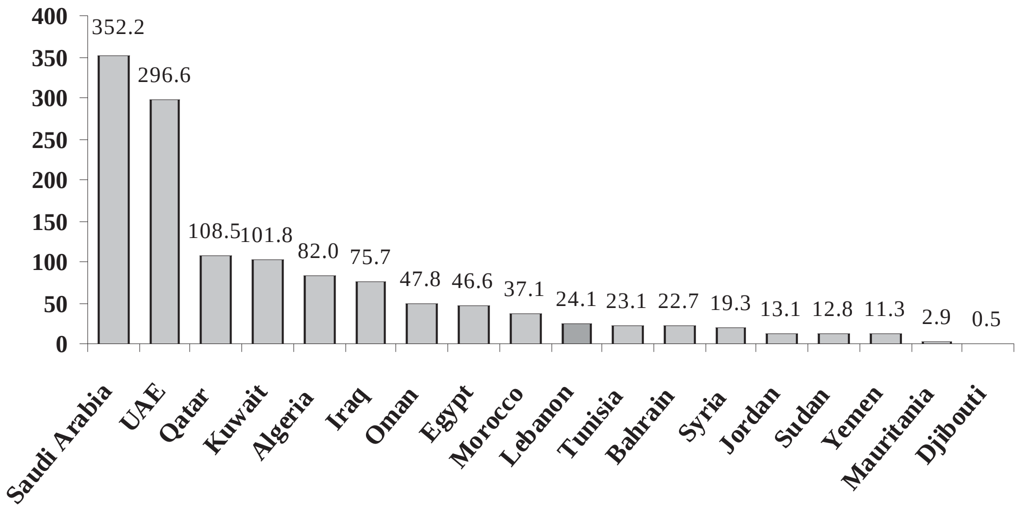
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

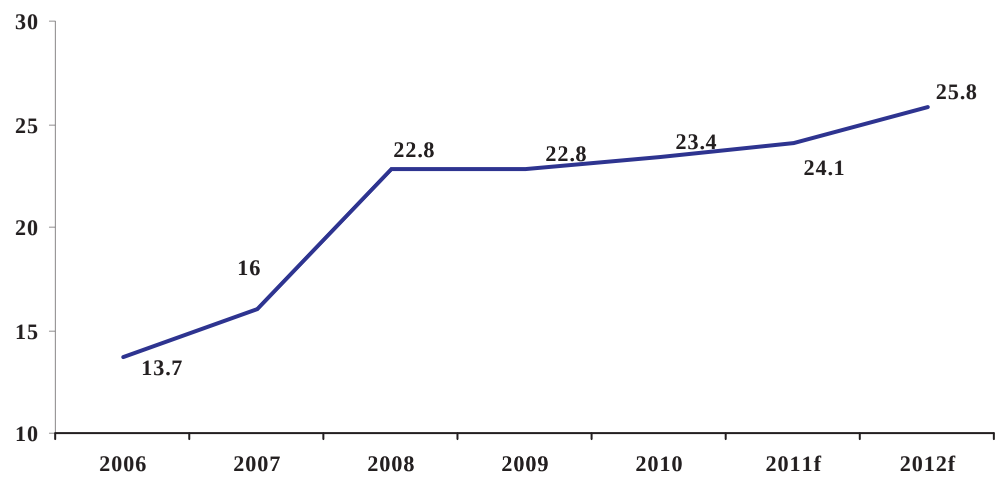
In This Issue

Charts of the Week

Exports of Good and Services from Arab Countries in 2011 ($bn)



Exports of Good and Services from Lebanon ($bn)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"The current political instability in Lebanon is preventing much-needed economic and fiscal reforms."

Standard & Poor's, on the impact of political developments on the Lebanese economy

Number of the Week

22%: Lebanon's global percentile rank in terms of collaboration in research and development between the private sector and universities, according to the World Economic Forum

Economic Indicators

$m (unless otherwise mentioned)	2009	Aug 10	2010	June 11	July 11	Aug 11	% Change*
Exports	3,486	312	4,256	411	415	373	19.55
Imports	16,241	1,449	17,956	1,571	1,679	1,719	18.63
Trade Balance	(12,755)	(1,137)	(13,700)	(1,160)	(1,264)	(1,346)	18.38
Balance of Payments	7,899	447	3,326	564	(307)	(2,143)	(579.42)
Checks Cleared in LBP	11,122	1,152	13,519	1,156	1,218	1,101	(4.43)
Checks Cleared in FC	45,270	4,470	53,925	4,716	5,939	5,017	12.24
Total Checks Cleared	56,392	5,622	67,444	5,872	7,157	6,118	8.82
Budget Deficit/Surplus	(2,960)	(358)	(2,892)	350	67	(178)	(50.31)
Primary Balance	1,078	(69)	1,232	459	314	75	(209.28)
Airport Passengers	4,986,544	578,452	5,552,260	517,860	702,265	574,924	(0.61)

$bn (unless otherwise mentioned)	Dec 2009	Aug 10	May 11	June 11	July 11	Aug 11	% Change*
BdL FX Reserves	25.66	28.24	28.44	28.33	28.91	30.64	8.50
In months of Imports	*18.6*	*19.49*	*18.02*	*18.03*	*17.2*	*17.82*	*(8.57)*
Public Debt	51.09	50.18	52.72	52.52	52.80	53.40	6.42
Net Public Debt	44.11	44.42	45.70	45.6	45.50	45.71	2.90
Bank Assets	115.25	124.63	134.04	135.43	136.88	138.06	10.78
Bank Deposits (Private Sector)	95.77	102.72	110.47	111.48	112.14	112.95	9.96
Bank Loans to Private Sector	28.37	33.24	37.45	37.26	38.34	38.92	17.09
Money Supply M2	34.16	38.78	37.22	36.61	36.84	37.35	(3.69)
Money Supply M3	82.08	88.90	94.11	94.23	94.65	95.21	7.10
LBP Lending Rate (%)	9.04	8.05	7.67	7.59	7.33	7.53	(52b.p.)
LBP Deposit Rate (%)	6.75	5.72	5.64	5.62	5.59	5.53	(19b.p.)
USD Lending Rate (%)	7.28	7.04	7.04	6.98	7.03	7.16	12b.p
USD Deposit Rate (%)	3.05	2.78	2.84	2.81	2.86	2.80	2b.p.
%* Change in CPI**	4.20	3.18	7.30	6.16	6.28	6.49	331b.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"	13.65	(3.87)	183,872	13.27%
Solidere "B"	13.49	(4.05)	19,503	8.52%
Byblos Common	1.60	0.00	25,900	5.59%
Byblos Pref. 08	101.00	1.00	6,500	1.96%
Byblos Pref. 09	101.00	1.00	1,054	1.96%
BLOM GDR	7.90	0.13	52,641	5.67%
BLOM Listed	7.42	0.00	7,800	15.51%
Audi GDR	6.44	(0.62)	97,550	6.23%
Audi Listed	5.98	0.17	33,518	20.31%
HOLCIM	15.95	(0.44)	1,000	3.03%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar. 2012	7.500	101.38	3.39
Sep. 2012	7.750	103.88	2.86
June 2013	8.625	108.50	3.12
Apr. 2014	7.375	108.50	3.66
Jan. 2015	5.875	105.50	2.51
Apr. 2015	10.00	119.00	4.03
Jan. 2016	8.500	115.00	4.52
Mar. 2017	9.000	119.25	4.86
Nov. 2018	5.150	99.50	5.24
Apr. 2021	8.250	118.00	5.75

Source: Byblos Bank Capital Markets

	November 14-18	November 7-11	% Change	October 2011	October 2010	% Change
Total Shares Traded	430,138	400,244	(170.11)	2,253,871	5,763,864	(60.90)
Total Value Traded	$4,952,512	$4,629,247	(176.48)	$17,474,040	$55,296,763	(68.40)
Market Capitalization	$10.29bn	$10.38bn	(0.85)	$10.45bn	$12.21bn	(14.44)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Byblos Bank and Olayan School of Business launch Consumer Confidence Index for Lebanon

The Byblos Bank Group and the Olayan School of Business (OSB) at the American University of Beirut launched the Byblos Bank/OSB Consumer Confidence Index for Lebanon, constituting the first cooperation of its kind between the private sector and an academic institution in Lebanon as well as the first consumer confidence index produced by a banking and financial institution in the Middle East and North Africa.

The Byblos Bank/OSB Consumer Confidence is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation, in line with leading consumer confidence indexes worldwide. The Index is calculated on a monthly basis, with January 2009 as its base month. It is composed of two sub-indexes, the Byblos Bank/OSB Present Situation Index and the Byblos Bank/OSB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. The Index calculation started in July 2007 and is produced every month. In addition, the data segregates the Index based on age, gender, income, profession, region, and religious affiliation.

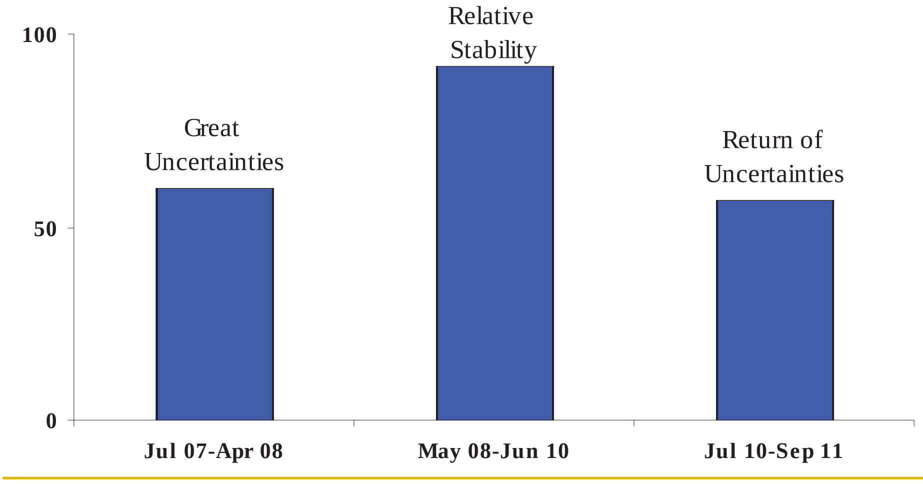
The Byblos Bank/OSB Consumer Confidence Index is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon, whereby residents are asked a number of questions about current and future economic conditions, their personal financial situation, and their intention regarding major purchases. Also, the questionnaire includes additional questions addressing the propensity of respondents to buy specific goods and services. The monthly field survey is conducted by Statistics Lebanon sal, a leading opinion polling firm in the country. The firm draws a random sample of the population for each monthly survey.

The index's results indicate that consumer confidence in Lebanon was highest in 2009 as the Index averaged 96.7, followed by 2008 with an average reading of 81.6, then 2010 when the Index's average reached 72.8; the second half of 2007 with an average of 63.9, and the first nine months of 2011 whereby the index reading was 55.3. The Byblos Bank/OSB Consumer Confidence Index reached its highest level in May 2008 at 133.6 and its second highest level in October 2008 at 111.5, while it reached its lowest level in August 2011 at 46.4 and its second lowest reading in March 2011 at 47.5.

The results of the Byblos Bank/OSB Consumer Confidence Index for the July 2007 to September 2011 period show that male and female Lebanese consumers have the same level of confidence on average; people between 21 and 39 years of age have a higher level of confidence than those above this age bracket; and consumers with household income above $2,000 per month have a higher level of confidence than those earning less. Moreover, private sector employees and university students display a higher level of confidence than self-employed and public sector employees. In addition, the level of confidence is generally close across administrative districts, or mohafaza; with the exception of the Bekaa, where the level of consumer confidence is significantly lower than the national average and other regions. Further, Christian and Sunni consumers have identical levels of confidence, and also have the highest level of confidence among religious denominations. Druze consumers have the next highest level of confidence, while Shiite consumers display the lowest level of confidence across the covered period.

Byblos Bank and OSB will release in the coming few weeks a comprehensive report that will include the full results of the index and the sub-indexes; in-depth analysis of the results and index fluctuations; further details on the methodology, sample selection, and index calculation; as well as the full results of the index by categories.

Consumer Confidence in Lebanon by Stages



Source: Byblos Bank Group and the Olayan School of Business

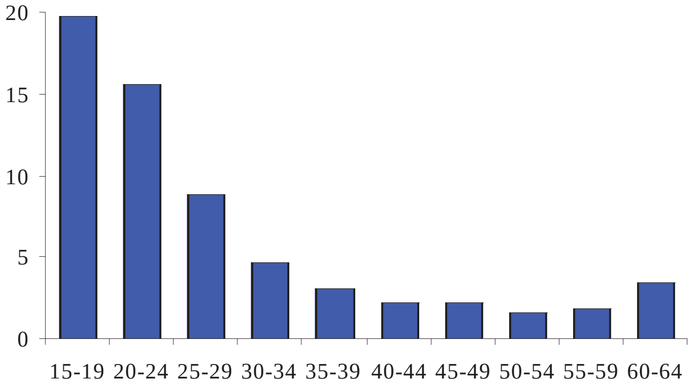
Lebanon in the News

Unemployment rate at 6.4% in Lebanon

Figures issued by the Central Administration of Statistics (CAS) as part of a cluster survey indicate that the unemployment rate in Lebanon was 6.4% in 2009, and was 10.4% for females and 5% for males. The survey reveals that the unemployment level reached 19.8% for Lebanese who are 15 to 19 years old; 15.6% for those between 20 and 24 years of age; 8.8% for the population aged between 25 and 29 years; 4.7% for the 30-34 year bracket; 3.1% for residents between 35 and 39 years old; and 3.3% from those between 40 and 49 years old. It noted that the unemployment rate drops to less than 2% for the 50-59 year bracket.

The results of the survey show that the unemployment level declines with the level of education, as it was the highest for holders of university degrees and stood at 8.8%, followed by those with secondary education at 7.7%, Lebanese with an intermediate level of education at 5.2%, and those with a primary education at 4.6%. The unemployment rate of the illiterate population stood at 4.4% in 2009.

Unemployment Rate by Age Bracket in 2009 (%)



Source: Central Administration of Statistics

In parallel, the survey noted that the unemployment rate in the Beirut administrative district, or governorate, stood at 8.1% and was 6.6% in the Beirut suburbs, while it was 5.1% in the rest of the Mount Lebanon governorate. Further, results for the North Lebanon governorate show that the unemployment rate was 7% in the Akkar and Minieh-Denniyeh districts and stood at 8.2% in the other Northern districts. The results for the Bekaa governorate show that the Baalbek and Hermel districts had an unemployment rate of 4%, while the rate stood at 6% in the rest of the Bekaa's districts. Also, the South governorate posted an unemployment level of 5% and the Nabatiyeh governorate a rate of 6%.

The survey indicates that 59.5% of unemployed Lebanese are males, 83.4% are single, 36.8% have a university education, and 29.6% of them live in the Beirut suburbs. Also, 54.5% of the unemployed disclosed that they have worked before, while 45.5% never held a job. Additionally, 36% of the unemployed stated that they seek friends and family when searching for a job, 31.6% apply directly to prospective employers, and 30.4% use advertisements, Internet and newspapers for their job search.

The CAS conducted the cluster survey in collaboration with the United Nations Children's Fund (UNICEF). It adopted the International Labor Organization's definitions and guidelines to measure the level of economic activity in Lebanon and its main characteristics.

Health Ministry reduces prices of generic drugs

The Ministry of Health announced that it has reduced the prices of 675 generic drugs by 30% on average to ensure that their prices are lower than those of corresponding drugs that carry brand names, and added that the decision will take effect in February 2012. It said that the prices of 376 imported generic drugs and 108 locally-produced ones can be reduced by up to 30%, while the prices of 114 imported generic drugs that have a corresponding branded drug and those of 72 locally-produced ones can be reduced by more than 15%. It indicated that only 4,525 drugs out of a total of 5,894 drugs that are registered at the Ministry of Health are available on the local market, of which 2,241 are brand names and 2,284 are generic drugs. It added that 1,706 branded drugs do not have a corresponding generic drug, and that 535 drugs have a corresponding generic drug that is not available on the local market. The ministry divided generic drugs in Lebanon into three categories. The first category consists of generic drugs that have corresponding drugs with brand names (1,236 drugs); the second category represents generic drugs that cannot be compared to branded or to other generic drugs (643 drugs); and the third segment is about generic drugs that do not have corresponding brand names drugs (405).

In parallel, the ministry stated that the Internal Security Forces raided a factory manufacturing counterfeit medicine in the Bekaa region and confiscated about 200 large boxes of expired medication and 600 bottles of toxic chemicals used for drug production. But it said that there has been no judicial move to close the factory as the ministry lacks such authority. Business Monitor International estimated Lebanon's pharmaceutical market at $1.2bn in 2010, which translates into $287 in per-capita spending on medicine. It said that prescription drugs account for most of the market as they represent around 72.5% of the total value in 2010. It attributed the high usage of prescription medicines to the widespread use of patented drugs and the relatively high prices of generic drugs.

Lebanon in the News

Lebanon's brand perception improves in third quarter of 2011

The Nation Brand Perception Index (NBPI) ranked Lebanon in 222nd place among 236 countries and territories around the world and in 14th place among 20 countries in the Middle East & North Africa region in the third quarter of 2011. Lebanon also came in 44th place among 48 upper-middle income countries (UMICs) included in the survey. The survey added 36 countries to the index in the third quarter of 2011, which makes the comparison of rankings with previous quarters inadequate. But when excluding the newly-added countries and jurisdictions, Lebanon would rank in 186th place globally in the third quarter. It ranked in 190th place globally and in 15th place regionally in the second quarter of 2011. The NBPI analyzes international perceptions of a country's brand. It covers the tone, whether positive or negative, and frequency of mentions in the international media. The survey said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The index is based on a quarterly analysis of millions of mentions of countries in hundreds of thousands of news articles in 38 prominent global media sources. The index scores rely both on the overall quality of the media coverage and the prominence of the country, determined by the number of country references or mentions.

Globally, Lebanon ranked ahead of Poland, Yemen and Serbia and came behind Kenya, Portugal and the Vatican City in the third quarter. It also ranked ahead of Serbia and Mexico, and behind Russia and Bosnia & Herzegovina among UMICs. Lebanon received a score of 40.5 points in the third quarter of 2011, below the global and UMIC averages of 50.3 points and 50.1 points respectively, and the MENA and Arab averages of 42 points and 42.8 points respectively. Lebanon was one of 12 Arab countries whose score increased, and one of 7 countries whose rank improved in the third quarter. Lebanon's score increased by 35.6% quarter-to-quarter and by 50.5% from the third quarter of 2010. Lebanon's score increased by 10.7 points quarter-to-quarter, and posted the second highest increase in the Arab world. Malaysia had the best nation brand perception in the world with a score of 83 points and Norway the worst brand perception with a score of -9.9 points.

MENA Scores & Rankings in Q3-2011

	Score	MENA Rank	Global Rank
Kuwait	62.8	1	13
UAE	61.0	2	14
Qatar	54.0	3	34
Morocco	53.6	4	36
Oman	53.6	5	37
Bahrain	49.4	6	182
Jordan	48.9	7	188
Algeria	48.6	8	192
Tunisia	46.4	9	205
Saudi Arabia	45.8	10	206
Turkey	45.4	11	210
Palestine	43.5	12	216
Israel	42.1	13	217
Lebanon	**40.5**	**14**	**222**
Yemen	37.6	15	224
Egypt	35.6	16	226
Iran	26.4	17	230
Libya	23.1	18	231
Iraq	18.3	19	232
Syria	4.1	20	235

Source: East West Communications, Byblos Research

Government approves energy efficiency plan

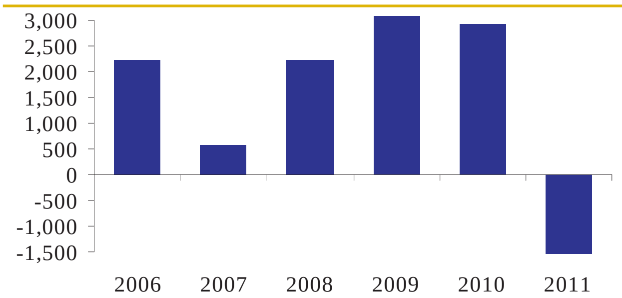
The Council of Ministers officially adopted the National Energy Efficiency Action Plan (NEEAP). The plan, which covers the 2011-2015 period, is the first comprehensive strategy in energy efficiency and renewable energy to be adopted in Lebanon. It is also the first such plan to be adopted in the Arab world. It was developed by the Lebanese Center for Energy Conservation (LCEC) in collaboration with national and international partners and stakeholders. The NEEAP calls for the development of solar, wind and hydro energy; the adoption of the energy conservation law; the banning of incandescent lamps; and the development of financing mechanisms for energy efficiency projects, among others. The NEEAP paves the way for a structured approach towards achieving Lebanon's target of having 12% of its energy consumption come from renewable energy by 2020.

Last year, the Central Bank launched the national initiative for energy efficiency and renewable energy (NEEREA) to support the financing of energy efficiency and renewable energy projects across Lebanon through commercial banks. It approved last May the first project in energy efficiency under NEEREA. The package consisted of a loan of $3m that carries an interest rate of 0.6% and has a repayment period of 3 years.

Balance of payments posts deficit of $1.5bn in first nine months of 2011

Central Bank figures show that Lebanon's balance of payments posted a deficit of $1.54bn in the first nine months of 2011 compared to a surplus of $2.9bn in the same period last year. The balance of payments posted a deficit of $301.7m in September compared to $450.8m in August 2011 and a surplus of $186.4m in September 2010. The September 2011 deficit was caused by a deficit of $418m in the net foreign assets of banks and financial institutions and a surplus of $116.3m in those of the Central Bank. The cumulative deficit over the first nine months of 2011 was caused by a surplus of $2bn in the Central Bank's net foreign assets and a deficit of $3.5bn in those of banks and financial institutions. The balance of payments posted cumulative surpluses of $3.3bn in 2010, $7.9bn in 2009 and $3.5bn in 2008.

Balance of Payments* ($m)



** in first nine months of the year*

Source: Central Bank

Lebanon in the News

Property developers buying in under-developed peripheral areas of Beirut

Property advisory firm RAMCO indicated that land plots in Beirut are becoming scarce and that it is particularly difficult to find undeveloped land in prime areas, with the Beirut Central District (BCD) being the only notable exception. It said that prospective developers are either starting to invest in projects in under-developed peripheral areas of the capital such as Corniche El Nahr in Ashrafieh and in Jnah, or they are building in prime central locations by replacing old existing building with new projects.

RAMCO indicated that the prices of land in Beirut's prime areas vary between $2,000 per square meter of Built-Up Area (BUA) and $5,000 per sqm of BUA. It said that the BCD has some of the most expensive land prices in Beirut, ranging between $3,500 per sqm of BUA and $5,000 per sqm of BUA; and has the largest bank of prime, undeveloped land in the capital. It noted that some plots on the seafront of Western Beirut such as Jal el Bahr and Ramlet el Baida have similar land prices but offer a far less attractive urban environment. It added that purchasing land in the BCD offers buyers a greater value for money than in other regions, as Solidere does not charge for the BUAs of balconies. Further, it said that the price of land in Hamra ranges between $1,800 and $2,200 per sqm of BUA. It added that the area is predominantly attractive for commercial developments, such as shopping centers and hotels as is one of Lebanon's most popular shopping destinations. It indicated that land prices in Furn el Hayek, an area which is in high demand from the local social elite, range between $1,800 and $2,000 per sqm of BUA. It noted that the area is already densely populated and has very few empty plots of land suitable for development. As such, it said that the excessive demand is putting strong pressure on built-up plots, which is resulting in the destruction of vintage houses as well as already scarce green space in Beirut.

In parallel, RAMCO said that land prices in under-developed peripheral areas ranges between $800 and $1,500 per sqm of BUA. It estimated the price of land in Jnah at between $1,200 and $1,500 per sqm of BUA. It attributed Jnah's high prices land to its low exploitation ratios. It said Jnah offers wide stretches of flat, underdeveloped and empty plots of lands. But it noted that the area attracts a closed niche market of developers and end-buyers. Further, it said that land prices in Corniche El Nahr fluctuate between $800 and $1,400 per sqm of BUA. It noted that the region has thousands of square meters of raw land that are easy to develop, while its relatively affordable sales prices of furnished apartments makes it attractive for home-buyers.

Telecom regulator says broadband prices declined with 3G launch

The Telecommunications Regulatory Authority of Lebanon (TRA) indicated that Lebanon's Residential Mobile Broadband Basket Price stood at $35 after introducing the third generation cellular services (3G), which comes above the Arab average of $28 and compared to $54 in Kuwait, $39 in the UAE, $30 in Qatar, $21 in Bahrain and $10 in Jordan. The Residential plan includes a 1GB capacity and a Speed Basket of 2Mbp to 8Mbps. The TRA said that it expected these results given that Lebanon's data market is still in its start up phase whereby the cost and the model used for charging are based on volume, usage and metered pricing. As such, it anticipated prices to decrease further as the market matures through products and service differentiation. It added that the price of an additional 1Mb is $0.06 in Lebanon, which is below the Arab average of $0.13 but is costlier than in Syria and the UAE with $0.04 each and in Qatar with $0.03, and less expensive than Jordan and Bahrain with $0.28 and $0.32, respectively.

In parallel, the TRA indicated that the price of Lebanon's low-speed Residential Fixed Broadband basket, which ranges between 256Kbps and 2.5Mbps, dropped to $20 from 39$ for a 2GB usage after the implementation of the new tariffs. It noted that Lebanon's current prices are above the Arab average of $26 and higher than rates in Yemen ($18), Saudi Arabia ($16) and Egypt ($8); but are lower than rates in Qatar ($58), Oman ($35) and Jordan ($32). It added that the rate for a Residential Fixed Broadband basket with a 6GB capacity dropped to $28 from $72 previously, which was the highest rate among Arab countries. Further, the TRA added that the cost of medium-speed Residential Fixed Broadband for a 6GB capacity stood at $86, below the Arab average of $96. However, a poll of nearly 300 readers of *The Daily Star*'s online edition about user satisfaction with the recently-introduced 3G service shows that 43% of participants say they still cannot tell the difference between pre- and post-3G, as "speed remains painfully slow and interruptions are the rule". Another 23.3% considered that their 3G service is "poor as downloads are slow and interruptions are aplenty."

Also, the TRA indicated that Lebanon's low-speed Corporate Fixed Broadband prices stood at $18 for a low usage of 2GB, down from $45 previously and below the Arab average of $50. It added that such prices reached $28 for the high usage of 6GB, down from $82 previously,and compared to the Arab average of $69. Further, medium-speed Corporate Fixed Broadband prices stood at $78 for a 6GB usage, which is below the Arab average of $455. The TRA added that Lebanon's Business Mobile Broadband Basket Price stood at $89, above the Arab average of $73, and compared to Oman ($259), Kuwait ($92), Saudi Arabia ($57), Qatar ($30) and Morocco ($21).

Lebanon in the News

Lebanon ranks 41st worldwide, 9th among Arab countries in the ease of paying taxes

The PricewaterhouseCoopers/World Bank Index of Paying Taxes for 2012 ranked Lebanon in 41st place among 183 countries worldwide and in 9th place among 19 Arab countries included in the survey. Lebanon came in the 36th place globally and in 9th place among Arab countries in the 2011 survey. Lebanon also ranked in 9th place among the 44 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, Kosovo and South Korea, and came immediately behind Spain, Georgia and Suriname. It ranked ahead of Chile, Saint Lucia and Lithuania, and came behind Dominica, Saint Vincent & the Grenadines and Turkey among UMICs.

Lebanon tied with Switzerland, Botswana, Malawi, Ethiopia, Palau and Syria, ranked ahead of Tonga and Iran, 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 Iran and Seychelles and behind Azerbaijan and Belarus 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 six times a year.

Ease of Paying Taxes Rankings

Country	Arab Rank	Global Rank
Qatar	1	2
UAE	2	6
Saudi Arabia	3	7
Oman	4	8
Kuwait	5	12
Bahrain	6	13
Jordan	7	29
West Bank and Gaza	8	31
Lebanon	**9**	**41**
Iraq	10	59
Tunisia	11	61
Djibouti	12	65
Sudan	13	99
Syrian	14	107
Morocco	15	108
Yemen,	16	113
Egypt,	17	145
Algeria	18	164
Mauritania	19	175

Source: PricewaterhouseCoopers/World Bank, Byblos Research

Further, Lebanon tied with Sudan, ranked ahead of Haiti and Cape Verde, and came 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 Kazakhstan and Colombia, 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 Ethiopia and Israel, and behind Switzerland and South Korea on the Total Tax Rate Sub-Index. This indicator measures the amount of all taxes and mandatory contributions borne by a business, expressed as a percentage of commercial profits. It also came ahead of Seychelles and South Africa, and 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.

Components of the 2012 Ease of Paying Taxes Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon	Global Average	Arab Average	UMICs Average
Number of Tax Payments	68	9	19	19	28.5	22.6	28.7
Time to Comply*	62	11	13	180	276.6	205.9	336.6
Total Tax Rate**	44	10	11	30.2	44.9	33.6	42.3

**Measured in hours **As a percentage of commercial profits*
Source: PricewaterhouseCoopers/World Bank, Byblos Research

Profits up 22% at Syrian affiliates of Lebanese banks, assets fall 13% and deposits drop 21%

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate assets reached SYP341bn, or $7.1bn, at the end of September 2011, constituting a decrease of 13% from end-2010. The decline was due to an average drop of 24.3% in the assets of Banque BEMO Saudi Fransi, Bank of Syria & Overseas and Bank Audi Syria, the three largest private commercial banks by assets. The banks' loans totaled SYP146bn, or $3bn at end September, reflecting a drop of 2% from the end of 2010. The loans' decline was mainly caused by an average contraction of 21.3% in the lending of Bank of Syria & Overseas and Bank Audi Syria in the first nine months of the year. Also, the banks' customer deposits reached SYP262.6bn, or $5.4bn at the end of September, regressing by 21.3% in the first nine months of the year. The drop was prompted by an average contraction of 29.2% in the deposits of Banque BEMO Saudi Fransi, Bank of Syria & Overseas and Bank Audi Syria. The deposits of each of Banque BEMO Saudi Fransi and Bank Audi Syria contracted by around 31% year-to-September, and posted the steepest drop among the affiliates of Lebanese banks operating in Syria in the covered period. They were followed by Bank of Syria & Overseas with a 25.2% drop in deposits and Fransabank Syria with a decrease of 1.2%. In parallel, Bank Al-Sharq, the affiliate of Banque Libano-Française, saw deposit growth of 53.2%; followed by Syria Gulf Bank with a 27.3% rise, and Byblos Bank Syria with an increase of 6%. The ratio of the banks' loans-to-customer deposits stood at 55.6% at end-September 2011 compared to 44.7% at the end of 2010. Also, the aggregate shareholders equity of the banks reached SYP30.6bn, or $634m, at end-September, constituting an increase of 10.7% from end-2010.

In parallel, the aggregate net profits of the seven banks reached SYP1.7bn, or $35.6m in the first nine months of 2011, constituting an increase of 21.6% from SYP1.4bn in the same period last year. The aggregate net interest income of the banks reached SYP5.5bn, or $114.2m, in the first nine months of 2011, up 25.2% from the same period last year; while their total net fees & commission income increased by 12.2% to SYP1.5bn, or $31.2m. The banks' total operating income reached SYP8.3bn, or $171.6m in the first nine months of 2011, up 31.1% year-on-year. The increase in net income is mainly attributed to a rise of 33.5% from the same period last year in the profits of Banque BEMO Saudi Fransi, in addition to the shift from a loss to a profit for Syria Gulf Bank, the affiliate of First National Bank sal, as well as to a rise from a very low base in the same period last year of Fransabank Syria's profits. The drop in the profits of some affiliates of Lebanese banks is mainly due to provisioning.

Results of Affiliates of Lebanese Banks in Syria for First 9 Months of 2011

	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Bank Audi Syria	Byblos Bank Syria	Syria Gulf Bank	Fransabank Syria	Bank Al-Sharq
Total Assets	$1.75bn	$1.50bn	$1.45bn	$0.98bn	$0.45bn	$0.62bn	$0.31bn
% Change*	-26.3%	-21.4%	-25.1%	10.9%	38.8%	25.5%	63.5%
Loans	$728m	$489m	$649m	$495m	$255m	$249m	$153m
% Change*	-4.5%	-22.2%	-20.5%	6.9%	65.4%	37.6%	102.5%
Customer Deposits	$1.47bn	$1.29bn	$1.17bn	$0.74bn	$0.31bn	$0.27bn	$0.18bn
% Change*	-31.3%	-25.2%	-31.1%	6.0%	27.3%	-1.2%	53.2%

**Change from end-2010*

Source: Banks' financial statements

New car sales down 3% in first 10 months of 2011

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 27,473 new passenger cars were sold in the first 10 months of 2011, constituting a decrease of 3.3% from the 28,413 cars sold in the same period last year. Korean cars accounted for 42.3% of total auto sales, followed by Japanese cars with a 29.6% share, European automobiles with 21%, American vehicles with 6.4%, and Chinese cars with 0.8%. The number of Korean cars sold grew by 31.8% year-on-year, followed by American vehicles with a 4% increase. In parallel, the number of Japanese cars sold posted a drop of 27.1% year-on-year, followed by European cars with an 12% decline and Chinese autos with a 2.3% retreat. Kia is the leading brand in the Lebanese market with 7,100 cars sold in the first 10 months of 2011, followed by Nissan with 4,901 cars sold, Hyundai with 4,504 cars, Chevrolet with 1,212 cars sold, Toyota with 1,160 cars, Renault with 972 cars, and Peugeot with 760 cars. In parallel, a total of 1,743 new commercial vehicles were sold in the first 10 months of 2011, down 23.2% from the 2,270 vehicles sold in the same period last year.

Corporate Highlights

Kafalat loan guarantees down 4.4% year-on-year to $135m in first 10 months of 2011

Figures released by the Kafalat Corporation show that loans extended to small- and medium-sized companies under the guarantee of Kafalat reached $135.2m in the first 10 months of 2011, down 4.4% from $141.4m in the same period last year. The number of loan guarantees totaled 1,063 year-to-October compared to 1,189 in the same period last year. The average loan size reached $121,223 compared to $118,957 in the first 10 months of 2010. Mount Lebanon accounted for 41.2% of guarantees, followed by the South & Nabatieh with 19.3%, the Bekaa with 18.1%, the North with 15.4%, and Beirut with 6%. Agriculture accounted for 41% of total guarantees, followed by the industrial sector with 37.7%, tourism with 17.5%, handicraft with 2.3%, and specialized technologies with 1.5%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to $400,000 earmarked for the set up and expansion of small and medium-sized companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

Group Matelec to build $100m plant in Senegal

Lebanese Group Matelec, which specializes in power generation, transmission and distribution, announced that it has signed a contract with the Senegalese government for the construction of an 80 Megawatt power plant. It said that the plant will cost €100m of which 75% will be disbursed by the African Development Bank and the West African Development Bank, and Metalec will finance the remaining 25%. Metalec will be an independent power producer that will operate the plant under a Build-Own-Operate (BOO) agreement. It added that the timeline for the project's completion ranges between 18 and 24 months. The project constitutes Metalec's second power plant in Senegal as it already operates a 67.5 Megawatt plant in the Dakar region since 2008 under a BOO agreement. The Matelec Group employs more than 1,000 people in the Middle East, Africa and Europe, and is part of Doumet Electrical Holding.

BankMed's net income up 10% to $90m in first nine months of 2011

BankMed sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of $90.2m in the first 9 months of 2011, up 10% from the same period last year. Operating profit rose by 15.4% to $103.4m, with net interest income increasing by 11.8% to $153.1m and net fees & commission income growing by 26.7% to $34.8m year-on-year. Also, operating expenditures increased by 5.2% to $152.6m, with staff expenses increasing by 12.8% to $72.3m. Total assets reached $12.16bn at end-September 2011, constituting an 8.7% rise from end-2010; with loans & advances to customers increasing by 16.4% from end-2010 to $3.36bn, and loans to related parties rising by 102% to $1.3bn. Customer deposits totaled $7.7bn at end-September, constituting a marginal decrease of 1% from end-2010 and deposits from related parties rose by 89% to $1.85bn. The loans-to-deposits ratio reached 48.5% at end-September relative to 40.1% at end-2010. Also, shareholders' equity totaled $881.4m, constituting a decrease of 20.2% from the end of 2010.

EGF Hermes' net income down 64% to $5m in third quarter of 2011

Regional investment bank EFG Hermes declared consolidated net income of EGP31.5m, or $5.3m, in the third quarter of 2011, constituting a decrease of 64% from the same quarter last year and a decline of 59.5% from the previous quarter. Total operating revenues reached EGP395.7m in the third quarter of 2011, down 20.4% year-on-year and 15% quarter-on-quarter. It attributed the decline in the Group's profits to the contraction in revenues generated from the Investment Bank due to poor markets conditions across the MENA markets. It said that investment banking revenues contracted by 38% year-on-year to EGP150m, due to a decline in revenue generated from different divisions, which includes capital markets and treasury operations and fee and commission business. In parallel, EFG Hermes indicated that the acquisition of Crédit Libanais has further expanded its balance sheet, as total consolidated assets reached EGP49.3bn, or $8.26bn as at end-September 2011, with the bank contributing EGP42.1bn or 85.3% of the total. Also, consolidated shareholders' equity stood at EGP9.5bn, with Crédit Libanais contributing EGP2.8bn or 29.2% of the total. It added that Crédit Libanais accounted for 62% of consolidated operating revenues in the third quarter of 2011 relative to 52% in the second quarter of the year and 54% in the fourth quarter of 2010.

EFG Hermes Holding SAE announced in August 2010 the acquisition of a 65% stake in Crédit Libanais sal for $542m. It has a call option for an additional 25% interest in the bank, and will have the right to exercise the call option over a two-year period at its sole discretion and at the same terms, including pricing, as those applicable to the acquisition of the initial stake. Crédit Libanais sal, one of Lebanon's top 10 banks, posted net profits of $33.2m in the first half of 2011, constituting a decrease of 11% from the same period last year. Its total assets reached $6.9bn at end-June, constituting a 6.3% rise from end-2010 and its customer deposits totaled $6bn at end-June, up 6.4% from the end of last year.

Ratio Highlights

(in % unless specified)	2008	2009	2010	Change*
Nominal GDP(1) ($bn)	30.1	34.9	39.2	
External Debt / GDP	70.7	60.9	52.5	(840)
Local Debt / GDP	86.5	85.5	81.7	(380)
Total Debt / GDP	157.3	146.4	134.2	(1,220)
Total External Debt / GDP	172.4	175.2	160.5	(1,470)
Trade Balance / GDP	(42.3)	(36.5)	(35.0)	150
Exports / Imports	21.6	21.5	23.7	220
Budget Revenues / GDP	23.5	24.1	21.4	(270)
Budget Expenditures / GDP	33.3	32.6	28.8	(380)
Budget Balance / GDP	(9.8)	(8.5)	(7.5)	(100)
Primary Balance / GDP	2.0	3.1	3.1	0
BdL FX Reserves / M2	68.9	75.1	72.6	(250)
M3 / GDP	229.6	235.2	235.1	(10)
Bank Assets / GDP	315.2	330.2	328.9	(130)
Bank Deposits / GDP	260.1	274.4	273.5	(90)
Private Sector Loans / GDP	83.7	81.3	89.1	780
Dollarization of Deposits	69.6	64.5	63.2	(130)
Dollarization of Loans	86.6	84.0	80.3	(370)

** Change in basis points 09/10*
(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 2010	May 2011	June 2011	Change*	Risk Level
Political Risk Rating	58.5	55.5	55.5	▼	High
Financial Risk Rating	28.0	28.5	28.5	▲	High
Economic Risk Rating	35.5	32.5	32.5	▼	Moderate
Composite Risk Rating	61.0	58.2	58.2	▼	High

Regional Average	June 2010	May 2011	June 2011	Change*	Risk Level
Political Risk Rating	64.8	60.3	59.9	▼	Moderate
Financial Risk Rating	41.7	41.8	42.0	▲	Very Low
Economic Risk Rating	38.4	36.8	36.6	▼	Low
Composite Risk Rating	72.4	69.5	69.3	▼	Moderate

**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 Ratings	B	B	Stable	B		Stable
Standard & Poor's	B	B	Stable	B	B	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

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

Source: Rating agencies

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