



LEBANON THIS WEEK

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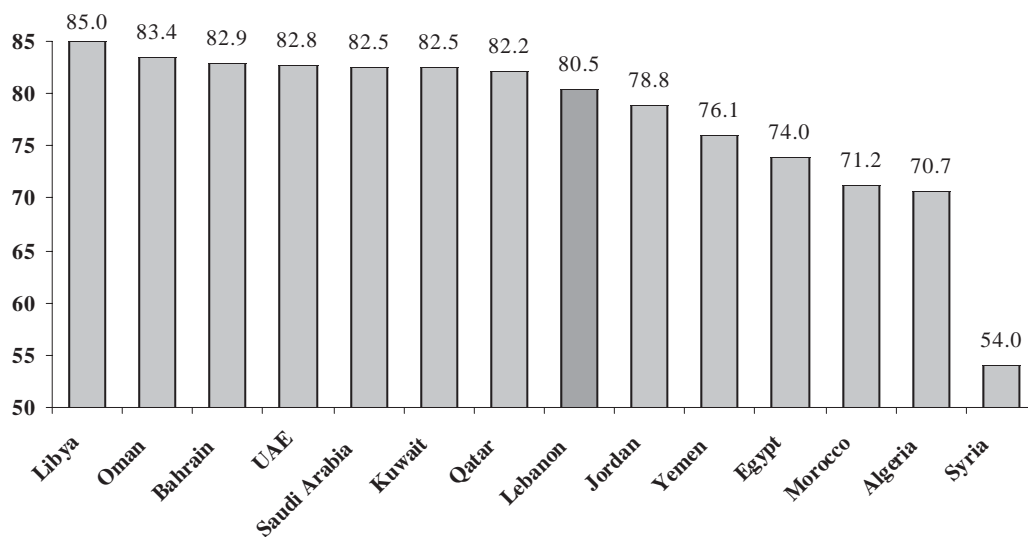
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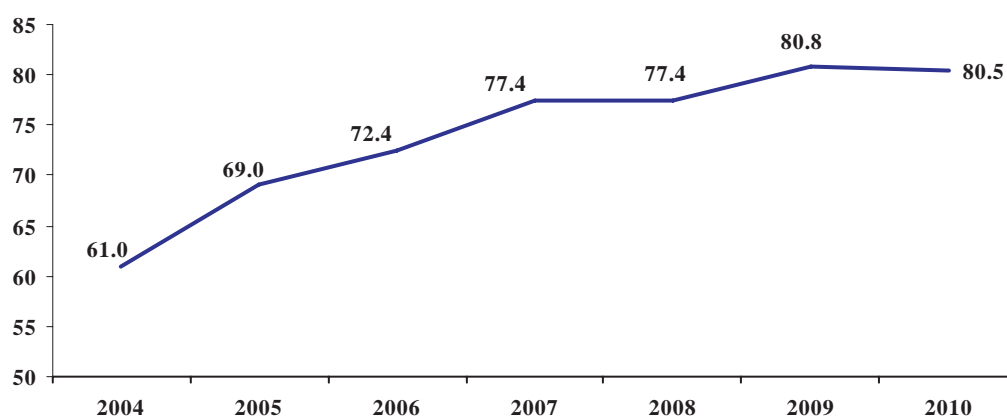
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Charts of the Week

Trade Freedom Index for Arab Countries for 2010



Trade Freedom Index for Lebanon



Source: Heritage Foundation/Wall Street Journal, 2010

Quote to Note

“Delays in the rehabilitation of Electricité du Liban, in fiscal adjustment, and in the privatization of the two telecom companies would increase the vulnerability of the economy.”

The Institute of International Finance, on the non-military threats to Lebanon's economic stability

Number of the Week

LBP 21,456bn: Aggregate Certificates of Deposits issued by the Central Bank of Lebanon as at end-2009

Economic Indicators

\$m (unless otherwise mentioned)	2007	Dec 2008	2008	Oct 09	Nov 09	Dec 09	% Change*
Exports	2,816	251	3,478	327	339	364	45.02
Imports	11,815	1,135	16,133	1,291	1,581	1,380	21.58
Trade Balance	(8,999)	(884)	(12,655)	(964)	(1,242)	(1,016)	14.93
Balance of Payments	2,036	714	3,462	1,167	280	1,610	125.49
Checks Cleared in LBP	8,409	831	9,350	1,102	850	1,061	27.68
Checks Cleared in FC	29,893	3,184	43,174	4,600	3,752	4,756	49.37
Total Checks Cleared	38,302	4,015	52,524	5,702	4,602	5,817	44.88
Budget Deficit/Surplus	(2,546)	(332)	(2,921)	(190)	(179)	(368)	10.84
Primary Balance	731	48	597	210	101	72	50.00
Airport Passengers	3,408,834	419,329	4,085,334	388,771	380,342	738,211	76.05

\$bn (unless otherwise mentioned)	Dec 2007	Dec 2008	Sep 09	Oct 09	Nov 09	Dec 09	% Change*
BdL FX Reserves	9.78	17.06	23.21	24.12	24.81	25.66	50.41
<i>In months of Imports</i>	<i>9.19</i>	<i>15.03</i>	<i>18.57</i>	<i>18.68</i>	<i>15.69</i>	<i>18.59</i>	<i>23.68</i>
Public Debt	42.03	47.02	49.18	49.90	50.46	51.09	8.65
Net Public Debt	39.03	41.49	43.61	43.74	44.01	44.11	6.31
Bank Assets	82.26	94.25	109.90	111.57	113.57	115.25	22.28
Bank Deposits (Private Sector)	67.29	77.78	91.19	92.44	94.06	95.77	23.13
Bank Loans to Private Sector	20.42	25.04	27.89	28.09	28.81	28.37	13.30
Money Supply M2	16.47	24.76	31.57	32.36	33.19	34.16	37.96
Money Supply M3	59.83	68.66	78.73	79.71	81.04	82.08	19.54
LBP Lending Rate (%)	10.10	9.95	9.22	9.15	9.13	9.04	(91b.p.)
LBP Deposit Rate (%)	7.40	7.22	6.94	6.86	6.81	6.75	(47b.p.)
USD Lending Rate (%)	8.02	7.47	7.24	7.28	7.25	7.28	(19b.p.)
USD Deposit Rate (%)	4.69	3.33	3.16	3.18	3.07	3.05	(28b.p.)
%* Change in CPI**	5.92	6.36	1.99	1.66	4.47	4.20	(216b.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"	22.59	(1.09)	266,303	17.43%
Solidere "B"	22.56	(1.01)	30,327	11.32%
Byblos Common	2.05	(3.76)	48,318,103	3.43%
Byblos Priority	2.11	(1.40)	50,111	3.35%
Byblos Pref. 08	104.00	0.00	1,000	1.61%
BLOM GDR	95.00	4.97	37,222	5.42%
BLOM Listed	90.00	(0.06)	10,650	14.93%
Audi GDR	90.00	(0.22)	5,375	6.83%
Audi Listed	87.00	0.00	3,405	23.11%
HOLCIM	12.10	2.98	5,988	1.82%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2010	7.125	100.12	4.27
May 2011	7.875	105.88	3.00
Mar. 2012	7.500	107.88	3.52
Sep. 2012	7.750	109.63	3.73
June 2013	8.625	112.50	4.51
Apr. 2015	10.000	120.00	5.48
Jan. 2016	8.500	115.00	5.48
May 2016	11.625	129.88	5.80
Mar. 2017	9.000	118.94	5.71
Apr. 2021	8.250	113.13	6.56

Source: Byblos Capital Markets

	Feb 15-19, 2010	Feb 8-12, 2010	% Change	January 2010	January 2009	% Change
Total Shares Traded	48,733,983	315,144	15,364.04	12,057,977	2,561,252	370.78
Total Value Traded	\$114,122,311	\$10,063,710	1,034.00	\$961,719,141	\$40,944,752	2,248.82
Market Capitalization	\$12.96bn	\$12.95bn	0.26	\$12.65bn	\$8.76bn	44.36

Source: Beirut Stock Exchange (BSE)



Reducing electricity constraints to businesses could raise per capita GDP by up to 2% annually

A Working Paper by the International Monetary Fund indicated that electricity constraints, labor skill shortage and insufficient access to finance for businesses are costing the Lebanese economy up to 4.3% in real per capita GDP growth per year. It said that electricity constraints are the major obstacle to growth identified by businesses in Lebanon. It noted that 61% of firms in the country consider electricity shortages to be a major obstacle to their work, which is similar to the West Bank & Gaza's figure of 64%, and is much higher than in other economies in the region that either have a high population or lack natural resources. In comparison, 48% of firms in Algeria say electricity constitutes a problem, followed by 39% in Pakistan, 37% in Morocco, 29% in Mauritania, 24% in Jordan, 20% in Egypt, and 10% in Oman. Overall, 40% of firms in the Middle East & North Africa region consider electricity problems to be an obstacle to their work, compared to 34% of firms around the world and 6% of firms in OECD economies. The IMF said that if electricity constraints in Lebanon are reduced to the world average, then it would lead to an improvement in the country's real per capita GDP growth of 1%. Further, if such obstacles are reduced to OECD levels, then the country's real per capita GDP growth would gain 1.9% annually. Also, it noted that if electricity-related obstacles are reduced in its sample of Arab countries in the region suffering from such problems, then Lebanon would benefit the most in terms of real GDP growth, which reflects the poor state of the electricity sector in the country and the opportunity costs to the economy.

The IMF indicated that reducing the electricity-related obstacles requires not only more public investment in the electricity network, but also greater private sector participation in the generation, transmission and distribution of electricity, including through greater use of public-private partnerships. It added that greater private sector involvement is especially needed in countries facing fiscal pressures like Lebanon.

In parallel, the IMF said that 38% of firms in the country identified the shortage of labor skills as a major constraint to their work compared to 24% in the MENA region, 12% in the world and 10% in OECD economies. It noted that if labor shortages in Lebanon are reduced to the MENA average, then real per capita GDP would increase by an additional 0.2% annually. Further, if such shortages are reduced to the global or OECD averages, then real per capita GDP would expand by 0.6% and 1%, respectively.

Further, the IMF noted that 42% of firms in the country identified access to finance as a constraint to their work compared to 33% in the MENA region, 31% in the world and 13% in OECD economies. It noted that if access to finance improves to the MENA average, then real per capita GDP would increase by an additional 0.5% annually. Further, if obstacles to accessing finance are reduced to the global or OECD averages, then real per capita GDP would expand by 0.6% and 1.5%, respectively. It suggested that longer-term measures to increase access to finance could include establishing public credit information registries and private credit bureaus. It added that expanding the pool of assets to be used as collateral, and strengthening lenders' property rights and enforcement could also help to significantly reduce obstacles to access to finance over the long-term. Finally, it suggested government support and incentives to alternative sources of financing for SMEs such as private equity and venture capital funds.

Lebanon ranks 15th globally in gold reserves, first relative to GDP

Figures released by the World Gold Council show that Lebanon's gold reserves totaled \$9.2bn at the end of 2009, ranking it in 15th place globally and in first place among 14 countries in the Middle East and North Africa region. Lebanon accounted for 1.1% of the world's total gold reserves, excluding gold held by the International Monetary Fund and the European Central Bank. It also accounted for 29.2% of the MENA region's total gold reserves. Globally, Lebanon ranked ahead of Spain with \$9bn, Austria with \$8.9bn and Belgium with \$7.3bn, and came behind the United Kingdom with \$9.9bn, Venezuela with \$11.4bn and India with \$11.5bn. Regionally, Libya followed Lebanon distantly with \$4.6bn as the second largest holder of gold reserves among MENA countries. The United States is the largest holder of gold reserves worldwide with \$260.4bn, followed by Germany with \$109bn as at end-September.

In parallel, Lebanon's total gold reserves were equivalent to 28.1% of GDP as at end-September 2009, ranking it in first place among 105 countries worldwide. It came significantly ahead of the Netherlands Antilles with total reserves of 9.8% of GDP, Libya with 7.6% of GDP and Switzerland with 6.9% of GDP. Lebanon's gold holdings reached 26.7% of its total reserves compared to 9.8% for all countries, and 54.8% for Eurozone economies. It ranked in 15th place globally in this category, ahead of Belarus with 22.4% and Pakistan with 15%, and behind Switzerland with 28% and Belgium with 30.9%.

Top 10 Countries in Gold Reserves (% GDP) 2009

	Gold Holdings (% GDP)	Global Rank
Lebanon	28.12	1
Netherlands Antilles	9.84	2
Libya	7.60	3
Switzerland	6.90	4
Portugal	5.57	5
Bolivia	5.17	6
Algeria	4.12	7
Aruba	3.85	8
Taiwan	3.80	9
Italy	3.76	10

Source: World Gold Council, Byblos Research

Occupancy at Beirut hotels at 73%, room yields up 67% in 2009

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that occupancy rate at hotels in Beirut was 73% in 2009, up from 55% in 2008. The occupancy rate at Beirut hotels was the sixth highest among 21 markets in the region, compared to being the lowest in 2008. Beirut posted the highest growth in occupancy rates in the region, but this was largely due to the fact that occupancy rates in Beirut hotels were low in the first half of 2008. The survey said the average rate per room at Beirut hotels was \$234 in 2009, ranking the capital's hotels as the eighth most expensive in the region, behind Muscat, Makkah, Kuwait City, Manama, Doha, Abu Dhabi and the Dubai-Beach sub-market.

The average rate per room at Beirut hotels increased by 26.5% to \$234 year-on-year and posted the highest increase among all markets in the region. The average rate per room in Beirut came above the regional average of \$195, which declined by 5.8% from \$207 in 2008. The average room rate in Beirut reached \$273 in December 2009, unchanged from November and relative to \$254 in December 2008. Occupancy rates at Beirut hotels were 87% in July 2009, 75% in August, 71% in September, 85% in October, 79% in November and 75% in December 2009, compared to 74% in July, 90% in August, 48% in September, 83% in October, 71% in November and 81% in December 2008. Beirut hotels posted the third highest occupancy rate in December along with Dubai-apartments and behind Dubai and the Dubai-Beach sub-market.

Further, revenues per available room (RevPAR) were \$172 in Beirut in 2009, up from \$103 in 2008, ranking it in fourth place in the region, after, Doha, Abu Dhabi and Dubai-Beach. Beirut's RevPAR was up 67% year-on-year, posting the highest rise in the region, and compared to an average decline of 11.2% across the region. Beirut posted RevPARs of \$281 in July, \$242 in August, \$162 in September, \$165 in October, \$218 in November and \$205 in December 2009 compared to \$156 in July, \$216 in August, \$84 in September, \$91 in October, \$131 in November and \$208 in December 2008. Dubai-Beach posted the highest average room rate in the region at \$309, the highest REvPAR at \$257 and the highest occupancy rate at 83% in 2009.

Lebanon posts highest growth rate in tourist arrivals in the world in 2009

Preliminary figures issued by the United Nations World Tourism Organization indicate that Lebanon posted the highest growth rate in tourist arrivals in the world during 2009 with a 39% increase from the previous year. In comparison, tourist arrivals regressed by 4.3% globally, by 5.4% in advanced economies and by 3% in emerging market. Regionally, tourist arrivals declined by 5.6% in the Middle East and increased by 2.9% in North Africa. They increased by 5.1% in Africa, dropped by 5.6% in Europe, regressed by 5.1% in the Americas, and decreased by 1.9% in Asia and the Pacific. Globally, Lebanon came ahead of Kenya that posted a 36.8% growth rate in tourist arrivals, followed by Vanuatu with 29.6%, Myanmar with 17.8%, and Taiwan with 14.3% as the fastest growing tourism markets worldwide. Regionally, Syria came distantly behind Lebanon, as it posted a 10.4% growth in tourist arrivals, followed by Morocco with 7%, Bahrain with 4.3%, and in Jordan and Turkey with 1.6% each, while arrivals declined in Saudi Arabia by 29%, in Cyprus by 11%, in Israel by 9.7%, Egypt by 3.4%, in Palestine by 3.1%, and in Tunisia by 2.6% and in the UAE by 1.3%. The World Tourism Organization projected tourist arrivals to grow between 3% and 4% globally and by 5% to 9% in the Middle East in 2010. In terms of tourism expenditures, the WTO said tourism receipts in Lebanon totaled \$7.2bn in 2008, up 31.6% from 2007 and constituting the third highest growth in such receipts in the Arab world. Figures released by the Ministry of Tourism show that the number of incoming tourists to Lebanon totaled 1,851,081 in 2009, constituting an increase of 38.9% from 1,332,551 tourists in the same period last year. Arab tourists accounted for 42.5% of total visitors and were followed by visitors from Europe with 24.5%, Asia with 14.3%, America with 12.6%, Oceania with 3.5% and Africa with 2.3%.

Hotel Performance in 2009			
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai - Beach	83	257	(30.5)
Sharm El Shaikh	79	45	(13.5)
Dubai - Apartments	78	115	(29.4)
Hurghada	77	37	(15.9)
Abu Dhabi	75	232	(9.0)
Beirut	73	172	67.0
Dubai - Overall	73	170	(33.6)
Jeddah	73	147	4.3
Cairo - City	71	82	(10.9)
Cairo - Overall	71	81	(11.0)
Dubai - City	68	139	(35.6)
Cairo - Pyramids	68	76	(16.5)
Al Ain	67	107	0.0
Doha	65	193	(17.2)
Muscat	63	156	(14.8)
Amman	60	86	(2.3)
Makkah	58	145	(15.7)
Riyadh	58	127	(10.6)
Madina	58	93	(20.5)
Manama	56	165	(16.2)
Kuwait	55	149	(3.2)

Source: Ernst & Young, Byblos Research

Growth at 5.8% in 2010, reforms remain key to fiscal stability

In its first report on Lebanon this year, Merrill Lynch projected real GDP growth of 5.8% in 2010 and 5.1% 2011, representing a slow-down from 2008 and 2009. It indicated that the Lebanese economy performed strongly in 2009 during a year of global recession, with real GDP growth exceeding 7% in 2009 and averaging close to 8% in 2008-09. It considered that political stability has been the key to growth. It noted that tourist arrivals surged 40% in 2009, banks' balance sheet expanded 22% year-on-year with deposits increasing 23%, capital inflows helped the Central Bank increase its reserves by \$8.5bn to \$25.6bn, and the public debt declined to 153% of GDP. It added that the strong rebound in economic activity helped contain the large budget deficit despite the usual fiscal pressures in the run-up to the June 2009 parliamentary elections. Consequently, the primary surplus increased by 81% year-on-year and reached 3.4% of GDP. Also, it expected Fitch Ratings to upgrade Lebanon's sovereign ratings by two notches, after Standard & poor's raised it last December to the same level as Moody's Investors Service.

Merrill Lynch warned, however, that lowering Lebanon's high indebtedness requires more than modest primary surpluses. It said the energy sector needs to be reformed, as it absorbs a disproportionate amount of budget resources. Also, the long-awaited privatization of mobile phone licenses needs to be completed and used to bring down the debt. Further, the planned tax reform that would increase VAT from 10% to 15%, and legislation of a global income tax bill, remains the short-term structural priorities. But it did not expect telecom privatization to take place this year. Merrill Lynch stressed that a strong banking sector and balance of payment surplus have limited Lebanon's sovereign risk. It said that, as banks are the main holder of Lebanese debt, an increase in deposits has helped to bring down bond yields, and this trend is unlikely to be reversed in the short term.

Main Economic Indicators			
	2009E	2010E	2011E
Real GDP (% yoy)	7.0	5.8	5.1
CPI (average, % yoy)	3.4	4.7	6.2
Fiscal balance (% GDP)	-9.1	-8.2	-7.8
Public debt (% GDP)	153.2	152.0	148.0
Current-account balance (\$bn)	-2.5	-3.2	-4.1
Current-account balance (% GDP)	-7.7	-9.1	-10.7
Gross external debt (\$bn)	56.5	59.0	61.2
Gross external debt (% GDP)	173.0	167.5	161.4
Fx reserves (\$bn)	20.2	30.5	32.0
Import cover (in months)	16.1	20.3	19.2
Short-term debt cover (%)	40.4	58.7	59.8

Source: Merrill Lynch

New Eurobond issue to refinance upcoming maturities

The Ministry of Finance declared that it will issue new Eurobonds under the Republic of Lebanon's Global Medium Term Note Program, and that proceeds will be used to refinance upcoming maturities in March. The government has \$2.15bn in Eurobonds maturing this year, of which \$1.1bn mature in March. Lebanon's gross public debt reached \$51.1bn at the end of 2009, constituting an increase of 8.7% from end-2008. Domestic debt increased by 15.3% to \$29.8bn, while external debt rose by 0.5% annually to \$21.3bn. Foreign currency-denominated debt represents 41.6% of the total relative to 45% a year earlier. Market-issued Eurobonds total \$14.4bn and account for about 68% of external debt. Bilateral, multilateral, foreign private sector loans, as well as Paris II and Paris III-related debt account for the balance of foreign currency debt. Commercial banks account for 58.4% of the total public debt, followed by the Central Bank with 19.4%; while public agencies, financial institutions and the general public accounted for 10.6% of the debt. Lebanon's gross public debt is equivalent to about 156% of GDP. The ministry mandated BLOM Bank sal, FransaInvest Bank sal and BNP Paribas, to jointly lead manage its planned Eurobond issue.

Average Coincident Indicator up 14.7% in 2009

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 240.5 points in December 2009 compared to 242.7 points in November 2009 and 209.6 points in December 2008. The Coincident Indicator, an average of 8 weighted economic indicators, regressed by 0.9% month-on-month, and rose by 14.7% in 2009. The indicator averaged 225.8 points in 2009 compared to 223.3 in the 12-months ending in November and to 198.4 points in 2008. As a result, the average coincident indicator rose by 13.8% year-on-year. The indicator posted its best performance in November and its second best performance in December, after posting its best performance ever in April 2009 with 236.5 points. But the December results reverse two consecutive months of increase in activity, and reflect the sixth monthly decrease in activity in 2009. Further, the month-to-month increase in November constitutes the fourth highest improvement ever for the indicator for the covered month. In parallel, the indicator improved seven times, and regressed 10 times in the month of December since 1993. The indicator averaged 180 points in 2007 and 171.6 points in 2006.

Total Paris III commitments reach \$5.9bn at end-2009

The Ministry of Finance indicated that a total of \$5.87bn in Paris III-related pledges has been signed as at the end of 2009, equivalent to 78% of the \$7.53bn that were pledged at the donor conference held in January 2007. It estimated that \$3.7bn were disbursed by end-2009, equivalent to 63% of signed agreements and 49% of total pledges. Budget support agreements totaled \$2.13bn, equivalent to 36.3% of total signed agreements by the end of the year, followed by private sector support with \$1.54bn (26%), project finance support with \$1.38bn (22.5%), support through the UN with \$338m (5.8%), in-kind support with \$328m (5.6%), support through civil society organizations (CSO) with \$111m (1.9%) and Central Bank support with \$43m (0.7%). The ministry said disbursements increased by \$576m since end-2008, mainly due to disbursement of \$244m in private sector support, \$168m in project finance, and \$119m in budget support. It said the remaining \$525m 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, 99.4% of UN support, 75.4% of budget support, 92.6% of in-kind support, and 67% of private-sector support have been disbursed. The United States accounted for \$1.03bn, or 17.5% of total signed grants and loan agreements. It was followed by the European Investment Bank with \$961m (16.3%), France with \$599 (10.2%), Malaysia with \$500m (8.5%), the World Bank Group with \$475m (8.1%), the Arab Fund for Social & Economic Development with \$442m (7.5%), the Arab Monetary Fund with \$375m (6.4%), the UAE with \$300m (5.1%), and the Islamic Development Bank with \$250m (4.3%) as the top donors.

Beirut port revenues down 10.3% in January 2010

Figures released by the Port of Beirut Authority show that port revenues amounted to \$12.6m in January 2010, down 18% from December 2008 and down 10.3% from January 2009. Freight activity reached 508,000 tons in January 2010, up by 1.3% compared to January 2009. The number of ships reached 174, down 6.9% compared to a year earlier.

Byblos Bank General Assembly approves \$250m capital increase, IFC completes share purchase

The Extraordinary General Assembly of Byblos Bank sal held on February 19, 2010 approved the Bank's proposed \$250m capital increase, which will be implemented before the end of June 2010. In parallel, the Bank announced that its principal shareholder, the Luxembourg-based Byblos Invest Holding SA, holder of 41.7% of the Bank's share capital, sold to the International Finance Corporation (IFC), the private sector arm of the World Bank, 47,619,047 common shares of the Bank at a price of \$2.10 per share, for an aggregate purchase price of approximately \$100m. Following the completion of the transaction and the capital increase, the IFC will hold an 8% stake in Byblos Bank sal and will have a seat on the Bank's Board of Directors. Further, Byblos Invest (Holding) SA and the IFC agreed that Byblos Invest (Holding) SA will allocate all of the proceeds from the sale to the capital increase, and that the IFC will not participate in the increase. The capital increase will be reserved to the Bank's holders of common and priority shares, while holders of GDRs representing common shares will be able to participate in the capital increase subject to the standard conditions and restrictions applicable to GDR holders.

The capital increase and IFC's participation fall within Byblos Bank's strategy of gradual expansion in emerging markets and of increasing its lending to small and medium-size enterprises. The substantial participation of the IFC in the Bank's capital demonstrates that Lebanese institutions with sound and conservative management, and with a clear vision, remain attractive to international institutional investors. The IFC participation constitutes the largest equity investment by the IFC in the Lebanese economy and one of the largest IFC investments in the Arab banking sector.

Byblos Bank sal declared consolidated net profits of \$146.1m in 2009, constituting an increase of 20% from \$122m in 2008. Total assets reached \$13.58bn at the end of 2009, constituting a rise of 21% from the end of 2008, while net loans & advances to customers increased by 14.6% to \$3.19bn at end- 2009. Customers' deposits totaled \$10.2bn, up 23% 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.

BankMed's profits up 29% to \$91m in 2009

BankMed sal, one of Lebanon's top five banks, declared net profits of \$90.7m in 2009, constituting an increase of 29.3% from \$79.1m in 2008. Net interest income rose by 5.8% year-on-year to \$185.3m, and net commission income increased by 5.1% to \$41m, while net operating revenues grew by 19.3% to \$314.6m for the year. Operating expenses totaled \$184.2m, an increase of 6% year-on-year. Total assets reached \$10.6bn at end-2009, up 10.8% from a year earlier, while net loans and advances to customers rose by 9.5% to \$2.43bn. Customer deposits totaled \$7.14bn, an increase of 23% from end-2008. The bank's shareholders' equity totaled \$1.14bn at end-2009, up 58% from a year earlier. Lebanon & Gulf Bank ranked in fourth place in the Lebanese banking sector terms of assets, in third place in loans & advances to customers, and in fourth place in terms of deposits at end-2008.

Kafalat loan guarantees reach \$16.3m in January 2010

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$16.3m in January 2010, up 111.7% from \$7.7m in January 2009. The number of loan guarantees totaled 134 in the first month of 2010 compared to 56 in the same month last year. The average loan size reached \$121,717 compared to \$138,835 in January 2009. Mount Lebanon accounted for 38.8% of guarantees, followed by the North with 17.2%, the South and Nabatieh with 13.4% each, the Bekaa with 12.7%, and Beirut with 4.5%. The agriculture sector accounted for 44.8% of total guarantees, followed by industries with 44%, tourism with 8.2%, and handicraft with 3%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to \$400,000 earmarked for the set up and expansion of small and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

FNB fully acquires financial services firms

First National Bank sal (FNB) announced it has fully acquired the Capital Finance Company (CFC) and the Middle East Capital Group (MECG), two financial services firms in which it already held majority stakes. CFC is a consumer finance company that extends credit facilities at retail outlets to customers buying cars, computers, and home appliances. It was established at the end of 1999 and currently has assets of about \$80.4m, loans of \$70.4m and capital of \$23.5m. MECG was established in 1996 and engaged in investment banking activities.

Banks list additional shares on Beirut bourse

Bank of Beirut sal listed 1,872,675 additional common shares on the Beirut Stock Exchange. The listing brings the bank's total listed shares to nearly 26.1 million out of a total of 62.8 million shares with a par value of LBP 1,200 each. In parallel, the BSE approved the listing of an additional 326,859 global depository receipts of Bank Audi sal on the bourse. The listing will bring the bank's total listed shares to nearly 10.1 million.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP ⁽¹⁾ (\$bn)	25.0	29.3	32.7	
External Debt / GDP	84.9	72.2	65.0	(720)
Local Debt / GDP	83.2	88.3	91.2	290
Total Debt / GDP	168.1	160.5	156.2	(430)
Trade Balance / GDP	(36.0)	(43.2)	(39.0)	420
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	24.0	25.8	180
Budget Expenditures / GDP	33.4	33.9	34.8	90
Budget Balance / GDP	(10.2)	(10.0)	(9.0)	100
Primary Balance / GDP	2.9	2.0	3.3	130
BdL FX Reserves / M2	59.4	68.9	75.1	620
M3 / GDP	239.3	234.3	251.0	1,670
Bank Assets / GDP	329.0	321.7	352.4	3,070
Bank Deposits / GDP	269.1	265.5	292.9	2,740
Private Sector Loans / GDP	81.7	85.5	86.8	130
Dollarization of Deposits	77.3	69.6	64.5	(510)
Dollarization of Loans	86.4	86.6	84.0	(260)

* Change in basis points 08/09

(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	Dec 2008	Nov 2009	Dec 2009	Change*	Risk Level
Political Risk Rating	57.5	57.0	57.0	▼	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	30.0	35.5	35.5	▲	Low
Composite Risk Rating	57.7	60.2	60.2	▲	Moderate

Regional Average	Dec 2008	Nov 2009	Dec 2009	Change*	Risk Level
Political Risk Rating	65.6	64.9	64.7	▼	Moderate
Financial Risk Rating	41.8	42.0	42.1	▲	Very Low
Economic Risk Rating	39.5	34.8	35.2	▼	Low
Composite Risk Rating	73.4	70.8	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	B2		Positive
Fitch	B-	B	Stable	B-		
S&P	B	B	Positive	B	B	Positive
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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