Pref. 08	97.90	0.00	0	1.73%
BLOM GDR	79.90	(1.25)	2,266	5.16%
BLOM Listed	75.00	1.35	1,550	14.27%
Audi GDR	65.65	(1.13)	7,485	5.71%
Audi Listed	60.75	(2.02)	1,890	18.39%
HOLCIM	12.56	2.53	1,150	2.17%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar. 2010	7.125	102.50	2.48
May 2011	7.875	105.63	4.50
Mar. 2012	7.500	105.50	5.20
Sep. 2012	7.750	106.50	5.41
June 2013	8.625	109.00	5.96
Apr. 2015	10.000	113.75	7.02
Jan. 2016	8.500	107.75	6.98
May 2016	11.625	123.00	7.24
Mar. 2017	9.000	111.88	6.96
Apr. 2021	8.250	106.00	7.47

Source: Byblos Capital Markets

	This Week	Last Week	% Change	July 2009	July 2008	% Change
Total Shares Traded	719,873	1,987,055	(63.77)	6,492,987	5,686,000	14.19
Total Value Traded	$10,897,804	$28,694,259	(62.02)	$153,033,909	$171,614,296	(10.83)
Market Capitalization	$11.30bn	$11.38bn	(0.74)	$11.56bn	$15.94bn	(27.51)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

IMF notes resilience of Lebanese economy, cites reduction of public debt as the top priority

The International Monetary Fund indicated that the Lebanese economy could grow substantially faster than earlier projections of 4% for this year, at a time when many emerging market economies are deeply affected by the global economic crisis. It noted that Lebanon looked highly vulnerable when global financial markets collapsed last September, as it had one of the highest government debt-to-GDP ratios in the world, a large and highly dollarized banking system with a significant exposure to the government, and a peg to the dollar. The Fund cited continuous deposit inflows, a high level of liquidity, a well managed banking sector, a small export base, and improvement in security conditions as key aspects for the country's resilience.

It noted that the public debt is equivalent to 160% of GDP, but the government's structural relationship with commercial banks supports its financing, as Lebanese banks hold a majority of the government's debt and have been able for years to maintain their exposure due to stable deposit inflows from the large Lebanese Diaspora and investors from the GCC. Further, the professionalism of Lebanese bankers and Lebanon's excellent debt service record bolstered confidence in the banking system. It added that the banks' exposure to the government acts as a stabilizing buffer for government financing in the short term, as past episodes of political turmoil and deposit withdrawals did not lead to a full-blown debt crisis because banks could resort to their large liquidity buffers to hold on to government debt. This set up has helped soften the impact of confidence losses and has bought time for the situation to turn around and liquidity to resume.

The IMF considered that the second factor that plays in favor of Lebanon is its economic structure and policies. It said exports are equivalent to 17% of GDP, so the decline in exports from the drop in global demand did not have a major impact on growth. Also, remittances have been affected by the global downturn but with a small negative effect so far, as relatively few Lebanese expatriates have been laid off and returned home. Further, bank deposits continue to grow given attractive interest rates and the improved perception of Lebanese banks relative to their Western competitors.

The IMF warned that, even though Lebanon has once again avoided a crisis, there is no guarantee that the country will not be affected in the case of another shock. It added that despite Lebanon's success in recent years, the wrong set of circumstances could easily translate into severe financial troubles. It called for a decisive reduction of Lebanon's large imbalances, and cited the reduction of the public debt as the top priority. It cautioned that this will require many years of sustained fiscal discipline, and will necessitate fixing the electricity sector, a perennial drain on the budget. It also called for increasing financial stability and maintaining the health of the banking sector through strict supervision in order to minimize the likelihood of shocks coming from the banks' portfolio and the possible transmission to the public debt.

Lebanon ranked 94th in the world, 6th in MENA region in terms of gross national income per capita at purchasing power parity

The annual survey on the gross national income (GNI) per capita conducted by the World Bank in 210 countries ranked Lebanon 94th worldwide in terms of GNI per capita at purchasing power parity (PPP) and 6th among 13 countries in the Middle East and North Africa region (MENA) in 2008. Lebanon GNI per capita at PPP was also ranked 29th among 35 Upper Middle Income Countries (UMICs) included in the survey. On a global basis, Lebanon GNI per capita at PPP was higher than the one of Brazil, Macedonia and South Africa and lower than the one of Costa Rica, Serbia and Panama. Among UMICs, Lebanon GNI per capita at PPP was higher than the one of St. Lucia and Dominica and lower than the one of Gabon and Mauritius. Lebanon's GNI per capita at PPP was estimated at $10,880 and is lower than the UMICs average of $14,720 as well as below the MENA and Arab averages of $14,389 and $13,301, respectively.

GNI per capita at PPP Rankings & Scores 2008

Country	GNI per capita at PPP* ($)	MENA Rank	Global Rank
Kuwait	52,610	1	5
Israel	27,450	2	45
Saudi Arabia	22,950	3	53
Oman	20,650	4	58
Libya	15,630	5	71
Lebanon	**10,880**	**6**	**94**
Algeria	7,940	7	108
Tunisia	7,070	8	116
Jordan	5,530	9	124
Egypt	5,460	10	125
Syria	4,350	11	137
Morocco	4,330	12	139
Yemen	2,210	13	163

**Gross national income per capita at PPP*
Source: World Bank

In terms of gross national income per capita, Lebanon ranked 89th worldwide and 7th in the MENA region in 2008. Lebanon GNI per capita was also ranked 28th among 36 UMICs included in the survey. On a global basis, Lebanon GNI per capita was higher than the one of Panama, Kazakhstan and Costa Rica and lower than that one of Mauritius, Montenegro and Botswana. Among UMICs, Lebanon's GNI per capita was higher than that of South Africa and Grenada and lower than that of Malaysia and Argentina. The World Bank estimated Lebanon's GNI per capita at $6,350, lower than the UMICs average of $9,680 as well as below the MENA and Arab averages of $12,643 and $12,416, respectively.

Lebanon in the News

Industrial and commercial activity up in first quarter of 2009

The Central Bank's business sentiment survey indicates that industrial production increased during the first quarter of 2009, with a balance of opinions standing at +4, compared to -4 during the same quarter of 2008. The business survey reflects the opinions of enterprise managers on the evolution of their businesses in order to depict the evolution of a number of key economic variables. The balance of opinions for overall demand for industrial goods increased from -8 in the first quarter of 2008 to 0 in the same quarter of 2009.

In parallel, commercial activity improved, as the volume of sales increased significantly during the first quarter of 2009 with a balance of opinions standing at +18 compared with -11 during the same quarter of 2008. Moreover, overall activity in the construction and public works sectors improved in the first quarter of 2009, with a balance of opinions standing at 0, compared with -5 in the same quarter of 2008. Surveyed managers for ongoing projects in the construction and public works sectors reported a balance of opinion of -8 at the end of the first quarter of 2009 compared with -19 a year earlier.

Year-on-year Evolution of Opinions

Aggregate Results	Q1-09	Q1-08
Industrial production	+4	-4
Total demand for industrial goods	0	-8
Commercial sales volume	+18	-11
Overall activity in construction and public works	0	-5
Ongoing projects in construction and public works	-8	-19

Source: Central Bank Business Survey

Average Coincident Indicator up 3.6% year-on-year in June

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 229 points in June 2009 compared to 227.5 points in May and 197.9 points in June 2008. The Coincident Indicator, an average of 8 weighted economic indicators, improved marginally by 0.7% month-on-month and rose by 9.3% in the first half of 2009 and by 15.7% on an annual basis. The indicator averaged 211.9 points in the 12-months ending June 2009 compared to 209.3 points in the 12-months ending May 2009 and to 204.7 points in the 12-months ending June 2008. As a result, the average coincident indicator rose by 3.6% year-on-year. The indicator posted it second best performance ever in June 2009, after posting its best performance ever in April 2009 when it surpassed the previous peak of 215.3 points reached in January of this year. However, the June results reflect a stagnation in activity, leaving January and April as the only two months with a pick up in activity this year. The indicator improved 11 times and regressed 16 times in the month of June since 1993. The indicator averaged 198.4 points in 2008, 180 points in 2007 and 171.6 points in 2006.

Net public debt at $43bn at end-June 2009

Lebanon's gross public debt reached $47.3bn at the end of June 2009, constituting an increase of 0.6% from end-2008 and a rise of 6.4% from end-June 2008. Domestic debt increased by 13% to $26bn, while external debt decreased by 0.8% annually to $21.3bn. Local currency debt accounted for 55% of gross public debt at end-June 2009 compared to 51.7% a year earlier, while foreign currency-denominated debt represented 45% of the total at the end of June relative to 48.3% a year earlier. Market-issued Eurobonds account for about 66% of external debt.

Commercial banks accounted for 56.8% of the local public debt at the end of June 2009 compared to 57.8% a year earlier. They were followed by the Central Bank with 26.9%, up from 26.1% at end-June 2008; while public agencies, financial institutions and the general public accounted for 16.3% of local debt relative to 16.1% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.1% of the external debt, followed by multilateral institutions with 7.2%, 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 6.3% to $43bn. 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.

Most tourist spending in Lebanon originates from Saudi Arabia in first 7 months of 2009

According to Global Refund, the cash refund operator for international shoppers, tourists from Saudi Arabia spent the most in Lebanon over the first 7 months of 2009, equivalent to 20% of total tourist spending, followed by tourists from Kuwait (12%), UAE (12%), Egypt (8%) and Jordan (7%). Beirut attracted 82% of total spending over the covered period, followed by the Metn area with 13% and the Keserwan region with 2%. Fashion & clothing accounted for 67% of total spending, followed by watches with 11%, perfume & cosmetics with 5%, home & garden with 5% and department stores with 4%.

Subsidized interest loans reach $2.46bn at end-March 2009

Figures released by the Central Bank show that the cumulative amount of subsidized interest loans to productive sectors in Lebanon reached $2.46bn at end-March 2009. The industrial sector accounted for $1.47bn, or 59.8% of the total, followed by tourism with $716m (29.1%), agriculture with $222m (9%), specialized technology with $49m (2%) and handicrafts with $1m (0.1%). Subsidized interest loans extended in 2008 totaled $475m relative to $247.8m in 2007.

Subsidized medium & long-term loans reached $1.63bn, equivalent to 66.2% of the total at end-March 2009. Industry accounted for 60.6% of the total, followed by tourism with 34.4%, agriculture with 4% and specialized technologies with 1%. The program was established in the first quarter of 1997 and consists of a 5% to 7% subsidy on the interest for loans extended in foreign currencies to productive sectors. Also, subsidized interest loans guaranteed by the Kafalat Corporation totaled $544.7m, or 22.1% of the total. Industry accounted for 53.8% of Kafalat-backed subsidies, followed by agriculture with 27.4%, tourism with 15.5%, special technologies with 3.1% and handicrafts with 0.2%. Kafalat provides financial guarantees for loans of up to $400,000 for small and medium-sized enterprises in productive sectors.

Further, interest subsidized under the protocol signed with the European Investment Bank totaled $145.9m, or 5.9% of the total, with industry accounting for 53.4% of the total, followed by tourism with 34.2%, specialized technologies with 10.9%, and agriculture with 1.5%. In addition, subsidized interest loans granted by leasing companies totaled $76.6m at the end of 2008, or 3.1% of the total, with industry accounting for 97%, tourism with 2.9% and specialized technologies with 0.1% of such subsidies. Finally, subsidized interest loans granted by the International Finance Corporation totaled $51.1m, or 2.1% of the total, with industry accounting for 73.1%, tourism for 17.8% and agriculture for 9.1%, while subsidized interest loans to finance working capital totaled $10.3m, or 0.4% of the total with tourism accounting for 100% of the total.

Overdrafts account for 33% of bank credits, term savings attract 87% of customer deposits

Figures issued by the Central Bank about the distribution of bank credits by type show that overdrafts accounted for $9.4bn, or 33.1% of total private sector credits at the end of March 2009. They were followed by advances against real estate with $6.6bn (23.1%), advances against personal guarantees $4.8bn (16.7%), advances against cash collateral or bank guarantees $4.3bn (15.2%), advances against other real guarantees $1.7bn (6.1%), and advances against financial values $1.7bn (5.8%).

In parallel, the distribution of private sector deposits indicates that term savings was the preferred type of account for resident and non-resident bank clients in Lebanese pounds as well as in foreign currencies. It accounted for $36.3bn, or 83.8%, of resident deposits in foreign currency and was followed by checking and current accounts with $5.7bn (13.1%), sight saving accounts with $1.2bn (2.7%) and other creditor accounts with $0.2bn (0.4%). Further, term saving accounts attracted $23.1bn, or 92.7%, of resident deposits in Lebanese pounds, followed by checking and current accounts with $1.4bn (5.5%) and sight saving accounts with $0.4bn (1.7%). Non-residents also favored term saving accounts, which accounted for $9.7bn, or 86.8%, of their foreign currency deposits and for $1.06bn, or 96.8%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled $70.2bn at the end of March 2009, accounting for 87.1% of deposits in Lebanese pounds and foreign currencies.

USAID grants $4m for a wastewater treatment plant

The United States Agency for International Development (USAID) granted $4m to build a wastewater treatment plant in the Bekaa Valley town of Ablah. The grant covers the construction of the facility, the equipment and the training for the employees, and will serve 14,000 residents in the villages of Ablah, Nabi Ayla and Niha. The facility will have the capacity to treat up to 2,000 cubic meters of wastewaters per day, contributing to reducing the pollution in the Upper Litani River Basin and the chance of citizens catching water born diseases. The project will be implemented by engineering and construction firm Camp Dresser & McKee in partnership with the municipalities of Ablah, Nabi Aula and Niha. The Ablah wastewater treatment plant is part of USAID's $18m Small Village Wastewater Treatment Plants project which aims to improve residents' health.

Belgium extends €10m export credit guarantee facility

Belgium's export credit agency, the Office National du Ducroire, extended a €10m export credit guarantee facility for Lebanon in July 2009, as part of Belgium's pledge at the Paris III donor conference. The facility aims to support bilateral trade between the two countries and encourage Belgium exports to Lebanon.

Corporate Highlights

EFG Hermes maintains 'Buy' recommendation on Byblos Bank stock, sees 34% upside

Regional investment bank EFG Hermes reiterated its long term 'Buy' recommendation on Byblos Bank's stock and upgraded its short term rating from 'Neutral' to 'Accumulate', adding that the stock price has a 34% fair value upside. It said Byblos is the most domestic-focused bank among the top 3 Lebanese banks, which might bode well for loan growth in 2009 given a supportive local economy. EFG Hermes said Byblos Bank reported a strong 58% increase in net income quarter-to-quarter, beating its expectations by 89%. It indicated that higher quality drivers such as net interest income, fee income and operating expenses were all better than expected, with operating income exceeding forecasts by a significant 49%. It noted that the strong surge in earnings was helped by a lower tax rate and by a reversal of investments provisions. Also, net interest income was 11% better than expectations, while fee income was almost stable year-on-year and 5% above estimates. EFG Hermes stated that the Bank posted strong deposit growth, as deposits grew by 7% quarter-to-quarter following a 5% quarterly increase in the first quarter of 2009 and bringing the growth rate to 11% since end-2008, above the 2009 forecast of 8%. Also, quarterly loan growth of 4% was ahead of forecasts. It noted that costs have declined by 1% annually and 6% quarterly, in line with peers. Further, the NPL ratio has remained almost unchanged since December 2008 and the increase in provisions reflects a conservative approach. It increased its balance sheet growth forecasts and upgraded its earnings projection by 7% for 2009.

OPIC and Citibank extend $40m loan to Byblos Bank

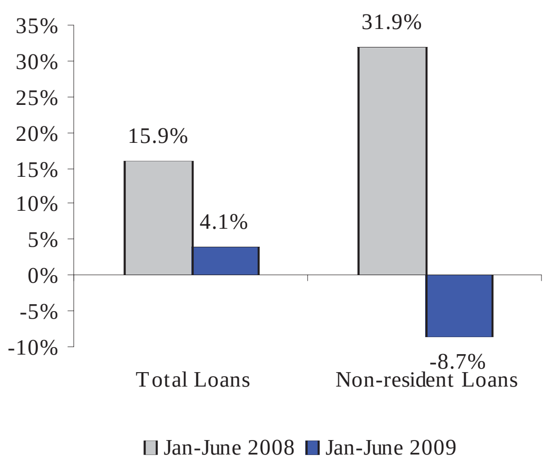
Byblos Bank sal, one of Lebanon's largest banks, signed with the U.S. Overseas Private Investment Corporation (OPIC) and Citibank a $40m, 15-year term loan facility to support loans to small and medium-sized enterprises, individual mortgages and consumer finance programs in Lebanon. The agreement constitutes the second such loan with Byblos Bank, as OPIC and Citibank have already extended a $50m, 15-year loan to the Bank in 2007. The agreements come under the partnership between OPIC and Citibank for the purpose of providing long-term financing to the consumer and SMEs sectors in Lebanon.

OPIC and Citibank have extended $260m over the past three years to the Lebanese banking sector under the Lebanon Framework Agreement that aims to support economic development in Lebanon. An agency of the U.S. government, OPIC manages risks associated with investments in developing countries and provides medium to long-term financing through direct loans and loan guarantees to eligible projects in emerging markets.

Commercial banks' assets reach $103.6bn at end-June 2009

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached $103.6bn at the end of June 2009, up 9.9% from end-2008 and up 17.1% from end-June 2008. Private sector deposits totaled $85.8bn, up 10.3% from end-2008 and up 19% from end-June 2008. Deposits increased by $1.43bn in June, $1.73bn in May, $2.12bn in April, $1.63bn in March and $1.14bn in February, after declining by $42m in January 2009. Deposits in Lebanese pounds rose by 19.6% from end-2008 and by 54.8% year-on-year, while deposits in foreign currencies increased by 6.2% from the end of last year and by 6.8% from end-June 2008. Non-resident foreign currency deposits reached $12.3bn at end-June 2009, increasing by 15.6% from end-2008 and by 23.5% year-on-year. In parallel, deposits of non-resident banks reached $4.58bn, up 6.4% from end-2008 and up 1.1% from end-June 2008. The dollarization rate of deposits reached 67.0% at end-June 2009, down from 69.6% at end-2008 and from 74.6% a year earlier. Further, the average deposit rate in Lebanese pounds reached 6.96% compared to 7.25% a year earlier, while the same rate in US dollars was 3.18%, down from 3.55% in June 2008.

Growth in Private Sector Loans (%)



Source: Association of Banks in Lebanon

Loans to the private sector amounted to $26.1bn, up 4.1% from end-2008 and up 10.1% year-on-year. Non-resident foreign currency loans reached $3.6bn at end-June 2009, decreasing by 8.7% from end-2008 and increasing by 3% year-on-year. The dollarization rate in private sector lending reached 85.4% compared to 86.6% at end-2008 and 87.3% a year earlier. The average lend-ing rate in Lebanese pounds was 9.76% in June 2009 compared to 10.09% a year earlier, while the same average in US dollars was 7.24% compared to 7.28% in June 2008. Claims on the public sector stood at $25.3bn, down 0.5% from end-2008 and up 9.7% year-on-year, and accounted for 49.2% of the banking sector's total loans. The ratio of private sector loans to deposits in foreign currencies stood at 38.7%, well below the Central Bank's limit of 70%, and up from 38.4% a year earlier. In parallel, the same ratio in Lebanese pounds was 13.5% compared to 16.5% a year earlier. The ratio of total private sector loans to deposits stood at 30.4%, down from 32.8% a year earlier. The banks' aggregate capital base stood at $7.51bn, up 5.8% from end-2008 and 13.3% from $6.63bn in June 2008.

Corporate Highlights

Patchi Group to list in London and Dubai

The privately-owned chocolate chain Patchi announced plans to list its shares in Dubai and London to help fund its global expansion. The group has hired financial advisers for a primary listing in Dubai and a secondary listing in London with up to 49% of the company set to be floated. It said that the listing was delayed because of the global financial crisis, adding that it is waiting for better market conditions and that it is working on improving its corporate governance structure. The Patchi Group, which generated $165m in sales last year, is also considering opening cafés internationally that would sell chocolate, coffee and snacks. It added that the first café is likely to open in Lebanon next year. The company has been hit by the global recession, with sales falling in important markets such as Dubai, Singapore and Hong Kong. It has closed 14 stores since last September in the U.S., Canada, Australia and Nigeria, but the company is moving ahead with plans to open stores next year in Russia and Japan and intends to increase the number of its stores from 135 outlets currently to 165 stores by year-end.

Car sales up 4.7% in the first 7 months of 2009

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 18,666 new passenger cars were sold during the first 7 months of 2009, constituting an increase of 4.7% from the 17,822 cars sold in the same period of 2008. Japanese cars accounted for 48% of total sales, followed by European vehicles with 26.1% of sales, Korean automobiles with an 18.1% market share, American cars with 7% and Chinese cars with 0.8%. Chinese car posted the biggest growth rate in sales with a 413.8% jump year-on-year, followed by Japanese cars with a 10.1% increase, Korean cars with a 4.3% rise and European cars with a 2.5% increase. American cars posted a 20.2% decrease year-on-year. Nissan is the leading brand in the Lebanese market with 4,368 cars sold in the first 7 months of 2009, followed by Toyota with 2,660 cars sold, Kia with 2,080, Hyundai with 1,277, Peugeot with 985 and Renault with 918 cars.

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 07/08*
(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	Jun 2008	May 2009	Jun 2009	Change*	Risk Level
Political Risk Rating	57.0	57.0	57.0	↔	High
Financial Risk Rating	31.5	28.0	28.0	↓	High
Economic Risk Rating	28.5	30.0	30.0	↑	Moderate
Composite Risk Rating	58.5	57.5	57.5	↓	High

Regional Average	Jun 2008	May 2009	Jun 2009	Change*	Risk Level
Political Risk Rating	65.5	65.3	65.1	↓	Moderate
Financial Risk Rating	41.3	41.6	41.5	↑	Very Low
Economic Risk Rating	39.6	36.0	34.6	↓	Moderate
Composite Risk Rating	73.2	71.4	70.6	↓	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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