



LEBANON THIS WEEK

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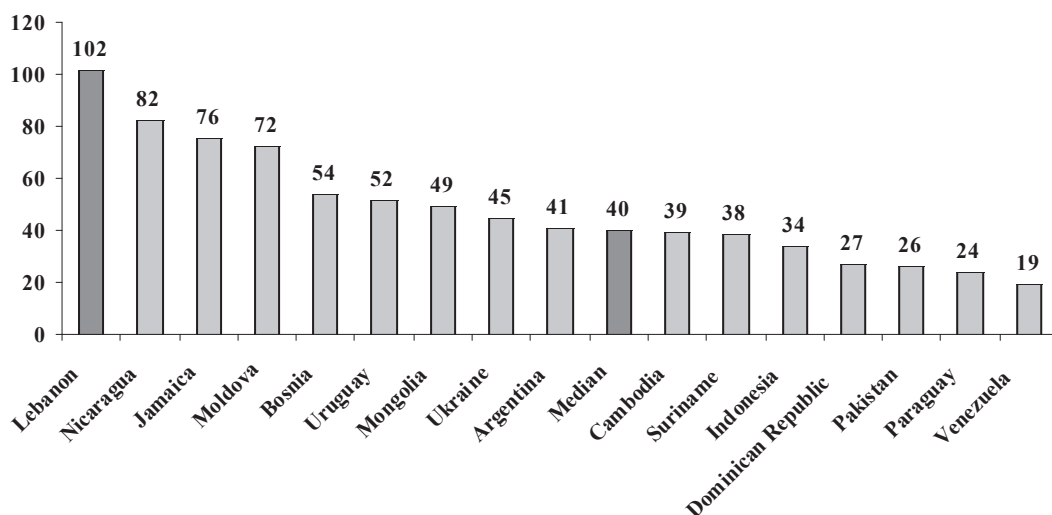
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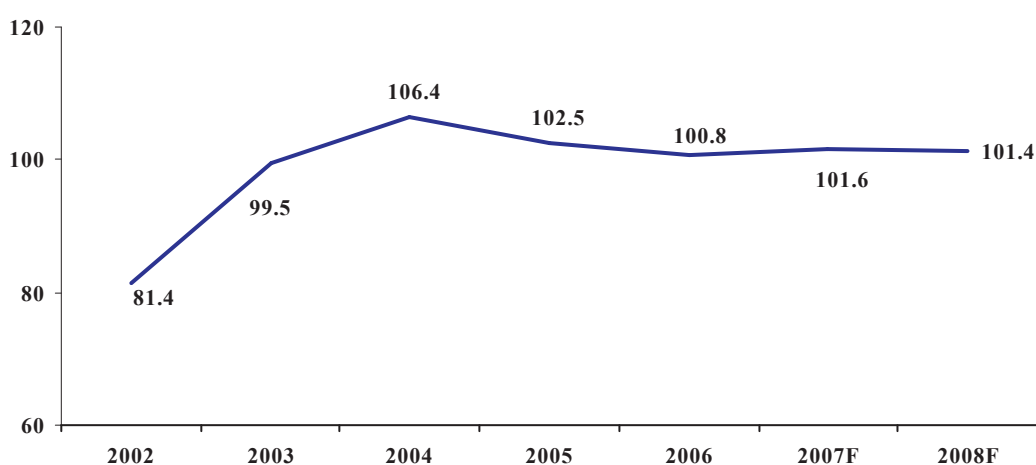
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Charts of the Week

External Debt-to-GDP Ratio of Similarly Rated Countries for 2007 (%)



External Debt-to-GDP Ratio for Lebanon (%)



Source: Moody's Investor Services, 2007

Quote to Note

“The Central Bank of Lebanon can draw on large foreign-exchange reserves and external support to uphold the currency peg to the US dollar.”

The Economist Intelligence Unit, in its risk assessment of the stability of the Lebanese pound

Number of the Week

7.27% : Weighted average interest rate on Eurobonds as at June 2007, according to the Association of Banks in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	Jun.2006	Jan-Jun.06	2006	May 2007	Jun.2007	Jan-Jun.07	% Change*
Exports	269	1,302	2,282	233	-	-	-
Imports	878	5,057	9,399	930	-	-	-
Trade Balance	(609)	(3,756)	(7,118)	(697)	-	-	-
Balance of Payments	727	2,562	2,795	174	(542)	(207)	(108.1%)
Checks Cleared in LBP	629	3,753	7,219	739	656	4,058	8.13%
Checks Cleared in FC	2,463	13,941	25,268	2,457	2,410	13,687	(1.82%)
Total Checks Cleared	3,092	17,694	32,487	3,196	3,066	17,745	0.29%
Budget Deficit	(416)	(774)	3,039	(115)	-	-	-
Primary Balance	(145)	659	(17)	187	-	-	-
Airport Passengers	357,173	1,667,557	2,825,138	245,917	256,072	1,476,085	(11.54%)

\$bn (unless otherwise mentioned)	Dec.2005	Jun.2006	Dec.2006	Apr.2007	May 2007	Jun.2007	% Change*
BdL FX Reserves	9.85	12.90	10.21	9.81	9.91	9.92	(23.10%)
<i>In months of Imports</i>	<i>11.3</i>	<i>14.7</i>	<i>11.3</i>	<i>10.4</i>	<i>10.7</i>	-	-
Public Debt	38.50	38.82	40.39	41.29	41.41	39.82	2.58%
Net Public Debt	34.79	35.58	37.44	38.69	38.97	37.50	5.40%
Bank Assets	70.33	75.00	76.18	77.02	77.89	79.04	5.39%
Bank Deposits	56.99	60.64	60.69	61.88	62.49	63.20	4.22%
Bank Loans to Private Sector	16.23	16.93	17.20	17.81	18.09	18.52	9.39%
Money Supply M2	16.23	17.40	15.57	15.97	16.23	16.30	(6.32%)
Money Supply M3	49.38	52.10	53.23	54.97	55.77	56.04	7.56%
LBP Lending Rate (%)	10.12	10.24	10.37	10.42	10.45	10.36	12b.p.
LBP Deposit Rate (%)	7.70	7.56	7.49	7.48	7.49	7.49	(7b.p.)
USD Lending Rate (%)	8.38	8.45	8.55	8.49	8.40	8.32	(13b.p.)
USD Deposit Rate (%)	4.09	4.39	4.76	4.85	4.88	4.89	50b.p.
%* Change in CPI**	(2.23)	5.32	7.04	4.45	3.86	3.20	(212b.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"	15.48	2.11%	40,580	18.60%
Solidere "B"	15.34	0.33%	22,105	11.98%
Byblos Common	1.72	(1.15%)	226,784	4.24%
Byblos Priority	1.80	0.00%	115,300	4.45%
BLOM GDR	65.25	(2.25%)	30,513	5.79%
BLOM Listed	64.00	0.00%	0	5.51%
Audi GDR	58.00	0.09%	1,100	6.85%
Audi Listed	55.00	0.00%	0	21.65%
HOLCIM	19.50	2.63%	1,745	4.57%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	101.75	8.78
Dec.2009	7.000	96.50	8.64
Mar.2010	7.125	96.00	8.86
May 2011	7.875	95.75	8.63
Sep.2012	7.750	96.00	8.59
June 2013	8.625	97.50	8.76
Apr.2015	10.000	104.00	9.26
Jan.2016	8.500	94.00	9.55
May 2016	11.625	113.50	9.05
Apr.2021	8.250	89.25	9.15

Source: Byblos Capital Markets

	This Week	Last Week	% Change	July 2007	July 2006	% Change
Total Shares Traded	441,077	1,968,959	(77.60%)	3,588,032	3,761,421	(4.61%)
Total Value Traded	\$3,904,353	\$5,118,938	(23.73%)	\$22,596,353	\$82,522,119	(72.62%)
Market Capitalization	\$8.32bn	\$8.29bn	0.36%	\$8.31bn	\$5.93bn	40.13%

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 32nd globally on integrity index

The Global Integrity Foundation's Global Integrity Index ranked Lebanon in 35th place overall and 17th among 19 countries in the Middle East and Africa region (ME&A). The index assesses the existence and effectiveness of anti-corruption mechanisms that promote public integrity. It measures 290 indicators that are grouped in six sub-indices such as civil society, public information & media, elections, government accountability, administration & civil service, oversight & regulation, and anti-corruption & rule of law. The overall index is a composite of the six sub-indices. The survey also classified countries in five categories ranging from 'very strong' to 'very weak' ratings. The foundation said the integrity indicators assess the existence of laws, regulations, and institutions designed to curb corruption, as well as their implementation and the access that average citizens have to those mechanisms.

Lebanon received a score of 51 points, below the global average of 65.8 points as well as below the ME&A and Arab averages of 61.9 points and 54 points, respectively. On a global basis, Lebanon came ahead of Azerbaijan and behind Armenia. Lebanon came in the category of 'very weak' ratings, with 8 countries in the ME&A region classified in this category, two as 'weak', six as 'medium' and two as 'strong'.

Lebanon ranked 25th overall and 10th in the ME&A on the Civil Society, Public Information & Media sub-index, as it tied with Armenia and Pakistan in this category. It came in 40th place globally and 19th in the region on the Elections sub-index, which looks at the integrity of elections and political financing regulations. It also ranked in 22nd place overall and 10th in the region on the Government Accountability sub-index, where it tied with Pakistan. Further, Lebanon ranked 42nd overall and 17th in the ME&A region on the Administration & Civil Service sub-index, coming ahead of Guatemala and behind Azerbaijan. Also, it came in 36th place globally and 16th regionally on the Oversight & Regulation sub-index, coming ahead of Nepal and behind Viet Nam. Finally, it ranked in 41st place overall and 19th in the region on the Anti-corruption & Rule of Law sub-index.

Lebanon included in new Standard & Poor's index for frontier equity markets

Rating agency Standard & Poor's included Lebanon in its new S&P/IFCG Extended Frontier 150 Index, a fully investable index for frontier equity markets. The agency said the index offers exposure to markets previously not considered investable by most fund managers because they are dominated by companies too small and illiquid to trade. The new index contains the largest and most liquid stocks from over 30 developing markets in Asia, Eastern Europe, the Balkans, the Baltics, Africa, the Middle East, Latin America and the Caribbean. S&P noted that these markets now have adequate listings and turnover, and have attracted sufficient foreign investor interest to warrant the infrastructure necessary to sustain regular index calculations. Also, such markets are less exposed to swings in the global economy and less correlated with other equity markets, providing investors with distinct diversification and risk reduction benefits at a time when global equity markets are increasingly volatile. Lebanon's weight in the index is 1.94% as of August 1st and is represented by Solidere 'A' and 'B' shares mainly, and the global depository receipts (GDRs) of the local Bank Audi. S&P launched the index with companies from 26 countries representing an adjusted market capitalization of \$193.3bn. Colombia, Kuwait, Nigeria, the UAE and Qatar have the highest country weightings in the new index, while Pakistan has the largest number of stocks included. Lebanon is already included in the S&P/EMDB Frontier Index.

Number of tourists down 27% year-to-July

The number of incoming tourists to Lebanon totaled to 539,027 in the first 7 months of 2007, down 27% from the same period last year. The number of tourists reached 126,986 in July, up 17% from July 2006, and 83% from June 2007. Arab tourists accounted for 38% of total visitors. They were followed by visitors from Europe with 32%, the Americas with 12% and Asia with 11%.

Saudi Arabia accounts for 19% of total tourist spending in Lebanon

According to Global Refund, the cash refund operator for international shoppers, tourists from Saudi Arabia spent the most in Lebanon in the year-to-July period, equivalent to 19% of total tourist spending, followed by tourists from Kuwait (15%), UAE (11%), Jordan (8%) and Egypt (6%). Tourist spending for the first 7 months of 2007 declined by 16% from the same period last year. Beirut attracted 82% of total spending, followed by Mount Lebanon and Metn with 13% then Keserwan with 3%. Fashion and clothing accounted for 68% of total spending in the covered period, followed by watches with 12%, home and garden with 5%, perfumes and cosmetics with 4%, and department stores with 3%.

	Global Integrity Index		
	Score	Overall Rank	ME&A Rank
Israel	83	3	1
South Africa	81	4	2
Benin	79	6	3
Ghana	78	8	4
Ethiopia	77	10	5
Uganda	76	11	6
Nigeria	75	12	7
Kenya	71	16	8
Senegal	65	19	9
Mozambique	60	27	10
Sudan	59	28	11
Tanzania	59	28	12
Egypt	57	31	13
Liberia	57	31	15
Sierra Leone	56	33	16
Lebanon	51	35	17
Yemen	49	39	18
D.R. Congo	44	41	19

Source: Global Integrity Foundation

Occupancy at Beirut hotels down to 33% in first half of 2007

The semi-annual survey of the Middle East hotel sector by Deloitte & Touche indicated that the occupancy rate at hotels in Beirut was 32.9% in the first half of 2007, down from 48.6% in 2006. The occupancy rate in Beirut was the lowest among 13 markets in the region, similar to 2006, and came way below the regional average of 70.2%, which increased from 68.8% in 2006. The survey said average rate per room at Beirut hotels was \$119 in the first 6 months of the year, down 12.5% from \$136 in 2006, and ranking Beirut hotels as the sixth most expensive in the region. The average rate per room in Beirut came below the regional average of \$154, which rose from \$143 last year.

Further, revenues per available room (RevPAR) were \$39 in Beirut, down from \$66 in 2006, ranking it in 11th place in the region. Beirut's RevPAR was down 53.6% compared to the first half of 2006, posting the sharpest decline in the first half of this year among the 13 regional markets, while the average RevPAR for the region was up 13.7% to \$108. Beirut and Doha were the only markets to report RevPAR declines so far this year. Dubai posted the highest occupancy rate in the Middle East at 86.1%, the highest average room rate at \$296 and the highest RevPAR at \$255, while Muscat registered the region's highest growth in RevPAR at 54.8%.

Hotel Performance in the Middle East

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai	86.1	255	16.4
Riyadh	80.4	170	40.3
Abu Dhabi	78.5	174	33.3
Doha	76.9	179	-3.6
Muscat	76.3	164	54.8
Alexandria	76.2	46	13.6
Cairo	75.7	72	18.4
Hurghada	74.4	32	16.4
Sharm EL Sheikh	72.9	42	18.1
Red-Sea Resorts	68.9	46	30.2
Luxor	63.7	24	13.4
Damascus	59.0	57	31.8
Beirut	32.9	39	-53.6
Middle East	70.2	108	13.7

Source: Deloitte & Touche, Byblos Research

Beirut Port activity in first 7 months of 2007

The Port of Beirut stated that port revenues amounted to \$66.1m in the first 7 months of 2007. The freight activity and number of ships reached 3 million tons and 1,341 ships, up by 15% each in the year-to-July period compared to the same period in 2006. Port revenues reached \$9.4m in July 2007, up 2% from June 2007 and 31% from July 2005. The freight activity rose by 26% to 467,500 tons, while the number of ships dropped by 2% to 182 ships in July 2007, compared to July 2005.

CDR signs \$25m grant with Iran

The Council for Development and Reconstruction (CDR) signed a \$25m grant with Iran. The grant will finance the reconstruction of part of the international road linking Chtoura to the Syrian border. The part of the road which is covered by the grant has a surface area of 460 sqm.

Corporate Highlights

Kuwaiti company to invest in Lebanon's hotel sector

The Kuwait Company for Process Plant Construction and Contracting (KCPC) signed two contracts worth KD6.3m (\$22.4m) to build two hotels in Lebanon. The first hotel to be constructed is the Star Tower Hotel at a cost of around KD1.8m (\$6.4m). The second hotel is the Sify Crow Tower at a cost of around KD4.5m (\$16m). KCPC is listed on the Kuwait Stock Exchange since 2004.

LBCSAT and Rotana form joint Middle East media partnership

LBCSAT, the satellite channel of the Lebanese Broadcasting Corporation group, and the pan-Arab Rotana Television network formed a joint Middle East media partnership. The joint venture aims to offer a comprehensive package of targeted channels to audiences in the Arab world. However, LBCSAT and Rotana will remain organizationally and financially independent. LBC was established in Lebanon in 1985 as the first private TV station, while LBCSAT was launched in 1996. Saudi Prince Alwaleed bin Talal bought 49% of LBCSAT for \$98m in 2003. Rotana was founded in Saudi Arabia, has six TV channels and is owned by the Saudi prince.

Ratio Highlights

	2005	2006	Change*	H1-2007 ⁽¹⁾
Nominal GDP ⁽²⁾ (\$bn)	21.4	22.6		23.6
External Debt / GDP	89.6	90.3	70	85.9
Local Debt / GDP	90.2	88.5	(170)	82.9
Total Debt / GDP	179.9	179.2	(70)	168.7
Trade Balance / GDP	(35.0)	(31.4)	360	-
Exports / Imports	20.1	24.3	420	-
Revenues / GDP	22.9	19.5	(340)	12.6
Expenditures / GDP	31.8	31.0	(80)	17.8
Budget Balance / GDP	(8.9)	(11.5)	(260)	5.2
Primary Balance / GDP	2.3	(0.1)	(180)	-
BdL FX Reserves / M2	60.7	65.6	490	60.8
M3 / GDP	230.8	235.5	470	237.5
Bank Assets / GDP	328.5	337.2	870	334.9
Bank Deposits / GDP	266.3	268.6	230	267.8
Private Sector Loans / GDP	75.7	76.1	40	78.5
Dollarization of Deposits	73.1	76.2	310	75.9
Dollarization of Loans	82.4	81.6	(80)	81.9

* Change in basis points

(1) Up to June 2007, and based on the IMF estimation of 1% Real GDP Growth Rate and 3.5% Inflation Rate

(2) Based on Ministry of Finance Estimations (assuming 1% and 0% Real GDP Growth Rates in 2005 and 2006 respectively)

Source: 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 2006	May 2007	June 2007	Change*	Risk Level
Political Risk Rating	58.5	58.0	56.5	▼	High
Financial Risk Rating	31.5	31.5	31.5	↔	Moderate
Economic Risk Rating	25.5	29.0	29.0	▲	High
Composite Risk Rating	57.8	59.2	58.5	▲	High

Regional Average	June 2006	May 2007	June 2007	Change*	Risk Level
Political Risk Rating	66.4	66.1	67.5	▲	Moderate
Financial Risk Rating	41.3	41.5	41.9	▲	Very Low
Economic Risk Rating	41.1	40.1	40.3	▼	Very Low
Composite Risk Rating	74.4	73.8	74.8	▲	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	B3	NP	Negative			
Fitch	B-	B	Stable	B-		
S&P	B-	C	Negative	B-	C	Negative
CI	B-	B	Negative	B-	B	Negative

Source: Rating agencies

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

Source: Rating agencies



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