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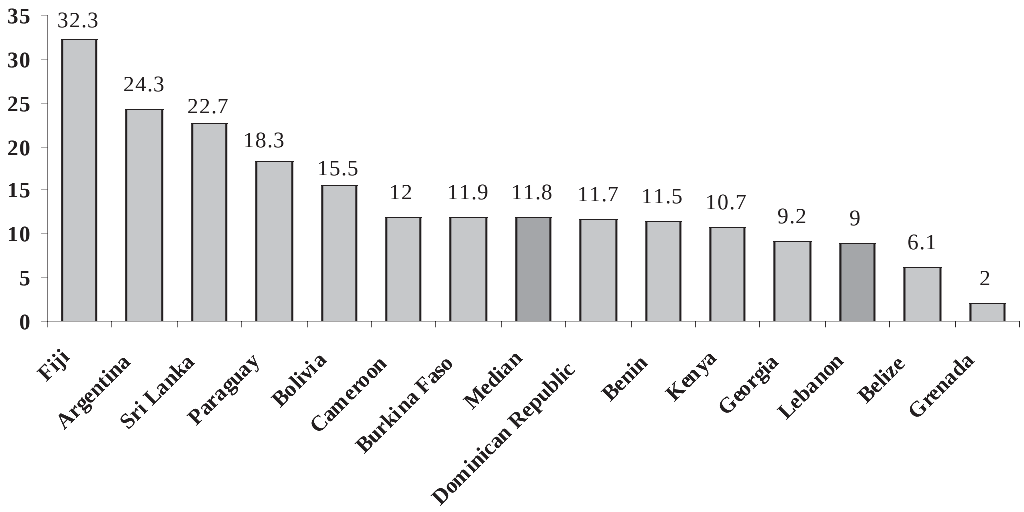
Economic Research & Analysis Department

LEBANON THIS WEEK

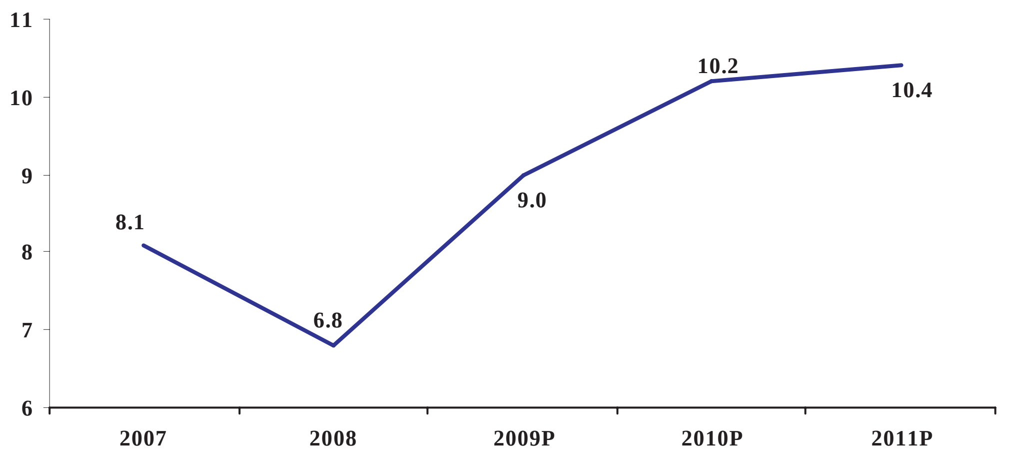
In This Issue

Charts of the Week

Savings* in similarly-rated countries in 2009 (% of GDP)



Savings in Lebanon (% of GDP)



**Investment plus the current account balance, as a percentage of GDP*
Source: Standard & Poor's

Quote to Note

"Lower interest rates in Lebanese pound would increase the attractiveness of local currency loans and reduce the need for subsidized local currency lending as a means to encourage loan de-dollarization."

The International Monetary Fund, on the benefits of reducing interest rates on Lebanese pound deposits

Number of the Week

132: Number of days that were needed to form the new national unity Cabinet

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
In months of Imports	*9.19*	*10.67*	*16.28*	*13.29*	*14.97*	*15.86*	*48.64*
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"	25.48	(5.59)	768,577	20.50%
Solidere "B"	25.25	(6.45)	403,793	13.20%
Byblos Common	2.01	(1.47)	127,802	3.51%
Byblos Priority	2.02	0.00	156,959	3.35%
Byblos Pref. 08	100.00	0.50	750	1.61%
BLOM GDR	88.85	0.28	1,760	5.28%
BLOM Listed	85.00	0.00	0	14.70%
Audi GDR	84.60	(2.76)	5,930	6.69%
Audi Listed	75.00	0.00	173,732	20.63%
HOLCIM	13.02	(3.56)	2,671	2.04%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar. 2010	7.125	101.44	2.28
May 2011	7.875	106.25	3.58
Mar. 2012	7.500	107.00	4.32
Sep. 2012	7.750	108.38	4.53
June 2013	8.625	111.38	5.12
Apr. 2015	10.000	116.88	6.29
Jan. 2016	8.500	111.25	6.27
May 2016	11.625	126.25	6.59
Mar. 2017	9.000	115.13	6.38
Apr. 2021	8.250	111.00	6.84

Source: Byblos Capital Markets

	This Week	Last Week	% Change	October 2009	October 2008	% Change
Total Shares Traded	1,780,207	1,370,795	29.87	4,968,999	14,251,997	(65.13)
Total Value Traded	$46,991,002	$31,779,627	47.61	$103,486,832	$129,604,201	(20.15)
Market Capitalization	$12.43bn	$12.73bn	(2.35)	$12.60bn	$11.69bn	7.77

Source: Beirut Stock Exchange (BSE)

Lebanon ranks 92nd worldwide, 8th in MENA region in the management of natural resources

The 2009 Natural Resources Management Index in 216 countries ranked Lebanon in 92nd place worldwide and 8th among 17 countries in the Middle East and North Africa region. Lebanon came in 57th place globally and in 5th place regionally in the 2008 survey. Lebanon also ranked in 23rd place among 30 Upper Middle Income countries (UMICs) included in the current survey. The index measures a country's economic policies that promote the sustainable management of natural resources. It is intended to reflect whether governments are investing limited resources in ways that will increase economic growth, reduce poverty, and improve natural resource management. It is based on four sub-indices that cover eco-region protection, access to improved water, access to improved sanitation, and child mortality. Each category is rated on a scale from zero to 100, with the overall index calculated as the simple average of the four sub-indices. The index is issued by Columbia and Yale universities.

Globally Lebanon ranked ahead of Mongolia, French Polynesia and Zimbabwe and came behind Nicaragua, Malawi and Yugoslavia. It also ranked ahead of Turkey and Uruguay and came behind Grenada and Romania among UMICs. Lebanon received a score of 75.4 points, below the global and UMICs averages of 75.7 points and 85.1 points respectively, but above the MENA and Arab averages of 74.2 points and 72.1 points respectively. On a global basis, Lebanon's rank regressed by 35 spots, while its score decreased by 14.1% from the 2008 survey.

Natural Resources Management Index Rankings & Scores

Country	Score	MENA Rank	Global Rank
Israel	94.4	1	27
Jordan	92.4	2	33
Oman	89.7	3	47
Iran	85.8	4	58
Algeria	85.1	5	60
Egypt	79.7	6	77
Qatar	75.7	7	90
Lebanon	**75.4**	**8**	**92**
UAE	74.0	9	103
Libya	73.5	10	107
Tunisia	72.4	11	110
Syria	71.4	12	112
Morocco	70.6	13	115
Iraq	61.9	14	131
Djibouti	57.0	15	142
Sudan	52.9	16	154
Yemen	49.2	17	158

Source: Columbia & Yale universities, Byblos Research

Lebanon shared first place with 41 other countries including Canada, France, Switzerland, Germany, Japan and Luxembourg and ranked ahead of the United States on the Access to Improved Water Sub-Index. This component measures the percentage of the population with access to at least 20 liters of water per person per day from an 'improved' source within one kilometer of residency. It also tied with Czech Republic, Hungary, Uruguay and Mauritius and ranked ahead of Croatia, Malaysia and Latvia among UMICs in this category.

Further, Lebanon came ahead of Sri Lanka, Tonga and Philippines and behind Vietnam, Dominican Republic and Thailand on the Child Mortality Sub-Index, which measures the probability of a child dying between the ages of 1 and 4 years. It also ranked ahead of Belize and Turkey and came behind Russia and Mexico among UMICs. Finally, Lebanon ranked ahead of Afghanistan, Bosnia Herzegovina and French Polynesia and behind Mauritania, Somalia and Ireland on the Eco-Region Protection Sub-Index. The indicator assesses the comprehensiveness of a government's commitment to habitat preservation and biodiversity protection. It also came ahead of Uruguay and Barbados and behind Saint Kitts and Nevis and Turkey among UMICs. Lebanon's score on the Access to Improved Sanitation sub-index was not available.

Components of the 2009 Natural Resources Management Index for Lebanon

Category	Global Rank	MENA Rank	UMICs Rank	Lebanon Score	Global Average Score	MENA Average Score	UMICs Average Score
Access to Improved Water	1	1	1	100.0	84.4	89.4	94.6
Child Mortality	92	10	21	97.2	87.9	93.5	94.7
Eco-Region Protection	199	11	28	4.4	61.2	32.2	65.8

Source: Columbia & Yale universities, Byblos Research

Expatriates remittances to Lebanon at $7bn in 2009, 11th highest globally and second highest in MENA region

The World Bank estimated remittance inflows to Lebanon at $7bn in 2009, constituting a decrease of 2.5% from $7.2bn in 2008 and compared to $5.8bn in 2007 and $5.2bn in 2006. Further, the Bank revised upward its earlier estimate of $6bn for remittance inflows in 2008. Globally, Lebanon was the 16th largest recipient of remittances, and the 11th largest recipient among developing economies, ranking ahead of Vietnam, Indonesia and Morocco, and coming immediately behind Egypt, Romania and Poland. Lebanon was the second largest recipient among 12 countries in the MENA region included in the survey, coming behind Egypt. Further, Lebanon was the fourth largest recipient of remittances among 36 Upper Middle Income Countries (UMICs) covered by the survey. It ranked ahead of Russia, Hungary and Malaysia, and came behind Romania, Poland and Mexico. Lebanon's 2009 rankings were unchanged regionally and among UMICs from the previous year.

Remittance Inflows to MENA Countries in 2009

Country	US$m	Global Rank	% of GDP*
Egypt	7,800	14	5.3%
Lebanon	**7,000**	**16**	**25.1%**
Morocco	5,720	19	8.0%
Jordan	3,650	28	19.0%
Algeria	2,193	46	1.3%
Tunisia	1,860	50	4.7%
Yemen	1,413	60	5.3%
Iran	1,072	69	0.3%
Syria	827	72	1.5%
West Bank	630	81	n/a
Djibouti	30	136	3.5%
Libya	16	142	0.0%

**for 2008*

Source: World Bank, Byblos Research

Remittances to Lebanon account for 21.7% of total remittance flows to the MENA region in 2009 compared to 20.7% in 2008 and 18.4% in 2007. They account for 10.3% of remittance inflows to UMICs in 2009 relative to 9.4% in 2008 and 8% in 2007, while they represent 2.2% of aggregate remittances to developing economies this year, almost unchanged from 2.1% in 2008 and 2% in 2007. Further, remittance inflows to Lebanon account for 1.7% of the global inflow of remittances in 2009, almost unchanged from 1.6% in 2008 and 1.5% in 2007. Also, the 2.5% projected decline of remittances to Lebanon for 2009 is lower than the 7.2% decline in inflows to the MENA region, the 6% decline for developing countries and the 11% decrease for UMICs this year. In parallel, the World Bank estimated expatriates' remittances to Lebanon to be equivalent to 25.1% of GDP in 2008, the 7th highest such ratio in the world behind Samoa, Lesotho, the Kyrgyz Republic, Moldova, Tonga and Tajikistan, as well as the highest in the MENA region and among UMICs.

The World Bank estimated remittance inflows to developing countries to reach $317bn in 2009, constituting a decrease of 6.1% from $338bn in 2008. It expected remittances to remain almost flat in 2010, increasing by 1.4% to $322bn and rising by 3.9% to $334bn in 2011. It noted that the main risks to the outlook for remittance flows to developing countries in 2010 and 2011 are a longer than expected crisis, weak job markets in the destination countries that may lead to further tightening of immigration controls, and highly unpredictable exchange rates.

Global banks see positive economic and financial implications to government formation

Merrill Lynch indicated that the formation of Lebanon's long-awaited national unity government is positive, as it correlates Lebanon's economic performance over the last two years largely to political stability in the aftermath of Doha accord in 2008. It said the national unity government took five months to form and includes deeply divided political parties. But it noted that, while it reflects the policy challenges, unity governments have proved to be fruitful for Lebanon. It ruled out any improvement in the contentious political issues as well as in painful fiscal reforms such as the planned increase in VAT. But it expressed optimism about the long-delayed sale of the mobile phone licenses, which is going to be largely used for debt reduction. It noted that political stability and some progress on reforms and privatization, along with the currently solid macroeconomic performance and strong banking sector, should pave the way for a sovereign rating upgrade. It considered that Lebanon is getting closer to such an upgrade following the formation of the national unity government.

In parallel, Credit Suisse said that the formation of the government means that the risks of another breakdown of talks and of renewed political tensions have diminished considerably, adding that policy makers will get a chance to focus on economic an financial issues, five months after the parliamentary elections. It expected Prime Minister Hariri to focus in particular on economic policy issues, at least initially, as scope for resolving key contentious issues on the domestic political agenda is set to remain elusive. It noted that the pro-Hariri majority has retained control over the key finance portfolio as well as over the Economy & Trade Ministry.

Further, Standard Chartered Bank noted that Lebanon's economic activity is strongly correlated to political stability. It added that the formation of a government will strengthen sentiment and further improve the economic environment. It considered that political stability in Lebanon is crucial to GDP growth, as domestic consumption, confidence in the banking sector, investments by overseas Lebanese, and tourism are the largest contributors to GDP. It said that the majority has kept the critical finance and economy portfolio, while the opposition received the telecommunications, energy, tourism, and industry portfolios.

Lebanon in the News

IMF calls for implementing reforms to reduce fiscal and debt vulnerabilities, notes strength of the banking sector

The International Monetary Fund considered that the very high debt level remains a key vulnerability in Lebanon despite the recent successes in reducing the public debt-to-GDP ratio. It indicated that Lebanon's strong economic growth offers an opportunity to move decisively towards fiscal reforms, and called for strict control of expenditures in order to benefit from strong revenues and reduce the large fiscal deficit. It noted that a primary surplus of 0.9% of GDP is reachable for this year, implying an overall fiscal deficit of 10.6% of GDP leading to a decline in the debt ratio to 151% of GDP by the end of the year.

The Fund added that continued fiscal discipline would help the government obtain the necessary financing from the market during the remainder of 2009, given continued strong commercial bank deposit inflows and the gradual unfreezing of international capital markets. In parallel, the IMF called for the incoming government to decisively implement the Paris III reforms program to reach fiscal sustainability over the medium term. It considered that the top priorities should include a reduction in the need for budgetary transfers to Electricité du Liban and an increase in the VAT rate. It also encouraged authorities to reform the energy sector and to reconsider the privatization of the two mobile phone providers in light of evolving market conditions.

In parallel, the IMF said that financial indicators point to the strength of the banking sector. It noted that commercial bank deposits are growing at a rate of more than 20% year-on-year and deposit dollarization has dropped, helped by ongoing confidence and attractive domestic interest rates. It indicated that net problem loans have declined to 2.7% at end-July 2009 from 3.1% at end-2008 and 4.7% at end-2007, while provisions against problem loans reached 61.8% of overall problem loans at end-July, relative to 61% at end-2008 and 57% at end-2007. Further, the sector's average return on assets was 1% as at July relative to 1.1% in 2008, while the average return on equity was 23.9% in July compared to 14% in 2008 and 12.1% in 2007. Finally, the sector's net liquid assets were equivalent to 51.4% of short-term liabilities as at July, increasing from 50.1% at end-2008 and 47.9% at end-2007.

Total Paris III commitments reach $5.7bn at end-September

The Ministry of Finance indicated that a total of $5.7bn in Paris III-related pledges has been signed as at the end of September 2009, equivalent to 75.6% of the $7.53bn that were pledged at the donor conference held in January 2007. It estimated that $3.77bn were disbursed by end-September, equivalent to 66% of signed agreements and 50% of total pledges. Budget support agreements totaled $2.13bn, equivalent to 37.5% of total signed agreements by the end of September, followed by private sector support with $1.5bn (27%), project finance support with $1.23bn (21.6%), in-kind support with $327m (5.7%), support through the UN with $326m (5.7%), support through civil society organizations (CSO) with $99m (1.7%) and Central Bank support with $43m (0.8%). The ministry said disbursements increased by $600m since end-March, mainly due disbursement of $364m in private sector support, $118m in budget support, and $102m in project finance. It said the remaining $500m in budget support are conditional on progress in implementing reforms in the power and telecom sectors. The Finance Ministry added that 100% of Central Bank and CSO support, 97.6% of UN support, 92.6% of budget support, 83.7% of in-kind support, and 80.8% of private-sector support have been disbursed. The United States accounted for $1.03bn, or 18.1% of total signed grants and loan agreements. It was followed by the European Investment Bank with $943m (16.6%), France with $599 (10.5%), Malaysia with $500m (8.8%), the World Bank Group with $475m (8.3%), the Arab Fund for Social & Economic Development with $442m (7.8%), the Arab Monetary Fund with $375m (6.6%), the UAE with $300m (5.3%), and the Islamic Development Bank with $250m (4.3%) as the top donors.

Association of Banks amends reference rate on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to decrease the Beirut Reference Rate in US dollars to 5.18% from 5.2% previously. The rate, considered as the reference rate for lending in foreign currency, replaced earlier this year the London Inter-Bank Offering Rate (LIBOR) since the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the Beirut Reference Rate in Lebanese pounds to 8.78% from 8.85% previously. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL indicated that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate. The prime lending rate for US dollar and Lebanese pounds are 8.25% and 10% respectively.

Airport passengers up 24% in first 10 months of 2009

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 4.2 million in the first 10 months of 2009, up 24% from the same period last year. The total number of flights reached 47,165 in the first 10 months of 2009, up 28.3% year-on-year. Also, the HIA processed 59,546 metric tons of cargo, of which 58,692 tons of freight and 854 tons of mail. The total cargo processed in the first 10 months of 2009 increased by 7.1% compared to the same period of 2008.

Credit and debit cards reach 1.6 million cards, ATMs total 1,181 at end of September 2009

Figures released by the Figures released by the Central Bank of Lebanon show that the number of credit and debit cards issued in Lebanon reached 1.61 million cards at the end of September 2009, constituting a 1.3% decrease from end-June 2009, a 2.7% rise in the first 9 months of the year and a 4.2% rise on a yearly basis. Resident cardholders accounted for 97.2% of total cards issued in Lebanon. The distribution of payment cards by type shows that debit cards with residents accounted for 63% of the total, followed by credit cards with residents (22.4%), charge cards with residents (9.8%), non-resident debit cards (2.2%), resident prepaid cards (2%), non-resident charge cards (0.4%), and non-resident credit cards (0.2%). The number of ATMs rose by 1.6% to 1,181 machines on a quarterly basis, by 3.6% in the first 9 months of the year and by 5.9% from 1,115 ATMs at the end of September 2008. The Greater Beirut area had 584 ATMs, accounting for 49.4% of the total, followed by Mount Lebanon with 262 (22.2%), the North with 128 (10.8%), the South with 98 (8.3%), the Bekaa with 88 (7.5%), and Nabatiyeh with 21 (1.8%). Further, the aggregate number of point of sales accepting payment cards reached 45,145 by the end of September, increasing by 1.3% since the end of 2008 and decreasing by 1% annually.

The average monthly domestic payment by residents totaled $102.8m in the third quarter of 2009, rising by 20.6% quarter-to-quarter and by 24.1% from the third quarter of 2008, while the average monthly payment abroad by residents increased by 17.7% to $62.2m on a quarterly basis and by 11.3% from the end of September 2008. In parallel, domestic payments by residents rose by 20.9%, while payments abroad by residents increased by 7.4% in the first 9 months of 2009 compared to the same period last year.

Further, the average monthly value of cash withdrawals by residents using ATMs increased quarterly by 10.6% to $415.9m and rose annually by 19.5%, while average monthly withdrawals by non-residents grew by 45.2% to $7.8m quarter-to-quarter and by 19% year-on-year. Also, the average monthly purchases in Lebanon by non-residents rose 19.2% quarter-to-quarter and by 10.2% annually to $2.1m. Domestic card payments in Lebanese pounds accounted for 12.6% of aggregate payments in all currencies, while local currency withdrawals represented 66.1% of the total.

Number and Usage of Payment Cards Issued in Lebanon
(for the quarters ending September 2009 and September 2008)

	Sep-09	Sep-08	Change
Cards			
With residents	1,560,991	1,492,888	4.6%
With non-residents	44,970	48,335	-7.0%
Total	1,605,961	1,541,223	4.2%
ATMs	1,181	1,115	5.9%
Points of Sales	45,145	45,596	-1.0%
Purchases (in US$m)			
by residents in Lebanon	308.4	248.4	24.2%
% in Lebanese pounds	*12.6*	*11.6*	
by non-residents in Lebanon	6.2	5.6	10.7%
by residents outside Lebanon	186.7	167.7	11.3%
Cash withdrawal (in US$m)			
by residents in Lebanon	1,247.6	1,044.1	19.5%
% in Lebanese pounds	*66.1*	*67.8*	
by non-residents in Lebanon	23.5	19.8	18.7%

Source: Central Bank of Lebanon, Byblos Research

Corporate Highlights

RYMCO's profits down 70% to $2.4m in first 9 months of 2009

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) declared net profits of $2.41m in the first 9 months of 2009, down 70.5% from $8.17m in the same period last year. Sales revenues (net of discounts) totaled $142.9m, posting a 4% increase year-on-year; while net earnings from servicing and repairs, or 'garage income', increased by 41.8% to $3.2m. The firm's cost of goods sold rose by 7.4% to $128.8m. Also, general and administrative expenses increased by 28.1% to $3.3m, while advertising & selling expenses decreased by 17.6% to $1.1m, and overall operating charges rose by 15.4% to $9.5m.

RYMCO's total assets and total equity amounted to $138.3m and $54.1m at the end of September 2009 respectively, compared to $120.6m and $49.7m a year earlier. RYMCO's inventory of cars and spare parts increased 47.3% to $55.6m. 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.

FNB acquires consumer finance company

First National Bank sal (FNB) acquired a majority stake in Capital Finance Company sal (CFC), a consumer finance firm. CFC was established at the end of 1999 with a paid-in capital of LBP 10m and started operations in 2000. It extends credit facilities at retail outlets to customers buying cars, computers, and home appliances. FNB acquired the stake from Business Projects Company after the latter's plan to swap its stake in CFC for a stake in the bank was declined by the Central Bank. CFC has assets of $80.4m, loans of $70.4m and capital of $23.5m.

Tripoli Port to be developed by Chinese contracting company

The Ministry of Transportation & Public Work approved the Chinese contracting company 'Chinese Harbor Engineering Company' to pursue the second phase of the project aiming at enlarging the Tripoli Port. The development of the Tripoli Port is projected to be completed over an 18-month period and to cost $48m.

Casino du Liban elects new board of directors

The Ordinary General Assembly of Companie du Casino du Liban sal (CCL) elected a new Board of Directors for a three-year term and voted in Mr. Hamid Kreidi as chairman to replace the outgoing Dr. Khater Bou Habib. Intra Investment Company sal, the government-controlled investment firm, owns 51% of CCL. The General Assembly also approved the distribution of $25 per share in dividends for 2008. CCL posted net profits of $16.2m in the first 9 months of 2009, up 89.3% from the same period last year. Its net profits totaled $27.2m in 2008.

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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