

LEBANON THIS WEEK

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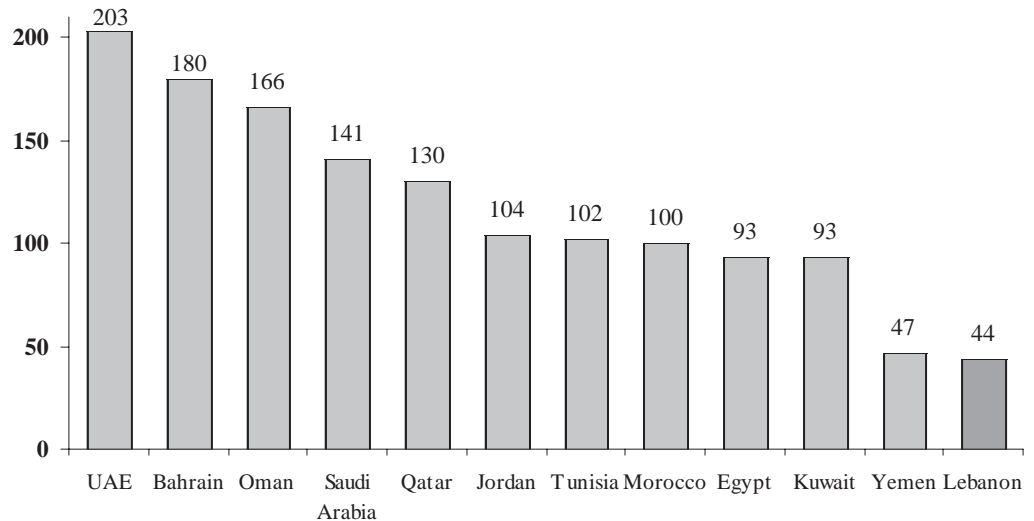
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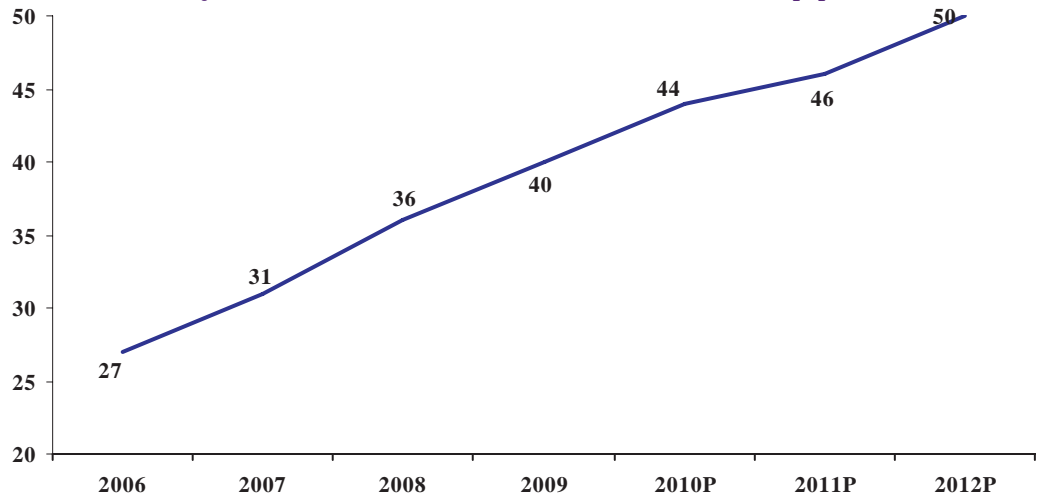
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Charts of the Week

Projected Mobile Subscribers Penetration in Arab Countries in 2010 (% of population)



Projected Mobile Subscribers Penetration in Lebanon (% of population)



Source: PricewaterhouseCoopers

Quote to Note

"It is imperative that both internal and external tensions are kept in check to maintain the country's strong economic performance of recent years."

Belgian Export Credit insurance firm Ducroire Delcredere, on the impact of political instability on the Lebanese economy

Number of the Week

\$20bn: Needed investments to improve Lebanon's basic infrastructure, according to Economy & Trade Minister Mohammad Safadi

Economic Indicators

\$m (unless otherwise mentioned)	2008	August 09	2009	June 10	July 10	August 10	% Change*
Exports	3,478	239	3,486	385	303	312	30.54
Imports	16,133	1,439	16,241	1,449	1,850	1,449	0.69
Trade Balance	(12,655)	(1,200)	(12,755)	(1,064)	(1,547)	(1,137)	(5.25)
Balance of Payments	3,462	1,020	7,899	106	994	447	(56.18)
Checks Cleared in LBP	9,350	937	11,122	1,674	1,783	1,152	22.95
Checks Cleared in FC	43,174	4,233	45,270	4,609	4,898	4,470	5.6
Total Checks Cleared	52,524	5,170	56,392	6,283	6,681	5,622	8.74
Budget Deficit/Surplus	(2,921)	(127)	(2,960)	(52)	(272)	(358)	181.89
Primary Balance	597	121	1,078	279	94	(69)	(157.02)
Airport Passengers	4,085,334	612,956	4,986,544	497,647	684,084	578,452	(5.63)

\$bn (unless otherwise mentioned)	Dec 2008	August 09	May 10	June 10	July 10	August 10	% Change*
BdL FX Reserves	17.06	22.82	27.32	27.42	27.93	28.24	23.75
<i>In months of Imports</i>	<i>15.03</i>	<i>15.86</i>	<i>19.96</i>	<i>18.92</i>	<i>15.1</i>	<i>19.5</i>	22.95
Public Debt	47.02	48.51	51.07	51.00	50.77	50.18	3.44
Net Public Debt	41.49	43.24	44.24	44.13	44.3	44.4	2.68
Bank Assets	94.25	107.37	120.69	121.68	127.05	124.63	16.08
Bank Deposits (Private Sector)	77.78	89.30	99.21	100.12	101.93	102.72	15.03
Bank Loans to Private Sector	25.04	27.11	31.44	31.71	32.86	33.24	22.61
Money Supply M2	24.76	30.91	37.43	38.02	38.24	38.78	25.46
Money Supply M3	68.66	77.22	86.04	86.74	88.1	88.9	15.13
LBP Lending Rate (%)	9.95	9.27	8.47	8.37	8.09	8.05	(122b.p.)
LBP Deposit Rate (%)	7.22	7.00	5.93	5.83	5.79	5.72	(128b.p.)
USD Lending Rate (%)	7.47	7.05	7.10	7.03	7.05	7.04	(1b.p.)
USD Deposit Rate (%)	3.33	3.18	2.84	2.75	2.8	2.78	(40b.p.)
%* Change in CPI**	6.36	1.52	6.51	7.42	6.41	4.74	322b.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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	18.65	(0.96)	111,900	15.24%	Nov. 2010	6.875	99.90	8.83
Solidere "B"	18.71	(0.48)	49,643	9.94%	May 2011	7.875	103.50	1.63
Byblos Common	1.75	1.16	33,367	5.14%	Mar. 2012	7.500	106.13	2.96
Byblos Priority	1.74	1.16	181,472	2.93%	Sep. 2012	7.750	108.50	3.01
Byblos Pref. 08	100.50	0.00	0.00	1.64%	June 2013	8.625	112.88	3.47
BLOM GDR	9.30	(1.27)	14,600	5.61%	Apr. 2015	10.000	121.13	4.70
BLOM Listed	8.80	(0.00)	1,574,020	15.46%	Jan. 2016	8.500	116.25	4.91
Audi GDR	8.19	(1.74)	5,700	6.81%	May 2016	11.625	130.50	5.23
Audi Listed	8.00	(1.14)	23,500	22.50%	Mar. 2017	9.000	121.00	5.11
HOLCIM	14.34	2.50	3,401	2.29%	Apr. 2021	8.250	117.19	6.00

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

Source: Byblos Capital Markets

	October 18-22	October 11-15	% Change	September 2010	September 2009	% Change
Total Shares Traded	1,604,034	100,993	1,488.26	3,677,088	4,960,933	(25.88)
Total Value Traded	\$14,275,131	\$948,290	1,405.36	\$51,225,084	\$8,7945,925	(41.75)
Market Capitalization	\$12.24bn	\$12.16bn	0.29	\$12.38bn	\$11.64bn	6.33

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 66th globally, third in Arab region in budget transparency

The International Budget Partnership's Open Budget Index for 2010 ranked Lebanon in 66th place among 94 countries globally and in third place among 9 Arab countries included in the survey. Lebanon ranked in 57th place globally and in third place in the Arab world in the 2008 survey. The change in Lebanon's global rank is due in part to the addition of 9 new countries to the index. Lebanon also ranked in 31st place among the 24 Upper Middle Income countries (UMICs) included in the survey. The index evaluates the level of governments' commitment to give public access to budget information and provides opportunities to participate in the budget process at the national level. The survey scores countries on a scale from zero to 100, with zero representing the lowest level of transparency and 100 the highest. Each country is classified as a provider of 'extensive' information, 'significant' information, 'some' information, 'minimal' information or 'scant' or 'no' information. A country's placement within a performance category was determined by averaging responses to 92 questions related to information contained in 8 key budget documents that all countries should make available to the public, such as a pre-budget statement, executive's budget proposal, enacted budget, citizens' budget, in-year reports, a mid-year review, a year-end report and an audit report. The questionnaire for Lebanon covered the budget year for 2009.

Arab Countries' Scores & Rankings			
Country	Transparency Level	Arab Rank	Global Rank
Jordan	50%	1	41
Egypt	49%	2	44
Lebanon	32%	3	66
Morocco	28%	4	69
Yemen	25%	5	71
Sudan	8%	6	82
Algeria	1%	7	88
Saudi Arabia	1%	8	89
Iraq	0.4%	9	91

Source: International Budget Partnership

Globally, Lebanon ranked ahead of Ecuador, Mozambique and Morocco and came behind Trinidad & Tobago, Albania and Venezuela. It also came ahead of the Dominican Republic, Algeria and Fiji and behind Venezuela, Kazakhstan and Malaysia among UMICs. Lebanon's level of budget transparency reached 32%, unchanged from 2008, placing it in the category of governments that provide 'minimal' budgetary information, with 19 countries falling in this category. Its level of budget transparency came significantly above the Arab average of 22%, but below the global average of 42% and the UMICs' average of 49%.

The International Budget Partnership indicated that countries classified as providing 'minimal' budgetary information, provide some but incomplete information to the public, which means that citizens do not have a comprehensive picture about the government's plans for taxing and spending for the upcoming year. The survey noted that countries providing minimal information should improve their performance on three key aspects. It said that the published Executive's Budget Proposals of these countries are considerably less comprehensive than those of high-scoring countries, and that such proposals should include essential information. The countries should also improve the comprehensiveness of Audit Reports and be sure to publish them. Finally, they need to begin to produce and publish Mid-Year Reviews, a key budgetary document. In parallel, the IBP indicated that the released budget documents should also include information on the relationship between the government's budget and its policy and macroeconomic goals, on policies that are intended to directly benefit the country's most impoverished populations, on outcomes expected and achieved, as well as on fiscal activities outside the standard budget process such as extra-budgetary funds and quasi-fiscal activities. In parallel, the survey added that, beyond improving access to key budget documents, the budget process can be made more open through ensuring the existence of strong legislatures and supreme audit institutions, as well as providing greater opportunities for the public to participate in the budget process.

Government to rollover Eurobond maturing in November

Finance Minister Raya el-Hassan stated that the government intends to roll over \$830m in Eurobonds maturing in November 2010 that include \$700m in principal and \$130m in interest. Minister Hassan said the ministry intends to tap the market to refinance the bond but has yet to decide on the timing of the transaction. She indicated that the ministry is studying market conditions and all available options, and is trying to assess the level of banks' appetite and the rates to pay prior to going to market. It expected to send the requests for proposals to banks in the coming week or 10 days. She hoped to combine the rollover of debt maturing in November with some or all of the debt maturing in the first quarter of 2011 in order to benefit from low global interest rates. She noted, however, that the government needs to wait for Parliament to approve the 2010 budget and authorize the government to borrow funds in order to do a voluntary exchange. She indicated that she might seek a special law that could allow the refinancing of the 2011 Eurobonds if there was no progress in the parliament's ratifying the budget. Last February, the ministry issued \$1.2bn in Eurobonds under the Republic of Lebanon's Global Medium Term Note Program to refinance \$1.1bn in debt that matured in March. The Eurobond has a 10-year maturity and carries a coupon rate of 6.375%. In parallel, Minister Hassan expected Lebanon's real GDP to grow by 7% in 2010 and 5% in 2011, and for the fiscal deficit to reach \$3.4bn in 2010 and \$3.5bn in 2011, equivalent to 7% of GDP.

Lebanon's gross public debt reached \$50.2bn at the end of August 2010, constituting a decrease of 1.78% from end-2009, and an increase of 3.44% from end-August 2009. Domestic debt increased by 7.5% to \$29.2bn, while external debt decreased by 2% annually to \$21bn. Local currency debt accounted for 58.2% of gross public debt at end-August 2010 compared to 56% a year earlier, while foreign currency-denominated debt represented 41.8% of the total relative to 44.2% at end-August 2009. The weighted interest rate on outstanding Treasury bills was 8.14%, while the weighted interest rate on Eurobonds was 7.34% at the end of July. Further, the weighted life on Eurobonds was 4.84 years, while that on Treasury bills was 552 days. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 2.7% to \$44.4bn.

Lebanon's advertising market to grow by 10% during 2007-12 to \$298m, Internet segment to post fastest growth

PricewaterhouseCoopers projected total advertising revenues in Lebanon at \$246m in 2010, accounting for 3.8% of aggregate ad revenues in the Arab world. It forecast advertising spending in Lebanon to grow by a compound annual growth rate (CAGR) of 9.8% during the 2007-12 period to reach \$298m in 2012, or 3.7% of Arab ad revenues during that year, compared to growth of 14.8% for ad revenues in Arab economies in the covered period. The survey said TV advertising revenues are expected to reach \$115m in Lebanon in 2010, or 74% of the total, followed by out-of-home advertising with \$42m (17.1%), magazines with \$40m (16.3%), newspaper ads with \$31m (12.6%), radio with \$17m (6.9%), and Internet with \$2m (0.8%).

The survey forecast television advertising expenditures in Lebanon to post a CAGR of 9% during the 2007-12 period and reach \$136m in 2012, compared to growth of 12.6% for TV ad spending in the Arab world during the same period. It also expected out-of-home ad spending to post a CAGR of 13% between 2007 and 2012 and total \$54m by 2012, compared to growth of 17.4% in the Arab world. Further, it projected the market for magazines to grow by 13% over the 2007-12 period and reach \$50m in 2012, relative to growth of 11.7% in the Arab world for the same period. In addition, it forecast ad spending in newspapers to expand by 2% during 2007-12 and reach \$32m in 2012, compared to a CAGR of 15.6% for such spending in Arab economies. PricewaterhouseCoopers expected radio advertising in Lebanon to jump by a CAGR of 13% in the six-year period and total \$21m in 2012, significantly lower than the projected growth rate of 21.1% in the Arab world. Finally, it estimated advertising revenues from Internet to post a CAGR of 81% during 2007-12 to reach \$4m by 2012, compared to growth of 32% in the Arab world.

The survey said that Lebanon has very active print media with dozens of newspapers and hundreds of periodicals published in Arabic, French, English and Armenian. It added that advertising is the primary revenue driver for the country's domestic media industry. However, other revenue sources from sales and subscriptions for print media, as well as DVD sales and outsourced productions for television companies, are also vigorous.

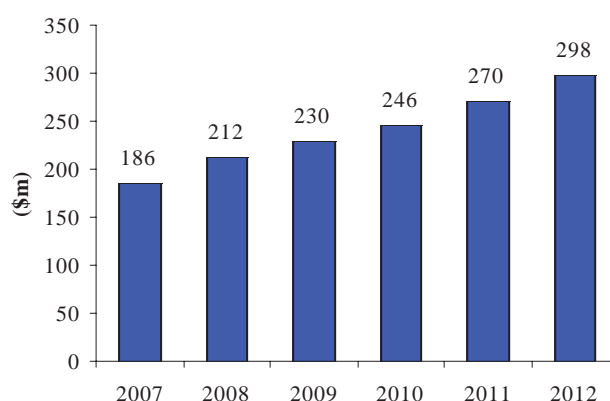
In parallel, the survey said that Lebanon was the first Arab country to open its broadcasting sector to private investment. It explained that the current media market reflects the country's political and cultural diversity and stations are often affiliated with political factions. LBC and Future TV are the dominant players in the Free-to-Air market, taking the largest share of advertising revenue. The survey added moving consumer goods, as well as food, beverage and tobacco sectors, are currently the largest advertising spenders in Lebanon.

Telecommunications Ministry rules out privatization before 2012

Telecommunications Minister Charbel Nahhas ruled out the privatization of the two state-owned mobile licenses and networks before improvements to the country's telecom infrastructure are completed in 2012. He added that the ministry intends to open the sector to private investors at the level of services and content provisions through a proper licensing framework. The country's telecommunications network currently lags far behind its peers in the region, with high-priced services, limited Internet capacity and slow connections, all of which have discouraged investors from establishing businesses in Lebanon. Minister Nahhas added that the infrastructure upgrade covers three phases. The first phase includes \$160m in investments in a fiber-optic network and the introduction of 3G services that should be operational in the first half of next year. He added that the second and third stages cover the installation of optical equipment and switches, to be completed in 16 months. The ministry has also upgraded an existing submarine cable that links Lebanon and Syria to Cyprus. He considered that increasing external capacity needs to go along the expansion of domestic capacity. He estimated that the overhaul of the telecom infrastructure, including upgrades to the broadband network over the next 16 months, will generate up to \$500m in new investments across the sector.

Last July, the ministry unveiled a plan to install fiber optics and advanced broadband across the country within an 18-month period. It emphasized the government's commitment to expanding broadband services, liberalizing the market, and expanding the integration of the Internet and other services throughout the country. The ministry added that 75% of Internet users in Lebanon will have access to 15MB high speed internet within the next 12 to 18 months. A World Bank study suggests that a 10% increase in broadband capacity and availability can add 1.35% to GDP growth annually. It said broadband services are currently available in Lebanon at low data rates, high prices and low penetration levels relative to peer countries. It added that these factors are negatively impacting the ability of the Lebanese private sector to compete regionally and internationally, especially in the services sectors, and are leading to the loss of jobs to overseas locations with better quality and less expensive communications costs.

Advertising Revenues in Lebanon



Source: PricewaterhouseCoopers

Lebanon ranks 116th globally, sixth among Arab countries on gender gap index

The World Economic Forum ranked Lebanon in 116th place among 134 countries on its Global Gender Gap Index for 2010, constituting the first time Lebanon is included in the index. It also ranked Lebanon in 29th place among 31 upper-middle income countries (UMICs) included in the survey. The index, which ranks countries according to gender equality rather than women empowerment, aims to capture the magnitude and scope of gender-based disparities in each country and tracking their progress. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Attainment.

Globally, Lebanon ranked ahead of Qatar, Nigeria and Algeria and came behind Nepal, Cameroon and Mauritania. It also ranked ahead of Algeria and Turkey, and came behind Fiji and Suriname among UMICs. Lebanon received a score of 0.61 points, lower than the global and UMICs' averages of 0.68 points each, and slightly higher than the Arab average of 0.6 points.

Lebanon ranked ahead of Iran and Jordan and came behind Suriname and Tunisia on the Economic Participation & Opportunity Sub-Index, which captures the participation, remuneration and advancement gaps between men and women in the work environment. It ranked ahead of Turkey and behind Suriname among UMICs, and ahead of Jordan and behind Tunisia in the Arab world.

Also, Lebanon ranked ahead of Saudi Arabia and Azerbaijan and behind Oman and Peru on the Educational Attainment Sub-Index that captures the gap between women's and men's current access to education through ratios of women to men in primary-, secondary- and tertiary-level education. It ranked ahead of Algeria and Turkey and behind Peru and Jamaica among UMICs, and came ahead of Saudi Arabia and behind Oman in the Arab world.

Further, Lebanon ranked first along with 36 other countries on the Health & Survival Sub-Index coming ahead of the United States and the Czech Republic, while it ranked ahead of Russia, Colombia and Bulgaria among UMICs, and tied with Mauritania and came ahead of Egypt and Saudi Arabia in the Arab world. Further, Lebanon ranked ahead of Oman and Iran and behind Hungary and Egypt on the Political Empowerment Sub-Index which captures the ratio of women to men in minister-level and parliamentary positions in addition to the ratio in terms of years in executive office. It ranked the last among UMICs behind Algeria and Fiji, and ahead of Oman and behind Egypt in the Arab world.

Arab Countries' Scores & Rankings

	Overall Score	Arab Rank	Global Rank
UAE	0.6397	1	103
Kuwait	0.6318	2	105
Tunisia	0.6266	3	107
Bahrain	0.6217	4	110
Mauritania	0.6152	5	113
Lebanon	0.6084	6	116
Qatar	0.6059	7	117
Algeria	0.6052	8	119
Jordan	0.6048	9	120
Oman	0.5950	10	122
Syria	0.5926	11	124
Egypt	0.5899	12	125
Morocco	0.5767	13	127
Saudi Arabia	0.5713	14	129
Yemen	0.4603	15	134

Source: World Economic Forum, Byblos Research

Components of the Global Gender Gap Index

Category	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Average Score	Arab Average Score	UMIC Average Score
Economic Participation & Opportunity	124	9	30	0.45	0.63	0.43	0.63
Educational Attainment	96	7	25	0.98	0.95	0.93	0.99
Health & Survival	1	1	1	0.98	0.97	0.97	0.97
Political Empowerment	127	11	31	0.03	0.16	0.05	0.15

Source: World Economic Forum, Byblos Research

Economic & Social Fund's support covers nearly 5,000 projects

The Economic & Social Fund for Development (ESFD) indicated that it has financed 4,947 projects worth \$2.13bn since the launch of its operations, including 3,010 in SMEs and 1,297 in micro-enterprises, as well as 678 start-ups. The ESFD's mission is to alleviate poverty and mitigate the social impact on marginalized and disadvantaged groups in Lebanon. It provides financial and technical support to micro and small enterprises through financial intermediaries to finance projects in deprived and poor regions of the country. The services sector was the primary beneficiary with 1,837 extended loans, followed by trade with 1,713 loans, industry with 813 loans and agriculture with 584 loans. The ESFD was established in November 2000 with the signing of a financing agreement between the European Commission and the Lebanese government, and started its operations in June 2002. It is an autonomous entity directly attached to the Council for Development & Reconstruction, and will become a permanent public institution for poverty alleviation in Lebanon by the end of the current financing agreement. The ESFD is funded by €25m from the European Union and €6m from the Lebanese government. The allocation of an additional €6m grant from the EU is currently under review. Since the launching of its mainstream activities, the ESFD has committed approximately 90% of EC funds through contracts with implementing partners; with 56% of those already successfully disbursed to ESFD implementing partners. The ESFD said it has helped create 3,214 jobs since its establishment.

Lebanon reaches agreement with Cyprus over economic zone

Lebanon and Cyprus agreed to define their mutual economic zones as a step towards offshore oil and gas exploration. Cyprus has already signed delineation agreements with Lebanon and Egypt, but the Lebanese Parliament has yet to ratify the agreement. Prime Minister Saad Hariri said that Lebanon is aiming to include Syria in the agreement to enable the three countries to benefit from hydrocarbon exploration. Last August, the Lebanese Parliament ratified a draft law that authorizes for the first time offshore oil and gas exploration. The law provides the basis to apply an international law called Production Sharing Agreement (PSA), essential in the production sharing deals that usually take place between states and international oil companies. The Ministry of Energy & Water indicated that the first licensing round would start in 2012. The law calls for the establishment of a regulatory authority and a committee to oversee exploration and production; while discussions over the establishment, structure and management of a sovereign wealth fund have been postponed. Last March, the United States Geological Survey (USGS) estimated that the Levant Basin Province has a mean of 1.7 billion barrels of recoverable oil and a mean of 122 trillion cubic feet of recoverable gas. The Levant Basin Province encompasses approximately 83,000 square kilometers of the eastern Mediterranean area off the coasts of Lebanon, Syria, Cyprus and Israel. The USGS stressed that the estimates represent technically-recoverable oil and gas resources, and are not estimates of economically-recoverable resources.

Balance of payments posts surplus of \$2.75bn in first 8 months of 2010

Central Bank figures show that Lebanon's balance of payments posted a surplus of \$2.75bn in the first 8 months of 2010 compared to a surplus of \$4.37bn in the same period last year. The balance of payments posted a surplus of \$446.7m in August compared to a surplus of \$993.7m in July and a surplus of \$1.02bn in August 2009. The August 2010 surplus was caused by a surplus of \$364m in the Central Bank's net foreign assets and a surplus of \$83m in those of banks and financial institutions. The cumulative surplus over the first 8 months of 2010 was caused by a surplus of \$2.99bn in the Central Bank's net foreign assets and a deficit of \$233m in those of banks and financial institutions. The balance of payments posted a cumulative surplus of \$7.9bn in 2009 and \$3.5bn in 2008.

Consumer Price Index up 4% annually in September 2010

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 4% in September 2010 from September 2009. Prices of clothing and footwear increased by 33.8%, followed by prices of education (9.5%), restaurants & hotels (+4.9%), water, electricity, gas & other fuels (+4.5%), food & non-alcoholic beverages (+5.4%), recreation & entertainment (+3%), miscellaneous goods & services (+1.9%), alcoholic beverages & tobacco (+1.6%) and transportation (+0.1%). In parallel, prices of health care regressed by 4.2%, followed by furniture & household equipment (-2.2%) and communication (-0.1%); while housing prices remained unchanged year-on-year. Imported inflation accounts for about 70% of inflation in the country. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports.

The Consumer Price Index increased by 0.8% in September 2010 from August 2010. Prices of clothing and footwear increased by 9.1%, followed by food & non-alcoholic beverages 1.3%, water, electricity, gas & other fuels (0.8%), recreation & entertainment (0.2%) and communication and Health care(1%). In parallel, prices of furniture & household equipment regressed by 1.2%, followed by transportation and restaurants & hotels (-0.4) and miscellaneous goods & services (-0.1%). Housing prices remained unchanged month-to-month, along with those of, education and alcoholic beverages & tobacco.

Opened letters of credits at \$2.5bn for imports and \$2.1bn for exports in first half

Figures issued by the Central Bank indicate that the value of letters of credits opened to finance imports totaled \$2.5bn in the first half of 2010, constituting an increase of 31.6% from \$1.9bn in first half of 2009 and a rise of 6.9% from \$2.34bn in the second half of last year. Utilized credits for imports totaled \$2.45bn in the first half of this year, up 26.3% from \$1.94bn in utilized credits in the same period of last year and up 13.4% from to \$2.16bn in the second half of last year. Utilized import credits accounted for 98% of the total in the half compared to 102% in the same period last year and 92.3% in the second half last year. Also, outstanding import credits totaled \$864m at the end of June 2010 compared to \$877m at end-2009 and \$747m at end-June 2009. Further, the aggregate value of inward bills for collection totaled \$1.1bn in the half of 2010 compared to \$1bn in the second half of 2009 and \$883m in the first half last year; with outstanding bills reaching \$149m at end-June 2010 relative to \$156m at end-2009 and \$141m at end-June 2009.

In parallel, the value of documentary letters opened to finance exports totaled \$2.1bn in the second half of 2010, constituting an increase of 26.5% from \$1.66bn in the preceding half and a rise of 27.2% from \$1.65bn in the first half of last year. Utilized credits for exports totaled \$1.95bn in the first half, up 9.5% from \$1.78bn in utilized credits in the previous half and up 21.7% from \$1.6bn in the first half of 2009. Further, outstanding export credits totaled \$1.31bn at the end of June 2010, up from \$1.2bn at end-2009 and compared to \$1.47bn at end-June 2009. Further, the aggregate value of outward bills for collection totaled \$2.24bn in the first half of this year, down from \$2.3bn from the preceding half and compared to \$1.64bn in the first half last year; with outstanding bills reaching \$333m at end-June relative to \$279m at end-2009 and \$352m at the end of June 2009.

TMA officially resumes operations

Cargo airline Trans Mediterranean Airlines sal (TMA) announced the official resumption of its operations, following a soft launch during the summer. Last July, the firm received its first airplane, an Airbus 300-600, and started flights to Europe on July 10th. It has imported 546 tons of merchandises and exported 118 tons of merchandises since then. TMA expects to have two weekly flights to European countries and one to the United Arab Emirates, with additional flights to Egypt and Saudi Arabia to start in the coming two weeks. It expected flights to Europe to increase to four flights per week. TMA also plans to expand its fleet to four cargo planes by 2014, which would help the company start covering the Far East region. The firm indicated that it currently employs 220 persons, adding that its staff is likely to rise by 25% or 30% with the acquisition of new cargo planes. The company forecast annual revenues at \$120m due to the lack of competition in the field and the geographic location of Lebanon.

Lebanese businessman Mazen Bsar bought TMA in February 2009 and pledged to resume its operations and pay all of its \$60m dues to its former and actual pilots and to the government. TMA has been grounded since mid-2005 and all of its bilateral transportation agreements have been suspended. TMA's assets upon the purchase included five Boeing 707 planes, a head office, hangars and maintenance equipment at the Hariri International Airport, as well as offices in Paris and Rome. In addition, its existing fleet is considered outdated and was put out of service in most countries. The cost of the company's restructuring by its new owner exceeded \$100m and included the renovation of the company's building as well as the acquisition of new equipment. Established in 1953, TMA was the first cargo airline in the Middle East and the Arab world to establish direct shipping lines to the United States, and the first regional carrier to have direct shipping lines between Japan and the United States. The company's new management also aims to create a training center for freight operations.

New restaurant brands to be introduced in Lebanon

The Kuwait Food Company, also known as the Americana Group, announced that it has entered into a formal franchise agreement with the U.S.-based Darden Restaurants, Inc. to initially develop and operate a minimum of 60 restaurants over the next five years in Lebanon, Egypt, Saudi Arabia, Kuwait, the UAE, Bahrain and Qatar. As such, American will introduce in the region Darden's Red Lobster, Olive Garden and Longhorn Steakhouse brands. Americana, the Middle East's largest food service franchise operator, already operates KFC, Pizza Hut, Hardees, Krispy Kreme and TGI Fridays outlets in Lebanon. Americana said the deal was in response to increasing demand for casual dining brands across the Arab world.

Cabinet fails to renew Sukleen contract

The Council of Ministers failed to agree on the renewal of the contract of Sukleen, the waste management company responsible for cleaning the streets of Beirut and Mount Lebanon. Sukleen, the flagship company of the Averda Group, manages municipal waste, street sweeping and maintenance of public, residential and commercial areas. It also sorts organic waste, which is turned into compost for farming. Averda's subsidiary, Sukom International (Sukomi), handles the treatment and sanitary disposal of municipal solid waste. The Lebanese government had a five-year contract with Sukleen for garbage collection and sweeping, and two 10-year contracts with Sukomi for composting land filling. The current proposal stipulated the renewal of the contract for another four years and reducing the company's annual fees by \$6m, which would have resulted in savings of \$24m for the government over the life of the contract. But the proposal was deemed unsatisfactory by half of the ministers and was voted down.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP ⁽¹⁾ (\$bn)	25.0	29.9	34.5	
External Debt / GDP	84.9	70.7	61.6	(910)
Local Debt / GDP	83.2	86.5	86.5	(6)
Total Debt / GDP	168.1	157.3	148.1	(920)
Total External Debt / GDP	194	172	171	(100)
Trade Balance / GDP	(36.0)	(42.3)	(37.0)	530
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	21.7	23.1	140
Budget Expenditures / GDP	33.4	24.5	25.1	60
Budget Balance / GDP	(10.2)	(2.7)	(1.9)	80
Primary Balance / GDP	2.9	2.0	3.1	110
BdL FX Reserves / M2	59.4	67.5	71.2	370
M3 / GDP	239.3	229.6	237.9	830
Bank Assets / GDP	329.0	315.2	334.1	1,890
Bank Deposits / GDP	269.1	260.1	277.6	1,750
Private Sector Loans / GDP	81.7	83.7	82.2	(150)
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	June 2009	May 2010	June 2010	Change*	Risk Level
Political Risk Rating	57.0	58.5	58.5	▲	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	61.0	61.0	▲	Moderate

Regional Average	June 2009	May 2010	June 2010	Change*	Risk Level
Political Risk Rating	65.1	64.8	64.8	▼	Moderate
Financial Risk Rating	41.5	41.7	41.7	▲	Very Low
Economic Risk Rating	34.6	38.3	38.4	▲	Low
Composite Risk Rating	70.6	72.4	72.4	▲	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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