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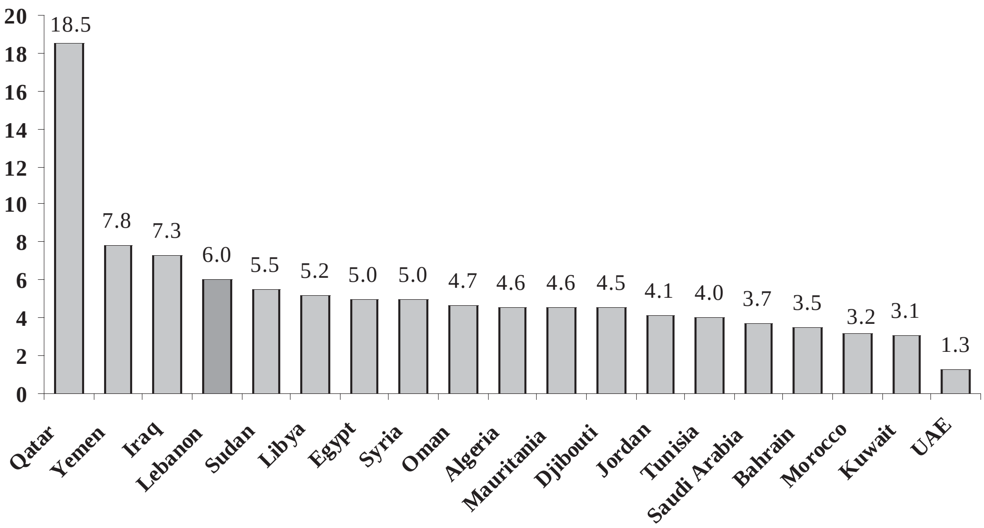
LEBANON THIS WEEK

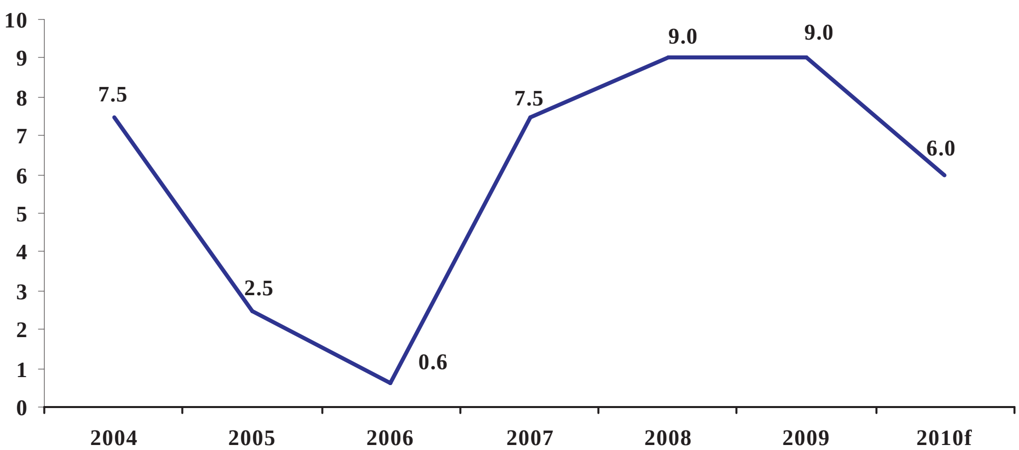
In This Issue

Charts of the Week

Projected Real Non-Oil GDP Growth of Arab Countries in 2010 (%)



Real GDP Growth in Lebanon (%)



Source: International Monetary Fund

Quote to Note

"If Lebanon cannot exhibit the ability to fairly rapidly pay down its debt, then borrowing costs will increase and spreads on Credit Default Swaps will widen."

Mark Mobius, Executive Chairman of the $34bn Templeton Asset Management Ltd, which is considering investing in Lebanese assets

Number of the Week

4.3%: Average annual growth rate over the last five years of Lebanon's per capita GDP at constant prices, according to Fitch Ratings

Economic Indicators

$m *(unless otherwise mentioned)*	**2008**	**Feb 09**	**2009**	**Dec 09**	**Jan 10**	**Feb 10**	**% Change***
Exports	3,478	376	3,486	364	313	342	(9.04)
Imports	16,133	1,035	16,241	1,380	1,245	1,206	(0.87)
Trade Balance	(12,655)	(659)	(12,755)	(1,016)	(932)	(864)	31.11
Balance of Payments	3,462	300	7,899	1,610	(44)	759	153
Checks Cleared in LBP	9,350	815	11,122	1,061	1,088	966	18.53
Checks Cleared in FC	43,174	2,872	45,270	4,756	4,444	3,929	36.80
Total Checks Cleared	52,524	3,687	56,392	5,817	5,532	4,895	32.76
Budget Deficit/Surplus	(2,921)	(325)	(2,960)	(368)	(18)	(176)	45.85
Primary Balance	597	(826)	1,078	72	202	123	(114.89)
Airport Passengers	4,085,334	276,825	4,986,544	738,211	369,694	339,237	22.55

$bn *(unless otherwise mentioned)*	**Dec 2008**	**Feb 09**	**Nov 09**	**Dec 09**	**Jan 10**	**Feb 10**	**% Change***
BdL FX Reserves	17.06	18.24	24.81	25.66	26.78	26.88	47.37
In months of Imports	*15.03*	*17.62*	*15.69*	*18.59*	*21.50*	*26.20*	*48.69*
Public Debt	47.02	47.21	50.46	51.09	51.65	51.98	10.10
Net Public Debt	41.49	41.89	44.01	44.11	43.92	44.20	5.51
Bank Assets	94.25	95.12	113.57	115.25	116.52	118.27	24.34
Bank Deposits (Private Sector)	77.78	78.88	94.06	95.77	95.99	97.07	23.06
Bank Loans to Private Sector	25.04	24.94	28.81	28.37	29.36	29.87	19.77
Money Supply M2	24.76	26.23	33.19	34.16	34.77	35.42	35.04
Money Supply M3	68.66	69.41	81.04	82.08	82.43	83.75	20.66
LBP Lending Rate (%)	9.95	10.03	9.13	9.04	8.91	8.83	(120b.p.)
LBP Deposit Rate (%)	7.22	7.13	6.81	6.75	6.61	6.42	(71b.p.)
USD Lending Rate (%)	7.47	7.28	7.25	7.28	7.26	7.26	(2b.p.)
USD Deposit Rate (%)	3.33	3.25	3.07	3.05	3.04	2.99	(26b.p.)
%* Change in CPI**	6.36	2.80	4.47	4.20	4.96	9.04	624b.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"	23.24	(0.68)	3,449,940	18.08%
Solidere "B"	23.10	(0.30)	1,073,780	11.68%
Byblos Common	1.85	(0.54)	115,825	3.12%
Byblos Priority	1.87	(0.53)	30,719	3.00%
Byblos Pref. 08	100.00	(0.10)	5,250	1.56%
BLOM GDR	92.95	0.22	8,780	5.34%
BLOM Listed	93.50	0.00	0	15.64%
Audi GDR	8.80	(89.83)	25,767	6.96%
Audi Listed	8.21	(89.99)	23,036	21.98%
HOLCIM	13.26	6.00	7,580	2.01%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov. 2010	6.875	102.50	1.19
May 2011	7.875	104.75	2.84
Mar. 2012	7.500	107.25	3.30
Sep. 2012	7.750	109.38	3.40
June 2013	8.625	113.25	3.97
Apr. 2015	10.000	120.50	5.20
Jan. 2016	8.500	115.50	5.28
May 2016	11.625	128.75	5.83
Mar. 2017	9.000	118.00	5.76
Apr. 2021	8.250	113.00	6.56

Source: Byblos Capital Markets

	May 24-28, 10	May 17-21, 10	% Change	April 2010	April 2009	% Change
Total Shares Traded	4,780,434	691,145	591.67	26,726,767	2,614,635	922.20
Total Value Traded	$109,279,891	$14,791,396	638.81	$84,719,621	$42,197,348	100.77
Market Capitalization	$12.90bn	$12.80bn	0.07	$13.01bn	$8.61bn	51.12

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Merrill Lynch upgrades its recommendation on Lebanese Eurobonds to 'Market Weight'

Merrill Lynch upgraded its recommendation on Lebanon's external debt to Market Weight' from 'Under Weight' in its model portfolio of emerging markets debt and raised Lebanon's market weight to 5.7% in May 2010. Last January, Merrill Lynch revised downwards its recommendation to 'Under Weight' from 'Market Weight' in its portfolio and reduced Lebanon's market weight from 5.5% after it rebalanced its portfolio at the end of last year to reflect its 2010 views of the external debt market. Lebanon's allocation has been at 2.1% since the beginning of the year prior to the upgrade. It was 5.5% in September, 5.9% in July, 7.4% in April, and 6.9% in January 2009. Merrill Lynch attributed its upgrade to the increased global risk aversion for emerging market bonds, leading it to reduce all high yielding bonds in its portfolio. It added that Lebanon represents the ultimate defensive play due to the low volatility of its external debt.

Lebanon's external debt rating of 'Market Weight' placed Lebanon in the same category as Argentina, Brazil, El Salvador, Iraq, Peru, the Philippines, Russia and Turkey. Lebanon's 'Market Weight' is better than the 'Under Weight' recommendation on the Europe, the Middle East & Africa (EMEA) region and for similarly-rated countries. Lebanon is represented in the portfolio by the March 2013 Eurobond, as well as by the May 2014 and the March 2020 Eurobonds. Lebanon accounted for 17.6% of the allocations in the EMEA region in May compared to 6.9% in March, 7.5% in January and a high of 25% in March 2009. Lebanon's allocation was the 7th highest among countries in the portfolio, up from 14th highest in March. Lebanon accounted for 38.5% of allocations to similarly-rated countries, up from 12% in March and 10.5% in January.

Emerging Markets External Debt Portfolio

Country	**Bonds**	**Weight (%)**
Mexico	Mexico ’17s	10.7
Indonesia	Indonesia ’18s, ’19s	9.8
Philippines	Philippines ’16Ns, ’20s	9.8
Brazil	Brazil ’17s, ’18s, ’37s	9.6
Russia	Russia ’30s	9.3
Turkey	Turkey ’18s, ’19s	9.2
Lebanon	**Lebanon ’13, ’14N, ’20s**	**5.7**
Venezuela	Vz ’16s, ’18Ns, ’19s	5.1
South Africa	South Africa ’14s, ’20s	4.7
Colombia	Colombia ’17s, ’19s, ’37s	4.6
Panama	Panama ’15s, ’36s	3.7
Peru	Peru ’19s	3.6
Uruguay	Uruguay ’22s	2.8
Argentina	Pars, Boden ’12s	2.1
Hungary	Hungary ’20s	1.9
El Salvador	El Salvador ’23s	1.7
Ukraine	Ukraine ’11s	1.6
Bahrain	Bahrain ’20s	0.5
Egypt	Egypt ’20s	0.5
Qatar	Qatar ’19s	0.5
Tunisia	Tunisia ’12s	0.5
Iraq	Iraq ’28s	0.2
Cash		1.9
Total		**100**

Source: Merrill Lynch, May 2010

In parallel, Lebanon's external debt posted the 10th highest return at 4.15% among 20 markets in the EMEA region in the first four months of 2010, as well as the 27th best return among the 40 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon underperformed the EMEA returns of 4.27% and the overall emerging market returns of 5.1% in the covered period. Also, Lebanon's external debt underperformed the 6.1% returns posted by similarly-rated sovereigns year-to-April, while it posted the 8th best performance at 4.33% in the EMEA region and the 23rd best performance in emerging markets in US dollar terms. It also underperformed significantly the 10.6% returns of US dollar 'B'-rated bonds. Further, Lebanon's external debt posted the 4th highest returns among 8 countries in the Middle East & Africa region during the covered period, as it came ahead of Tunisia with 3.39%, South Africa with 3% and Egypt with 0.38%, but behind Iraq with 12%, Ghana with 10.9%, Gabon with 8.7%, and Morocco with 4.3%. Also, it posted returns of 0.55% in April, ahead of Tunisia (0.3%) and Egypt (-0.24%), but behind Iraq (4.6%), Gabon (2.4%), Ghana (1.95%), Morocco (1.1%), and South Africa (1.08%).

In parallel, Lebanon's external debt posted the 9th highest return in the EMEA region and the 28th highest return in emerging markets during April 2010. It outperformed the EMEA returns of 0.23%, but underperformed the emerging markets returns of 0.67% and the 0.65% returns of similarly-rated sovereigns for the same month.

World Bank to support public financial management, economic infrastructure, and social sectors in Lebanon

The World Bank indicated that it has reached an advanced stage in the preparation of its Country Partnership Strategy (CPS), or business plan, for Lebanon for the next four years. It said the CPS, in agreement with Lebanese authorities, will provide support for priority areas that cover fiscal stability and public financial management, improving the business environment, enhancing the economic infrastructure in the water, electricity and environment sectors, and strengthening social sectors, especially improving the quality of education and enhancing social protection and safety nets in the country. The World Bank added that its support to Lebanon will range between $300m and $500m during the covered period. It noted that its portfolio for Lebanon consists currently of eight active projects in education, water and infrastructure. It said three of these projects are funded by loans totaling $210m, and five are grants extended by the $70m Lebanon Trust Fund that was created in 2006 after the hostilities with Israel. It added that the International Development Fund and Post Conflict Fund have also extended four grants totaling $4.5m.

Beirut ranks 172nd worldwide, 16th in MENA region in quality of living

The annual survey on the quality of living in 221 cities around the world by global consultants Mercer Human Resource Consulting ranked Beirut as the 172nd most desirable city for overall living standards and 16th among 24 cities surveyed in the Middle East and North Africa region in 2010. Beirut ranked in 175th place worldwide and in 16th place in the region in the 2009 survey. Also Beirut ranked in 32nd place among 33 Upper Middle Income Countries (UMIC) included in the survey. The study evaluated the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to the environment, housing, recreation, health care, education, transportation, and other public services. New York City served as the benchmark for other cities with a score of 100.

Beirut received a score of 54.6 points in 2010, up 5.2% from 51.9 points in 2009. Its score came below the global average of 75.5 points as well as below the MENA and Arab averages of 62 points and 61.7 points, respectively. However, Beirut's year-on-year increase in score compares favorably with the annual increase of 0.6% in the average score of the MENA region and the 0.8% rise in the average score of the Arab world. On a global basis, Beirut ranked ahead of Damascus, Yerevan, and Almaty in Kazakhstan; and came immediately behind Cotonou in Benin, Moscow, and Vientiane in Laos. It also ranked ahead of Conakry in Guinea Republic, and behind Libya's capital Tripoli, St. Petersburg, and Moscow among UMICs. Regionally, Beirut ranked ahead of Damascus, Djibouti and Algiers and behind Tripoli, Jeddah and Riyadh.

Quality of Living Rankings & Scores

City	Score	MENA Rank	Global Rank
Dubai	89.3	1	75
Abu Dhabi	87.4	2	83
Tunis	83.1	3	94
Muscat	80.9	4	100
Tel Aviv	80.0	5	102
Doha	76.0	6	110
Manama	75.9	7	111
Rabat	75.2	8	112
Casablanca	72.6	9	121
Kuwait City	72.5	10	122
Amman	72.4	11	123
Cairo	71.9	12	126
Riyadh	59.6	13	158
Jeddah	58.9	14	159
Tripoli	55.5	15	167
Beirut	**54.6**	**16**	**172**
Damascus	53.8	17	173
Djibouti	53.2	18	176
Algiers	51.3	19	182
Teheran	50.4	20	183
Nouakchott	34.5	21	214
Sanaa	34.3	22	215
Khartoum	29.5	23	218
Baghdad	14.7	24	221

Source: Mercer Human Resource Consulting 2010

Beirut's rank improved by three spots, posting the second highest increase in the region's rankings along with Kuwait City and Casablanca. The scores of 8 cities in the MENA region improved, 5 declined and 7 remained unchanged, while the rankings of 9 cities improved, 10 declined and one stayed the same. Mercer added Doha, Muscat, Noaukchott, and Rabat to the survey for the first time, and removed Jerusalem from the rankings. It said the addition of new cities this year aims to give a broader picture as to where companies are sending their expatriate employees in the current business environment. Vienna is the world's best city for overall quality of living with a score of 108.6 points, while Baghdad was considered to be the world's least appealing city with a score of 14.7 points. The survey is conducted annually to help multinational companies assess international hardship allowance for their expatriate workers. The data for the survey was collected between September and November 2009 and has been regularly updated to take account of changing circumstances.

Fiscal deficit down 50% to $571m in first quarter of 2010

Figures released by the Finance Ministry show that the fiscal deficit reached $571.3m in the first quarter of 2010, down 49.6% from $1.1bn in the same period last year. The deficit was equivalent to 21.8% of total budget and Treasury expenditures compared to 37.7% in the first quarter of 2009. Overall government expenditures reached $2.62bn, down 13% year-on-year, while total revenues increased by 9% to $2bn in the covered period. Budgetary expenditures increased by 6.7% to $2.1bn and included $335.5m in outlays from previous years, while budget revenues rose by 8.5% to $1.9bn. Tax revenues improved by 17.3% year-on-year to $1.57bn, of which 33%, or $517.3m, were in VAT receipts that posted a 13.7% annual rise. Tax revenues accounted for 81% of budgetary revenues and for 76.6% of total Treasury and budget receipts. The distribution of other tax revenues show that customs revenues rose 6.9% year-on-year to $439.7m; while other tax receipts such as income tax revenues, the tax on interest and taxes on profits, as well as income from taxes on goods & services and from other fees, rose by 30% to $609.5m. In parallel, non-tax budgetary revenues, that include mainly income from government properties, contracted by 17.7% to $366.7m during the covered period.

Debt servicing increased by 2% year-on-year to $926.2m, accounting for 35.4% of total expenditures and for 44.4% of budgetary spending. It absorbed 45% of overall revenues and 48% of budgetary receipts. Excluding debt servicing, the primary surplus reached $806m, or 38.7% of budget expenditures compared to a surplus of $763m, or 39% in the same period last year. Repayment of principal on foreign debt rpse by 19.3% to $31.2m. The overall primary balance posted s surplus of $386m, or 14.8% of total spending in the first quarter of the year, compared to a deficit of $198.7m, or 6.6% of total expenditures, a year earlier.

Lebanon in the News

IMF forecasts real GDP growth at 6% in 2010 and 4.5% in 2011

In its semi-annual economic outlook for the Middle East and Central Asia region, the International Monetary Fund projected Lebanon's real GDP growth at 6% in 2010 compared to growth of 4.2% for the Middle East, North Africa, Afghanistan and Pakistan (MENAP) economies, 4.1% for the region's oil importers and 5% in Mashreq countries. It also projected real GDP growth of 4.5% in 2011 compared to 4.6% in MENAP countries and 4.8% for oil importers. Lebanon's projected growth rate in 2010 would make it the fourth fastest growing economy in the Arab world behind Qatar at 18.5%, Yemen at 7.8% and Iraq at 7.3%. The Fund estimated the country's nominal GDP at $37bn in 2010 relative to $33.6bn in 2009, accounting for 11% of the Mashreq region's aggregate GDP. It projected Lebanon's inflation to average 5% in 2010 compared to 7.4% in the MENAP economies, 8.9% for the region's oil importers and 9.1% in Mashreq countries.

Further, it forecast government revenues at 26% of GDP in 2010 relative to 30.4% of GDP in the MENAP countries and 23.8% of GDP in the Mashreq region, and estimated public expenditures at 36.4% of GDP compared to 31% of GDP for MENAP countries, 27.2% of GDP for oil importers and 31.6% of GDP for the Mashreq region. The IMF projected Lebanon's current account deficit at 12.8% of GDP in 2010 compared to deficits of 4.2% of GDP for oil importers and 4.4% of GDP for the Mashreq economies. It also expected the public debt to slightly increase to 148% of GDP at end-2010 from 152% of GDP at end-2009.

In parallel, the IMF estimated Lebanon's economic growth at 9% in 2009 compared to growth of 2.3% in the MENAP countries, 3.8% for oil importing economies, and 4.8% for the Mashreq region. Lebanon was the fastest growing Arab economy last year along with Qatar. The Fund said Lebanon posted a fiscal deficit of 8.4% of GDP in 2009 relative to a deficit of 2.5% of GDP for the MENAP economies, a deficit of 5.5% of GDP for oil importers and a deficit of 7% of GDP for the Mashreq countries. Further, it estimated Lebanon's current account deficit at 11% of GDP in 2009 compared to a deficit of 4.2% of GDP for oil importers and a deficit of 4.4% of GDP for the Mashreq economies.

	Lebanon		Oil Importers		Mashreq	
	2010P	**2011P**	**2010P**	**2011P**	**2010P**	**2011P**
Real GDP Growth (%)	6.0	4.5	4.1	4.8	5.0	5.4
Consumer Price Inflation (%)*	5.0	3.4	8.9	6.4	9.1	7.7
Fiscal Balance (% of GDP)	(10.2)	(11.1)	(6.0)	(5.4)	(7.6)	(7.2)
Total Debt (% of GDP)	148.1	148.3	63.4	62.1	73.1	71.2
External Debt (% of GDP)	198.4	210.6	33.6	33.9	35.7	35.2
Current Account (% of GDP)	(12.8)	(12.8)	(4.2)	(4.0)	(4.4)	(4.0)

P: projected
**Yearly average*
Source: International Monetary Fund, May 2010

Qatar in talks with Lebanon to supply LNG

Qatar's Energy Ministry indicated that it is in talks to supply Lebanon with 3 million tons of liquefied natural as (LNG). A study commissioned by the World Bank from consultants Poten & Partners indicated that liquefied natural can offer important support to Lebanon's energy sector over the medium to long term by significantly reducing power generation costs. It estimated Lebanon's needs at 1.5 million to 2 million tons per year by 2020, and encouraged authorities to move quickly to secure LNG supply. It identified Qatar, Algeria, Yemen and Egypt as the key potential LNG sources given their supply availability and geographic proximity to Lebanon. It said Lebanon could secure long term prices of around $7 per million British Thermal unit in the current surplus market conditions, and that Lebanon would not have to pay an additional country-specific risk premium. It warned, however, that suppliers will not accept Electricité du Liban as a creditworthy LNG buyer and that they would require additional government guarantees and perhaps a World Bank partial-risk guarantee for a long term LNG supply agreement.

Coincident Indicator up 16% year-on-year in March 2010

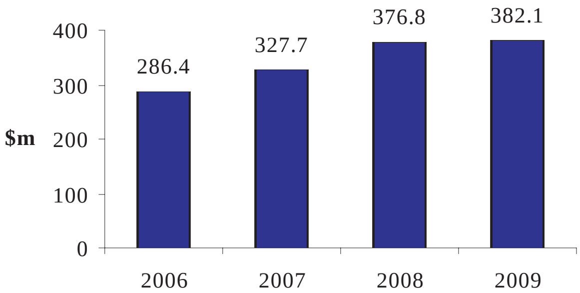
The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 264.5 points in March 2010 compared to 245.8 points in February 2010 and 211.1 points in March 2009. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 7.6% month-on-month, and rose by 25.3% year-on-year. The indicator averaged 235.5 points in the 12-months ending March 2010 compared to 231.1 points in the 12-month ending February 2010 and to 202.9 points in the 12-months ending March 2009. As a result, the average coincident indicator rose by 16% year-on-year. The indicator posted its best performance ever in March 2010 after posting its best performance ever in each of January and February of this year. Further, the month-to-month increase in March constitutes the highest improvement ever for the indicator for the covered month. In parallel, the indicator improved 10 times, and regressed eight times in the month of March since 1993. The indicator averaged 225.8 point in 2009 and 198.4 points in 2008.

Market size of environmental products at $425m in 2009, Lebanese market has yet to reach potential

Figures issued by the Ministry of Economy & Trade indicate that the aggregate volume of trade in environmental products in Lebanon reached $444.5m in 2009, constituting a decline of 12.3% from the previous year, but an increase of 17% from $380.4m in 2006. It identified two categories of environmental goods. It said conventional environmental goods (EGs) can be used to provide an environmental service to address pollution and waste affecting water, soil and air; and may serve other industrial needs. The other category consists of environmentally-preferable products (EPPs), which are industrial and consumer goods that have environmentally-preferable characteristics relative to substitute goods.

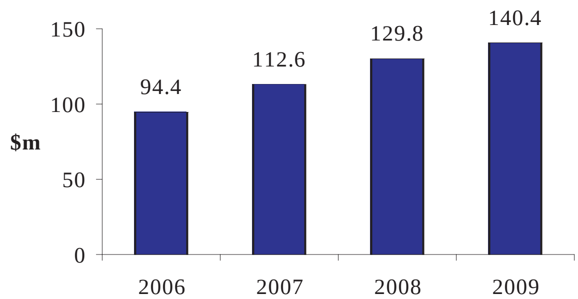
The ministry said Lebanon is a net importer of environmental goods, similar to most developing countries. Lebanon's trade activity in EGs reached $382m in 2009, up 1.4% from 2008 but constituted an overall increase of 33% from 2006. EGs imports totaled $304.2m, up 3.4% year-on-year, and up 32.3% from 2006; while EGs exports reached $77.9m last year, down 5% from 2008, but up 37.8% from 2006. EGs imports accounted for about 2% of overall imports annually during the past three years; while EG exports represented on average 2.4% of aggregate Lebanese exports in the 2006-09 period. Pollution management products accounted for the biggest share of EG imports, with imports of wastewater management products at $149m in 2009. Lebanon was a net exporter of only cleaner and resource efficient technologies in 2006. The ministry noted that more than 93% of Lebanon's tariff rates for EGs are at 5% or lower, as the simple average tariff rate for EGs is 4.4% while the trade-weighted average tariff is close to zero.

Trade in Environmental Goods



Lebanon is also a net importer of EPPs, unlike most developing economies, where the latter have a comparative advantage is such products. Lebanon's trade volume is EPPs reached $140.3m in 2009, up 8% from 2008 but constituted an overall increase of 48.5% from 2006. EPPs imports totaled $121m, up 9.3% year-on-year, and up 58.9% from 2006; while EPPs exports reached $19.2m last year, up 0.5% from 2008, but up 50.5% from 2006. EGs imports accounted for about 1% of overall imports annually during the past three years; while EG exports represented on average less than 1% of aggregate Lebanese exports in the 2006-09 period. Organic soap and leaning products accounted for 80% of imported EPPs and for 75% of exported EPPs in 2009. Lebanon was a net exporter of organic soap and detergents, ginseng roots, and agglomerated cork in 2008. EPP imports have a simple average tariff rate of 5.5% while the trade-weighted average tariff is around zero.

Trade in Environmentally Preferable Products



Source: Ministry of Economy & Trade, Lebanese Customs

The ministry indicated that there is an active and growing market for EGs and EPPs in Lebanon, but noted that the market have yet to reach its potential. It attributed this trend to a general lack of awareness of, and capacity to take advantage of export opportunities and new technologies across all product categories. it added that the up-front costs for both consumers and producers are still very high. It said that a reduction of relatively high tariffs imposed on renewable energy and energy efficiency imports, for example, may help bring down prices for consumers. It added that, as an acceding member to the World Trade Organization, Lebanon must reconcile its emerging priorities in the environmental, energy and water sectors with its market access policy in environmental goods and services.

Comprehensive survey for agricultural sector

The Ministry of Agriculture and the Food & Agriculture Organization (FAO) announced plans to conduct a nationwide survey of the agricultural sector in Lebanon. The survey is in line with a series of measures adopted by the ministry to implement a strategy to improve the livelihood of farmers in the country. The ministry said the survey's results will help include farmers in the National Social Security Fund and these farmers, and will qualify them to receive compensation in the event of natural disasters in the future. It added that the survey is a necessary step to establish an agricultural registry in the country. It noted that the survey will establish a much-needed statistical database for the sector, which will contribute to the sector's needs in term of supervision, support and financing, among others. The study is financed by FAO and the Italian government. The last survey conducted by FAO was in 1998-99, but its results did not clearly indicate the actual size of the agricultural sector in Lebanon or the number of farmers. The survey will start in June and is expected to be completed by next October.

Corporate Highlights

Launch of program to support entrepreneurial development

The United Nations Industrial Development Organization (UNIDO), along with the Federation Chambers of Commerce, Industry & Agriculture in Lebanon, launched the Enterprise Development and Investment Promotion program (EDIP). The program aims to support entrepreneurial development in Lebanon by encouraging the establishment of new enterprises and the growth of existing firms. It will provide technical support and knowhow within national priorities set by the Lebanese government. It will particularly focus on firms that produce goods and services for trade, create employment opportunities, and contribute to poverty reduction and overall economic growth. UNIDO added that the program is currently implemented in 15 countries in the Arab region, Latin America, Africa, and Asia. EDIP is funded by the Italian government.

ATFP extends credit line to Crédit Libanais

The Arab Trade Finance Program (ATFP) extended a line of credit worth $20m to Crédit Libanais sal in order to refinance trade transactions between Lebanon and other Arab countries. The new agreement brings to $170m the total amount of credit lines extended by the ATFP to the bank. The ATFP was set up in 1990 by the Arab Monetary Fund to improve inter-Arab trade and has extended to 25 Lebanese banks and government institutions 128 lines of credit for an aggregate value of about $1.4bn. The ATFP program offers, through its financing scheme, a range of services to help strengthen and develop the volume of trade among Arab countries, to encourage exports, and to enhance the competitive capabilities of Arab producers and exporters.

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	Feb 2009	Jan 2010	Feb 2010	Change*	Risk Level
Political Risk Rating	57.0	57.0	57.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	30.0	35.5	35.5	▲	Low
Composite Risk Rating	57.5	60.2	60.5	▲	Moderate

Regional Average	Feb 2009	Jan 2010	Feb 2010	Change*	Risk Level
Political Risk Rating	65.7	64.8	64.7	▼	Moderate
Financial Risk Rating	41.1	42.0	42.1	▲	Very Low
Economic Risk Rating	38.9	35.3	35.7	▼	Low
Composite Risk Rating	72.8	71.0	71.2	▼	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	B1	NP	Stable	B2		Stable
Fitch	B	B	Stable	B		Stable
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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