



LEBANON THIS WEEK

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Trade deficit up 14% to \$13bn in first nine months of 2012

Construction sector and financial services drive growth, private consumption and net exports stimulate demand

Net FDI at €64m in 2011, €7.5bn between 2003 and 2011

New terminal at Tripoli port to meet demand and alleviate pressure on Beirut port

Number of tourists down 16% in first 10 months of 2012

Customs receipts up 3% to \$1.2bn in first nine months of 2012

Opened letters of credits at \$1.43bn for imports and \$1.1bn for exports in first quarter of 2012

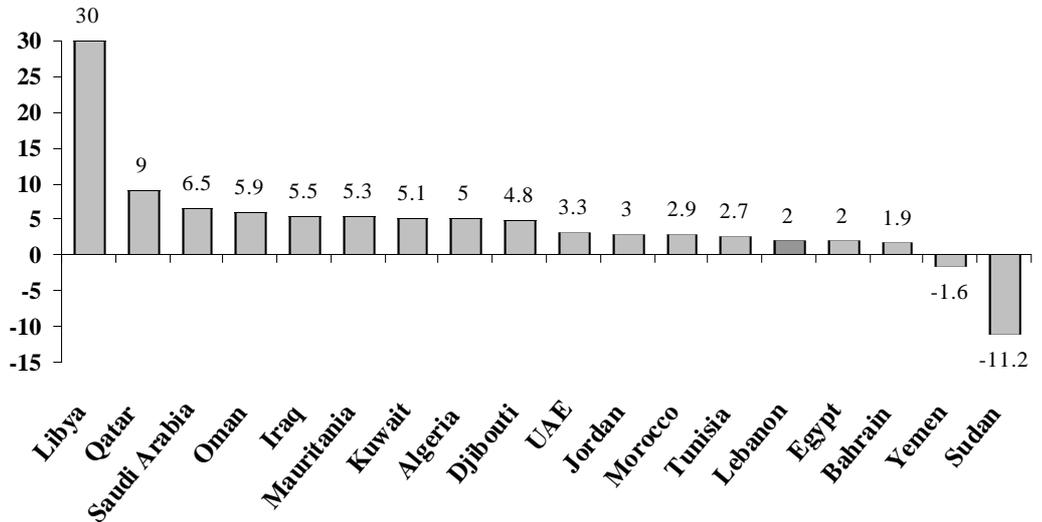
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Car sales up 6% in first 10 months of 2012

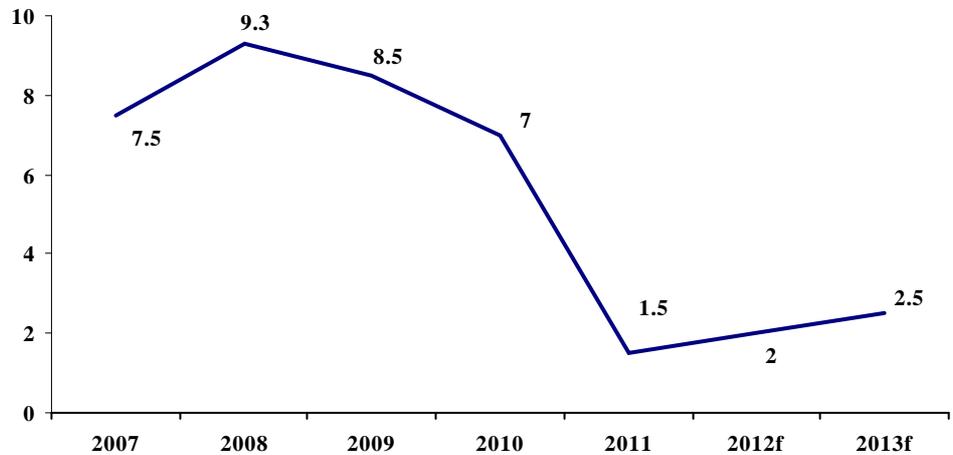
Paid claims up 14.5%, loss ratio at 73.5% in 2011 for medical insurance segment

Charts of the Week

Projected Non-Oil Real GDP Growth Rate of Arab Countries in 2012 (%)



Real GDP Growth Rate in Lebanon (%)



Source: International Monetary Fund - November 2012, Byblos Bank

Quote to Note

"Given the current rise in political tensions, the pace of progress in terms of moving ahead with plans to issue licenses for exploration will be slow."

The Economist Intelligence Unit, on the impact of political uncertainties in Lebanon on the prospects of offshore oil and gas exploration

Number of the Week

\$400m: Cumulative losses by the affiliates of Lebanese banks operating in Syria since the start of the conflict, according to Central Bank Governor Riad Salamé

Economic Indicators

\$m (unless otherwise mentioned)	2010	Jul 11	2011	May 12	Jun 12	Jul 12	% Change*
Exports	4,256	415	4,276	355	345	317	(23.61)
Imports	17,956	1,679	20,170	1,645	1,713	1,739	3.57
Trade Balance	(13,700)	(1,264)	(15,894)	(1,290)	(1,368)	(1,422)	12.50
Balance of Payments	3,326	(307)	(1,996)	(82)	(23)	(322)	4.89
Checks Cleared in LBP	13,519	1,218	14,251	1,196	1,283	1,311	7.64
Checks Cleared in FC	53,925	5,939	57,852	4,746	4,766	5,150	(13.29)
Total Checks Cleared	67,444	7,157	72,103	5,942	6,049	6,461	(9.72)
Budget Deficit/Surplus	(2,894)	67.1	(2,342)	(50)	8.1	(36.01)	(153.67)
Primary Balance	1,231	314	1,662	300	281	158.69	(49.53)
Airport Passengers	5,512,435	702,265	5,596,034	438,570	545,379	640,615	(8.78)

\$bn (unless otherwise mentioned)	Dec 2010	Jul 11	Mar 12	May 12	Jun 12	Jul 12	% Change*
BdL FX Reserves	28.60	28.91	30.99	29.57	29.26	29.64	2.54
<i>In months of Imports</i>	<i>19.46</i>	<i>17.22</i>	<i>17.99</i>	<i>17.98</i>	<i>17.08</i>	<i>17.05</i>	<i>(1.00)</i>
Public Debt	52.59	52.80	54.08	55.12	55.25	55.44	5.01
Net Public Debt	45.01	45.50	46.91	47.17	47.10	47.28	3.91
Bank Assets	128.93	136.88	144.73	144.86	145.90	145.51	6.30
Bank Deposits (Private Sector)	107.20	112.14	118.22	118.90	119.94	119.75	6.79
Bank Loans to Private Sector	34.93	38.34	41.00	41.89	41.70	41.49	8.21
Money Supply M2	39.40	36.84	40.04	41.74	41.00	41.19	11.81
Money Supply M3	92.15	94.65	98.94	99.96	100.36	100.50	6.18
LBP Lending Rate (%)	7.91	7.33	7.16	7.34	7.44	7.24	(9b.p.)
LBP Deposit Rate (%)	5.68	5.59	5.46	5.49	5.45	5.45	(14b.p.)
USD Lending Rate (%)	6.74	7.03	7.06	7.12	7.15	7.19	16b.p
USD Deposit Rate (%)	2.80	2.86	2.83	2.83	2.78	2.84	(2b.p.)
%* Change in CPI**	6.19	6.28	4.40	6.36	4.72	4.72	(156b.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"	12.16	(0.41)	153,476	12.12%
Solidere "B"	12.13	(0.57)	16,107	7.86%
Byblos Common	1.51	0.00	5,942	5.41%
Byblos Pref. 08	102.60	0.00	1,830	2.05%
Byblos Pref. 09	103.60	(0.10)	2,233	2.07%
BLOM GDR	7.80	0.00	100	5.74%
BLOM Listed	7.64	0.00	0	16.37%
Audi GDR	5.84	0.00	2,283	5.91%
Audi Listed	5.50	0.00	3,900	19.17%
HOLCIM	15.61	0.32	100	3.04%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
June 2013	8.625	104.56	0.94
Apr. 2014	7.375	107.38	2.05
Jan. 2015	5.875	104.00	3.93
Apr. 2015	10.00	114.25	3.84
Jan. 2016	8.500	112.38	4.29
Mar. 2017	9.000	116.50	4.75
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	115.94	5.82
Nov. 2026	6.600	101.83	6.40

Source: Byblos Bank Capital Markets

	Nov 12-16	Nov 5-9	% Change	Oct 2012	Oct 2011	% Change
Total Shares Traded	205,923	774,136	(73.40)	3,246,713	2,253,871	44.05
Total Value Traded	\$3,371,388	\$6,451,525	(47.74)	\$24,752,559	\$17,474,040	41.65
Market Capitalization	\$10.03bn	\$10.04bn	(0.09)	\$9.96bn	\$10.45bn	(4.71)

Source: Beirut Stock Exchange (BSE)



Consumer confidence in Lebanon drops to record low in first half of 2012

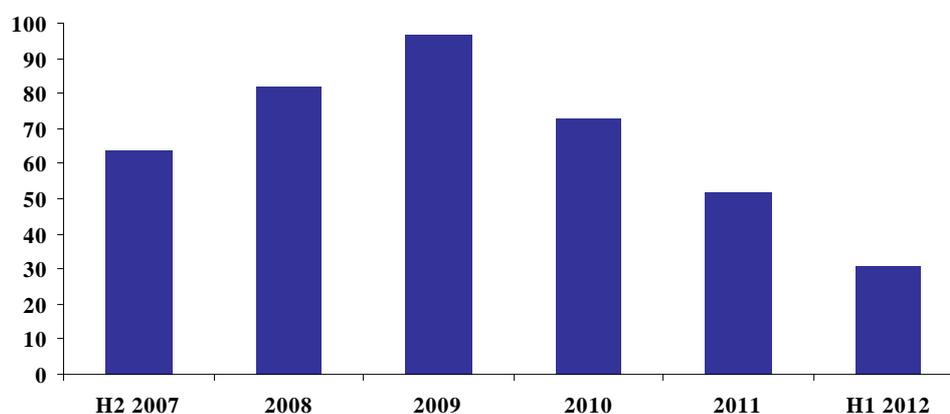
The level of consumer confidence dropped markedly in the first half of 2012, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index for the first and second quarters of the year. The index reached 35.3 in the January 2012 survey, an increase of 7% from 33 in December 2011 and declined by 6.5% to 33 in February 2012. This was followed by a marginal increase of 0.4% to 33.1 in March. The index further declined in the second quarter of 2012, as it reached 27.9 in the April 2012 survey, a decrease of 15.9% from the previous month, then increased by 8.3% to 30.2 in May 2012 and declined by 16.9% to 25.1 in June 2012. The Byblos Bank/AUB Consumer Confidence Index outcome for June 2012 was the lowest since the start of the index's calculation in July 2007. The index averaged 27.2 in the second quarter of 2012, constituting its lowest reading in 20 quarters. It also averaged 33.8 in the first quarter of the year, its second-lowest quarterly reading since the start of the index's calculation. As a result, the Byblos Bank/AUB Consumer Confidence Index posted an average monthly reading of 30.8 in the first half of 2012, constituting its lowest level on a calendar basis since the start of the index's calculation.

The analysis of the results indicates that domestic political volatility, security breaches, concerns about spillovers from the escalating Syrian crisis, and the dispute over the minimum wage and salary adjustment issue were the main factors affecting the confidence of Lebanese consumers during the first half of 2012. The rise in the cost of living and the deterioration in public service delivery also affected consumer sentiment. Further, the approved increase in salaries and the minimum wage in January had a muted impact on consumer sentiment. Also, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index moved in different directions during the first three months of 2012. Conversely, both indices moved in the same direction in the second quarter of 2012. Both the Present Situation Index and the Expectations Index posted their lowest readings ever in the second quarter of 2012. Also, near-term expectations of consumers were lower than their views of their current conditions during the second quarter of 2012, unlike the results over the July 2007-December 2011 period.

The results also revealed that male consumers displayed a relatively higher level of confidence than their female counterparts; while consumers who are 50 years old and above displayed a slightly higher level of confidence than other age brackets during the first and second quarters of the year. Also, consumers with household income above \$2,000 per month consistently had a higher level of confidence than those earning less. Moreover, private sector employees and the self-employed posted a higher level of confidence than public sector employees, students and the unemployed in the second quarter. In addition, consumers in Beirut posted the highest confidence level across administrative districts, or *mohafaza*, followed by Mount Lebanon, the North, the South and the Bekaa. Further, Christian consumers continued to have the highest level of confidence among religious affiliations, in line with past trends, and were followed by Druze, Sunni, and Shiite consumers.

The Byblos Bank/AUB Consumer Confidence Index 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 indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index, which covers the current economic and financial conditions of Lebanese consumers, and the Byblos Bank/AUB Expectations Index, which addresses their outlook over the coming six months. In addition, the data segregates the index based on age, gender, income, profession, administrative district, and religious affiliation. The index has been calculated on a monthly basis since July 2007, with January 2009 as its base month. It is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon.

Byblos Bank/AUB Consumer Confidence Index on a Calendar Basis *



* Monthly average index for the period

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon



Beirut has 36th most expensive retail rent in the world

The 2012 survey of the world's most expensive retail rental locations by property consultants Cushman & Wakefield ranked Beirut as the 36th most expensive city among 62 cities worldwide, the second most expensive city among seven cities in the Middle East & Africa region, and the most expensive among five Arab cities. Each city is represented by its most expensive retail location. Beirut was the 37th most expensive city worldwide, the third most expensive among 13 cities in the Middle East & Africa region, and the most expensive among 10 Arab cities included in the 2011 survey. It ranked as the 30th most expensive city globally, the most expensive among 12 cities in the Middle East & Africa region and the most expensive among 10 Arab cities in the 2010 survey. The study evaluates retail rent prices in 326 locations in 62 countries around the world.

On a global basis, the rent of retail space in Beirut was less costly than in Luxembourg, Santiago in Chile and Cape Town in South Africa, and more expensive than in Auckland in New Zealand, Stockholm in Sweden, and Ho Chi Minh City in Vietnam. The most expensive rental retail location in Beirut is the ABC Center in Achrafieh at €1,576 per square meter per year, or around \$2,000 per sqm, which is lower than the global average of €2,212 per sqm and higher than the Middle East & Africa average of €1,140 per sqm. Cushman & Wakefield indicated that political instability is preventing significant rises in prime rents, even though that the lack of quality space and high inflation are exerting upward pressure on rental rates. It said that food and drink retailers remain active, and foreign international fashion brands are gradually entering the Lebanese market. It expected rents to remain stable despite regional and local political instability and the supply of new space. It noted that rents might slightly increase due to higher inflation and robust occupier demand.

Lebanon accounted for two of the top 10 most expensive rental locations in the Middle East & Africa region. The ABC Center in Achrafieh ranked as the third most expensive location in the region in terms of retail rent prices, followed by Kaslik Street in 10th place at €1,182 per sqm (\$1,500 per sqm), Verdun Street in 12th place at €1,103 per sqm (\$1,400 per sqm), the Beirut Central District in 13th place at €946 per sqm (\$1,201 per sqm), and Hamra Street in 19th place at €670 per sqm (\$850 per sqm). In parallel, rent in all the covered locations in Lebanon remained unchanged in the 12 months ending June 2012, except for rent in the Beirut Central District that regressed by 7.7% during the covered period. Retail rents grew by an average of 1.4% in the Middle East & Africa year-on-year, as rents increased in five locations, declined in four other locations, and were unchanged in nine locations, while five locations did not have historical data. Also, retail rents grew by an average of 4.5% globally, with rents rising in 147 of the 326 locations surveyed, and declining in 49 others. Hong Kong's Causeway Bay is the world's most expensive retail location at €2,307 per sqm a year.

Top 10 Rental Locations in the Arab World		
City	Location	Rent (€/sqm/yr)
Beirut	ABC Center Achrafieh	1,576
Dubai	Shopping Center	1,300
Kaslik	Kaslik Street	1,182
Beirut	Rue Verdun	1,103
Beirut	Beirut Central District	946
Abu Dhabi	City Center Mall	946
Muscat	Shopping Center	860
Beirut	Rue Hamra	670
Manama	Shopping Center	426
Amman	City Center	315

Source: Cushman & Wakefield 2012

Economic activity contracts in September

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 243.5 points in September 2012 compared to 230 in August 2012 and to 248.1 in September 2011. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 5.9% month-on-month and regressed by 1.8% year-on-year. The indicator averaged 257.1 in the 12 months ending September 2012 compared to 257.5 in the 12 months ending August 2012 and to 254.4 in the 12 months ending September 2011. As a result, the average coincident indicator regressed by 0.1% month-on-month and increased by 1% year-on-year, which reflects economic contraction in real terms. The indicator's rise in September came after it posted four consecutive monthly decline since May and its fifth decline in 2012, as it dropped by 5.9% in January, 3.1% in May, 1.6% in June and 5.1% in July, and grew by 5.6% in February, 0.3% in March and 3.4% in April. In parallel, the indicator improved nine times and regressed 11 times in the month of August since 1993. The indicator reached an all-time high of 273.7 points in April 2012 after peaking at 269.9 in April 2011. The indicator averaged 255.7 in 2011, 249.5 in 2010 and 225.9 in 2009.

IMF forecasts real GDP growth at 2% in 2012 and 2.5% in 2013

In its semi-annual economic outlook for the Middle East and Central Asia region, the International Monetary Fund projected Lebanon's real GDP growth at 2% in 2012 compared to growth of 5.3% for the Middle East and North Africa, 1.2% for the region's oil importers and 2% for the Arab countries in transition, excluding Libya. It also projected real GDP growth of 2.5% in 2013 compared to 3.6% in MENA countries, 3.3% for oil importers and 3.6% in Arab countries in transition, excluding Libya. Lebanon's projected growth rate in 2012 would make it the fourth slowest economy in the Arab world and MENA region. The Fund estimated the country's nominal GDP at \$41.8bn in 2012 relative to \$39bn in 2011, accounting for 7.9% of the region's oil importers aggregate GDP. It projected Lebanon's inflation to average 6.5% in 2012 compared to 10.9% in MENA economies, 9% for the region's oil importers and 7.8% in Arab countries in transition, excluding Libya. Also, it forecast broad money to grow by 8% this year and 9% next year, down from 7.2% in 2011.

In parallel, the Fund projected the government's fiscal balance to post a deficit of 7.9% of GDP in 2012 and 8.3% of GDP in 2013, relative to a deficit of 6.1% of GDP in 2011. It forecast government revenues at 23.8% of GDP in 2012 relative to 35.5% of GDP in the MENA countries, 23.1% of GDP for oil importers and 24% of GDP in the Arab countries in transition, excluding Libya, and estimated public expenditures at 31.8% of GDP compared to 33.3% of GDP for MENA countries, 32.6% of GDP for oil importers and 34.2% of GDP for Arab countries in transition, excluding Libya. Further, it expected the public debt to decrease to 135.2% of GDP at end-2012 from 137.4% of GDP at end-2011. It also forecast total gross external debt at 172.3% of GDP at end-2012 and 170.9% of GDP at end-2013, relative to 173.8% of GDP at end-2011 and compared to external debt in the MENA countries of 27% of GDP at the end of 2012 and 24.6% of GDP at the end of 2013.

The Fund estimated Lebanon's exports of goods & services to reach \$26.3bn in 2012 and \$27.7bn in 2013 compared to \$26.2bn in 2011, and for the imports of goods & services to increase to \$35.3bn in 2012 and \$36.9bn in 2013 from \$33.9bn in 2011. The IMF forecast the country's current account deficit at \$6.7bn or 16.2% of GDP in 2012, up from \$5.5bn or 14% of GDP in 2011 and compared to deficits of 6.9% of GDP for oil importers and 5.4% of GDP for Arab countries in transition, excluding Libya. It also projected Lebanon's current account deficit at \$6.9bn or 15.6% of GDP in 2013. The Fund expected the country's gross official reserves to reach \$34.7bn at end-2012 and \$37.4bn at end-2013, up from \$31.9bn at end-2011.

	Lebanon		Oil Importers		Arab Countries in Transition	
	2012P	2013P	2012P	2013P	2012P	2013P
Real GDP Growth (%)	2.0	2.5	1.2	3.3	2.0	3.6
Consumer Price Inflation (%)*	6.5	5.7	9.0	8.8	7.8	8.6
Fiscal Balance (% of GDP)	(7.9)	(8.3)	(8.7)	(7.7)	(9.1)	(8.0)
Total Debt (% of GDP)	135.2	135.6	78.6	80.3	69.6	71.3
External Debt (% of GDP)	172.3	170.9	39.5	40.8	20.5	21.6
Current Account (% of GDP)	(16.2)	(15.6)	(6.9)	(5.8)	(5.4)	(4.6)

P: projected

*Yearly average

Source: International Monetary Fund, November 2012

Announcement of oil and gas bids unlikely before 2013

Global political risk research and consulting firm Eurasia Group indicated that the Ministry of Energy & Water will not meet its objective of announcing bids for oil and gas exploration before the end of 2012, as Lebanon will face difficulties organizing its initial bidding rounds before the end of the year. It anticipated that authorities will face logistical and regulatory challenges in the organization process, adding that the country lacks the necessary technical knowledge. It noted that both Iraq and Libya needed considerable time to organize their first concession rounds. Further, it pointed out that the appointment of the board of directors of the Petroleum Sector Authority (PSA) removed a key bureaucratic obstacle for oil and gas companies. It said that energy firms would view the appointment of the PSA board as a positive signal, following long delays due to disagreements within the ruling coalition. But it noted that the relationship between the Energy Ministry and the board would still be problematic. It anticipated that the ambiguity in the hydrocarbons law would create obstacles during the bidding process, even though the law delineates the jurisdiction of different bodies. It said that energy companies will confront challenges as they attempt to engage with both the ministry and the PSA.

The Energy Ministry indicated that recent seismic surveys of half of Lebanon's Exclusive Economic Zone, excluding areas that are subject of territorial dispute between Lebanon and Israel, suggest the presence of up to 12 trillion cubic feet of gas. In parallel, the United States Geological Survey (USGS) estimates 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.



Lebanon's urbanization rate at 88.6% by 2020 and 90% by 2030, Beirut's population to reach 2.14 million by 2025

Figures released by the United Nations Human Settlements Program (UN-HABITAT) projected Lebanon's urban population as a share of its total population at 88.6% in 2020 and 90% in 2030 relative to urbanization levels of 87.2% in 2010, 86% in 2000 and 83.1% in 1990. Lebanon's urbanization rate was the fourth highest among 20 Arab countries in each of 1990, 2000 and 2010, and is expected to remain the fourth largest in both 2020 and 2030. Kuwait, Qatar and Bahrain had higher urbanization levels than those of Lebanon between 1990 and 2010 and will still have higher urbanization rates by 2030.

The United Nations projected Lebanon's urban population at 4.1 million in 2020 and 4.4 million in 2030 relative to 3.7 million in 2010, 3.2 million in 2000 and 2.5 million in 1990. Lebanon's urban population would account for 1.6% of Arab countries' aggregate urban population by 2020 and for 1.4% of the total by 2030. The urban population in Lebanon accounted for 1.9% of the region's total urban population in 2010 and for 2.2% of the total in each of 2000 and 1990. Further, Lebanon's urban population is projected to grow at a compound annual growth rate (CAGR) of 0.9% between 2010 and 2020 and 0.7% between 2020 and 2030, constituting the lowest CAGRs among Arab countries over both periods. In comparison, Lebanon's urban population grew at a CAGR of 1.4% during the 2000-10 period and posted the slowest growth among Arab countries; while it grew by a CAGR of 2.8% between 1990 and 2000 and posted the seventh slowest rate in the region.

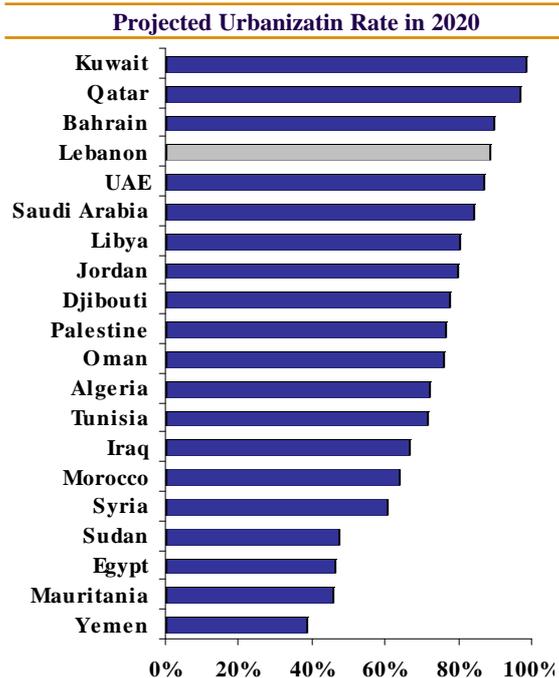
In parallel, the United Nations projected Beirut's population at 2 million in 2015, 2.1 million in 2020 and 2.14 million in 2025 relative to 1.9 million in 2010, 1.8 million in 2005, 1.5 million in 2000, 1.27 million in 1995 and 1.29 million in 1990. Beirut's population would account for 2.5% of the population of 32 Arab cities in 2015, 2.3% of the total in 2020 and 2.2% of the total in 2025. Beirut's population accounted for 2.6% of the aggregate population of Arab cities in 2010, 2.7% in 2005, 2.6% in 2000, 2.5% in 1995 and 2.9% in 1990. Further, the UN forecast Beirut's population to grow at a CAGR of 0.97% in between 2010 and 2015, 0.55% during the 2015-20 years and 0.42% during the 2020-25 period. Population growth in Beirut will post the slowest CAGR among 32 Arab cities over the three periods. In comparison, Beirut's population grew at a CAGR of 1.72% between 2005 and 2010, the six slowest among Arab cities; but posted a CAGR of 3.57% between 2000 and 2005, the ninth highest in the region. Also, Beirut's population had a CAGR of 3.19% between 1995 and 2000, the 17th slowest in the region, and a CAGR of -0.39% between 1990 and 1995, the second slowest in the region.

Central Bank warns of impact of Cabinet's plan to raise public sector salaries

Central Bank Governor Riad Salamé indicated that implementing the across-the-board adjustment to the salary scale of public-sector employees as currently suggested by the Cabinet will have significant financial repercussions on the country, even if the payments are disbursed over five years. He advised the government to delay implementing the increase in the salaries of public-sector employees in order to allow for more analysis of the effects of such an increase.

He said that implementing the Cabinet's plan would result in an increase in public spending, which would widen the budget deficit and weaken investors' confidence. He noted that the market would have to finance an addition \$1.2bn in public debt issuance to cover the cost of the salary increase, in addition to its financing of existing maturities. He added that this would lead to an increase in interest rates in order to make debt issuance more attractive for the market. He noted that such an increase will result in a rise in public debt servicing and in credit cost to the private sector, which would hamper investments in the country. He estimated that a 1% increase in debt servicing would be equivalent to a nominal rise of at least \$560m. He added that the International Monetary Fund does not support such policies, while rating agencies would penalize the deterioration in Lebanon's public finances.

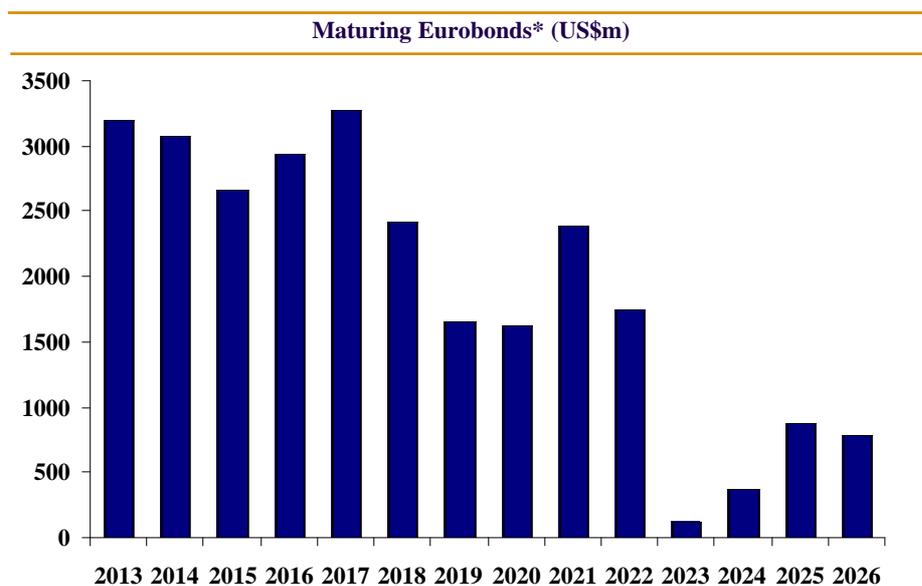
In parallel, Governor Salamé pointed out that the Central Bank already carries on its books \$12.7bn in Treasury bills and would not be able to continue to meet future shortfalls in subscriptions to government securities, in case the salary adjustments are implemented, because of the inflationary pressures this would generate. He said that implementing the salary scale adjustment without explaining it to the market and to international institutions would have negative repercussions on the financing ability of the private and public sectors, increase funding costs, hurt growth prospects, and may result in a recession in 2013. Governor Salamé anticipated that the implementation of the Cabinet's plan would increase inflation by 2% to 3%, reduce available jobs by 4%, and result in real GDP contraction of between 1.5% and 2% in 2013. He also expected the plan to reduce the competitiveness of the Lebanese economy as it would increase the fixed operating costs of the public and private sectors, lead to tax increases, and raise the public debt-to-GDP ratio.



Source: United Nations, Byblos Research

Finance Ministry launches Eurobond exchange offer

The Ministry of Finance announced that it has launched on November 16, 2012 a voluntary debt exchange offer for Eurobonds maturing in 2013 for new and longer-dated notes. It added that it might issue additional notes for cash. The ministry mandated Byblos Bank sal, BLOM Bank sal and Credit Suisse as the Lead Managers to issue Eurobonds worth \$2bn under the Global Medium-Term Note Program. It noted that the debt exchange aims to extend the maturity profile of the public debt, proactively conduct liability management operations, and increase Lebanon's financial flexibility. It pointed out that a total of \$1.52bn in Eurobonds mature in 2013, including an \$875m bond that matures in March 2013 and carries a coupon rate of 9.125%, and a \$650m bond due in June 2013 that has a coupon rate of 8.25%. In parallel, the ministry plans to issue three Eurobonds that consist of a 6-year issue that matures in November 2018 and has a yield range around 5.15%; an 11-year issue that matures in January 2023 with a yield range between 6% and 6.25%; and a 15-year bond that matures in November 2027 and has a yield range of between 6.625% and 6.875%. The yields on the three issues are expected to be announced on November 19, 2012, while the prices will be disclosed on November 21, 2012. Byblos Bank co-lead managed a \$950m dual-tranche Eurobond in March 2012 and a \$1bn dual-tranche Eurobond in May 2011. Also, Byblos Bank was the sole Lead Manager for the issuance of a seven-year LBP 1,500bn bond in December 2010.



*Including coupon maturities

Source: Ministry of Finance, September 2012

Economic cost of political instability at 5% of GDP per capita between 2005 and 2007

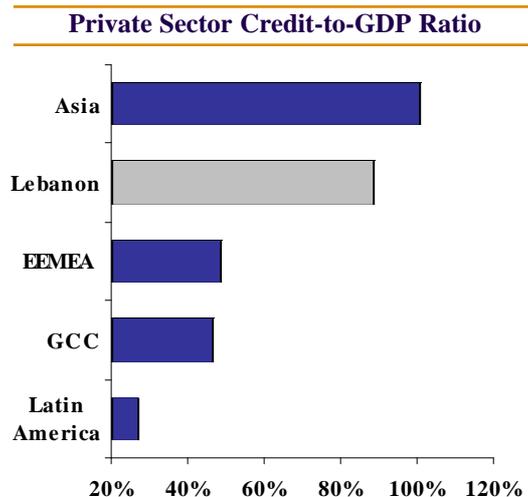
A simulation conducted by the Lebanese Center for Policy Studies indicated that political instability in Lebanon led to significant macroeconomic losses that it estimated at 5% of GDP per capita between 2005 and 2007, while the period of political stability after the Doha Accord of May 2008 raised Lebanon's GDP per capita by 6% during the 2008-10 period. The simulation compared Lebanon's macroeconomic performance to a simulated economy that resembles Lebanon's growth profile during the period between 2000 and 2004, and projected growth till 2010 under normal circumstances of political stability.

The results showed that Lebanon's GDP per capita was lower than the simulated GDP per capita between 2005 and 2008. The study said that Lebanese economy lost \$360 per capita in 2005, equivalent to a loss of 3.76% of its GDP per capita in 2005. The economy also incurred a shortfall of \$665 per capita in 2006 (6.9% of GDP per capita), and a cost of \$640 per capita in 2007 (6.28% of GDP per capita). In contrast, it said that Lebanon's GDP per capita came above the simulated GDP per capita after the 2008 Doha Accord. It noted that the actual GDP per capita exceeded the simulated GDP per capita by \$30 in 2008. But it added that Lebanon's GDP per capita exceeded the simulated GDP per capita by \$648 in 2009, equivalent to a gain of 5.48% of GDP per capita in 2009; and by \$1,260 in 2010, equivalent to 9.9% of GDP per capita in the same year.

In parallel, the study showed that both the assassination of Prime Minister Hariri in February of 2005 and the July War of 2006 had a negative impact on most economic sectors. But it noted that the political shocks that occurred between 2005 and 2008, excluding these two events, did not have a visible impact on different sectors of the Lebanese economy such as the construction, banking and tourism sectors. But it noted that the apparent resilience of various sectors to political shocks came at a high cost in terms of losses in GDP per capita.

Lebanon has 10th highest credit-to-GDP ratio among emerging markets

Merrill Lynch estimated private sector credit in Lebanon to be equivalent to 88.4% of GDP, higher than the Emerging Europe, the Middle East & Africa region's (EEMEA) ratio of 48.4% of GDP, Latin America's ratio of 26.9% of GDP, and the GCC's ratio of 46.4% of GDP, but lower than Asia's ratio of 100.5% of GDP. Lebanon has the 10th highest credit-to-GDP ratio among 50 emerging markets, the third highest in the EEMEA region, and the highest such ratio among 12 Arab countries. Also, Merrill Lynch estimated the ratio of non-performing loans-to-gross loans in the Lebanese banking sector at 3.8%, lower than the EEMEA's NPLs ratio of 9.8% and the GCC's ratio of 4.6%, but higher than the Asia's NPLs ratio of 2.2%. The Lebanese banking sector has the 23rd lowest NPLs ratio among 49 banking sectors and the third lowest ratio in the EEMEA region. Further, Merrill Lynch estimated money supply in Lebanon to be equivalent to 249% of GDP, significantly higher than Asia's ratio of 143.2% of GDP, the GCC's rate of 57% of GDP, the EEMEA's ratio of 50.4% of GDP and Latin America's rate of 36.7% of GDP. Also, Lebanon had the second highest level of money supply relative to its GDP among 54 emerging markets, behind only Hong Kong whose money supply is equivalent 430.6% of GDP and was followed by Taiwan with a ratio of 237.3% of GDP.



Source: Merrill Lynch, June 2012

In parallel, Merrill Lynch estimated the foreign claims of BIS-reporting banks against Lebanese banks at 2.8% of GDP, higher than the EEMEA's ratio of 2.7%, but lower than that of the GCC of 4.1%, Latin America's ratio of 4.4% of GDP and Asia's ratio of 5.1% of GDP. The Lebanese banking sector has the 33rd highest ratio of foreign claims of BIS-reporting banks among 54 banking sectors, and the 13th highest ratio in the EEMEA region. Further, Merrill Lynch estimated annual private sector credit growth in Lebanon at 14.2% based on a three-month moving average at mid-2012, higher than the EEMEA's rate of 8.2% and the GCC's rate of 12.7%, but lower than Latin America's growth rate of 20% and Asia's rate of 16.1%. Also, Lebanon had the 25th highest level of annual private sector credit growth among 49 emerging markets, the eighth highest in the EEMEA region, and the third highest rate among 11 Arab countries.

Merrill Lynch estimated the capital-to-assets ratio of the Lebanese banking sector at 7.7%, lower than the EEMEA's ratio of 10.1%, the GCC's ratio of 12.5%, Latin America's ratio of 10.2% and Asia's ratio of 8.6%. The Lebanese banking sector has the 38th highest capital-to-assets ratio among 47 banking sectors and the 17th highest such ratio in the EEMEA region. Also, Merrill Lynch estimated the capital adequacy ratio of the Lebanese banking sector at 12.1%, lower than the EEMEA's ratio of 16.4%, the GCC's ratio of 18.1%, Latin America's ratio of 15.5% and Asia's ratio of 15.8%.

Trade deficit up 14% to \$13bn in first nine months of 2012

Total imports reached \$16bn in the first nine months of 2012, constituting an increase of 11.3% from the same period last year; while aggregate exports rose by 2.1% to \$3.3bn, leading to a trade deficit of \$12.7bn, up 13.9% year-on-year. The trade deficit was \$1.2bn in September 2012, down 20% from the same month of the previous year. Imports and exports averaged \$1.8bn and \$367m, respectively, on a monthly basis year-to-September, resulting in an average monthly trade deficit of \$1.4bn during the covered period. The coverage ratio reached 20.6% in the first nine months of 2012 compared to 22.4% in the same period in 2011, while it reached 28.9% in September 2012 relative to 18.8% in September of the previous year.

The United States was the main source of imports with \$2.1bn or 13% of the total in the first nine months of 2012, followed by China and Italy with \$1.3bn (8%, each), France with \$1.2bn (7%), and Germany with \$904m (6%). Imports from the U.S. surged by 39%, those from Germany and China increased by 6% each year-on-year, and those from France rose by 3%; while imports from Italy dropped by 9%. Switzerland was the main export destination with \$388m or 12% of the total, followed by Saudi Arabia with \$272m and the UAE with \$269m (8% each), Syria with \$194m (6%), Iraq with \$148m (4.5%) and Turkey with \$119m (3.6%). Exports to Syria rose by 18%, those to Saudi Arabia grew by 18%, those to the UAE increased by 11% and exports to Switzerland rose by 1%; while exports to Turkey fell by 43% and exports to Iraq remained unchanged year-on-year. Lebanon's main export was jewelry at \$1.3bn or 40% of the total, followed by machinery & mechanical appliances with \$364m (11%), base metals with \$326m (10%), prepared foodstuff with \$288m (9%) and chemical products with \$256m (8%). Re-exports totaled \$200m in the first nine months of 2012, compared to \$464m in the same period last year. In parallel, the General Directorate of Customs indicated that it will exclude re-export declarations registered by the United Nations Interim Force in Lebanon (UNIFIL) in order to avoid inflating the figures for re-export and general export trades.

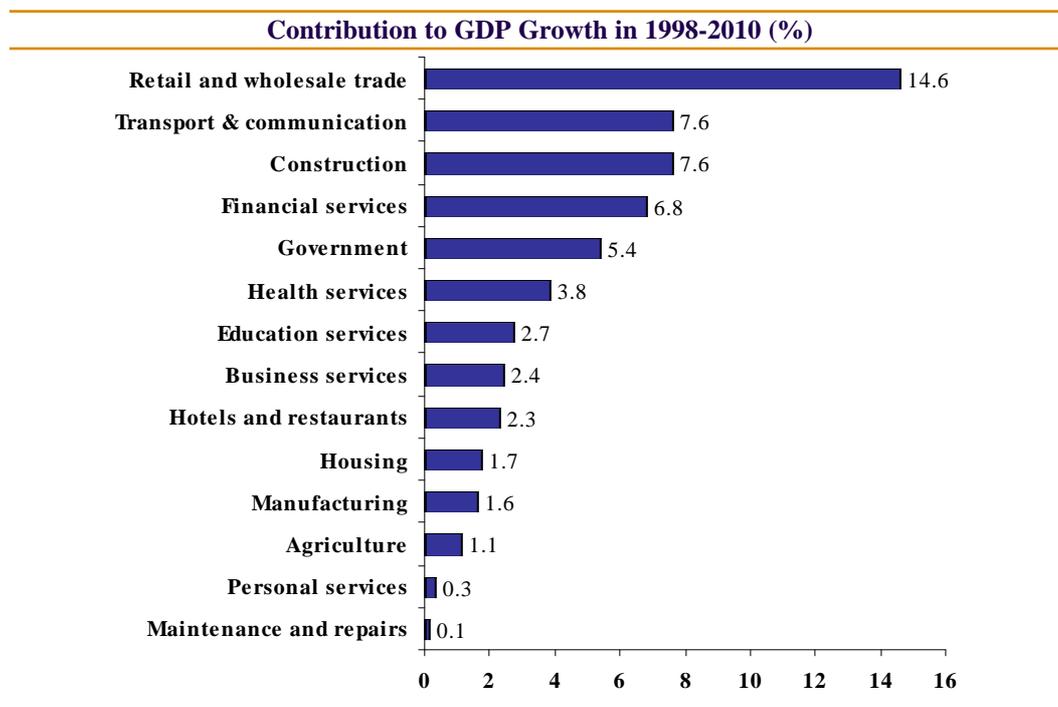
Construction sector and financial services drive growth, private consumption and net exports stimulate demand

The International Monetary Fund indicated that economic growth in Lebanon was concentrated in the construction and financial services sectors in 2010, reflecting a real estate boom and a record growth of the banking sector. It added that these two sectors contributed to 3.7 percentage points of real GDP growth in 2010, equivalent to more than half of the 7% economic growth posted during that year. It said that the remaining share came from smaller but dynamic sectors such as health care (1 percentage point), manufacturing (0.7 percentage point), government spending (0.6 percentage point), transport & communication (0.4 percentage point), and hotels & restaurants (0.3 percentage point). It noted that retail and wholesale trade contributed negatively to real GDP growth for the first time since 2006, due a decline in import duty and a decrease in transit and re-export trade. The IMF's analysis is based on the recently published official national accounts for 1997-2010.

The IMF noted that the Lebanese economy is relatively diversified and largely service-based, despite the concentration of growth in a few dynamic sectors. It said retail and wholesale trade accounted for 27.5% of economic activity in 2010, followed by construction with 15.2%, public sector with 9.1%, financial services with 7.9%, and manufacturing with 7.2%. It added that other contributing sectors included education with 6.9%, transport & communication with 5.5%, health care with 5.4%, and agriculture with 4.7%.

The Fund said that growth in 2010 was mainly driven by private-sector consumption and net exports, as they contributed 4.2 and 1.1 percentage points, respectively. It said that consumption of tobacco & alcohol, chemicals & pharmaceuticals, leisure, and education increased significantly in 2010. It added that net exports contributed positively to growth for the first time in four years due to the large positive contribution of exports, mainly agricultural exports, beverages, metals, machines and equipment. In contrast, it estimated public consumption's contribution to growth at 0.9 percentage point, while that of public investment and private investment at 0.5 percentage point, each. Further, it pointed out that Lebanon's total disposable income dropped from 148.6% of GDP in 2009 to 134.3% of GDP in 2010, mainly as a result of lower capital and current transfers. It noted, however, that total disposable income exceeded significantly Lebanon's nominal GDP, reflecting sizeable private transfers from the large Lebanese Diaspora.

In parallel, the IMF indicated that average growth in Lebanon reached 4.2% during the 1998-2010 period, above its potential growth level estimated at 4%, but lower the MENA region average growth of 4.7% during the covered period. It said that Lebanon's growth was characterized by high volatility between 1998 and 2010 as security incidents and regional conflicts led to declines in real GDP growth. The Fund noted that growth was mainly driven by retail and wholesale trade, construction, and transport & communication during the 1998-2010 period. It added that financial services, government spending and health care contributed significantly to growth, while the agriculture sector provided a small contribution. Further, it noted that the contribution of the energy & water sector was negative, reflecting technical inefficiencies and below cost-recovery tariffs.



Source: National Accounts, International Monetary Fund

Net FDI at €64m in 2011, €7.5bn between 2003 and 2011

Figures released by the Mediterranean Investment and Partnership Observatory (ANIMA-MIPO) indicated that announced net foreign direct investment in Lebanon totaled €64m in 2011, compared to €85m in 2010, €200m in 2009 and €1.06bn in 2008. Net FDI in Lebanon accounted for 0.2% of aggregate net FDI flows of \$26.5bn in 11 economies of the Southern Mediterranean basin last year, relative to a 1.2% share in 2010. Lebanon was the second smallest recipient of net FDI flows among the 11 covered economies last year, unchanged from 2010 and 2009. Further, aggregate net FDI in Lebanon reached €7.5bn between 2003 and 2011 and posted a compound annual growth rate (CAGR) of -18.3% during the covered period, compared to a regional FDI growth of 14%. The 11 economies are Turkey, Egypt, Israel, Morocco, Algeria, Syria, Libya, Jordan, Tunisia, Lebanon and Palestine.

ANIMA noted that Lebanon attracted 16 projects in 2011, unchanged from 2010, with the tourism, banking, consulting, and services sectors accounting for eight projects last year. FDI in the tourism sector totaled €33m in 2011 and accounted for 51.6% of net FDI in 2011. It noted that the three largest announced FDI projects last year were the €18m hotel project 'le Dix' by Al Shegry and KAS Investment, the €15m management and renovation contract between Cristal hotels & resorts and Bliss 3000, and the €1m contract between Gulf Film (Grand Cinemas) and Saida Mall and ABC Centre in Dbayeh to open new movie theaters. It said that Egypt invested an average of €32m annually in Lebanon between 2009 and 2011, or 15.4% of FDI inflows to the Lebanese economy during the covered period; followed by the UAE with €47m (5.5%); Switzerland with €43m (5%); Canada with €27m (3.1%), the U.S with €26m (3%), Saudi Arabia with €6m (0.7%), France with €2m (0.2%) and Germany with €1m (0.1%).

In parallel, ANIMA indicated that FDI outflows from Lebanon to the 11 covered economies reached €47m last year and totaled €2.5bn over the 2003-2011 period. It noted that FDI outflows from Lebanon to the 11 covered economies grew at a CAGR of 62.8% during the covered period, compared to a global CAGR of 14%.

New terminal at Tripoli port to meet demand and alleviate pressure on Beirut port

Business Monitor International anticipated that the new container terminal that will be developed by UAE-based operator Gultainer at the Port of Tripoli will post strong growth once it begins operations. It attributed the projected strong growth to the congestion at the Port of Beirut and the ongoing war in Syria. It noted that the need for a modern container terminal in the north increased over the past 20 months, as the Syrian conflict limited the ability of the Port of Lattakia and the Port of Tartous to process their usual levels of demand. It added that the Port of Beirut, which is Lebanon's primary maritime facility, has been struggling with congestion in recent years as it handled over one million twenty-foot equivalent units (TEUs) last year, exceeding its nominal handling capacity of 700,000 TEUs by 30%. It projected growth in activity at the Port of Beirut at around 4.5% this year, raising the need for developing the Port of Tripoli. Further, it noted that Gultainer already operates a container terminal at the Iraqi Gulf port of Umm Qasr. It added that the link between the two ports will help shipping companies avoid the Suez Canal and the Strait of Hormuz when shipping from the Mediterranean to the Gulf. Also, it anticipated that domestic demand will support the Port of Tripoli's activity as it expected demand for imports of containerized goods to continue to grow despite the ongoing economic slowdown. In parallel, BMI pointed out that security issues in Tripoli, spillover from the Syrian war and corruption constitute the main downside risks to the future prospects of the Port of Tripoli.

BMI said that the Lebanese government awarded a 25-year concession contract Gultainer for the development and operation of a new container terminal at the Port of Tripoli. It noted that Gultainer's initial investment will reach around \$60m in new equipment and machinery. It added that the Port of Tripoli, Lebanon's second largest maritime facility, has received considerable investment in recent years. It said that the first phase of the port's expansion included the construction of a new breakwater and the expansion of the existing two, and was funded through a \$58.6m loan from the European Investment Bank. It noted that the second phase included the construction of a new 600-meter quay and the deepening of the basin to 15 meters, which would enable the port to accommodate larger vessels. It added that the second phase, which was completed in February 2012, was implemented by China Harbour Engineering Company.

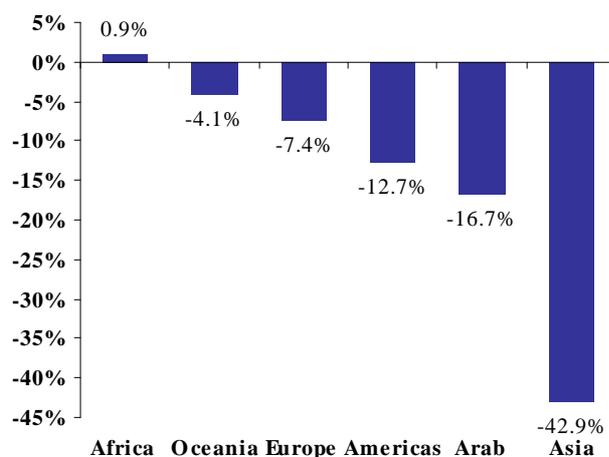
FDI in 2003-2011 (€m)		
Country	FDI	Ranking
Turkey	93,135	1
Egypt	65,140	2
Israel	40,672	3
Morocco	23,606	4
Algeria	20,552	5
Syria	15,626	6
Libya	14,190	7
Jordan	12,983	8
Tunisia	10,703	9
Lebanon	7,495	10
Palestine	490	11

Source: ANIMA-MIPO, Byblos Research

Number of tourists down 16% in first 10 months of 2012

The number of incoming tourists to Lebanon totaled 1,178,959 in the first 10 months of 2012, constituting a decrease of 15.8% from 1,400,711 tourists in the same period last year and a decline of 36.3% from 1,851,922 tourists during the first 10 months of 2010. Arab tourists accounted for 33.6% of total visitors in the first 10 months of the year, and were followed by visitors from Europe with 32.6%, the Americas with 16.4%, Asia with 9.2%, Africa with 4.3%, and Oceania with 3.8%. Also, tourists from Iraq accounted for 9% of visitors during the first 10 months of 2012, followed by France with 8.8%, the United States with 8.2%, Jordan with 6.5%, and Saudi Arabia and Canada with 5.6%, each. The number of African tourists increased annually by 0.9% in the covered period; while the number of tourists from Asia declined by 42.9% annually, Arab tourists dropped by 16.7%, those from the Americas dropped by 12.7%, tourists from Europe fell by 7.4% and tourists from Oceania decreased by 4.1%. Further, the number of tourists from Jordan declined by 29.4% annually, followed by Saudi Arabia with a 29.2% decrease, Germany (-9.2%), France (-6.6%), Canada (-6.5%), and Iraq (-0.4%). In parallel, the number of tourists from the United States increased by 3.3% annually. Incoming tourists totaled 1.66 million in 2011, down 23.7% year-on-year.

Number of Tourist Arrivals in First 10 Months of 2012*



*year-on-year percentage change

Source: Ministry of Tourism, Byblos Research

Customs receipts up 3% to \$1.2bn in first nine months of 2012

Figures released by the Customs Directorate indicated that customs revenues reached \$1.2bn in the first nine months of 2012, constituting an increase of 2.8% from \$1.1bn in the same period of 2011. The Port of Beirut continues to be the main point of customs receipts, as it accounted for 88.1% of the total in the first nine months of 2012, and was followed by the Hariri International Airport with 7.1%, the Port of Tripoli with 2.2%, the Masnaa crossing point with 1.7%, the Port of Saida with 0.5%, and the crossing point of Abboudieh and the Port of Tyre with 0.2% each. Customs receipts from the value-added tax totaled \$1.1bn in the covered period, unchanged year-on-year. The Port of Beirut accounted for 79.2% of such receipts, and was followed by the Hariri International Airport with 9.3%, the Masnaa crossing point with 5.2%, the Port of Tripoli with 4.7%, and the Port of Saida with 1.3% of the total. As such, overall customs receipts reached \$2.3bn in the first nine months of this year, with the Port of Beirut accounting for 83.8% of the total, followed by the Hariri International Airport with 8.2%, the Masnaa crossing point and the Port of Tripoli with 3.4%, each. In addition, other entry points represented the balance, with the port of Saida accounting for 0.9%, and the crossing point of Abboudieh and the port of Tyre with 0.2% each.

Opened letters of credits at \$1.43bn for imports and \$1.1bn for exports in first quarter of 2012

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$1.43bn in the first quarter of 2012 compared to \$1.28bn in the same period last year. Also, utilized credits for imports totaled \$1.33bn in the first quarter 2012, up 17.9% from \$1.13bn in utilized credits in the same period last year. They accounted for 93% of opened LCs in the first quarter of 2012 compared to 88% in the same period last year. In addition, outstanding import credits totaled \$979m at end-March 2012 compared to \$1.1bn at end-March 2011. Further, the aggregate value of inward bills for collection totaled \$430m in the first quarter of 2012 compared to \$532m in the first quarter of 2011. Outstanding bills for collection reached \$165m in March 2012 relative to \$177m at end-March 2011.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon totaled \$1.1bn in the first quarter of 2012, constituting an increase of 28.4% from \$836m in the same period last year. Utilized credits for exports totaled \$1bn in the first quarter of 2012, up 52.3% from \$658m of utilized credits in the same period of 2011. Further, outstanding export credits totaled \$1.21bn in March 2012, down from \$1.25bn in March 2011 and compared to \$1.24bn at end-December 2011. The aggregate value of outward bills for collection totaled \$524.3m in the first quarter of 2012, down 52.8% from \$1.1bn in the same period of 2011. The outstanding value of outwards bills for collection reached \$454.5m at end-March 2012 relative to \$504m at the end of December 2011 and \$377.7m at end-March 2011.

Car sales up 6% in first 10 months of 2012

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that a total of 29,198 new passenger cars were sold in the first 10 months of 2012, constituting an increase of 6.3% from the 27,473 cars sold in the same period last year and a rise of 2.8% from the 28,413 cars sold in the first 10 months of 2010. Korean cars accounted for 45.2% of total sales, followed by Japanese cars with a 26.8% share, European automobiles with 20.4%, American vehicles with 6.4%, and Chinese cars with 1.2%. Chinese cars posted the highest growth in sales with a 66% rise year-on-year, followed by Korean cars with a 13.6% rise, American cars with a 7.6% increase and European cars with a 2.8% rise. In parallel, the number of Japanese cars sold posted a drop of 3.6% year-on-year. Kia is the leading brand in the Lebanese market with 7,962 cars sold in the first 10 months of 2012, followed by Hyundai with 5,230, Nissan with 4,670 cars sold, Toyota (1,539), Chevrolet (1,288), Renault (1,066), and Volkswagen (624). In parallel, a total of 1,905 new commercial vehicles were sold in the first 10 months of 2012, up 9.3% from the 1,743 vehicles sold in the same period last year, but down 16.1% from the 2,270 vehicles sold in the first 10 months of 2010.

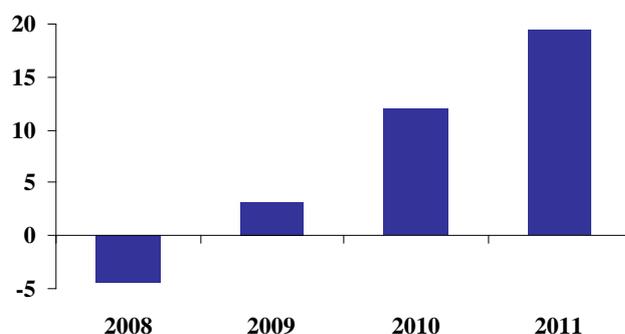
The AIA indicated that more than 90% of cars sold are small automobiles that cost about \$11,000 each. It noted that the trend towards buying smaller cars is due to the high prices of gasoline, the lack of proper public transportation, and fierce competition among car dealers. It added that this translates into lower sales figures and, consequently, a decline in the dealers' income.

Paid claims up 14.5%, loss ratio at 73.5% in 2011 for medical insurance segment

Figures released by the Association of Insurance Companies in Lebanon (ACAL) show that the aggregate net profits from the medical category of insurance firms operating in Lebanon reached \$19.4m in 2011, constituting an increase of 63% from \$11.9m in 2010 and compared to profits of \$3.3m in 2009 and a loss of \$4.5m in 2008. Net income from the medical category accounted for 17.4% of the insurance sector's aggregate net profits in 2011 relative to 13.4% in 2010 and 4.5% in 2009. Medical premiums and similar revenues increased by 15% to \$331m in 2011 and represented 27.8% of total insurance premiums and similar revenues. Written premiums from the medical segment rose by 16.8% to \$340.2bn in 2011 and accounted for 27.4% of the sector's total written premiums, while net premiums increased by 16% to \$261.2m and represented 26.9% of the sector's aggregate net premium. Also, net investment income reached \$9.4m last year, up 6.7% from the preceding year. In parallel, the medical segment's paid claims increased by 14.5% to \$231.5m in 2011 and accounted for 38% of the insurance sector's aggregate paid claims last year; while overall claim expenses rose by 12.7% to \$243.5m in 2011. Further, net reinsurance expenses reached \$1m in 2011, up 790% from \$0.1m in 2010; while ceded premiums rose by 14% to \$65.7m and paid reinsurance benefits increased by 8.7% to \$52.5m. Also, general insurance expenses increased by 16.2% to \$75.6m in 2011, as brokerage expenses rose by 17.5% to \$29.3m and administration costs increased by 10.8% to \$32m in 2011.

In parallel, the loss ratio of the medical category, or the ratio of claims incurred to earned gross premiums, was 73.5% in 2011 compared to 75% in 2010 and to 50.3% for the sector's overall ratio last year. Also, the commission ratio for the medical category, or the ratio of acquisition cost to earned gross premiums, reached 10.1% at end-2011 relative to 9.9% at end-2010 and to 16.6% for the sector last year. Further, the medical segment's reinsurance ratio, or the ratio of net reinsurance income to earned gross premiums, increased to 0.3% in 2011 from 0.04% in 2010, but was below the insurance sector's ratio of 2.2%. The expense ratio, or the ratio of other general expenses to earned gross premiums, stood at 12.7% in 2011, unchanged from 2010 and compared to the insurance sector's ratio of 13%. Finally, the combined ratio of the medical category, which is the aggregate ratio of the above four ratios, was 96.7% in 2011 compared to 97.7% in 2010, and relative to the insurance sector's ratio of 84.9%.

Net Profits of the Medical Insurance Segment (US\$m)



Source: Association of Insurance Companies in Lebanon

Ratio Highlights

(in % unless specified)	2009	2010	2011	Change*
Nominal GDP ⁽¹⁾ (\$bn)	34.7	37.1	39.1	
External Debt / GDP	61.3	55.4	53.5	(190)
Local Debt / GDP	86.0	86.3	83.7	(260)
Total Debt / GDP	147.2	141.8	137.2	(460)
Total External Debt / GDP	176.1	167.0	163.2	(380)
Trade Balance / GDP	(36.8)	(36.9)	(40.7)	(380)
Exports / Imports	21.5	23.7	21.2	(250)
Budget Revenues / GDP	24.3	22.7	22.7	(5)
Budget Expenditures / GDP	32.8	30.6	27.2	(342)
Budget Balance / GDP	(8.5)	(7.9)	(6.0)	191
Primary Balance / GDP	3.1	3.2	4.3	105
BdL FX Reserves / M2	74.0	77.1	78.8	172
M3 / GDP	236.5	248.4	248.7	30
Bank Assets / GDP	332.1	347.5	359.5	1,200
Bank Deposits / GDP	276.0	289.0	296.0	695
Private Sector Loans / GDP	81.8	94.2	100.7	650
Dollarization of Deposits	64.5	63.2	65.9	270
Dollarization of Loans	84.0	80.3	78.4	(190)

* Change in basis points 10/11

(1) Based on Ministry of Finance Estimations and the International Monetary Fund

Source: Association of Banks in Lebanon, Byblos Research Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	Feb 2011	Jan 2012	Feb 2012	Change*	Risk Level
Political Risk Rating	56.5	55.5	55.5	▼	High
Financial Risk Rating	28.5	35.0	35.0	▲	Low
Economic Risk Rating	32.5	34.0	34.0	▲	Moderate
Composite Risk Rating	58.7	62.2	62.2	▲	Moderate

Regional Average	Feb 2011	Jan 2012	Feb 2012	Change*	Risk Level
Political Risk Rating	62.6	60.5	60.4	▼	Moderate
Financial Risk Rating	42.2	42.3	42.2	↔	Very Low
Economic Risk Rating	38.0	37.1	37.3	▼	Low
Composite Risk Rating	71.4	69.9	70.0	▼	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 Ratings	B	B	Stable	B		Stable
Standard & Poor's	B	B	Negative	B	B	Negative
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative
EIU		B	Stable

Source: Rating agencies



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