



## LEBANON THIS WEEK

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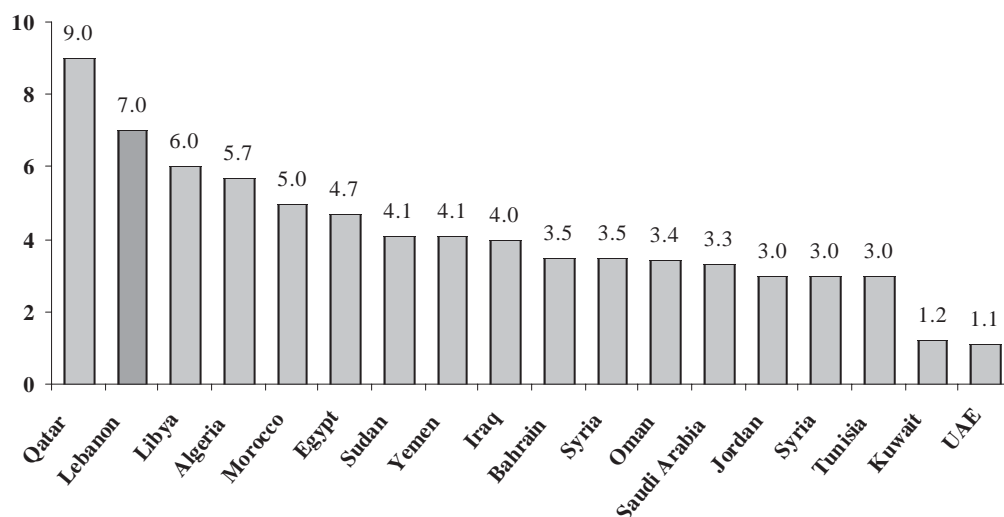
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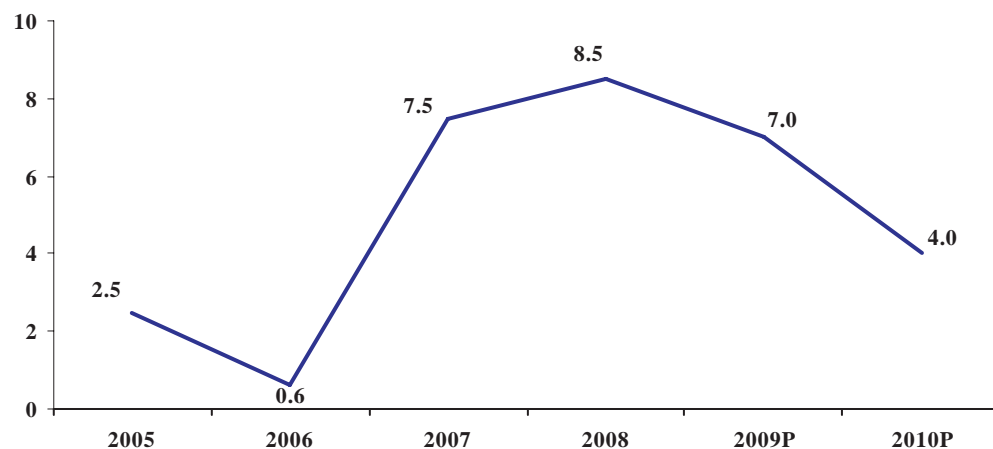
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### Charts of the Week

Projected Non-Oil Real GDP Growth in Arab Countries for 2009 (Annual change; %)



Real GDP Growth in Lebanon (Annual change; %)



Source: International Monetary Fund

### Quote to Note

“The new government’s policy-making ability will remain limited.”

*The Economist Intelligence Unit, on perceptions resulting from the divisions between and within the political alliances in Lebanon, and the length of time it took to reach agreement on the distribution of key Cabinet portfolios*

### Number of the Week

**\$24.1bn:** The Central Bank of Lebanon’s gross foreign reserves at the end of October 2009, as estimated by the Association of Banks in Lebanon

## Economic Indicators

<b>\$m (unless otherwise mentioned)</b>	<b>2007</b>	<b>Sep 08</b>	<b>2008</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>	<b>% Change*</b>
Exports	2,816	307	3,478	230	239	298	(2.93)
Imports	11,815	1,470	16,133	1,470	1,439	1,250	(14.97)
Trade Balance	(8,999)	(1,163)	(12,655)	(1,240)	(1,200)	(952)	(18.14)
Balance of Payments	2,036	200	3,462	1,246	1,020	475	137.50
Checks Cleared in LBP	8,409	757	9,350	1,028	937	900	18.89
Checks Cleared in FC	29,893	4,062	43,174	4,115	4,233	3,882	(4.43)
Total Checks Cleared	38,302	4,819	52,524	5,143	5,170	4,782	(0.77)
Budget Deficit/Surplus	(2,546)	(319)	(2,921)	(157)	(127)	(381)	19.43
Primary Balance	731	33	597	136	122	47	42.42
Airport Passengers	3,408,834	365,205	4,085,334	621,522	612,956	463,919	27.03

<b>\$bn (unless otherwise mentioned)</b>	<b>Dec 2007</b>	<b>Sep 2008</b>	<b>Dec 2008</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>	<b>% Change*</b>
BdL FX Reserves	9.78	15.32	17.06	22.01	22.82	23.21	51.50
<i>In months of Imports</i>	<i>9.19</i>	<i>10.43</i>	<i>15.03</i>	<i>14.97</i>	<i>15.86</i>	<i>18.57</i>	<i>78.04</i>
Public Debt	42.03	45.64	47.02	47.92	48.52	49.18	7.76
Net Public Debt	39.03	40.89	41.49	43.05	43.24	43.61	6.65
Bank Assets	82.26	91.74	94.25	105.38	107.37	109.90	19.80
Bank Deposits (Private Sector)	67.29	75.13	77.78	87.69	89.30	91.19	21.38
Bank Loans to Private Sector	20.42	24.79	25.04	26.98	27.11	27.89	12.50
Money Supply M2	16.47	22.13	24.76	30.11	30.91	31.57	42.66
Money Supply M3	59.83	66.45	68.66	76.17	77.22	78.73	18.48
LBP Lending Rate (%)	10.10	9.98	9.95	9.43	9.27	9.22	(76b.p.)
LBP Deposit Rate (%)	7.40	7.18	7.22	7.02	7.00	6.94	(24b.p.)
USD Lending Rate (%)	8.02	7.37	7.47	7.24	7.05	7.24	(13b.p.)
USD Deposit Rate (%)	4.69	3.57	3.33	3.19	3.18	3.16	(41b.p.)
%* Change in CPI**	5.92	11.76	6.36	2.42	1.52	1.99	(977b.p.)

\* Year-on-Year; \*\* Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

## Capital Markets

<b>Most Traded Stocks on BSE</b>	<b>Last Price (\$)</b>	<b>% Change*</b>	<b>Total Volume</b>	<b>Weight in Market Capitalization</b>	<b>Sovereign Eurobonds</b>	<b>Coupon %</b>	<b>Mid Price \$</b>	<b>Mid Yield %</b>
Solidere "A"	24.59	(0.89)	128,098	19.82%	Mar. 2010	7.125	100.75	3.34
Solidere "B"	24.40	(1.21)	41,939	12.79%	May 2011	7.875	106.00	3.45
Byblos Common	2.07	(0.48)	425,686	3.62%	Mar. 2012	7.500	106.75	4.29
Byblos Priority	2.09	0.00	538,500	3.47%	Sep. 2012	7.750	108.50	4.37
Byblos Pref. 08	104.00	4.00	500	1.68%	June 2013	8.625	111.50	4.97
BLOM GDR	85.65	(0.98)	15,089	5.10%	Apr. 2015	10.000	117.50	6.08
BLOM Listed	84.00	(1.12)	5,000	14.56%	Jan. 2016	8.500	106.63	6.09
Audi GDR	81.40	(1.45)	12,404	6.45%	May 2016	11.625	126.50	6.45
Audi Listed	72.50	(0.68)	7,662	20.12%	Mar. 2017	9.000	115.25	6.34
HOLCIM	12.54	(3.61)	8,315	1.97%	Apr. 2021	8.250	110.75	6.86

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

Source: Byblos Capital Markets

	<b>Dec 14-18</b>	<b>Dec 7-11</b>	<b>% Change</b>	<b>November 2009</b>	<b>November 2008</b>	<b>% Change</b>
<b>Total Shares Traded</b>	1,231,743	536,930	129.40	4,512,808	4,098,570	10.11
<b>Total Value Traded</b>	\$11,090,169	\$9,303,310	19.21	\$106,395,792	\$68,636,890	55.01
<b>Market Capitalization</b>	\$12.40bn	\$12.50bn	(0.75)	\$12.55bn	\$9.88bn	27.0

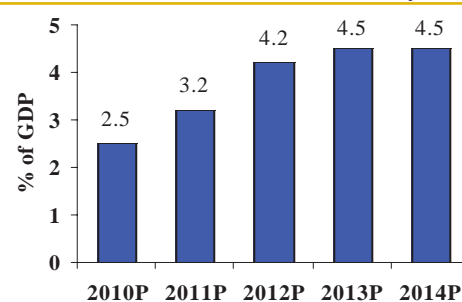
Source: Beirut Stock Exchange (BSE)



### Reforming electricity sector is essential for stability of public finances, debt could decline to 120% of GDP by 2014 if primary surplus rises to 4.5% of GDP

The Institute of International Finance considered that there is currently a consensus in the new national unity Cabinet on the need for fiscal adjustment and a renewed willingness to explore privatization of the telecom sector. It warned, however, that significant fiscal challenges remain over the long term. It added that the government may consider raising the VAT gradually from 10% to 12%, and use the additional revenues to increase its investments in infrastructure, including building more power plants. It noted that these measures, together with the restructuring and reform of Electricité du Liban (EdL), should reduce significantly the amount of government transfers to EdL and lead to larger primary surpluses, which is needed for a more rapid decline in the public debt-to-GDP ratio. The IIF noted that transfers to EdL account for 17% of government revenues or 11% of total expenditure at their current levels. It said that, excluding the transfers to EdL, the overall deficit would be only 5% of GDP, and the primary balance would record a surplus equivalent to 6% of GDP in 2009.

The primary surplus needed to lower the debt-to-GDP ratio to 120% of GDP by 2014



Source: Institute of International Finance

The IIF noted that while the public debt declined from 179% of GDP at the end of 2006 to 152% of GDP at end-October 2009, it remains one of the highest in the world, with interest payments alone accounting for 11% of GDP in 2008. It added that the high government debt poses less risk on a net basis, given the large foreign assets of the Central Bank, while financing is supported by a highly liquid banking system. Further, external debt continued to decline from 116% of GDP in 2007 to 107% of GDP at end-October 2009. It said that if the foreign assets of the Central Bank and commercial banks are considered, the net external debt would be close to zero.

The IIF said that the primary balance should have posted a surplus of 4.4% of GDP in order to stabilize the debt-to-GDP ratio during the 1998-2002 period. However, it registered a primary deficit of 1.5% of GDP during the same period, which explains the rapid increase in the debt-to-GDP ratio during that period. In parallel, the primary balance could have posted a deficit of up to 4.9% of GDP in 2007-09 with the debt-to-GDP remaining stable, but posted a primary surplus of 1.6% of GDP. This resulted in a significant decline in the debt-to-GDP ratio, supported by high annual growth rate of 7.3% and relatively lower real interest rates. It noted that the real interest rates on government debt have declined recently and are expected to remain relatively low over the next few years. It estimated that the primary balance may post a deficit of between 2%-3% of GDP to stabilize the debt-to-GDP ratio, assuming an annual real GDP growth of 5.3% in 2010-2014, which is the average annual economic growth rate of the past 15 years.

The IIF projected that the debt-to-GDP ratio could decline rapidly from 152% of GDP in 2009 to around 120% of GDP by end-2014 without privatization, and regress to 108% of GDP if privatization takes place, which would be lower than that of Greece, Italy and Dubai. It added that this would require the primary surplus to increase gradually to 4.5% of GDP by 2013. It said this objective is attainable under the assumption of fiscal reforms, including raising the VAT from 10% to 12% and rehabilitating the energy sector. It noted that privatization alone would contribute to a reduction in the burden of debt of about 10% of GDP over the next two years. It warned, however, that if major fiscal reforms and privatization do not take place, the debt-to-GDP ratio would decline modestly to 138% of GDP by end-2014, which is still considered very high.

### Moody's changes outlook on Lebanon's ratings to 'positive'

Moody's Investors Service revised the outlook on Lebanon's 'B2' government bond issuer ratings to 'positive' from 'stable'. It also changed the outlook on Lebanon's 'B2' country ceiling for foreign currency bank deposits and 'B1' country ceiling for foreign currency bonds to 'positive' from 'stable'. It attributed the rating action to a continuation of the positive trends that encouraged it to upgrade Lebanon's sovereign ratings last April, such as the continued improvement in external liquidity, the strengthened ability of the country's banking system to finance fiscal deficits, and an improvement of the domestic political situation with the formation of a consensus government in November.

It said Lebanon's public finances have proven resistant to serious political and economic shocks in recent years, mainly due to the resilience of the country's banking system, which is the government's primary creditor. It added that the Central Bank's large and growing cushion of foreign exchange reserves and its effective regulation of domestic banks bolstered confidence in Lebanon's financial system. It noted that the maturity structure of government debt is also favorable, as the government does not face a significant Eurobond maturity until March 2010 and total maturities for the year amount to around \$2bn. Moody's acknowledged the risk that bank deposits could fall in the event of a serious political or economic upheaval, but added that they have displayed a high level of stability during previous crises with the bulk of deposits sourced from the country's large and loyal Diaspora. Moody's expressed concern about Lebanon's significant political and economic vulnerabilities, including wide twin deficits, a very high public debt, a tense domestic political environment, and a precarious geopolitical location. The agency cautioned that the government's weak policy effectiveness may not improve despite the recent formation of a consensus government, and remained alarmed by the slow progress in implementing much-needed economic reforms.



### Beirut ranks 52nd globally in house prices, 53rd in rental yield, and 27th in prices relative to rent

The Global Property Guide's annual report on real estate investment trends around the world indicated that Beirut ranked in 52nd place among 91 markets globally and in third place in the MENA region in terms of the price of a 120 square meters apartment. Globally, Beirut ranked ahead of Shanghai, Brussels and Vilnius in Lithuania, and came behind Bratislava in Slovakia, Valetta in Malta, and Trinidad. The Guide said that Lebanon has seen a spectacular boom in property prices over the past five years and, even in the wake of the global financial crisis, its property market has suffered much less than the GCC markets. It added that rents have been rising during this period, but not as rapidly as prices. It indicated that a 120 sqm apartment in Beirut that had a price of \$60,000 in December 2004 would now cost more than \$400,000. It noted that Beirut is now less attractive for property investment, as gross rental yields have fallen from over 11% five years ago to under 4% currently. Further, yields on larger apartments are even lower at under 3%.

The report offers the tools needed by foreign and non-resident investors to buy income-generating property overseas. It said only resale apartments and houses are included in the survey. The properties surveyed have to be in excellent condition, have good facilities, and have been refurbished or redecorated within the past five years. The Global Property Guide's valuation data is based on upper end apartments in prestigious areas that appeal to foreign investors or renters. It said that figures for Beirut cover the areas of Achrafieh, Beirut Central District, Hamra, Jnah, Ramlet El Baida, Ras Beirut and Verdun.

Beirut ranked in 53rd place in 2009, down from 38th place in 2008 and 42nd place in 2007, among 79 markets globally and 6th among 6 markets in the Middle East & North Africa in terms of Gross Rental Yield (GRY), which is the annual rent relative to the house price. The survey said the GRY is the return-on-investment before taxes, maintenance fees and other costs, and is a key figure for investors. Globally, Beirut ranked ahead of Sophia in Bulgaria, Sydney and Geneva, and came immediately behind Phnom Phen in Cambodia and Copenhagen in Denmark. Lebanon's Gross Rental Yield was 4.18%, lower than 5.13% in 2008 and 7.46% in 2007, and slightly lower than the regional average of 6.1%. The survey classified Lebanon's GRY in the 'poor' category, down from 'moderate' in 2008 and 'good' in 2007. It was the only market in the MENA region in this category.

Further, Beirut ranked in 27th place, up from 35th place in 2008 and 68th place in 2007, among 78 markets globally and in first place in the MENA region in terms of the price of an apartment relative to its rent, or the Price-to-Rent ratio. This ratio reflects the years of rent that are required to buy an apartment of 120 square meters, and is typically used for measuring the undervaluation or overvaluation of real estate prices. Globally, Lebanon's capital Beirut tied with Sydney, Geneva and Sophia, ranked ahead of Phnom Phen in Cambodia, Copenhagen in Denmark and St James in Barbados, and came behind Riga in Latvia, Vilnius in Lithuania, and Prague in the Czech Republic. Lebanon's price-to-rent ratio was 24, up from 19 last year, and higher than the regional average of 17.3, indicating that it takes 24 years of rent to buy a 120 sqm apartment in the Beirut.

Beirut ranked in 45th place, up from 49th place last year, among 78 markets globally and in 3rd place among 6 markets in the MENA region in terms of the Rent-per-Month of a 120 sqm apartment. Globally, Beirut came ahead of Berlin, Brussels and Marrakesh, and came immediately behind Madrid, Bogota in Columbia and Grande-Terre in Guadeloupe. Beirut's rent-per-month was \$1,488 for a 120 sqm apartment, lower than the regional average of \$1,760 per month.

City	Gross Rental Yield (%)	Price-to-Rent ratio	Bying Price* \$US/sqm	Rent* US\$/month
Amman	8.51	12	1,138	1,211
Cairo	7.04	14	856	753
Marrakesh	6.49	15	2,161	1,403
Dubai	5.37	19	5,224	2,807
Tel Aviv	5.06	20	5,722	2,897
Beirut	4.18	24	2,845	1,488

\*120 sqm apartment

Source: Global Property Guide, Byblos Research

### France extends €25m loan by one year

The French Ministry of Finance extended by one year a €25m loan it has pledged to Lebanon at the Paris III conference held in January 2007. The loan's disbursement was conditional on the Lebanese government's implementation of structural reforms by end-2009, but this objective was not met to political opposition to such reforms. The ministry said that Lebanon will have until December 2010 to liberalize its telecommunications sector and reform the electricity sector to benefit from the loan. The Lebanese Ministry of Finance indicated recently that \$5.7bn in Paris III-related pledges have been signed as at the end of September 2009, equivalent to 75.6% of the \$7.53bn that were pledged at the donor conference. It added that \$3.77bn were disbursed by end-September, equivalent to 66% of signed agreements and 50% of total pledges. 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.

### Lebanon has 33rd lowest retail gasoline and 38th lowest diesel prices in the world

The GTZ fuel price survey of 174 countries ranked Lebanon as having the 33rd lowest retail gasoline prices worldwide and 14th lowest among 19 countries in the Middle East and North Africa region. It also ranked Lebanon as having the 38th lowest retail diesel prices globally and 14th lowest in the MENA region. The survey aims to highlight energy policies in developing countries as well as to help governments assess the relevance of their pricing policy and implement related reforms. GTZ is a Germany-based organization that works on sustainable development and socio-economic reforms worldwide.

The survey classified countries in four categories ranging from countries with 'very high fuel subsidies', countries with 'fuel subsidies', those with 'fuel taxation', to countries with 'very high fuel taxation'. Lebanon came in the category of 'fuel taxation' in terms of gasoline retail prices, along with Jordan, Sudan, Syria and Tunisia in the region. Globally, it tied with Canada and North Korea, ranked ahead of Liberia and Argentina, and came behind Mexico. Lebanon came in the category of 'fuel subsidies' in terms of diesel retail prices, along with Oman, Sudan, Syria, Jordan and the UAE in the region. It tied globally with Lao PDR, ranked ahead of Pakistan and Vietnam, and came behind Uzbekistan and Sri Lanka. Venezuela has the lowest retail gasoline and diesel prices globally, while Eritrea has the most expensive gasoline prices and Israel the most costly diesel prices in the world.

Lebanon imports all of its fuel needs. The Lebanese government capped the retail price of gasoline at the May 2004 level due to increasing oil prices in international markets, which eroded the gasoline excise revenue base. This decision was introduced temporarily on the assumption that oil prices would decline shortly after, but they have increased to historic highs until the global financial crisis led to the collapse of global oil prices. Therefore, in January 2009, the Lebanese government adopted a new policy measure that restored the gasoline excise tax. The government took the decision to fix the excise rate at the level prevailing in January 2009 and to allow domestic prices to move with international oil prices.

### Lebanon represented in list of top 50 Arab billionaires

*Arabian Business* magazine's annual survey of the Arab world's top 50 billionaires for 2009 included four persons from Lebanon on its list. The survey ranked Prime Minister Saad Hariri in 18th place, up from 31st place last year, with an estimated fortune of \$4.3bn. It said he is the head of Saudi Oger, the family's \$9bn construction company and has stakes in the company as well investments in banking, real estate, tourism, telecommunications and media. Mr. Ayman Hariri ranked in 34th place, up two places from the previous survey, with an estimated fortune of \$2.4bn, and is involved with Saudi Oger as well as in media and technology. He is followed by his brother Bahaa Hariri in 36th place, down three spots from 2008, with \$2.3bn, who is involved in real estate and private banking. *Arabian Business* ranked former Deputy Prime Minister Issam Fares as the 37th wealthiest person in the region, down 5 places from the previous year, with an estimated fortune of \$2.3bn. The magazine said Mr. Fares established companies in engineering, aviation, oil and gas, real estate development, investment and finance, among others, adding that he has a wide network of contacts with world leaders. The aggregate fortunes of the four Lebanese on the list accounted for 5.4% of the total net worth of the top 50. Saudi Prince Al-Waleed bin Talal topped the list with \$18bn, up \$1bn from 2008.

The survey estimated the aggregate wealth of the 50 wealthiest Arab families or individuals at \$207bn in 2009, up nearly 4% from the previous year. It said the average fortune of the top 50 rose to \$4.14bn this year. But it added that this figures is due to the performance of a few names on the list, as of the 35 names that remain on the list from last year, 20 are actually worse off than they were 12 months ago. It noted that the collapse in the value of property and banking shares, the main source of Arab wealth for much of the past decade, is cited as the biggest reason for the troubles of some of the Arab world's leading business empires.

Rankings by Retail Prices of Gasoline			
	MENA	Global	Category
	Rank	Rank	
Iran	1	3	Very High Subsidies
Libya	2	3	Very High Subsidies
Saudi Arabia	3	4	Very High Subsidies
Bahrain	4	5	Very High Subsidies
Qatar	5	6	Very High Subsidies
Kuwait	6	8	Very High Subsidies
Yemen	7	9	Subsidies
Oman	8	10	Subsidies
Algeria	9	11	Subsidies
UAE	10	15	Subsidies
Egypt	11	16	Subsidies
Jordan	12	23	Taxation
Sudan	13	25	Taxation
<b>Lebanon</b>	<b>14</b>	<b>33</b>	<b>Taxation</b>
Syria	15	49	Taxation
Tunisia	16	69	Taxation
Morocco	17	119	Very High Taxation
West Bank & Gaza	18	129	Very High Taxation
Israel	19	135	Very High Taxation

Source: GTZ, Byblos Research

### **Balance sheet of investment banks posts 28.7% annual growth in June**

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP 6,896bn, or \$4.57bn, at the end of June 2009, constituting an increase of 10% from end-2008 and a rise of 28.7% from end-June 2008. Liabilities to the private sector reached \$2.74bn, up 17.7% from end-2008 and up by 53.8% year-on-year. Commitments to the financial sector reached \$733.6m at the end of June, representing an increase of 2.3% from end-2008 and an increase of 1.6% year-on-year.

On the assets' side, investment banks' operations with commercial banks reached \$2.29bn at end-June 2009, up 33.2% from end-2008 and up by 71.1% from end-June 2008. Lending to the private sector reached \$889m, constituting an increase of 4.5% from end-2008 but a decline of 0.6% year-on-year. Investments in government securities totaled \$1.14bn at end-June 2009, down by 13.6% from end-2008 but up by 8.3% from end-June 2008. Further, the aggregate capital account of investment banks reached \$624.2m at the end of June, up 6.9% from the end of 2008 and up by 9.2% from \$571.4m at the end of June 2008.

### **Overdrafts account for 32% 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 \$9.3bn, or 31.8% of total private sector credits at the end of June 2009. They were followed by advances against real estate with \$6.7bn (23.1%), advances against personal guarantees \$4.9bn (17%), advances against cash collateral or bank guarantees \$4.5bn (15.3%), advances against other real guarantees \$2.1bn (6.9%), and advances against financial values \$1.7bn (5.9%).

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 \$37.6bn, or 83.1%, of resident deposits in foreign currency and was followed by checking and current accounts \$6bn (13.2%), sight saving accounts \$1.2bn (2.8%) and other creditor accounts \$0.4bn (0.9%). Further, term saving accounts attracted \$24.8bn, or 92.6%, of resident deposits in Lebanese pounds, followed by checking and current accounts \$1.5bn (5.7%) and sight saving accounts \$0.4bn (1.6%). Non-residents also favored term saving accounts, which accounted for \$10.6bn, or 86.9%, of their foreign currency deposits and for \$1.5bn, or 97%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled \$74.5bn at the end of June 2009, accounting for 86.8% of deposits in Lebanese pounds and foreign currencies.

### **Number of tourists up 43.5% in first 11 months of 2009**

The number of incoming tourists to Lebanon totaled 1,713,430 in the first 11 months of 2009, constituting an increase of 43.5% from 1,193,831 tourists in the same period last year. Arab tourists accounted for 42.7% of total visitors and were followed by visitors from Europe with 24.2%, Asia with 14.4%, America with 12.5%, Oceania with 3.4% and Africa with 2.3%. The number of tourists reached 138,940 in November 2009, constituting an increase of 53.2% from 90,663 in November 2008. Arabs accounted for 47.9% of total visitors in November 2009, followed by Europeans with 20.8% of total, visitors from Asia with 16.3%, American continent visitors with 9.1%, visitors from Oceania with 3% and Africa continent visitors with 2.8%.

### **Most tourism spending year-to-November originates from Saudi Arabia**

According to Global Refund, the cash refund operator for international shoppers, tourists from Saudi Arabia spent the most in Lebanon over the first 11 months of 2009, equivalent to 21% of total tourist spending, followed by tourists from Kuwait (12%), UAE (11%), Egypt (7%) and Jordan (7%). Beirut attracted 81% of total spending over the covered period, followed by the Metn area with 14%, the Keserwan region with 3% and the Baabda area with 1%. Fashion & clothing accounted for 67% of total spending, followed by watches with 11%, home & garden with 5%, department stores with 5%, perfume & cosmetics with 4%, souvenirs & gifts with 3%, consumer electronics & household appliances with 2%, and electronics & IT with 1%.

### **Beirut port revenues up 23% to \$148m in first 11 months of 2009**

Figures released by the Port of Beirut Authority show that port revenues totaled \$148.1m in the first 11 months of 2009, constituting an increase of 23.3% from the same period last year. Freight activity reached 5.8 million tons in the first 11 months of 2009, up 9.8% from the same period of 2008. The number of ships reached 2,199, up 17.7% from a year earlier. Also, the port's revenues reached \$12.8m in November 2009, down 12.2% from the previous month. Further, freight activity increased by 1.1% to 496 thousand tons, while the number of ships increased by 3.7% to 197 ships in November 2009 from the previous month.

### **Car sales down 4.8% in first 11 months of 2009**

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 29,122 new passenger cars were sold during the first 11 months of 2009, constituting a decrease of 4.8% from the 30,603 cars sold in the same period of 2008. Japanese cars accounted for 47.6% of total sales, followed by European vehicles with 25.6% of sales, Korean automobiles with an 18.7% market share, American cars with 7.1% and Chinese cars with 1%. Chinese cars posted a 469.4% increase in sales year-on-year. In parallel, American cars posted a 16.7% decrease year-on-year, followed by Korean cars with a 7.9% decline, Japanese cars with a 3.9% drop and European cars with a 2.8% decrease. Nissan is the leading brand in the Lebanese market with 6,112 cars sold in the first 11 months of 2009, followed by Toyota with 4,274 cars sold, Kia with 3,368, Hyundai with 2,074, Renault with 1,404 and Peugeot with 1,402 cars. The number of new passenger cars sold reached 2,458 in November 2009, constituting a decrease of 24.6% from 3,262 in November 2008.

### **Launch of global network of Lebanese finance executives**

The Lebanese International Finance Executive (LIFE), a networking organization based in London, officially launched its operations last month. LIFE said its objective is to channel the influence of Lebanese finance executives worldwide towards establishing stronger bonds, nurturing the next generation, and promoting Lebanon in local, regional and international venues. As such, it has formed a Board of Directors who will be providing the leadership and governance required to ensure that LIFE remains a sustainable and professional body. It plans to form country committees that will initially represent the United States, the United Kingdom, France, Switzerland and the UAE, with a Beirut committee acting as a local liaison in Lebanon. It noted that membership will be targeted at Lebanese finance professionals based outside Lebanon.

### **Muhanna Rating Services takes rating actions on insurance firms**

In its annual set of ratings of insurance firm in the Arab world covering 2008, insurance rating agency i.e. Muhanna & co Rating Services reaffirmed the 'A' financial strength rating of ADIR Insurance sal, the insurance affiliate of the Byblos Bank Group. ADIR came in the 'secure' category, which includes insurers with a sound and balanced capacity to meet policyholders' obligations. It downgraded Arabia Insurance Company's financial strength rating to 'A' from 'A+' due to an increase in underwriting exposure, increase in the combined ratio and decrease in shareholders' equity. The agency reaffirmed the Mediterranean & Gulf Insurance and Reinsurance Co. sal (MEDGULF Lebanon) financial strength rating of 'A-', adding that the rating is based on high underwriting exposure and low liquidity. The agency said the financial strength of ADIR is based on a good level of liquidity and good level of earnings & underwriting results. Further, it downgraded the financial strength ratings of Assurex to 'BBB' from 'BBB+' and CLA to 'BBB+' from 'A-' due to higher underwriting exposure and lower liquidity. It also downgraded Arab Re to 'BBB' from 'BBB+' due a slight increase in underwriting exposure and in its combined ratio. Further, it maintained the rating of United Commercial Assurance at 'A-' due to favorable underwriting exposure, good liquidity, good underwriting profitability and a good capital structure. It also maintained the rating of ALIG at 'BBB-' due to high levels underwriting exposure and unfavorable underwriting profitability. In parallel, it upgraded the ratings of Victoire Insurance Co to 'BBB+' from 'BBB' due to a decline in underwriting exposure and an increase in liquidity. Finally, it raised the financial strength rating of LIA Insurance to 'A+' from 'A' due to an increase in shareholder's equity.

### **Crédit Libanais to enter Senegal**

Crédit Libanais sal, one of Lebanon's top 10 banks, received a license from the Central Bank of West African States to establish operations in Senegal. The bank is expected to start operations in the first half of 2010 and will mainly target the Lebanese Diaspora. The license authorizes the bank to open branches in the seven countries that form the West African Economic and Monetary Union, which includes Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger and Togo. Crédit Libanais ranked in 8th place in terms of assets, loans, and deposits in the Lebanese banking sector as at end-2008. Lebanese banks have been expanding in Sub-Saharan Africa, with Byblos Bank becoming the first Lebanese banks to establish a direct presence in Nigeria, while the Lebanese-Canadian Bank recently announced the start of its operations in The Gambia.

### **Inauguration of ADPi's regional office in Beirut**

ADPi, a leading architecture and engineering firm that designs and develops airport platforms and major infrastructure projects around the world, officially inaugurated its regional office in Beirut. The firm is a fully-owned subsidiary of Aéroports de Paris and was established in June 2000 to better meet the needs of ADP's clients. ADPi manages, designs and supervises airport projects all over the world. It also provides services to private and public sector facilities and infrastructure projects outside of the airport sector. It had a staff of about 600 persons and a turnover of €107m in 2008. ADPi has projects currently, or has worked on projects, in Saudi Arabia, the UAE, Qatar, Oman, Jordan, Egypt, Algeria, Morocco, Libya and Iran. The Beirut office is expected to create a substantial number of jobs and attract specialized skills.

## Ratio Highlights

(in % unless specified)	2006	2007	2008	Change*
Nominal GDP <sup>(1)</sup> (\$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	Oct 2008	Sept 2009	Oct 2009	Change*	Risk Level
Political Risk Rating	57.5	56.5	56.5	▼	High
Financial Risk Rating	28.0	27.5	28.0	↔	High
Economic Risk Rating	30.0	27.5	35.5	▲	Low
Composite Risk Rating	57.7	55.7	60.0	▲	Moderate

Regional Average	Oct 2008	Sept 2009	Oct 2009	Change*	Risk Level
Political Risk Rating	65.6	65.1	65.1	▼	Moderate
Financial Risk Rating	41.1	41.7	42.0	▲	Very Low
Economic Risk Rating	39.0	34.7	34.8	▼	Moderate
Composite Risk Rating	72.8	70.7	70.9	▼	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	Positive			
Fitch	B-	B	Stable	B-		
S&P	B-	C	Stable	B-	C	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	D-		Stable
EIU		B	Stable

Source: Rating agencies



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**Economic Research & Analysis Department**  
**Byblos Bank Group**  
**P.O. Box 11-5605**  
**Beirut – Lebanon**  
**Tel: (961) 1 338 100**  
**Fax: (961) 1 217 774**  
**E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com.lb](http://www.byblosbank.com.lb)**

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# BYBLOS BANK GROUP

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605  
Riad El Solh - Beirut 1107 2811 - Lebanon  
Phone: (+961) 1 335200  
Fax: (+961) 1 339436

## SYRIA

---

Byblos Bank Syria S.A  
Abu Roummaneh Head Office  
Al Chaalan - Amine Loutfi Hafez Str.  
P.O.Box: 5424 Damascus - Syria  
Phone: (+963) 11 9292 - 3348240 / 1 / 2 / 3 / 4  
Fax: (+963) 11 3348207  
E-mail: byblosbanksyria@byblosbank.com

## SUDAN

---

Byblos Bank Africa Ltd.  
Khartoum - Sudan  
El Amarat -Street 21  
P.O.Box: 8121 El Amarat - Khartoum - Sudan  
Phone: (+249) 183 566 444  
Fax: (+249) 183 566 454  
E-mail: byblosbankafrica@byblosbank.com

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60,  
Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+964) 66 2233457 / 9  
Fax: (+964) 66 2233458  
E-mail: iraqbranch@byblosbank.com.lb

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street  
Yerevan, 37500 - Republic of Armenia  
Phone: (+374) 10 530 362  
Fax: (+374) 10 535 296

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
10-14 Bourdillon Road  
Ikoyi, Lagos - Nigeria  
Phone: (+234) 1 6653633  
(+234) 1 8990799  
E-mail: melamm@byblosbank.com.lb

## BELGIUM

---

Byblos Bank Europe S.A  
Bussels Head Office  
10, Rue Montoyer  
B-1000 Brussels - Belgium  
Phone: (+32) 2 551 00 20  
Fax: (+32) 2 513 05 26  
E-mail: byblos.europe@byblosbankeur.com

## ENGLAND

---

London Branch  
Berkeley Square House - Suite 5  
Berkeley Sq.  
GB - London W1J 6BS - United Kingdom  
Phone: (+44) 207 493 35 37  
Fax: (+44) 207 493 12 33  
E-mail: byblos.europe@byblosbankeur.com

## FRANCE

---

Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## CYPRUS

---

Limassol Branch  
1, Arch. Kyprianou / St. Andrew Street  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+357) 25 341433 / 4 / 5  
Fax: (+357) 25 367139  
E-mail: bybloscyprus@byblosbank.com

## UNITED ARAB EMIRATES

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Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+971) 2 6336400  
Fax: (+971) 2 6338400  
E-mail: byblosbankuae@byblosbank.com