



LEBANON THIS WEEK

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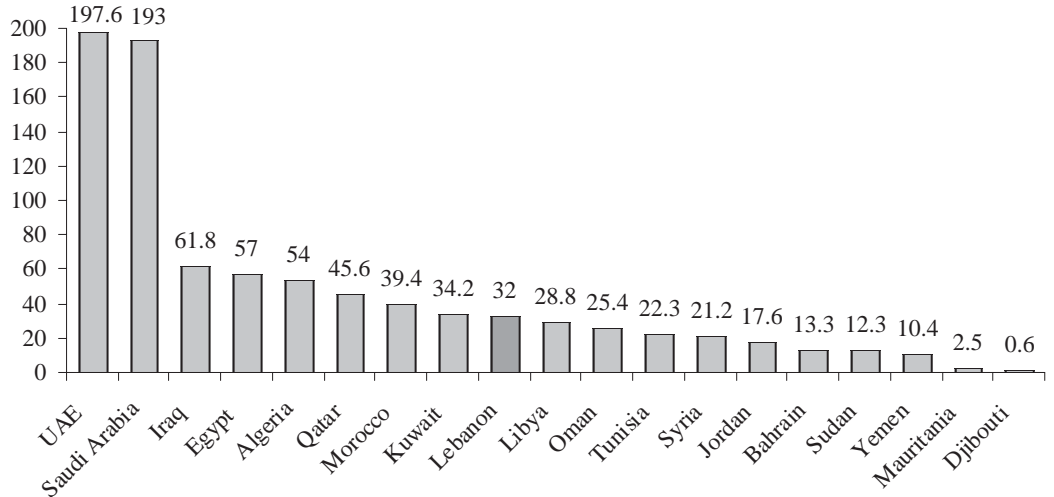
Libano-Française posts \$63m in first 9 months profits

Lebanese Canadian's profits up 99% to \$43m in first 9 months of 2010

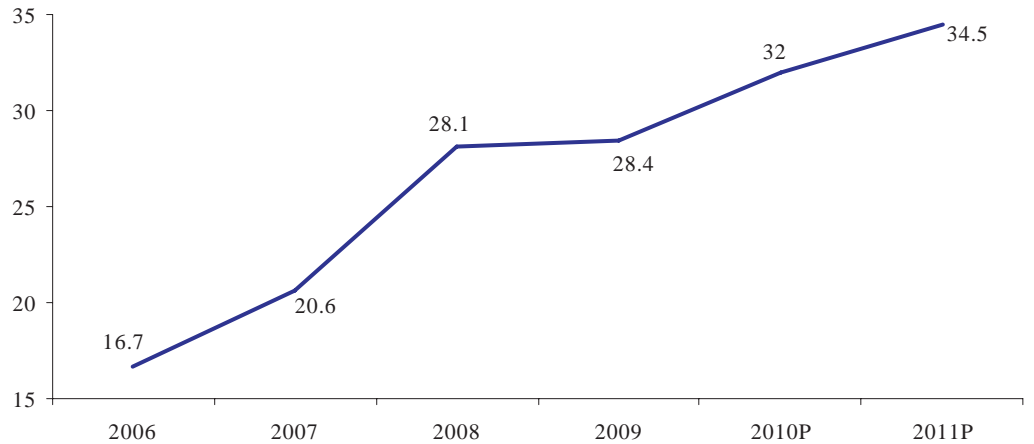
BBAC's profits up 22% to \$32m year-to-September

Charts of the Week

Projected Value of Imports of Goods & Services from Arab Countries in 2010 (\$bn)



Projected Value of Imports of Goods & Services from Lebanon (\$bn)



Source: International Monetary Fund

Quote to Note

"To continue providing economic growth opportunities, achieving balanced development, and implementing plans to improve productive and services sectors."

H.E. President Michel Suleiman, in his speech on the occasion of the 67th anniversary of Lebanon's independence

Number of the Week

119: Lebanon's rank out of 139 countries in terms of corporate spending on research & development, according to the World Economic Forum's Global Competitiveness Index

Economic Indicators

\$m (unless otherwise mentioned)	2008	Sep 09	2009	July 10	August 10	Sep10	% Change*
Exports	3,478	298	3,486	385	312	290	(2.68)
Imports	16,133	1,250	16,241	1,449	1,449	1,310	4.80
Trade Balance	(12,655)	(952)	(12,755)	(1,064)	(1,137)	(1,020)	7.14
Balance of Payments	3,462	475	7,899	106	447	186	(60.84)
Checks Cleared in LBP	9,350	900	11,122	1,674	1,152	1,124	24.89
Checks Cleared in FC	43,174	3,882	45,270	4,609	4,470	4,037	3.99
Total Checks Cleared	52,524	4,782	56,392	6,283	5,622	5,161	7.93
Budget Deficit/Surplus	(2,921)	(381)	(2,960)	(52)	(358)	472	(223.88)
Primary Balance	597	47	1,078	279	(69)	(13)	(127.66)
Airport Passengers	4,085,334	463,919	4,986,544	497,647	578,452	550,421	18.65

\$bn (unless otherwise mentioned)	Dec 2008	Sep 09	May 10	June 10	August 10	Sep 10	% Change*
BdL FX Reserves	17.06	23.21	27.32	27.42	28.24	28.46	22.62
<i>In months of Imports</i>	<i>15.03</i>	<i>18.57</i>	<i>19.96</i>	<i>18.92</i>	<i>19.5</i>	<i>21.7</i>	<i>16.86</i>
Public Debt	47.02	49.18	51.07	51.00	50.18	50.85	3.40
Net Public Debt	41.49	43.61	44.24	44.13	44.4	44.64	2.36
Bank Assets	94.25	109.90	120.69	121.68	124.63	126.74	15.32
Bank Deposits (Private Sector)	77.78	91.19	99.21	100.12	102.72	103.85	13.88
Bank Loans to Private Sector	25.04	27.89	31.44	31.71	33.24	33.82	21.26
Money Supply M2	24.76	31.57	37.43	38.02	38.78	39.32	24.55
Money Supply M3	68.66	78.73	86.04	86.74	88.9	90.06	14.39
LBP Lending Rate (%)	9.95	9.22	8.47	8.37	8.05	8.11	(111b.p.)
LBP Deposit Rate (%)	7.22	6.94	5.93	5.83	5.72	5.70	(124b.p.)
USD Lending Rate (%)	7.47	7.24	7.10	7.03	7.04	7.04	(20b.p.)
USD Deposit Rate (%)	3.33	3.16	2.84	2.75	2.78	2.78	(38b.p.)
%* Change in CPI**	6.36	1.99	6.51	7.42	4.74	7.15	516b.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"	18.54	(2.16)	99,462	15.19%
Solidere "B"	18.44	(0.59)	24,537	9.82%
Byblos Common	1.75	1.16	2,051,346	5.15%
Byblos Priority	1.75	(1.13)	30,727	2.95%
Byblos Pref. 08	102.00	0.49	300	1.67%
BLOM GDR	9.42	(0.11)	620	5.70%
BLOM Listed	8.80	0.00	51,826	15.50%
Audi GDR	8.90	5.45	16,640	7.42%
Audi Listed	7.73	(3.25)	25,859	21.80%
HOLCIM	14.09	(2.83)	1,228	2.25%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
May 2011	7.875	102.88	1.96
Mar. 2012	7.500	106.00	2.74
Sep. 2012	7.750	107.50	3.32
June 2013	8.625	112.50	3.44
Apr. 2015	10.000	121.00	4.63
Jan. 2016	8.500	116.13	4.89
May 2016	11.625	130.00	5.19
Mar. 2017	9.000	121.00	5.07
Nov. 2018	5.150	99.50	5.23
Apr. 2021	8.250	116.75	6.04

Source: Byblos Capital Markets

	November 22-26	November 15-19	% Change	October 2010	October 2009	% Change
Total Shares Traded	3,004,181	523,868	473.46	5,788,714	4,968,991	16.5
Total Value Traded	\$11,156,740	\$4,696,973	137.53	\$55,744,061	\$103,486,832	(46.1)
Market Capitalization	\$12.20bn	\$12.30bn	(0.76)	\$12.21bn	\$12.60bn	(3.1)

Source: Beirut Stock Exchange (BSE)



S&P affirms Lebanon's ratings, stresses that structural reforms are key to growth and confidence

Standard & Poor's affirmed its 'B/B' long- and short-term sovereign credit ratings on Lebanon, with a 'positive' outlook. It also affirmed the transfer and convertibility assessment at 'BB-', and the recovery rating at '4'. The agency said the affirmation reflects its view that the Lebanese government is likely to make slow but steady progress on structural reforms. It stressed that structural reforms, together with stability, are vital to support sustained improvement in the fiscal deficit and to maintain confidence in the banking system in the medium- to long-term. It noted that the ratings are constrained by Lebanon's high public debt burden, large external imbalances, and the risk of a breakdown of the current consensus in the government. It said political tensions in the country, related to the Special Tribunal for Lebanon (STL) investigating the assassination of Prime Minister Rafiq Hariri, have caused structural adjustment to slow significantly. It added that indictments against members of Hizbollah could cause the party's ministers to withdraw from the government, which would severely undermine prospects for sustainable growth and political stability.

S&P forecast the fiscal deficit to narrow to 7% of GDP this year from 13.5% in 2006. It attributed the deficit's decline to higher revenues from stronger economic growth, the restoration of the gasoline excise rate to its pre-capped rate, limits on spending because of delays in the approval of the 2010 budget, and low interest rates that are reducing funding costs. However, it stressed that headway on structural reforms remains vital for long-term stability. It added that the Council of Ministers and Parliament have endorsed legislation allowing for the restructuring of the energy sector, particularly the state-owned and loss-making Electricité du Liban, as well as for oil and gas exploration, but that they have yet to be fully implemented. Also, other key initiatives such as cuts in the subsidies to electricity, exports and wheat, as well as efforts to streamline the budgetary process have yet to be enacted. It did not anticipate any progress on the reform front before the political situation improves.

S&P said the ratings on Lebanon are supported by its large and stable resident and non-resident depositor base, which allows its banking sector to cover the government's financing requirements. It noted that the debt has been decreasing rapidly in recent years from 183% of GDP in 2005 to 130% of GDP at end-2010. It indicated that private sector bank deposits, equivalent to 263% of GDP, are more than adequate to roll over the sector's large exposure to the government, as long as confidence in the banking sector persists. It added that Lebanon's current account deficit, which stands at over 20% of GDP, remains a source of vulnerability and its financing will continue to rely on investor confidence over the medium term.

S&P said the ratings could improve if the government continues to reduce its debt burden. It considered that the major challenge facing Prime Minister Saad al-Hariri is maintaining a working consensus among opposing factions in his government in the face of the STL investigations. It added that the ratings could come under downward pressure in the case of any outbreak of prolonged civil unrest, or if the working consensus within the government collapses.

Lebanon to begin tendering gas exploration licenses in 2011

Energy & Water Minister Gebran Bassil declared that the first round of licensing for offshore gas exploration will take place in 2011. He said that the official announcement about tendering the exploration licenses and for qualified companies to submit their bid will be at the end of November 2011. 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 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.

Lebanon and Turkey sign free trade agreement

Lebanon and Turkey signed a free trade agreement to increase bilateral trade and expand private sector cooperation, as well as to pave the way for the establishment of a free trade zone between Lebanon, Turkey, Syria and Jordan. The agreement was signed following six years of negotiations. The aggregate value of bilateral trade between Lebanon and Turkey totaled \$791.3m in 2009. Lebanese imports from Turkey increase by 3.2% year-on-year to \$686.4m, while Lebanese exports to Turkey decreased by 49% to \$104.9m in 2009. As such, imports from Turkey account for 4.3% of total Lebanese imports and exports represent 3% of aggregate exports. Last June, Lebanon, Turkey, Syria and Jordan signed an agreement to set up a free trade zone and complete a visa-free travel regime for their nationals. The four countries agreed to establish a Cooperation Council to develop a long-term strategic partnership and create a zone of free movement of goods and persons among their economies. The agreement expands all existing bilateral agreements to cover the four countries, as Turkey has already signed bilateral agreements to cancel entry visas with the three countries, in addition to free-trade agreements with Syria and Jordan.

Merrill Lynch revises growth upwards to 8% in 2010, says politics blocking reforms

Merrill Lynch raised its forecast for Lebanon's real GDP growth to 8% in 2010 and 5.9% for 2011, from earlier forecasts of 6.5% for this year and 5.1% for next year. It said economic growth has averaged 9% over the past three years, driven by an increase in tourism activity, a boom in construction and a surge in the retail sector. It noted that the year-old government of national unity has been unable to implement the long-delayed structural reforms due to the lack of political consensus, but added that the restoration of political stability since May 2008 and having a government in office was enough to raise confidence in the economy. It said Lebanon has posted about 25% to 30% in cumulative growth since 2008, as the economy benefited from global and regional financial turmoil. It noted that non-resident inflows into the banking sector, which is the main engine of economic activity, have dramatically increased due to the wide interest rate differentials, the global financial crisis and the slowdown in the GCC. As a result, the balance of payments generated surpluses of \$3.5bn in 2008 and \$7.9bn in 2009, and is likely to post a surplus of about \$5bn in 2010 as the pace of inflows moderates.

However, Merrill Lynch indicated that politics continues to hinder progress, as the approval of the 2010 budget and prospects for the 2011 budget remain blocked by divisive issues and political considerations. Also, the implementation of structural reforms such as privatization and reforming the state-owned Electricité du Liban remains slow or elusive. Further, in the absence of a budget, the Finance Ministry has to limit its Eurobond issuance to refinancing purposes only. It noted that economic activity seems to have slowed down in August and September on increased concerns about political volatility and the resulting uncertainty. But it considered that the economic slowdown may prove to be temporary, should the pending Special Tribunal for Lebanon (STL) issue be resolved without further destabilization. It expected the STL's indictment to pose some risk to spreads in the near term, but added that the experience of the 2006 war showed that the fallout should be limited. It considered that the risk-reward of investing in Lebanese assets is more appealing now, given Lebanon's recent underperformance in all asset classes and the potential for an eventual solution to the political uncer-

Country Forecast Summary			
	2009e	2010f	2011f
Real GDP growth (%)	9.0	8.0	5.9
GDP per capita (US\$)	8,221	9,296	10,125
Consumer prices (end-of-period) (%)	3.4	4.2	5.3
Consumer prices (avge) (%)	3.4	4.7	5.3
Fiscal balance (% of GDP)	-8.9	-8.5	-9.0
Current-account balance (\$bn)	-3.7	-4.2	-4.5
Current-account balance (% of GDP)	-10.7	-10.8	-10.3
External debt (% of GDP)	177	167	159
Public Debt (% of GDP)	149	133	131
Foreign Reserves (\$bn)	28.7	32.6	34.5
Months of Import Cover	21.7	20.5	20.7
Short-term debt cover (%)	58	63	65

Source: Bank of America Securities-Merrill Lynch, November 2010

Regional telecom initiatives to increase Internet speed

Telecommunications Minister Charbel Nahhas and his Syrian counterpart announced several initiatives to improve the quality and speed of Internet connections. They include the expansion and upgrading of the Cadmos-Ugarit-Berytar cable systems; the launch of the India-Middle East-Western Europe (IMEWE) submarine cable that is expected to operate early next year; the establishment of the Jeddah-Amman-Damascus-Beirut-Istanbul (JADI) link fiber-optic terrestrial cable; as well as the construction of a regional cables system linking eastern countries. The IMEW, a 13,000-kilometer ultra high capacity fiber optic submarine cable system, which links India and Europe through the Middle East, is expected to significantly increase Lebanon's Internet speed. Lebanon incurred a cost of \$45m to be connected to IMEW.

Beirut hosts WITSA' MENA regional office

The World Information Technology and Services Alliances (WITSA) announced the opening of its regional office for the Middle East & North Africa in Lebanon. The office is expected to be managed by the Arab Information & Communication Technologies organization and the Professional Computer Association of Lebanon. Established in 1978, WITSA is a consortium of over 70 national information & communication technologies (ICT) industry associations with members representing more than 90% of the world ICT market. It supports international public policies that improve the ICT industry growth and development, facilitates international trade and investment in ICT products and services, and promotes the sharing of knowledge, experience and critical information among its members.

Lebanon ranks 36th worldwide, 9th among Arab countries in the ease of paying taxes

The PricewaterhouseCoopers/World Bank Index of Paying Taxes for 2011 ranked Lebanon in 36th place among 183 countries worldwide and in 9th place among 19 Arab countries included in the survey. Lebanon came in the 34th place globally and in 9th place among Arab countries in the 2010 survey. Lebanon also ranked in 7th place among the 45 Upper Middle Income countries (UMICs) included in the current survey. The index measures a firm's mandatory taxes and contribution that have a direct impact on its income. It is intended to reflect the overall tax burden that a standard business incurs. The composite index is based on three sub-indices that cover the number of tax payments by business, the total tax compliance time, and the total tax rate as a percentage of commercial profits. The sub-indices are divided into corporate, labor and other tax sub-categories. The sub-indices are equally weighted to produce an overall ranking for each economy for the ease of paying taxes.

Globally, Lebanon ranked ahead of Zambia, Seychelles and Kazakhstan and came immediately behind Iceland, Suriname and Macedonia. It ranked ahead of Seychelles, Kazakhstan and Lithuania and came behind Suriname, Macedonia and South Africa among UMICs. Lebanon's rank declined by two spots from last year's survey.

Lebanon tied with Switzerland, Palau, Botswana, Malawi and Ethiopia, ranked ahead of Colombia and Tonga, and came behind The Bahamas and Eritrea on the Number of Tax Payments Sub-Index. This component measures the total number of taxes and contributions paid, the method of payment, the frequency of payments and the number of agencies involved in the tax compliance process. Lebanon also tied with Botswana and Palau, and ranked ahead of Colombia and Iran and behind Azerbaijan and Bulgaria among UMICs in this category. The survey shows that a standard Lebanese business pays its corporate taxes once a year, performs 12 labor tax payments per year and pays all of its other mandatory taxes and contributions 6 times a year.

Further, Lebanon tied with Sudan, ranked ahead of Cape Verde and the United States, and behind Lithuania and Cambodia on the Compliance Time Sub-Index, which measures the time a firm needs to prepare, file and pay its taxes. It also ranked ahead of Suriname and South Africa and came behind Lithuania and Fiji among UMICs. A standard Lebanese firm needs 40 hours per year to prepare, file and pay its corporate taxes, 100 hours per year to process its labor taxes, and 40 hours per year to prepare, file and pay its consumption taxes.

Finally, Lebanon ranked ahead of South Africa and Moldova and behind Switzerland and Korea on the Total Tax Rate Sub-Index. This indicator measures the amount of all taxes and mandatory contributions borne by the business, expressed as a percentage of commercial profits. It also came ahead of South Africa and Malaysia behind Kazakhstan and Bulgaria among UMICs. The corporate tax rate for a standard Lebanese business represents 6.1% of its commercial profits, the labor tax rate represents 24.1% of its commercial profits, and the non-corporate and non-labor tax rates represent zero percent of commercial profits.

Ease of Paying Taxes Rankings		
Country	Arab Rank	Global Rank
Qatar	1	2
UAE	2	5
Saudi Arabia	3	6
Oman	4	8
Kuwait	5	9
Bahrain	6	14
West Bank & Gaza	7	28
Jordan	8	29
Lebanon	9	36
Iraq	10	54
Tunisia	11	58
Djibouti	12	60
Sudan	13	94
Syria	14	110
Morocco	15	124
Egypt	16	136
Yemen	17	146
Algeria	18	168
Mauritania	19	172

Source: PricewaterhouseCoopers/World Bank, Byblos Research

Components of the 2010 Ease of Paying Taxes Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon	Global Average	Arab Average	UMICs Average
Number of Tax Payments	65	8	18	19	29.9	23.6	32.0
Time to Comply*	63	11	14	180	282.2	211.9	347.7
Total Tax Rate**	42	9	12	30.2	47.8	34.3	42.5

*Measured in hours **As a percentage of commercial profits

Source: PricewaterhouseCoopers/World Bank, Byblos Research

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

The Association of Banks in Lebanon (ABL) recommended to its member banks to increase the Beirut Reference Rate in US dollars to 4.67% from 4.66% previously starting in December. The rate, considered as the reference rate for lending in foreign currency, replaced last year the London Inter-Bank Offering Rate (LIBOR) since the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the Beirut Reference Rate in Lebanese pounds to 7.26% from 7.30% previously. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL indicated that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate.

Agriculture Ministry to build 30 artificial lakes, launches \$27m agricultural program

The Ministry of Agriculture announced that it has raised \$27m for the construction of artificial lakes during the next six years. It noted that the ministry is relying on funding from international institutions along with its own to construct more than 30 artificial lakes across the country. It added that the bidding process for the construction of three artificial lakes has already started. In parallel, the ministry launched the Hilly Areas Sustainable Agricultural Development Project (HASAD), a new six-year agricultural program for rural areas. The project aims at supporting farmers in Lebanon's poorest regions such as Akkar, Dinniyeh, Baalbek, Hermel, the South as well as Mount Lebanon. The project is expected to cost \$16.5m and is financed by the International Fund for Agricultural Development and The OPEC Fund for International Development.

Consumer Price Index up 5% annually in October 2010

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 4.9% in October 2010 from October 2009. Prices of clothing and footwear increased by 34.2%, followed by food & non-alcoholic beverages (+7.7%), water, electricity, gas & other fuels (+7%), education (6.6%), restaurants & hotels (+5.3%), miscellaneous goods & services (+2%), recreation & entertainment (+1.6%), alcoholic beverages & tobacco (+1.5%) and transportation (+1.4%). In parallel, prices of furniture & household equipment regressed by 1.9% followed by health care (-1.3%) 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 1.8% in October 2010 from September 2010. Prices of clothing and footwear increased by 7.8%, followed by education (+6.6%), Health care (+3%), water, electricity, gas & other fuels (+2.7%), restaurants & hotels (+2%), food & non-alcoholic beverages (+1.6%), recreation & entertainment (+1.4%), furniture & household equipment (+0.4%), miscellaneous goods & services (+0.3%) and alcoholic beverages & tobacco (+0.2%). In parallel, prices of transportation regressed by 0.4% while communication and housing prices remained unchanged month-to-month.

Trade deficit up 7% to \$11.2bn, non-oil imports rise by 11% in first 10 months of 2010

Total imports reached \$14.7bn in the first 10 months of 2010, constituting an increase of 10.5% from the same period last year, while aggregate exports rose by 24.1% to \$3.45bn in the same period, leading to a trade deficit of \$11.2bn, up 6.9% year-on-year. Imports of oil and mineral fuels increased by 10.7% year-on-year to nearly \$2.8bn, while non-hydrocarbon imports grew by 10.5% to \$11.9bn. The rise of non-oil imports was mainly driven by higher imports of unwrought & semi-manufactured gold, diamonds, precious stones & metals, and reactors, boilers, machinery & mechanical appliances. The coverage ratio reached 23.5% year-to-October compared to 21% in the same period of 2009. The trade deficit was \$1.05bn in October 2010, up 9% from the same month last year. Imports averaged \$1.47bn and exports averaged \$345m on a monthly basis year-to-October, resulting in an average monthly trade deficit of \$1.12bn during the covered period.

In volume terms, imports reached 12.2 million tons in the first 10 months of 2010, constituting an increase of 3% from the same period last year, while exports rose by 4.6% to 2.5 million tons in the same period, leading to a trade deficit of 9.65 million tons up 2.5% year-on-year. Imports of oil and mineral fuels decreased by 11.8% year-on-year to nearly 4.5 million tons, while non-hydrocarbon imports rose by 15% annually to 7.62 million tons.

China was the main source of imports with \$1.38bn or 9% of the total, followed by the United States with \$1.35bn (9%), Italy with \$1.13bn (8%), Germany with \$1.06bn (7%) and France with \$981m (7%). Imports from China rose by 15% year-on-year, from Italy by 11% and from Germany by 3% year-on-year, while imports from France dropped by 25% and those from the U.S. declined by 8% for the covered period. Switzerland was the main export destination with \$447m or 13% of the total, followed by the UAE with \$368m (11%), Iraq with \$226m (7%), Saudi Arabia with \$199m (6%) and France with \$197m (6%). Exports to the UAE rose by 33% year-on-year while exports to Switzerland declined by 28%, Syria by 3% and Saudi Arabia by 2%; exports from Iraq remained unchanged year-on-year. Lebanon's main export was jewelry at \$934m, or 27% of total exports, followed by machinery and mechanical appliances with \$628m (18%), base metals with \$382m (11%), prepared foodstuff with \$271m (8%) and chemical products with \$247m (7%). Re-exports totaled \$122m in the first 10 months of 2010, down 2.4% from \$125m in the same period last year.

Customs receipts up 6% to \$1.6bn in first 10 months of 2010

Customs revenues reached \$1.63bn in the first 10 months of 2010, up 5.8% from \$1.53bn in the same period last year. Custom revenues totaled \$161.7m in October 2010 compared to \$167.2m in September and to \$166m in October 2009. The Port of Beirut continues to be the main point of customs receipts, accounting for 87.8% of the total in first 10 months of 2010, and was followed by the Hariri International Airport with 5.4%, the Port of Tripoli with 3.4%, and the Masnaa crossing point with 2% of the total. Customs receipts from the value-added tax totaled \$1.25bn in the first 10 months of the year. The Port of Beirut accounted for 75.6% of such receipts, and was followed by the Hariri International Airport with 8.7%, the Port of Tripoli with 6.9%, and the Masnaa crossing point with 6% of the total. As such, overall custom receipts reached \$2.9bn in the first 10 months of the year, with the Port of Beirut accounting for 82.5% of the total, and was followed by the Hariri International Airport with 6.8%, the Port of Tripoli with 4.9%, and the Masnaa crossing point with 3.8% of the total. In addition, other entry points accounted for the balance, with the port of Saida for 1.5%, the port of Tyr for 0.2%, and the crossing points of Abboudieh, Arida and Kaa for the rest. Overall customs receipts reached \$290m in October 2010 when including revenues from the value-added tax that totaled \$128m in the same period.

ART GOLD initiative opens Zahlé office

The United Nations Development Program (UNDP) opened its first office in Zahlé as part of the ART GOLD initiative. ART GOLD is expected to provide financial support to small and medium-size enterprises, to agricultural associations, to women initiatives as well as to young entrepreneurs. ART GOLD offices function as outlets for social and economic development, and are mainly financed by Belgium. The initiative is expected to provide guarantees of \$1.5m against loans extended to SMEs, with individual loans having a ceiling of \$50,000. ART GOLD was launched in 2006 in Lebanon and aims at involving local communities, municipalities as well as the private sector in local development processes. Three additional offices are expected to open in other regions before the end of the year.

Turkish group invests \$500m in CMA CGM for 20% stake

The Lebanese-owned and France-based container shipping group CMA CGM announced that the Turkish holding firm Yildirim Group has invested \$500m in five-year convertible bonds, giving it access to a 20% stake in CMA CGM. The Yildirim Group operates in chrome ore mining and trading, ferrochrome production and trading, coal trading, fertilizer production and trading, shipping, shipbuilding, and port management. CMA CGM said the agreement will help it strengthen its balance sheet and support its growth strategy, adding that the founding Saadé family will retain an 80% stake in the firm.

Earlier this year, CMA CGM was reportedly considering an investment of €740m, or about \$1bn from the Qatar Investment Authority (QIA), the sovereign wealth fund of Qatar. According to reports last April, QIA has offered the investment in the form of loan guarantees to the firm, which is carrying a heavy debt burden even as operating results in its liner business improve. CMA CGM, which owns 360 ships and employs 16,400 people, has some \$5bn in debt following the worst downturn in container shipping history and a series of steep losses from hedging deals on oil prices. In November 2009, CMA CGM said it was seeking capital from investment funds and needed between \$300m and \$400m at the time.

CMA CGM declared net profits of \$1.4bn in the first 9 months of 2010 compared to losses of \$852m in the same period last year. Earnings before interest, taxes, depreciation and amortization totaled \$2bn in the first 9 months of the year relative to losses of \$727m during the same period of 2009, while the firm's operating margin was 18.5% compared to -9.5% a year earlier. CMA CGM had revenues of \$10.5bn in the first three quarters of 2010, constituting an increase of 38% from \$7.6bn in the same period last year, while freight volume rose by 19.3% to 6.8 million twenty-foot equivalent unit (TEU). It attributed the results to the group's investment in large containerships and the implementation of its cost reduction plan, as well as to the upturn of the global economy.

Car sales up 6.5% year-on-year in first 10 months of 2010

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 28,404 new passenger cars were sold in the first 10 months of 2010, constituting an increase of 6.5% from the 26,664 cars sold in the same period last year. Japanese cars accounted for 39.2% of total sales, followed by Korean cars with a 31% share, European automobiles with 23.1%, American vehicles with 5.9%, and Chinese cars with 0.73%. Korean cars posted the only growth in sales with an 84.21% rise year-on-year. In parallel, Chinese cars posted a drop of 18.8% in sales year-on-year, followed by Japanese cars with a 13% decrease, American cars with a 13.2% decline and European cars with a 4.8% drop. Kia is the leading brand in the Lebanese market with 5,432 cars sold in the first 10 months of 2010, followed by Nissan with 4,703, Hyundai with 3,360 cars sold, Toyota with 2,867, Chevrolet with 1,138, Mitsubishi with 1,137, and Renault with 1,006 cars.

Libano-Française posts \$63m in first 9 months profits

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted consolidated net profits of \$62.7m in the first 9 months of 2010, constituting an increase of 52.6% from the same period last year. Net operating income rose by 25% to \$155.7m, with net interest income increasing by 24% to \$110m and non-interest receipts growing by 32.7% to \$46.8m year-on-year. Also, operating expenditures increased by 13% to \$80m, with staff expenses increasing by 13.5% to \$47m. Total assets reached \$8.6bn at end-September 2010, constituting a 19% rise from end-September 2009 and a 13.3% rise from end-2009, while loans & advances to customers increased by 25% year-on-year and by 23.6% from end-2009 to \$2.8bn. Customer deposits totaled \$7bn at end-September, constituting an increase of 11% from end-2009 and a growth of 18.6% from a year earlier.

Lebanese Canadian's profits up 99% to \$43m in first 9 months of 2010

The Lebanese Canadian Bank sal, one of Lebanon's top 10 banks, declared consolidated net profits of \$43.4m in the first 9 months of 2010, constituting an increase of 99.4% from the same period last year. Net operating income rose by 51.6% to \$91m, with net interest income increasing by 28% to \$79.3m and non-interest receipts growing by 24% to \$20m year-on-year. Also, operating expenditures increased by 15.2% to \$39.68m, with staff expenses increasing by 25% to \$26m. Total assets reached \$5.8bn at end-September 2010, constituting a 22.5% rise from end-September 2009 and a 12% rise from end-2009, while loans & advances to customers jumped by 50% year-on-year and by 36% from end-2009 to \$1.7bn. Customer deposits totaled \$5.1bn at end-September, constituting an increase of 15.3% from end-2009 and a growth of 22.6% from a year earlier.

BBAC's profits up 22% to \$32m year-to-September

BBAC sal posted consolidated net profits of \$32m in the first 9 months of 2010, constituting an increase of 21.5% from the same period last year. Net operating income rose by 13.6% year-to-September to \$70m, with net interest income increasing by 15% to \$50.2m and non-interest receipts declining by 10% to \$15m year-on-year. Also, operating expenditures increased by 8% to \$32.6m, with staff expenses increasing by 11.7% to \$19.6m. Total assets reached \$4bn at end-September 2010, constituting an 10.4% rise from end-September 2009 and a 7.1% rise from end-2009, while loans & advances to customers increased by 27% year-on-year and rose by 23% from end-2009 to \$838m. Customer deposits totaled \$3.5bn at end-September, constituting an increase of 6.6% from end-2009 and a growth of 10.4% from a year earlier. The bank's shareholders' equity reached \$312m, up 14% in the first 9 months of the year.

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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