



LEBANON THIS WEEK

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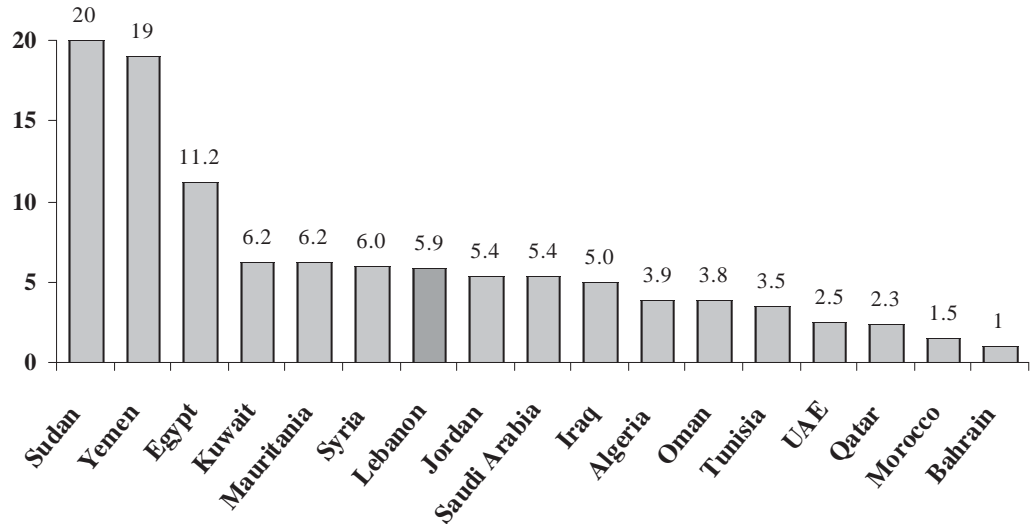
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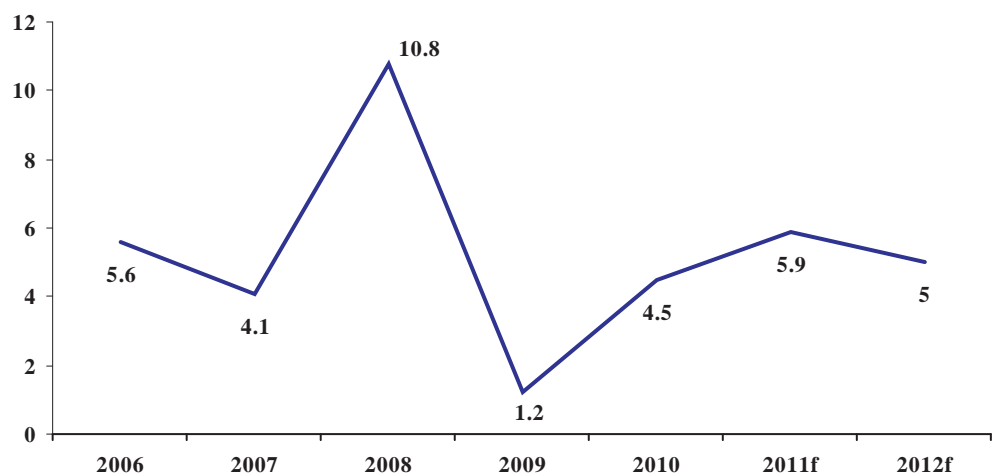
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Charts of the Week

Projected Inflation Rate in Arab Countries in 2011 (year average, %)



Inflation Rate in Lebanon (year average, %)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"There are questions about the quality of official GDP data, and timely economic indicators about most sectors are in short supply."

The Economist Intelligence Unit, on Lebanon's weak statistical base

Number of the Week

26%: Lebanon's gross official foreign currency reserves as a percentage of total reserves of oil importing countries in the MENA region, according to the International Monetary Fund

Economic Indicators

\$m (unless otherwise mentioned)	2009	Sep 10	2010	July 11	Aug 11	Sep 11	% Change*
Exports	3,486	290	4,256	415	373	334	15.17
Imports	16,241	1,310	17,956	1,679	1,719	1,792	36.79
Trade Balance	(12,755)	(1,020)	(13,700)	(1,264)	(1,346)	(1,458)	42.94
Balance of Payments	7,899	186	3,326	(307)	(2,143)	(302)	(262.37)
Checks Cleared in LBP	11,122	1,124	13,519	1,218	1,101	1,147	2.05
Checks Cleared in FC	45,270	4,037	53,925	5,939	5,017	5,181	28.34
Total Checks Cleared	56,392	5,161	67,444	7,157	6,118	6,328	22.61
Budget Deficit/Surplus	(2,960)	(472)	(2,892)	67	(178)	(419)	(11.15)
Primary Balance	1,078	(13)	1,232	314	75	44	(450.79)
Airport Passengers	4,986,544	550,421	5,552,260	702,265	574,924	582,383	5.81

\$bn (unless otherwise mentioned)	Dec 2009	Sep 10	June 11	July 11	Aug 11	Sep 11	% Change*
BdL FX Reserves	25.66	28.46	28.33	28.91	30.64	30.62	7.59
<i>In months of Imports</i>	18.6	21.73	18.03	17.2	17.82	17.09	(21.35)
Public Debt	51.09	50.85	52.52	52.80	53.40	54.35	6.88
Net Public Debt	44.11	44.64	45.6	45.50	45.71	45.80	2.60
Bank Assets	115.25	126.74	135.43	136.88	138.06	138.42	9.22
Bank Deposits (Private Sector)	95.77	103.85	111.48	112.14	112.95	113.39	9.19
Bank Loans to Private Sector	28.37	33.82	37.26	38.34	38.92	38.76	14.61
Money Supply M2	34.16	39.32	36.61	36.84	37.35	37.68	(4.17)
Money Supply M3	82.08	90.06	94.23	94.65	95.21	95.63	6.18
LBP Lending Rate (%)	9.04	8.11	7.59	7.33	7.53	7.37	(74b.p.)
LBP Deposit Rate (%)	6.75	5.70	5.62	5.59	5.53	5.58	(12b.p.)
USD Lending Rate (%)	7.28	7.24	6.98	7.03	7.16	6.92	(32b.p.)
USD Deposit Rate (%)	3.05	2.78	2.81	2.86	2.80	2.84	6b.p.
%* Change in CPI**	4.20	5.05	6.16	6.28	6.49	5.27	22b.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"	14.50	(11.15)	120,340	13.96%
Solidere "B"	14.51	(10.87)	25,259	9.08%
Byblos Common	1.65	3.12	6,885,831	5.71%
Byblos Pref. 08	101.00	0.00	2,000	1.94%
Byblos Pref. 09	101.00	0.00	7,392	1.94%
BLOM GDR	7.70	(0.65)	20,500	5.48%
BLOM Listed	7.42	0.00	0	15.36%
Audi GDR	6.29	0.00	0	6.03%
Audi Listed	5.85	0.52	44,680	19.68%
HOLCIM	16.15	(1.52)	930	3.03%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2012	7.500	100.13	6.87
Sep. 2012	7.750	100.13	7.54
June 2013	8.625	107.25	3.63
Apr. 2014	7.375	108.10	3.70
Jan. 2015	5.875	105.00	4.13
Apr. 2015	10.00	117.88	4.22
Jan. 2016	8.500	115.13	4.41
Mar. 2017	9.000	119.00	4.86
Nov. 2018	5.150	99.75	5.19
Apr. 2021	8.250	118.00	5.74

Source: Byblos Bank Capital Markets

	December 12-16	December 5-9	% Change	November 2011	November 2010	% Change
Total Shares Traded	\$7,120,932	1,092,679	551.69	1,749,640	15,207,803	(88.50)
Total Value Traded	\$15,182,096	\$10,058,333	50.94	\$18,138,922	\$115,946,913	(84.36)
Market Capitalization	\$10.39bn	\$10.65bn	(2.50)	\$10.26bn	\$12.35bn	(16.94)

Source: Beirut Stock Exchange (BSE)



Beirut ranks 170th worldwide, 16th in MENA region in quality of living

The annual survey on the quality of living in 221 cities around the world by global consultants Mercer Human Resource Consulting ranked Beirut as the 170th most desirable city for overall living standards and 16th among 25 cities surveyed in the Middle East and North Africa region in 2011. Beirut ranked in 172nd place worldwide and in 16th place in the region in the 2010 survey. Also Beirut ranked in 34th place among 42 Upper Middle Income Countries (UMICs) included in the 2011 survey while it ranked in 32nd place among 33 UMICs included in the 2010 survey. The study evaluated the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to health & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing and natural environment. New York City served as the benchmark for other cities.

On a global basis, Beirut ranked ahead of Cotonou in Benin, Almaty in Kazakhstan and Yerevan; and came immediately behind Vientiane in Laos, San Salvador in El Salvador and Banjul in Gambia. It also ranked ahead of Almaty in Kazakhstan, Tirana in Albania and Algiers in Algeria; and immediately behind Saint Petersburg in Russia, Caracas in Venezuela, and Moscow in Russia among UMICs. Regionally, Beirut ranked ahead of Djibouti, Algiers and Damascus and behind Jeddah, Riyadh and Cairo.

Beirut's rank improved by two spots, posting the fifth highest increase in the region's rankings along with Kuwait City, Nouakchott. The rankings of 10 cities improved, 12 declined and 3 stayed the same. Abu Dhabi's rank improved by 5 spots constituting the highest improvement in the MENA region while Tripoli's rank dropped by 35 spots representing the steepest decrease in the region. Mercer indicated that the recent wave of violent protests across the MENA has temporarily lowered living standards in the region. Many countries such as Libya, Egypt, Tunisia and Yemen have seen their quality of living levels drop considerably. Vienna remained the world's best city for overall quality of living, and Dubai remained the best city for overall quality of living in the region; while Baghdad is still considered to be the world's least appealing city. The survey is conducted annually to help multinational companies assess international hardship allowance for their expatriate workers. The data for the survey was collected between September and November 2011 and has been regularly updated to take account of changing circumstances.

Quality of Living Rankings in 2011

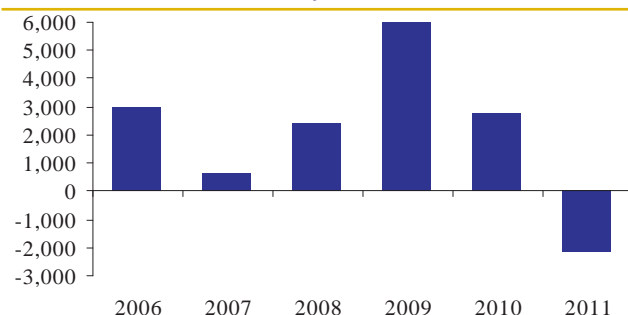
City	MENA Rank	Global Rank
Dubai	1	74
Abu Dhabi	2	78
Tel Aviv	3	99
Muscat	4	101
Doha	5	106
Tunis	6	110
Manama	7	113
Rabat	8	115
Istanbul	9	117
Kuwait City	10	120
Casablanca	11	123
Amman	12	126
Cairo	13	135
Riyadh	14	157
Jeddah	15	159
Beirut	16	170
Djibouti	17	176
Algiers	18	178
Damascus	19	179
Tehran	20	187
Tripoli	21	202
Nouakchott	22	212
Sana'a	23	216
Khartoum	24	217
Baghdad	25	221

Source: Mercer Consulting 2011, Byblos Research

Balance of payments posts deficit of \$2.1bn in first 10 months of 2011

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$2.13bn in the first 10 months of 2011 compared to a surplus of \$2.8bn in the same period last year. The balance of payments posted a deficit of \$589.8m in October compared to deficits of \$301.7m in September 2011 and \$185.1m in October 2010. The October 2011 deficit was caused by a deficit of \$414m in the net foreign assets of banks and financial institutions and a deficit of \$175.9m in those of the Central Bank. The cumulative deficit over the first 10 months of 2011 was caused by a surplus of \$1.8bn in the Central Bank's net foreign assets and a deficit of \$3.9bn 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 ten months of the year

Source: Central Bank

Regional developments to determine growth prospects in 2012

The Economist Intelligence Unit projected economic growth in Lebanon at 3.4% in 2012, higher than the estimated growth rate of 1.5% in 2011, but still below the average growth rate of 8.1% recorded between 2007 and 2010. It said that Lebanon's growth prospects in the coming year will depend on regional developments, as Lebanon's service-oriented economy relies on demand from Arab countries, mainly from the economies of the Gulf Cooperation Council. It noted that the unrest that engulfed the region this year, along with domestic political instability in the first half of 2011, had a sharp impact on economic activity throughout the year. It expected any economic recovery in 2012 to be limited by the serious downside risks from the continued unrest in Syria. It added that the weak performance of the tourism, banking and construction sectors throughout 2011 demonstrated how sensitive Lebanon's economy is to political uncertainty.

The EIU considered that the long-stalled economic reforms could proceed at a slow pace, given the current, more politically homogeneous government. It noted that the factions within the Cabinet will only be able to reach consensus on some relatively neutral political and economic topics such as energy sector reform. But it added that structural changes, such as fiscal reforms, will face resistance, as corruption and patronage permeate the political system and many politicians have their own interests in maintaining a bloated public sector.

In parallel, the EIU anticipated the fiscal deficit to remain large at 7.7% of GDP in 2012 but to contract from 8.7% of GDP in 2011. It pointed out that Lebanon has struggled to pass budgets in the past five years due to political disputes and external conflicts. It added that the 2012 budget proposal includes controversial tax rises that may prevent it from being ratified. It said that spending on reforming Lebanon's electricity sector will constitute a major component of capital spending next year. It noted that the Finance Ministry is now including revenues from the Ministry of Telecommunications, which normally provides a large portion of non-tax revenues to the government, in its official accounts. But it added that it is unclear if the funds are actually being transferred. It expected the deficit to begin to narrow gradually in case of higher growth rates and if a more coherent government policy allows for better expenditure management. Also, the EIU indicated that Lebanon is unlikely to face contagion from debt crises in the Eurozone and elsewhere, despite having a large structural deficit and one of the world's highest debt-to-GDP ratios, because local banks hold most of the government's foreign debt.

Country Forecast Summary				
	2009	2010	2011F	2012F
Real GDP Growth (%)	8.5	7.2	1.3	3.4
Consumer prices (end of period, %)	3.4	4.6	3.2	3.0
Consumer prices (avge, %)	1.2	4.0	5.1	3.0
Fiscal balance (% of GDP)	(8.5)	(7.3)	(8.7)	(7.7)
Current account balance (\$bn)	(6.7)	(9.4)	(12.7)	(10.4)
Current account balance (% of GDP)	(19.3)	(23.7)	(30.8)	(22.0)
External debt (% of GDP)	81	70	79	72
Public debt (% of GDP)	147	132	136	127
Foreign reserves (\$bn)	29.1	31.5	32.0	33.6
Months of import cover	15.7	17.4	16.2	17.4
Exchange rate (LP:US\$, avge)	1,508	1,508	1,508	1,508
Exchange rate (LP:€ avge)	2,100	2,001	2,103	1,933

Source: Economist Intelligence Unit, December 2011

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

The Association of Banks in Lebanon (ABL) recommended to its member banks to maintain the Beirut Reference Rate in US dollars at 4.68% starting in January 2012, unchanged from the current rate. The rate, considered as the reference rate for lending in foreign currency, replaced in 2009 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 increase the Beirut Reference Rate in Lebanese pounds to 7.12% starting in January from 7.09% currently. 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.



Lebanon ranks 94th globally, second among Arab countries on democracy index

The Economist Intelligence Unit's 2011 Democracy Index ranked Lebanon in 94th place among 167 countries worldwide, and in second place among 20 Arab countries. Lebanon came in 86th place globally and in first place among Arab countries on the 2010 index. Lebanon also ranked in 26th place among 38 Upper Middle Income countries (UMICs) included in the current survey. The index measures 60 indicators that are grouped in five categories that are Electoral Processes & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. Each category is rated on a scale from zero to 10, with the overall index calculated as a simple average of the five sub-indices. The survey also placed countries in five categories of political freedoms that are full democracies, flawed democracies, hybrid regimes and authoritarian regimes.

Globally Lebanon ranked ahead of Bosnia & Herzegovina, Uganda and Venezuela, and came immediately behind Senegal, Tunisia and Nicaragua. It also ranked ahead of Bosnia & Herzegovina, Venezuela and Russia; and behind Turkey, Albania and Montenegro among UMICs. Lebanon received a score of 5.32 points, below the global average of 5.55 and the UMICs average of 5.8 points, but well above the Arab average of 3.49 points. Lebanon's ranking dropped by eight spots, while its score declined by 8.6% from the 2010 survey. Lebanon was one of four Arab political systems in the region to be in the "Hybrid Regimes" category, while the rest of the Arab countries were classified as having "Authoritarian" regimes.

Lebanon tied with 7 other countries that included Finland, the United States and South Korea, ranked ahead of Germany, Italy and Tunisia and came behind Austria, Canada and Switzerland on the Political Participation sub-index. It also tied with South Africa in first place among UMICs in this category, while it came second to Palestine among Arab countries. Also, Lebanon tied with 9 countries that included Nepal and Kenya, ranked ahead of Mauritania and Niger, and came behind Armenia and Malaysia on the Civil Liberties sub-index. It also tied with Libya, ranked ahead of Kazakhstan and Turkey and came behind Venezuela and Malaysia among UMICs.

Further, Lebanon came ahead of Nicaragua and Georgia and ranked behind Indonesia and Bosnia & Herzegovina on the Electoral Process and Pluralism sub-index. It ranked ahead of Malaysia and Namibia, and came behind Bosnia & Herzegovina and Albania among UMICs. Further, Lebanon tied with 29 countries that included Slovakia and Turkey; ranked ahead of Poland and Brazil; and came behind Myanmar and Cyprus on the Political Culture sub-index. It also tied with 9 countries that included Turkey and Albania, ranked ahead of Bulgaria and Belarus, and came behind Algeria and Namibia among UMICs. Regionally, Lebanon tied with the UAE, Yemen and Sudan, ranked ahead of Palestine and Morocco, and came behind Egypt and Syria in this category.

Finally, it tied with Madagascar and Georgia, ranked ahead of Sierra Leone and Kyrgyz Republic, and came behind Comoros and Gabon on the Functioning of Government sub-index. It also came only ahead of Azerbaijan and Kazakhstan among UMICs. Regionally, Lebanon ranked ahead of Sudan and Syria and behind Algeria and Bahrain in this category.

The report stated that the MENA region continues to be the most repressive region in the world with only five countries categorized as having non-authoritarian regimes, despite the pro-democracy movement in the region and improvement in the region's average democracy score in 2011. The rankings of 6 Arab countries improved, 12 regressed and two remained unchanged, while the scores of 11 countries improved, those of 8 countries regressed and one was unchanged.

Arab Countries Rankings & Scores

	Score	Arab Rank	Global Rank
Tunisia	5.53	1	92
Lebanon	5.32	2	94
Palestine	4.97	3	99
Mauritania	4.17	4	109
Iraq	4.03	5	112
Egypt	3.95	6	115
Jordan	3.89	7	118
Morocco	3.83	8	119
Kuwait	3.74	9	122
Libya	3.55	10	125
Algeria	3.44	11	130
Oman	3.26	12	134
Qatar	3.18	13	138
Bahrain	2.92	14	144
Djibouti	2.68	15	147
UAE	2.58	16	149
Yemen	2.57	17	150
Sudan	2.38	18	153
Syria	1.99	19	157
Saudi Arabia	1.77	20	161

Source: Economist Intelligence Unit, Byblos Research

Components of the Democracy Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Average Score	Arab Average Score	UMICs Average Score
Civil Liberties	97	1	28	5.59	6.26	3.51	7.06
Political Participation	13	2	1	7.22	4.72	3.94	4.83
Electoral Process & Pluralism	92	1	25	6.67	5.97	2.23	6.69
Political Culture	84	8	15	5	5.54	4.82	5.20
Functioning of Government	139	15	36	2.14	4.97	2.94	5.22

Source: Economist Intelligence Unit, Byblos Research



Association of Banks covers 2011 STL dues

The Association of Banks in Lebanon (ABL) announced that it will donate \$32m to cover the Higher Relief Committee's (HRC) recent payment of Lebanon's dues towards the Special Tribunal for Lebanon (STL). The STL was established by the United Nations in 2007 to investigate the car bomb assassination on February 14, 2005 of Prime Minister Rafic Hariri and 22 other persons. The STL, which started its operations in March 2009, is also investigating the subsequent assassinations of several political and media figures in the country. The ABL said the \$32m will be paid by the 12 banks that sit on the association's board. The banks are Byblos Bank, BLOM Bank, Bank Audi, BankMed, Fransabank, Banque Libano-Française, Crédit Libanais, Bank of Beirut, SGBL, BBAC, the Lebanese-Swiss Bank, and Fenicia Bank. The ABL indicated that the contribution of each of the banks will be proportionate to their assets. The aggregate assets of the 12 banks account for 80% of the banking sector total assets. The ABL noted that the donation was made to protect depositors' funds and maintain internal political stability. It added that the decision constitutes an important factor to strengthen the financial and business climate in the country in order to support investment and create employment opportunities.

Close cooperation between banking sector and the regulator helped contain impact of 2011 events

In its monthly meeting with the Association of Banks in Lebanon (ABL), Central Bank Governor Riad Salamé indicated that the banking sector addressed proactively the various challenges that erupted in 2011, which helped to strengthen the sector's trust and reputation. He highlighted the close cooperation between the ABL and the Central Bank, which helped the sector contain the impact of the events during 2011 such as the case of the Lebanese-Canadian Bank, the financing of the Special Tribunal for Lebanon, and the developments in the Arab world. He added that Lebanese banks abide by international rules and standards, have good relations with correspondent banks around the world, and have invested significant resources in recent years in anti-money laundering and combating the financing of terrorism.

In parallel, Governor Salamé said that the agreement to raise the capital adequacy ratio of Lebanese banks to 12% by the end of 2015 constitutes a point of strength for the sector on the international level. Also, he stated that the Central Bank has declined to raise the ceiling on loans exempted from reserve requirements such as mortgages, loans for environmental-friendly projects, loans for higher education, and others. He attributed the decision to maintaining an adequate balance between the needed level of liquidity in Lebanese pounds and other bank lending and investments. In parallel, the ABL informed the Central Bank that tax authorities have started to impose a 10% tax on off balance sheet assets that banks manage on behalf of clients. It said the procedure imposes and deducts a direct tax, irrespective whether the portfolios under management posted profits or losses. It warned that this approach by tax authorities will lead this segment of the banks' activities to leave the country.

Trade deficit up 18% to \$13.3bn in first 10 months of 2011

Total imports reached \$16.9bn in the first 10 months of 2011 constituting an increase of 15.3% from the same period last year while aggregate exports increased by 3.3% to \$3.6bn, leading to a trade deficit of \$13.35bn, up 18.4% year-on-year. The trade deficit was \$2.2bn in October 2011, up 107% from the same month last year. Imports averaged \$1.7bn and exports averaged \$356m on a monthly basis year-to-October, resulting in an average monthly trade deficit of \$1.3bn during the covered period. The coverage ratio reached 21.3% in the first 10 months compared to 23.5% in the same period last year, while it reached 13.2% in October 2011 relative to 29.2% in October last year.

The United States was the main source of imports with \$1.8bn or 11% of the total, followed by Italy with \$1.6bn (9%), China with \$1.4bn (8%), France with \$1.3bn (7%), and Germany with \$935m (6%). Imports from Italy rose by 34% year-on-year, from France by 27% and from the US by 13%; while imports from Germany decreased by 11%, and those from China remained flat during the covered period.

Switzerland was the main export destination with \$421m or 12% of the total, followed by the UAE with \$280m (8%), Saudi Arabia with \$257m (7%), Turkey with \$245m (7%), Iraq with \$175m (5%) and Syria \$171m (5%). Exports to Turkey rose by 28%, they increased by increased by 25% to Saudi Arabia and grew by 1% to Switzerland; while exports to Iraq dropped by 21%, they regressed by 20% to the UAE and contracted by 7% to Syria.

Lebanon's main export was jewelry at \$1.3bn or 35% of the total, followed by base metals with \$471m (13%), machinery & mechanical appliances with \$425m (12%), prepared foodstuff with \$307m (9%) and chemical products with \$306m (9%). Re-exports totaled \$491m in the first 10 months, compared to \$123m in the same period last year.

Customs receipts down 22% to \$1.3bn in first 10 months of 2011

Figures released by the Customs Directorate indicated that customs revenues reached \$1.3bn in the first 10 months of 2011, constituting a decline of 22.3% from \$1.6bn in the same period last year. Customs revenues totaled \$131.8m in October 2011, down by 6.6% from the previous month and 19% from \$161.8m in October 2010. The Port of Beirut continues to be the main point of customs receipts, as it accounted for 87% of the total during the first 10 months of the year, and was followed by the Hariri International Airport with 7%, the Port of Tripoli with 3% and the Masnaa crossing point with 2.2%. Customs receipts from the value-added tax totaled \$1.2bn year-to-October, constituting a marginal decrease of 0.4% from \$1.24bn in the same period last year. The Port of Beirut accounted for 75.8% of such receipts, and was followed by the Hariri International Airport with 9%, the Port of Tripoli with 6.8%, the Masnaa crossing point with 6% and the Port of Saida with 2.2% of the total. As such, overall customs receipts reached \$2.5bn year-to-October, with the Port of Beirut accounting for 81.4% of the total, and was followed by the Hariri International Airport with 8%, the Port of Tripoli with 4.8%, and the Masnaa crossing point with 4%. In addition, other entry points represented the balance, with the port of Saida accounting for 1.3%, the crossing point of Abboudieh for 0.4%, and the port of Tyre for 0.1%. They reached \$271m in October 2011 when including revenues from the value-added tax that totaled \$139.2m in the same period.

Shura Council approves raise in minimum wage

The Shura Council approved the Cabinet's decision to raise the minimum wage by 20% from LBP500,000 to LBP600,000, or \$398, increase monthly salaries of up to LBP1,000,000 by 30% with a cap of LBP200,000 and a floor of LBP150,000; and raise wages that are higher than LBP1,000,000 by 20% with a cap of LBP275,000. But the council criticized the way the decree was drafted and said that the raise should be based on salary brackets and not on dividing employees to two groups as suggested by the decree. As such, the council proposed another formulation of the decree that abides by the legal requirements but without altering the increase for each salary bracket. It also indicated that the government's decision to raise the education allowance for children to a maximum of LBP1,500,000 to be beyond the government's mandate, as the decision fall under the responsibility of the National Social Security Fund. It proposed instead to fix a monthly value for the allowance as previously suggested by the Ministry of Labor. The Shura Council is a consultative body whose decisions are non-binding.

Last October, the Shura Council rejected the Cabinet's decision taken earlier in the month to raise the minimum wage from LBP500,000 to LBP700,000, or \$464.3; as well as to increase by LBP200,000 salaries of up to LBP1,000,000 and to raise by LBP300,000 wages between LBP1,000,000 and LBP1,800,000. The Shura Council said the Cabinet's decision violated Article 6 of the 1967 Act by proposing a fixed increase in wages, while Article 6 stipulates determining the increase in the cost of living that would be indexed to wages. It added that the decision excluded workers with salaries exceeding LBP1,800,000, while the increase in the cost of living affects all workers and employees.

Lebanese consumers spend 14% of monthly income on entertainment

A survey by MasterCard on consumer spending habits indicated that Lebanese consumers spent on average \$105 per month on dining out, relative to \$229 by consumers in the UAE, \$211 in Qatar, \$196 in Kuwait, \$66 in Oman and \$38 in Egypt. The survey said that 20% of consumers in Lebanon spend between \$101 and \$200 per month on dining out. It added that Lebanese consumers over 55 years of age spend an average of \$127 per month on dining out, constituting the highest spenders by age bracket; while consumers with an annual household income exceeding \$30,000 spend \$169 per month. The survey showed that 53% of respondents dined five times per month on average at mid-range family restaurants & cafés, 51% ate six times per month on average at fast food and quick serve restaurants, 32% frequented food courts six times per month on average, 16% had dinner three times per month on average at standalone fine dining restaurants, and 16% dined at fine dining outlets in hotels three times per month on average. It added that cash was the most preferred method of payment for consumers in Lebanon across all dining outlet types. But it noted that 25% of consumers who dined at fine dining and standalone restaurants used debit/ATM cards and 22% used credit cards to pay their bill, compared to 53% who used cash.

Further, the survey indicated that consumers in Lebanon spend on average 14% of their personal monthly income on leisure, hobbies and personal entertainment; compared to consumers in Oman who spend 22% of their monthly earnings on such activities, followed by consumers in Kuwait (15%), the UAE (13%), Qatar (11) and Egypt (9%). The survey was conducted between March 15 and April 27 of this year.

Telecom ministry unveils plan to improve quality of mobile phone services

The Ministry of Telecommunications unveiled a \$110m plan to upgrade and modernize the mobile phone network in Lebanon in order to improve the low quality of cellular services. It said that the National Quality of Services plan will be completed in 8 months, but that related improvements will start emerging after two or three months of the starting date. It added that it signed the necessary investment decisions that would allow the two mobile operators to proceed with the required investments. The two mobile phone networks in Lebanon are owned by the state and are operated by private firms MTC Touch and Alfa based on a management contract.

The ministry pointed out that the first phase of the plan was based on a technical and geographic survey to determine the cellular networks' weaknesses. It added that the weaknesses were identified in both densely populated areas and remote areas where the network coverage is weak or even non-existent. As such, the ministry noted that it will buy 400 E1200 antenna stations to be installed in areas with poor reception, and that it will purchase 20 mobile stations that will provide a backup support, especially in the densely populated areas such as the capital.

It added also that it plans to buy 120 repeaters that would address the problem of illegal equipments used by some subscribers to strengthen reception from their place of residence or work, which leads to poor network quality. It indicated that the illegal equipment will be eventually replaced by those installed by the two mobile operators under the supervision of the ministry. Further, the ministry indicated that the plan stipulates the establishment of a national roaming service that would allow subscribers to automatically move from one network to the other in case of poor reception across Lebanon.

Lebanon had 68 mobile subscriptions per 100 inhabitants in 2010, below the global average of 78 subscriptions per 100 inhabitants and the Arab average of 88 subscriptions per 100 inhabitants. Also, Lebanon ranked in 144th place among 210 countries at the end of 2010 in terms of mobile cellular penetration. It also came in 15th place among 20 Arab countries and ranked in 43rd place among 46 upper middle income countries.

New car sales down 4% in first 11 months of 2011

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 29,712 new passenger cars were sold in the first 11 months of 2011, constituting a decrease of 4.1% from the 29,712 cars sold in the same period last year. Korean cars accounted for 42% of total auto sales, followed by Japanese cars with a 29.4% share, European automobiles with 21.4%, American vehicles with 6.4%, and Chinese cars with 0.8%. The number of Korean cars sold grew by 28.3% year-on-year, followed by American vehicles with a 5.5% increase. In parallel, the number of Japanese cars sold posted a drop of 27.6% year-on-year, followed by European cars with an 11.1% decline and Chinese autos with a 5.7% retreat. Kia is the leading brand in the Lebanese market with 7,657 cars sold in the first 11 months of 2011, followed by Nissan with 5,276 cars sold, Hyundai with 4,827 cars, Chevrolet with 1,317 cars sold, Toyota with 1,254 cars, Renault with 1,098 cars, and Peugeot with 823 cars. In parallel, a total of 1,874 new commercial vehicles were sold in the first 11 months of 2011, down 23.6% from the 2,453 vehicles sold in the same period last year.

IFC invest \$2m in Lebanese telecom software firm

The International Finance Corporation, the private sector arm of the World Bank, announced that it has invested \$2m in the capital of Lebanese mobile-telecommunications software company MobiNetS. It said the investment will support the firm's expansion plan into new international markets. The Tripoli-based MobiNetS offers solutions for operating, planning and optimizing mobile telecommunications networks. The IFC added that the transaction would help create high-quality programming and software engineering jobs in Lebanon's growing technology sector. It hoped that the investment will demonstrate to other companies and investors that there are good opportunities in Lebanon's ICT sector. MobiNetS solutions are currently used by five major mobile network operators in Moldova, Austria, Tunisia, Kuwait and Morocco. The firm aims to increase its client base to 60 mobile network operators by 2016. The IFC's largest investment in Lebanon is in Byblos Bank sal. Earlier this year, the IFC bought from Byblos Invest Holding 47,619,047 of Byblos Bank's common shares at a price of \$2.10 per share for an aggregate purchase price of \$100m, which gave the IFC an 8% stake in Byblos Bank sal.

Lebanon included in new regional stock market index

Standard & Poor's and the Arab Federation of Exchanges (AFE) included Lebanon in the S&P/AFE 40 Index, a new stock market index that measures the performance of 40 leading companies from Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates. The index will include the 40 largest stocks as measured by float-adjusted market capitalization listed on AFE-member exchanges. The S&P/AFE 40 Index uses a capped market capitalization weighted index methodology, where the weight of any constituent may not exceed 10% of the index and the weight for each country may not exceed 35%. Lebanon is represented in the index by the stocks of Solidere and BLOM Bank.

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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