



LEBANON THIS WEEK

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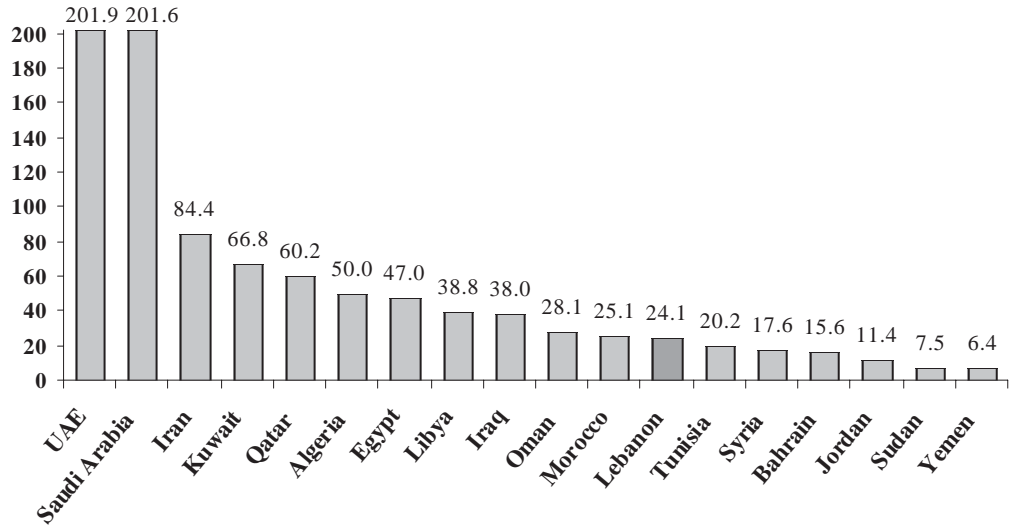
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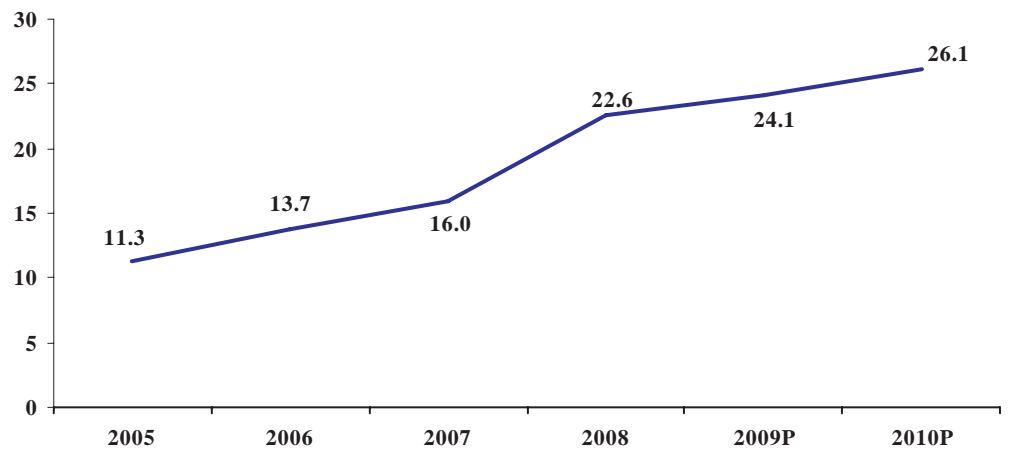
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Charts of the Week

Exports of Goods & Services from MENA countries in 2009 (\$bn)



Exports of Goods & Services from Lebanon (\$bn)



Source: International Monetary Fund

Quote to Note

“We are looking forward to accelerating the approval of the draft laws in Parliament, including the competition law, international commercial laws as well as the financial markets laws.”

Prime Minister Designate Saad Hariri, on a key priority of the upcoming Cabinet

Number of the Week

\$22.8bn : The Central Bank's gross foreign reserves at the end of August 2009, as estimated by the Association of Banks in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	2007	Aug 08	2008	June 09	July 09	Aug 09	% Change*
Exports	2,816	283	3,478	249	230	239	(15.55)
Imports	11,815	1,417	16,133	1,551	1,470	1,439	1.55
Trade Balance	(8,999)	(1,134)	(12,655)	(1,302)	(1,240)	(1,200)	5.82
Balance of Payments	2,036	402	3,462	443	1,246	1,020	153.73
Checks Cleared in LBP	8,409	773	9,350	873	1,028	937	21.22
Checks Cleared in FC	29,893	4,282	43,174	3,658	4,115	4,233	(1.14)
Total Checks Cleared	38,302	5,055	52,524	4,531	5,143	5,170	2.27
Budget Deficit/Surplus	(2,546)	(247)	(2,921)	(151)	(157)	(127)	(48.58)
Primary Balance	731	(26)	597	161	136	121	(565.38)
Airport Passengers	3,408,834	547,237	4,085,334	460,223	621,522	612,956	12.01

\$bn (unless otherwise mentioned)	Dec. 2007	Aug 2008	May 09	June 09	July 09	Aug 09	% Change*
BdL FX Reserves	9.78	15.13	20.22	20.62	22.01	22.82	50.83
<i>In months of Imports</i>	<i>9.19</i>	<i>10.67</i>	<i>16.28</i>	<i>13.29</i>	<i>14.97</i>	<i>15.86</i>	<i>48.64</i>
Public Debt	42.03	45.35	47.75	47.33	47.92	48.51	6.97
Net Public Debt	39.03	40.69	42.79	42.98	43.05	43.24	6.27
Bank Assets	82.26	90.70	101.65	103.62	105.38	107.37	18.38
Bank Deposits (Private Sector)	67.29	75.00	84.35	85.78	87.69	89.30	19.07
Bank Loans to Private Sector	20.42	24.77	26.07	26.07	26.98	27.11	9.45
Money Supply M2	16.47	20.28	28.15	29.07	30.11	30.91	52.42
Money Supply M3	59.83	66.14	73.58	74.68	76.17	77.22	16.75
LBP Lending Rate (%)	10.10	9.96	9.79	9.76	9.43	9.27	(69b.p.)
LBP Deposit Rate (%)	7.40	7.23	7.06	6.96	7.02	7.00	(23b.p.)
USD Lending Rate (%)	8.02	7.17	7.28	7.24	7.24	7.05	(12b.p.)
USD Deposit Rate (%)	4.69	3.55	3.22	3.18	3.19	3.18	(37b.p.)
%* Change in CPI**	5.92	13.52	1.88	3.31	2.42	1.52	(1,200b.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"	26.35	0.27	295,906	20.92%
Solidere "B"	26.16	0.62	174,236	13.50%
Byblos Common	2.05	6.77	518,180	3.53%
Byblos Priority	2.03	4.10	564,165	3.32%
Byblos Pref. 08	100.00	0.00	1,290	1.59%
BLOM GDR	87.85	(2.87)	4,474	5.15%
BLOM Listed	85.00	3.66	2,000	14.51%
Audi GDR	85.35	0.29	7,256	6.66%
Audi Listed	74.80	(0.80)	2,025	20.30%
HOLCIM	13.01	(0.38)	2,422	2.02%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2010	7.125	102.25	0.73
May 2011	7.875	106.25	3.72
Mar. 2012	7.500	106.75	4.49
Sep. 2012	7.750	108.00	4.72
June 2013	8.625	111.50	5.12
Apr. 2015	10.000	116.50	6.39
Jan. 2016	8.500	110.50	6.42
May 2016	11.625	125.00	6.82
Mar. 2017	9.000	115.00	6.42
Apr. 2021	8.250	110.00	6.97

Source: Byblos Capital Markets

	This Week	Last Week	% Change	October 2009	October 2008	% Change
Total Shares Traded	1,573,247	922,049	70.63	4,968,999	14,251,997	(65.13)
Total Value Traded	\$16,121,650	\$28,834,783	(44.09)	\$103,486,832	\$129,604,201	(20.15)
Market Capitalization	\$12.60bn	\$12.50bn	0.76	\$12.60bn	\$11.69bn	7.77

Source: Beirut Stock Exchange (BSE)



Lebanon's brand perception declines in third quarter

The Nation Brand Perception Index (NBPI) ranked Lebanon in 175th place among 200 countries around the world and in 14th place among 20 countries in the Middle East and North Africa region in the third quarter of 2009. Lebanon also came in 35th place among 37 upper-middle income countries (UMICs) included in the survey. The NBPI analyzes international perceptions of a country's brand. It covers the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The index is based on a quarterly analysis of millions of mentions of countries in hundreds of thousands of news articles in 38 prominent global media sources. The index scores rely both on the overall quality of the media coverage and the prominence of the country, determined by the number of country references or mentions.

Globally, Lebanon ranked ahead of Vietnam, Rwanda, and Kenya and came behind China, Bosnia & Herzegovina, and Comoros. It also ranked ahead of Russia and Mexico, and behind Panama and Argentina among UMICs. Lebanon ranked in 175th place globally in the third quarter of 2009, down from 174th place in the second quarter of this year and up from 188th place in the third quarter of 2008. Lebanon received a score of 41.6 points, below the global average of 49.9 points and the UMICs average of 49.3 points, as well as below the MENA average of 42.5 points and the Arab average of 44.4 points. Lebanon's score decreased by 3.2% in the third quarter from 43 points in the second quarter of 2009 but increased by 34.7% from 30.9 points in the third quarter of 2008.

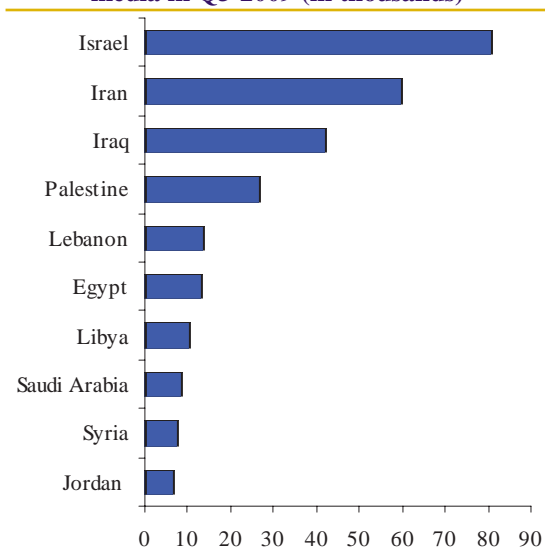
In parallel, Lebanon was the 35th most mentioned country in the international media in the third quarter of 2009, the 5th most mentioned country from the MENA region and the 5th most mentioned among UMICs. Globally, Lebanon was mentioned more than the Netherlands, Myanmar and North Korea, and less than Taiwan, Turkey and Georgia. It was also mentioned more than Turkey and Poland and less than Mexico and Malaysia among UMICs. It was the 38th most mentioned country in the second quarter of 2009 and the 36th most mentioned in the third quarter of 2008. Lebanon was mentioned 13,359 times in the international media, below the global average mentions of 16,570 times, as well as below the MENA average mentions of 14,880 times, but above the Arab average mentions of 8,742 times and above the UMICs' average mentions of 6,316 times. Lebanon's number of mention in the third quarter of 2009 was lower than its 15,125 mentions in the second quarter of 2009 and lower than the 14,478 mentions in the third quarter of 2008. Singapore had the best nation brand perception in the world with a score of 104.5 points and Iraq the worst brand perception with a score of 0.3 points.

MENA Scores & Rankings in Q3-2009

	Score	MENA Rank	Global Rank
UAE	61.0	1	17
Egypt	58.2	2	23
Qatar	58.0	3	24
Bahrain	56.2	4	31
Jordan	55.9	5	36
Oman	51.6	6	61
Tunisia	51.1	7	78
Morocco	49.8	8	124
Kuwait	49.0	9	135
Syria	47.5	10	153
Saudi Arabia	46.2	11	163
Algeria	44.7	12	166
Libya	43.3	13	170
Lebanon	41.6	14	175
Israel	37.4	15	185
Sudan	33.5	16	188
Yemen	29.5	17	192
Palestine	22.3	18	196
Iran	13.1	19	197
Iraq	0.32	20	200

Source: East West Communications, Byblos Research

Top 10 MENA countries mentioned in global media in Q3-2009 (in thousands)



Fiscal deficit up 10.5% to \$2.2bn in first 9 months of 2009

Figures released by the Finance Ministry show that the fiscal deficit reached \$2.2bn in the first 9 months of 2009, up 10.5% from the same period last year. The deficit was equivalent to 26.2% of total budget and Treasury expenditures compared to 28.5% in the same period of 2008. Overall government expenditures reached \$8.5bn, up 20.3% year-on-year, while total revenues increased by 24.1% to \$6.3bn over the covered period. Tax revenues improved by 30.1% year-on-year to \$4.5bn, of which 31.7%, or \$1.4bn, were in VAT receipts that posted a 14.7% annual rise. Tax revenues accounted for 75.2% of budgetary revenues and for 71.3% of total Treasury and budget receipts.

Debt servicing increased by 14.6% year-on-year to \$2.8bn, accounting for 32.7% of total expenditures and for 44% of budgetary spending. It absorbed 44.2% of overall revenues and 46.6% of budgetary receipts. Excluding debt servicing, the budget primary surplus reached \$2.6bn, or 41% of budget expenditures compared to a surplus of \$2bn, or 37.6% a year earlier. The overall primary surplus reached \$693.5m, or 8.2% of total spending compared to a surplus of \$595.3m, or 8.4% of total expenditures, a year earlier.



Growth to average 6.5% in 2009-10, fiscal and debt burdens are Lebanon's most important economic challenge

The Institute of International Finance forecast economic growth in Lebanon at 6% in 2009 and at 7% for 2010, and indicated that the global recession has had only a minor impact on the Lebanese economy. It said growth has been strong this year, driven by a thriving tourism industry, growing financial services and strong capital flows. It added that government spending has remained robust despite continuing deficits, while surging private consumption is supported by remittances and the strong performance of the services sector. The IIF considered that the economic outlook for Lebanon remains positive, and that the risks to the stability of the exchange rate or the banking system are minimal. It warned, however, that risks to the outlook exist and consist of a possible deterioration in security conditions in the region, which could threaten the delicate political balance in Lebanon and negatively affect economic growth. It noted that most Lebanese have low expectations from the upcoming coalition government, especially regarding the long-delayed structural reforms such as privatization, debt reduction and fiscal consolidation.

The IIF said Lebanon's external debt and fiscal deficits remain exceptionally high but do not seem to have affected market confidence, as Lebanon has managed to reduce the debt-to-GDP ratio from 180% of GDP to 153% of GDP at end September 2009 despite the political paralysis over the past three years through robust economic growth and steadily rising budget revenues. It said revenue growth has been helped by the reintroduction of gasoline excise taxes and improved performance of VAT. Higher revenues have also partly offset lower receipts from the telecom sector and higher subsidies to Electricité du Liban and the Higher Relief Council.

The IIF warned that tackling the pressing fiscal and debt burdens remains Lebanon's most important economic challenge. It said policy priorities include a reduction in budgetary support of EdL, currently equivalent to 5% of GDP, streamlining and gradually reducing government spending, and increasing the VAT rate from 10% to 12%. It added that the privatization of the mobile phone licenses could provide a vehicle to reduce the debt, as well as help spur the development of the technology sectors that remain underdeveloped despite a highly skilled and educated labor force. It noted that both the restructuring of EdL and the privatization of the telecom companies would require political consensus that has been elusive so far. In parallel, it noted that Lebanon's political and economic leaders appear resigned to the poor prospects of fundamental reform in the short run, but expressed the hope that partial reforms, already worked out, could be carried out by the new government and could result in a much-needed increase in the primary surplus.

Country Forecast Summary			
	2008	2009f	2010f
Real GDP growth (%)	8.0	6.0	7.0
Consumer prices (annual % change)	10.7	3.5	4.2
Credit to private sector (annual % change)	19.0	13.4	12.0
Fiscal balance (% of GDP)	-9.9	-8.6	-7.4
Primary Balance (% of GDP)	2.0	2.2	2.9
Trade Balance (% of GDP)	-35.9	-34.4	-34.7
Current-account balance (% of GDP)	-9.8	-8.8	-8.1
Public Debt (% of GDP)	159	154	145
Gross Reserves (\$bn)	18.3	24.1	25.3

Source: Institute of International Finance

Trade deficit up 3.6% to \$9.5bn in first 9 months of 2009

Imports increased by 1.2% to \$11.9bn in the first 9 months of 2009 and exports declined by 7.1% to \$2.4bn in the same period, leading to a trade deficit of \$9.5bn, up 3.6% year-on-year. The coverage ratio reached 20.5% in the first 9 months of the year compared to 22.3% in the same period of 2008. The trade deficit reached \$952m in September 2009, down 18.1% from September 2008.

France was the main source of imports with \$1.25bn or 10.4% of the total, followed by the United States with \$1.2bn (10%), China with \$1.07bn (9%), Germany with \$920m (7.7%), Italy with \$884m (7.4%). Switzerland was the main export destination with \$511m or 20.8% of the total, followed by the UAE with \$239m (9.7%), Iraq with \$214m (8.7%), Saudi Arabia with \$182m (7.4%) and Syria with \$155m (6.3%). Lebanon's main export was jewelry at \$708m or 28.8% of total exports, followed by machinery and mechanical appliances with \$377m (15.3%), base metals with \$221m (9%), prepared foodstuff with \$215m (8.8%) and paper and paperboard articles with \$172m (7%). Re-exports totaled \$113m in the first 9 months of 2009, down 16.9% from \$136m in the same period of 2008.

Customs receipts up 87% to \$1.4bn in first 9 months of 2009

Customs revenues reached \$1.37bn in the first 9 months of 2009, up 87.1% from \$732m in the same period last year. Custom revenues reached \$156m in September 2009 compared to \$163m in August and to \$98m in September 2008. Overall customs receipts reached \$2.4bn year-to-September when including revenues from the value-added tax that totaled \$1.03bn over the covered period.

Lebanon ranks 86th globally, 8th in MENA region on Prosperity Index

The Legatum Institute 2009 Prosperity Index ranked Lebanon in 86th place among 104 countries around the world and in 8th place among 13 countries in the Middle East & North Africa region. Lebanon also came in last place among 22 upper-middle income countries (UMICs) included in the survey. Globally, Lebanon ranked ahead of Bangladesh, Zambia and Nepal and came behind Mali, Senegal and Belarus. The index uses a holistic definition of prosperity to include both material wealth and quality of life. It finds that the most prosperous nations in the world are not necessarily those that have only a high level of GDP, but are those that also have happy, healthy, and free citizens. The data covers 79 variables grouped into nine sub-indices, each identified as a foundation of long-term prosperity. The index rankings are based on the simple average of the scores of the nine sub-indices for each country.

Lebanon ranked in 75th place globally, 9th place in the MENA region and in 21st place among UMICs on the Economic Fundamentals Sub-Index. This category represents a growing and sound economy that provides opportunities for wealth creation. Globally, Lebanon came ahead of Honduras, Ecuador and Bangladesh, and behind Pakistan, Jamaica and El Salvador. Regionally, Lebanon ranked ahead of Algeria, Iran and Sudan and behind Jordan, Tunisia and Egypt. It also ranked ahead of Venezuela and behind Belize among UMICs.

Lebanon ranked in 66th place globally, in 6th place in the MENA region and 20th place among the UMICs on the Entrepreneurship & Innovation Sub-Index. The category reflects the degree of a favorable environment to new enterprises and the commercialization of new ideas. Globally, Lebanon came ahead of Namibia, Indonesia and Kazakhstan and behind Mongolia, Macedonia and Paraguay. Regionally, Lebanon ranked ahead of Iran, Kuwait and Jordan and came behind Morocco, Tunisia and Egypt. It also ranked ahead of Panama and behind Trinidad & Tobago among UMICs.

Lebanon ranked in 79th place globally, in 8th place in the MENA region and in 20th place among the UMICs on the Governance Sub-Index. This category reflects the degree of an honest and effective government that preserves order and encourages productive citizenship. Globally, Lebanon came ahead of Mali, Pakistan and Cambodia and behind Paraguay, Zambia and Mozambique. Regionally, Lebanon ranked ahead of Algeria, Yemen and Egypt and came behind Jordan, Morocco and Saudi Arabia. It also ranked ahead of Russia and behind Argentina among UMICs. Finland was perceived as the most prosperous country globally, while Zimbabwe was considered the least prosperous country around the world.

Prosperity Index Scores & Rankings

	MENA Rank	Global Rank
Israel	1	27
UAE	2	47
Kuwait	3	52
Tunisia	4	68
Jordan	5	80
Saudi Arabia	6	81
Morocco	7	83
Lebanon	8	86
Egypt	9	88
Iran	10	94
Algeria	11	96
Yemen	12	101
Sudan	13	103

Source: Legatum Institute, Byblos Research

Lebanon's Rankings on Prosperity Sub-Indices for 2009

Sub-Index	Global Rank	MENA Rank	UMIC Rank
Economic Fundamentals	75	9	21
Entrepreneurship & Innovation	66	6	20
Democratic Institutions	80	2	21
Education	44	3	12
Health	52	6	17
Safety and Security	90	11	19
Governance	79	8	20
Personal Freedom	99	11	22
Social Capital	90	9	17

Source: Legatum Institute, Byblos Research

Balance of payments posts surplus of \$4.8bn in first 9 months of 2009

Central Bank figures show that Lebanon's balance of payments (BoP) posted a surplus of \$4.8bn in the first 9 months of 2009 compared to a surplus of \$2.2bn in the same period last year. The BoP posted a surplus of \$475m in September compared to a surplus of \$1.02bn in August and to a surplus of \$200m in September 2008. The September 2009 surplus was caused by a rise of \$340m in the Central Bank's net foreign assets and an increase of \$135m in those of banks and financial institutions. The cumulative surplus over the first 9 months of 2009 was caused by a rise of \$6.1bn in the Central Bank's net foreign assets and a decline of \$1.3bn in those of banks and financial institutions. The balance of payments posted a cumulative surplus of \$3.5bn in 2008.

Lebanon ranks 61st globally, second in Arab world in press freedom

In its annual survey on press freedoms in 175 countries, international organization Reporters Without Borders ranked Lebanon in 61st place worldwide and second among 20 countries in the Middle East and North Africa region. Lebanon came in 66th place globally and 3rd regionally in the previous survey. The index measures the level of freedom that journalists and the media have in each country and the efforts made by governments to see that press freedom is respected. The survey reflects press freedom in each country based on events between September 2008 and September 2009. The index calculation was based on answers to a questionnaire that asked for details of direct attacks on journalists and the media such as threats, censorship, confiscation, searches and pressure. It also asked about the degree of impunity enjoyed by those responsible for such violations. The questionnaire recorded the legal environment for the media and the behavior of the state towards the local and foreign press. Reporters Without Borders assigns index scores in ascending order, the lower the score the higher is press freedom in a given country.

Globally, Lebanon ranked immediately ahead of Botswana, Liberia, Malawi, Serbia, Tanzania and Togo that all tied together, and came behind Kuwait, Taiwan, Burkina Faso and Haiti. Lebanon received a score of 15.4 points in the 2009 survey, better than the Arab and MENA averages of 47.6 points and 49.2 points, respectively, and down from 14 points in 2008. Reporters Without Borders said that this is the first time that Israel is not at the top of the MENA rankings, as it fell 47 places to rank behind Kuwait, the UAE and Lebanon.

Press Freedom Index Rankings & Scores for 2009

	Score	MENA Rank	Global Rank
Kuwait	15.3	1	60
Lebanon	15.4	2	61
UAE	21.5	3	86
Israel	23.8	4	93
Qatar	24.0	5	94
Oman	29.5	6	106
Jordan	31.9	7	112
Bahrain	36.5	8	119
Morocco	41.0	9	127
Algeria	49.6	10	141
Egypt	51.4	11	143
Iraq	53.3	12	145
Sudan	54.0	13	148
Tunisia	61.5	14	154
Libya	64.5	15	156
Palestine	69.8	16	161
Saudi Arabia	76.5	17	163
Syria	78.0	18	165
Yemen	83.4	19	167
Iran	104.1	20	172

Source: Reporters without Borders 2009

Byblos Bank's profits up 21% to \$96m in first 9 months of 2009

Byblos Bank sal, one of Lebanon's top 3 banking and financial services groups in Lebanon, declared consolidated net profits of \$95.9m in the first 9 months of 2009, constituting an increase of 21.3% from \$79m in the same period last year. Net interest income reached \$184.4m, up 10.6% year-on-year, while net fees and commission income increased by 7.3% to \$57.4m and net trading income rose by 92.3% to \$20.7m during the covered period. Total assets reached \$13.04bn at the end of September, constituting a rise of 16.1% from the end of 2008, while net loans & advances to customers increased by 5.7% to \$2.94bn over the same period. Customers' deposits totaled \$9.8bn, up 18.5% from end-2008. The Bank's total equity reached \$1.05bn at end-September, almost unchanged from end-2008. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom, and Cyprus.

Regional investment bank EFG Hermes recently reiterated its "Buy" recommendation on Byblos Bank's stock, while FFA Private Bank issued a "Buy" recommendation of the bank's shares. EFG Hermes said the Bank is the most domestic-focused bank among the top 3 Lebanese banks, which might bode well for loan growth given a supportive local economy. In parallel, FFA Private Bank said Byblos has stable ownership, a strong franchise in domestic retail and commercial lending, the second largest branch network in Lebanon, a high level of cost efficiency with its cost-to-income ratio significantly below the sector's average, no exposure to toxic assets and structured products, strong risk management with very low level of NPLs and high level of NPLs provisioning, as well as strong liquidity in both local and foreign currencies. It noted that Byblos Bank's superior asset quality is due to the Bank's tight rules, as loans are mainly originated by the Bank and rarely bought on the secondary market. In addition, the Bank follows strict underwriting criteria and has a strong risk management system.

Stock market activity down 45% to \$882m in first 10 months of 2009

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 94.9 million shares in the first 10 months of 2009, a decrease of 3.2% year-on-year, while aggregate turnover amounted to \$882.3m, down 45% from a turnover of \$1.6bn in the same period last year. Market capitalization increased by 7.8% to \$12.6bn year-on-year, of which 62.8% was in banking stocks, 34.4% in Solidere stocks, 2.2% in industrial stocks, 0.3% in trading stocks and 0.3% in funds. The market liquidity ratio was 7%, down from 13.7% in the same period of 2008.

Bank stocks accounted for 69.6% of aggregate trading volume in the first 10 months of 2009, followed by Solidere's stocks with 29.9% and industrial stocks with 0.4%. In terms of value of shares traded, Solidere stocks accounted for 70.2% of aggregate value, followed by banking stocks with 29.5% and industrial stocks with 0.2%. The average daily traded volume for the period was 465,202 shares for an average daily value of \$4.3m. The figures reflect a decrease of 3.7% in volume and a decrease of 45% in value year-on-year.

RYMCO to distribute dividends

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) Ordinary General Assembly held on August 18, 2009 approved dividends distribution of \$0.07 per share before tax for the year 2008. The dividends will be paid in December 2009. RYMCO declared net profits of \$10.4m in 2008, up 135% from \$4.43m in 2007. RYMCO's total assets and total equity amounted to \$138.4m and \$51.9m at the end of 2008 respectively, compared to \$87.3m and \$42.5m at end-2007. The firm increased its capital from LP26bn (\$17.2m) in 2007 to LP27.3bn (\$18.1m) in 2008 through transferring LP1.3bn (\$0.9m) from reserves to current capital and issuing new shares at a nominal value of LP1,000 each (\$0.66). RYMCO is the only car retailer listed on the Beirut bourse. It had a 23% market share in new cars registered in 2008, the highest among car dealerships in the country.

MEA resumes flights to Baghdad, profits to exceed \$100m in 2009

National flag carrier Middle East Airlines (MEA) resumed direct flights to and from Baghdad for the first time since 1981. MEA will have four flights per week to Baghdad for the time being, and plans increase then to daily flights in the near future. Also, the airline is considering direct flights to Erbil and Najaf and is conducting related feasibility studies. In parallel, MEA's Chairman, Mohammad el Hout expected the airline to post net profits in excess of \$100m in 2009 due to the record tourism season. He indicated that MEA will receive two new Airbus planes in 2010 and an additional one in 2011, expanding its fleet to 16 aircraft. In parallel, the government recently extended the exclusive rights of MEA on certain routes, as these rights were about to expire in 2011. MEA underwent a restructuring program in 2001 that witnessed the layoff of more than 1,500 employees, or 40% of its staff, in addition to the cancellation of unnecessary flights and routes. Subsequently, the company managed to reverse 26 years of losses and returned to profitability in 2002. The national carrier also modernized its fleet, as it completed in 2003 its first fleet upgrade since 1975. The company's income turned from losses of \$87m in 1997 to a net profit of \$60m in 2007. It is not possible to independently verify the actual financial state of the national flag carrier, as it does not publish its balance sheet and income statement.

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	July 2008	July 2009	Aug 2009	Change*	Risk Level
Political Risk Rating	57.0	57.5	57.5	▲	High
Financial Risk Rating	31.5	28.0	27.5	▼	High
Economic Risk Rating	28.5	30.0	27.5	▼	High
Composite Risk Rating	58.5	57.7	56.2	▼	High

Regional Average	July 2008	July 2009	Aug 2009	Change*	Risk Level
Political Risk Rating	65.6	65.1	65.1	▼	Moderate
Financial Risk Rating	41.2	41.6	41.7	▲	Very Low
Economic Risk Rating	39.8	34.4	34.3	▼	Moderate
Composite Risk Rating	73.3	70.5	70.5	▼	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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