



LEBANON THIS WEEK

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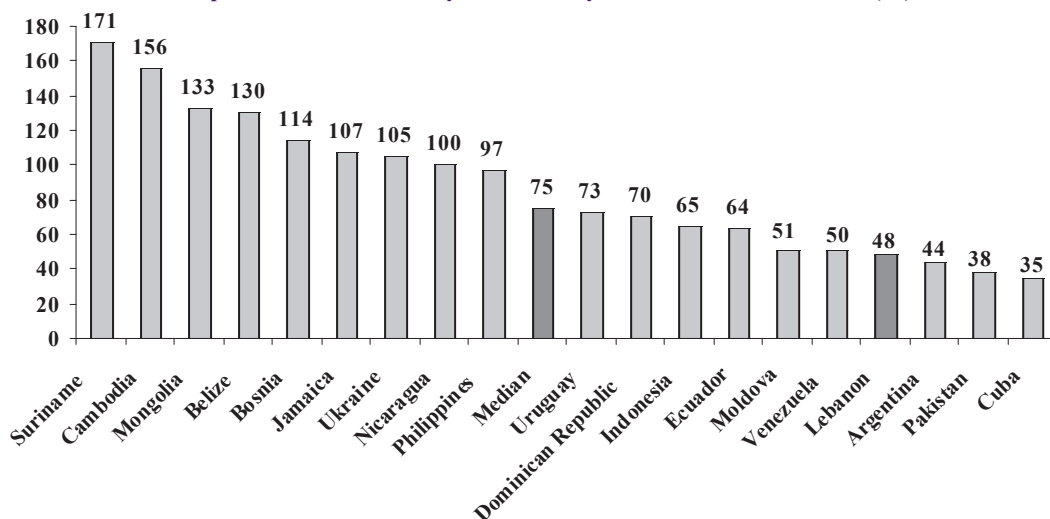
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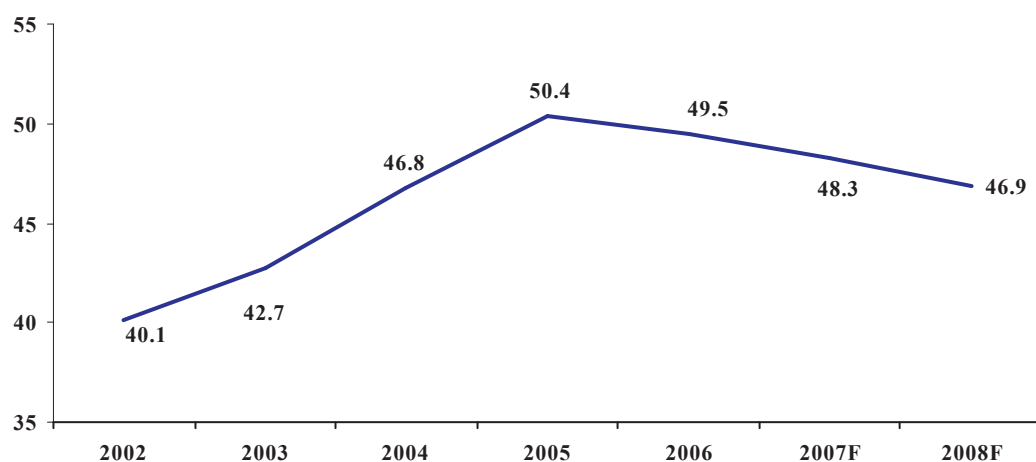
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Charts of the Week

Openness of the Economy* of Similarly Rated Countries for 2007 (%)



Openness of the Economy in Lebanon (%)



*Sum of exports and imports of goods and services in percentage of GDP
Source: Moody's Investor Services, 2007

Quote to Note

“This is not the appropriate time for privatization.”

Dr. Saad Barrak, CEO of international telecom firm Mobile Telecommunications Company, on the challenges of privatizing Lebanon's mobile phone sector given the current political uncertainties in the country

Number of the Week

1.2%: Improvement in Lebanon's current account balance, as a percentage of GDP, in case global oil prices decline by 10%, according the Credit Suisse.

Economic Indicators

\$m (unless otherwise mentioned)	Jul.2006	Jan-Jul.06	2006	Jun.2007	Jul.2007	Jan-Jul.07	% Change*
Exports	104	1,406	2,282	226	-	-	-
Imports	601	5,658	9,399	892	-	-	-
Trade Balance	(497)	(4,253)	(7,118)	(666)	-	-	-
Balance of Payments	(1,189)	1,373	2,795	(542)	362	155	(88.71%)
Checks Cleared in LBP	470	4,222	7,219	656	706	4,764	12.84%
Checks Cleared in FC	2,092	16,033	25,268	2,410	2,457	16,144	0.69%
Total Checks Cleared	2,562	20,255	32,487	3,066	3,163	20,908	3.22%
Budget Deficit	207	980	3,039	381	48	1,274	30.00%
Primary Balance	(35)	624	(17)	9120	164	562	(9.94%)
Airport Passengers	172,497	1,840,054	2,825,138	256,072	346,921	1,823,006	(0.93%)

\$bn (unless otherwise mentioned)	Dec.2005	Jul.2006	Dec.2006	May 2007	Jun.2007	Jul.2007	% Change*
BdL FX Reserves	9.85	12.45	10.21	9.91	9.92	10.21	(17.99%)
<i>In months of Imports</i>	<i>11.3</i>	<i>20.7</i>	<i>11.3</i>	<i>10.7</i>	<i>11.1</i>	-	-
Public Debt	38.50	38.76	40.39	41.35	39.76	40.09	3.43%
Net Public Debt	34.79	35.84	37.44	38.92	37.44	37.75	5.33%
Bank Assets	70.33	73.22	76.18	77.89	79.04	79.58	8.69%
Bank Deposits	56.99	58.48	60.69	62.49	63.20	64.21	9.80%
Bank Loans to Private Sector	16.23	17.02	17.20	18.09	18.52	18.68	9.75%
Money Supply M2	16.23	15.91	15.57	16.23	16.30	16.47	3.52%
Money Supply M3	49.38	51.11	53.23	55.77	56.04	56.73	11.00%
LBP Lending Rate (%)	10.12	10.41	10.37	10.45	10.36	10.28	(13b.p.)
LBP Deposit Rate (%)	7.70	7.43	7.49	7.49	7.49	7.49	6b.p.
USD Lending Rate (%)	8.38	8.65	8.55	8.40	8.32	8.32	(33b.p.)
USD Deposit Rate (%)	4.09	4.53	4.76	4.88	4.89	4.92	39b.p.
%* Change in CPI**	(2.23)	6.53	7.04	3.86	3.20	1.62	(491b.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"	16.39	(2.61%)	6,148,611	19.09%
Solidere "B"	16.27	(3.15%)	4,100,954	12.32%
Byblos Common	1.74	0.00%	213,630	4.16%
Byblos Priority	1.80	0.56%	42,353	4.32%
BLOM GDR	67.45	0.60%	1,250	5.81%
BLOM Listed	64.00	0.00%	0	5.34%
Audi GDR	59.70	1.36%	3,883	6.84%
Audi Listed	59.90	4.17%	15,000	22.86%
HOLCIM	20.17	(1.37%)	300	4.59%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	102.50	8.88
Dec.2009	7.000	96.13	8.93
Mar.2010	7.125	96.00	8.97
May 2011	7.875	96.50	9.01
Sep.2012	7.750	95.50	8.89
June 2013	8.625	97.75	9.13
Apr.2015	10.000	103.50	9.34
Jan.2016	8.500	94.25	9.51
May 2016	11.625	112.50	9.47
Apr.2021	8.250	89.75	9.62

Source: Byblos Capital Markets

	This Week	Last Week	% Change	August 2007	August 2006	% Change
Total Shares Traded	10,529,285	671,540	1,468%	3,583,386	8,966,583	(60.04%)
Total Value Traded	\$173,867,057	\$6,809,484	2,453%	\$22,029,832	\$113,223,231	(80.54%)
Market Capitalization	\$8.58bn	\$8.68bn	(1.15%)	\$8.37bn	\$7.12bn	17.56%

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 41st globally, 12th in developing countries in terms of outstanding external debt

Figures released by the Bank for International Settlements (BIS) show that Lebanon's external debt totaled \$23.9bn at the end of June 2007, ranking it in 41st place globally and in 12th place among developing countries with available figures. Lebanon also ranked in 7th place among 9 offshore centers and second among 6 countries in the Middle East & Africa region. The figure represents the outstanding amount of international debt securities issued by both public and private institutions residing in the country. Lebanon accounted for 0.1% of the world's and for 2.6% of developing countries' outstanding external debt. Globally, Lebanon came ahead of India and behind Malaysia and Switzerland.

Lebanon's outstanding external debt regressed by 1.2% in the first half of 2007 compared to an increase of 13.2% in developing countries and a 20% rise in offshore centers. It totaled \$24.2bn at the end of 2006 and \$20.9bn at the end of 2005, according to the BIS. Its stock of external debt at end-June 2007 was below the average of \$29bn for developing countries.

Lebanon accounted for 1.7% of offshore centers' total external debt, ranking ahead of Panama and behind the West Indies. Further, Lebanon accounted for 18.3% of international debt securities in the Middle East & Africa region, second only to the UAE with \$36.7bn and ahead of South Africa with \$21.3bn. The amount outstanding of international debt securities in all offshore centers totaled \$1.4trn, while that of developing countries reached \$901bn as at end-June 2007.

In parallel, Lebanon's net debt issuance totaled \$3.2bn in 2006, ranking it in 32nd place globally and in 9th place among developing countries, and coming ahead of Bermuda and behind Qatar and Poland, according to Byblos Research. Lebanon's net debt issuance in 2006 was higher than the average net issuance of \$2.6bn in developing countries, and accounted for 3.8% of total net issues in developing economies. It accounted for 8.5% of Middle East & Africa's net issues. The UAE was the biggest net issuer of bonds in the ME&A region with \$21.6bn in 2006 and \$5.9bn in 2005.

International Debt Securities as at end-June 2007		
Offshore centers	Outstanding Amounts (\$bn)	Rank
Cayman Islands	1,083.2	1
Netherlands Antilles	115.2	2
Singapore	55.5	3
Hong Kong	51.5	4
Bermuda	44.7	5
West Indies UL	26.1	6
Lebanon	23.9	7
Panama	9.3	8
Aruba	8.2	9
Bahamas	7.3	10
Total	1,424.9	

Source: BIS, Byblos Research

International Debt Securities			
ME&A countries	Outstanding Amounts end-June 2007 (\$bn)	Net Issue 2006 (\$bn)	Net Issue 2005 (\$bn)
UAE	36.7	21.6	5.9
Lebanon	23.9	3.2	1.9
South Africa	21.3	2.9	1.5
Israel	14.2	1.7	0.0
Qatar	11.0	4.1	2.2
Tunisia	3.6	-0.4	0.5
Total ME&A	130.3	37.5	15.4

Source: BIS, Byblos Research

Saudi Arabia accounts for 18% 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-August period, equivalent to 18% of total tourist spending, followed by tourists from Kuwait (15%), UAE (11%), Jordan (8%) and Egypt (6%). Tourist spending for the first 8 months of 2007 rose by 2% 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%, perfume and cosmetics with 4%, and other categories with 3%.

Lebanon in the News

Lebanon and EU sign grants worth €74m

The government signed with the European Union (EU) grant agreements amounting to €74m (\$100m) to finance six projects for reconstruction and economic reform in Lebanon. The €74m are part of the €450m pledged by the EU at the Paris III conference. The EU vowed to provide 40% of the amount pledged on condition that Lebanon carries out promised reforms.

\$22m pledged to rebuild Nahr el-Bared

The international community pledged almost \$22m to help rebuild the Palestinian Nahr el-Bared refugee camp devastated by more than a 3-month battle between the Lebanese army and Islamist militants. The Lebanese government estimated total costs of rebuilding the camp and neighboring damaged areas at \$382m. The USA and UAE pledged \$10m and \$5m respectively to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Germany, Italy and Norway pledged €4m, €2m and \$700,000 respectively for urgent assistance.

Lebanon imposes 60% import tariff on Egyptian ceramics

According to Egyptian press reports, Lebanon has imposed a 60% import tariff on Egyptian ceramics, prompting protests from Egyptian ceramic makers. The latter said the tariff impairs the competitive advantage of Egyptian producers in the Lebanese market and contradicts the articles of the Arab Trade Facilitation Agreement, which has been in effect since January 2005. The Egyptian Minister of Trade and Industry Rachid Mohamed Rachid plans to discuss the issue with his Lebanese counterpart.

Corporate Highlights

Byblos Bank acquires bank in Armenia

Byblos Bank SAL announced it has acquired a 100% stake in the International Trade Bank (ITA), becoming the first Lebanese bank to establish a direct presence in Armenia. The acquisition falls within the Group's strategy of asset diversification and expansion in emerging markets. ITA will operate as an independent subsidiary of the Byblos Bank Group and will mainly focus on commercial and retail activities as well as serve the needs of the Armenian Diaspora across the world.

The Armenian banking sector is served by 21 local commercial banks with total assets of \$1.26bn at the end of 2006, equivalent to 23.7% of GDP, with the top four banks accounting for 47% of total assets. Driven by strong economic growth, private sector loans grew by 33% and deposits increased by 24% in 2006. Credit to the economy was equivalent to 9% of GDP, reflecting the growth potential of the banking sector. The sector has a low 2.5% NPL ratio and its capital adequacy ratio is 35%. The Byblos Bank Group already operates in Sudan, Syria, Iraq and the United Arab Emirates as well as in Belgium, France, the United Kingdom, and Cyprus.

Oger Telecom abandons IPO plan

Oger Telecom, part of the Hariri family-owned Saudi Oger Group, abandoned its plan for a \$1.25bn initial public offering (IPO). The company originally postponed its London and Dubai listing in November 2006 on the day it was supposed to begin, citing volatile market conditions. The company, advised by ABN Amro and Citigroup, planned to offer \$150m of new shares and \$1.1bn of existing shares. Oger Telecom has purchased in 2006 a 55% stake in Turk Telecom for \$6.6bn.

CCC to co-build Tripoli International Airport in Libya

Lebanon's Consolidated Contractors Company (CCC) was awarded along with two other construction firms, Turkish Tepe-Akfen-Vie (TAV) and Brazilian Odebrecht, the tender for the construction of Tripoli International Airport in Libya. The airport, in which the Libyan government plans to invest \$3bn, is expected to be completed in two years. A terminal of 350,000 s.q.m. will have an annual capacity of 20 million passengers while the airport's parking lot will accommodate 4,400 vehicles. CCC built Beirut International Airport, while TAV built three airports in Turkey and others internationally, and Odebrecht built Miami Airport in the USA.

AUB to launch EMBA in Kuwait by end-2007

The American University of Beirut (AUB) announced plans to launch a corporate Executive Masters in Business Administration (EMBA) in Kuwait by the end of 2007. The program will differ from the school's established EMBA as it is aimed at a specific sector such as the oil sector and related industries. This will be the first degree program that AUB runs outside its Lebanon campus since the university was established 145 years ago.

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	(17.6)
Exports / Imports	20.1	24.3	420	24.0
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)	0.02
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	July 2006	June 2007	July 2007	Change*	Risk Level
Political Risk Rating	57.5	56.5	56.0	▼	High
Financial Risk Rating	31.5	31.5	31.5	↔	Moderate
Economic Risk Rating	25.5	29.0	29.0	▲	High
Composite Risk Rating	57.3	58.5	58.2	▲	High

Regional Average	July 2006	June 2007	July 2007	Change*	Risk Level
Political Risk Rating	66.3	67.5	67.5	▲	Moderate
Financial Risk Rating	41.3	41.9	42.0	▲	Very Low
Economic Risk Rating	41.1	40.3	40.2	▼	Very Low
Composite Risk Rating	74.4	74.8	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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