

LEBANON THIS WEEK

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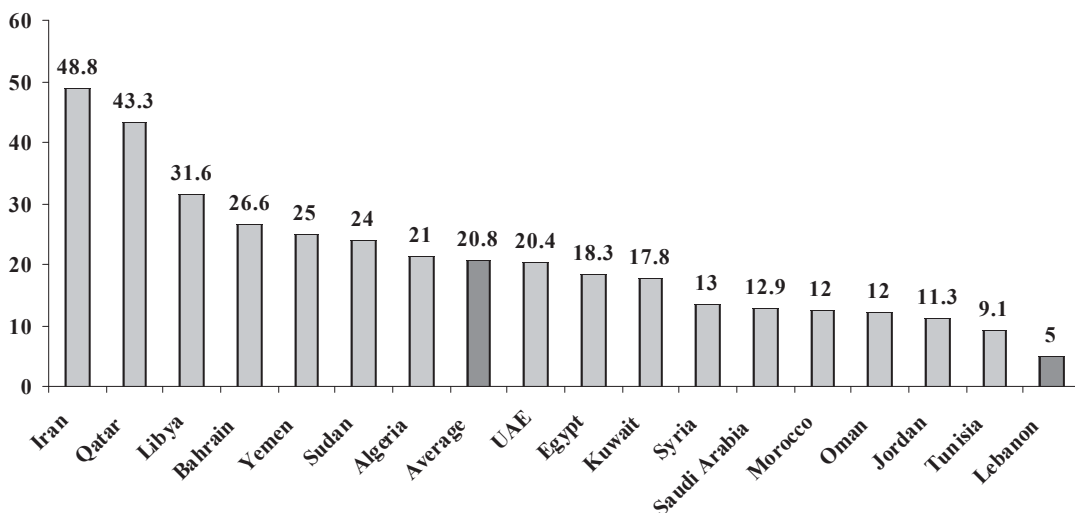
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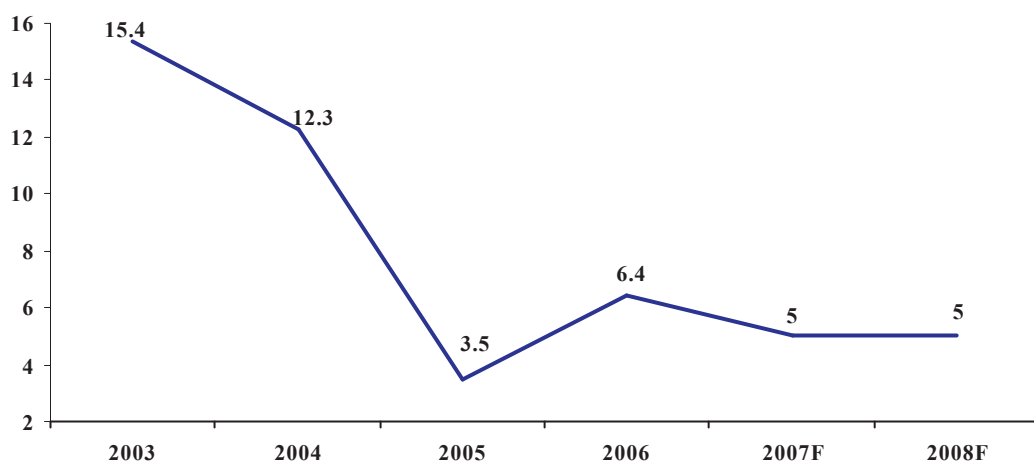
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Charts of the Week

Annual Change in Broad Money for Countries in MENA Region for 2007 (%)



Lebanon's Annual Change in Broad Money (%)



Source: International Monetary Fund, October 2007

Quote to Note

“The larger commercial banks should continue to show strong profits on the back of their operations outside the country, but some smaller institutions may face growing problems with asset quality.”

The Economist Intelligence Unit, assessing the impact of sluggish economic growth on the Lebanese banking sector

Number of the Week

\$6bn: Expected revenues from the sale of Lebanon’s two mobile phone licenses, according to the Higher Council for Privatization.

Economic Indicators

\$m (unless otherwise mentioned)	Aug.2006	Jan-Aug.06	2006	Jul.2007	Aug.2007	Jan-Aug.07	% Change*
Exports	86	1,492	2,282	217	-	-	-
Imports	269	5,927	9,399	1,050	-	-	-
Trade Balance	(183)	(4,436)	(7,118)	(833)	-	-	-
Balance of Payments	(235)	1,608	2,795	362	135	289	(82.03%)
Checks Cleared in LBP	419	4,641	7,219	706	731	5,495	18.40%
Checks Cleared in FC	1,348	17,381	25,268	2,457	2,605	18,749	7.87%
Total Checks Cleared	1,767	22,022	32,487	3,163	3,336	24,244	10.09%
Budget Deficit	547	1,527	3,039	48	270	1,543	1.05%
Primary Balance	(305)	319	(17)	164	(20)	542	69.91%
Airport Passengers	36,878	1,876,932	2,825,138	346,921	424,105	2,255,919	20.19%

\$bn (unless otherwise mentioned)	Dec.2005	Aug.2006	Dec.2006	Jun2007	Jul.2007	Aug2007	% Change*
BdL FX Reserves	9.85	13.41	10.21	9.92	10.21	10.20	(23.94%)
<i>In months of Imports</i>	<i>11.3</i>	<i>49.9</i>	<i>11.3</i>	<i>11.1</i>	<i>9.7</i>	-	-
Public Debt	38.50	39.37	40.39	39.76	40.09	40.45	2.74%
Net Public Debt	34.79	36.33	37.44	37.44	37.75	38.10	4.87%
Bank Assets	70.33	72.04	76.18	79.04	79.58	81.46	13.08%
Bank Deposits	56.99	57.55	60.69	63.20	64.21	64.63	12.30%
Bank Loans to Private Sector	16.23	17.01	17.20	18.52	18.68	18.68	9.82%
Money Supply M2	16.23	15.45	15.57	16.30	16.47	16.56	7.18%
Money Supply M3	49.38	50.54	53.23	56.04	56.73	57.40	13.57%
LBP Lending Rate (%)	10.12	9.99	10.37	10.36	10.28	10.21	22b.p.
LBP Deposit Rate (%)	7.70	7.46	7.49	7.49	7.49	7.48	2b.p.
USD Lending Rate (%)	8.38	8.48	8.55	8.32	8.32	8.25	(23b.p.)
USD Deposit Rate (%)	4.09	4.58	4.76	4.89	4.92	4.90	32b.p.
%* Change in CPI**	(2.23)	8.27	7.04	3.20	1.62	1.68	(659b.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"	18.78	(3.69%)	390,248	19.09%
Solidere "B"	18.78	(3.10%)	174,981	12.41%
Byblos Common	2.00	(2.44%)	1,647,156	4.17%
Byblos Priority	2.04	(4.67%)	1,493,059	4.27%
BLOM GDR	90.10	(3.43%)	21,035	6.77%
BLOM Listed	81.25	1.56%	1,800	5.92%
Audi GDR	74.55	(1.52%)	15,082	7.45%
Audi Listed	70.50	0.00%	0	23.48%
HOLCIM	19.23	(4.19%)	9,092	3.81%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	102.69	8.66
Dec.2009	7.000	96.96	8.63
Mar.2010	7.125	97.00	8.59
May 2011	7.875	97.25	8.81
Sep.2012	7.750	96.00	8.79
June 2013	8.625	98.50	8.97
Apr.2015	10.000	105.25	9.01
Jan.2016	8.500	95.75	9.25
May 2016	11.625	113.25	9.33
Apr.2021	8.250	91.50	9.38

Source: Byblos Capital Markets

	This Week	Last Week	% Change	October 2007	October 2006	% Change
Total Shares Traded	3,759,653	1,882,222	99.75%	53,900,188	4,929,594	993.40%
Total Value Traded	\$20,675,704	\$20,041,951	3.16%	\$135,734,024	\$73,610,129	84.40%
Market Capitalization	\$9.84bn	\$10.02bn	(1.80%)	\$9.66bn	\$9.19bn	5.11%

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 98th globally, 13th in Arab world on first Logistics Performance Index

The World Bank's first Logistics Performance Index (LPI) ranked Lebanon in 98th place among 150 countries worldwide and 13th among 17 Arab countries. Lebanon also ranked in 21st place among 24 upper-middle income countries. The LPI provides the first in-depth cross-country assessment of the logistics gap among countries and reflects perceptions of the logistics environment of trading partner countries. The LPI is a composite of seven sub-indices of supply chain performance that cover customs procedures, logistics costs, infrastructure quality, the ability to track and trace shipments, timeliness in reaching destination, and the competence of the domestic logistics industry. The survey assigned scores to the main index and its sub-categories that range from one to five points, with one being the worst performance.

Globally, Lebanon tied with Russia, Zambia and Senegal, came ahead of the Ivory Coast, the Kyrgyz Republic and Ethiopia, and ranked behind the Dominican Republic and Papua New Guinea. It ranked ahead of Mauritius and behind Uruguay among upper-middle income countries. Lebanon received a score of 2.37 points, below the global average of 2.74 points as well as lower than the upper-middle income countries average of 2.85 points and the Arab average of 2.66 points.

Lebanon tied with Mali, came ahead of Ethiopia and ranked behind Cambodia on the Customs sub-index. Regionally, it ranked ahead of Egypt, tied with Syria and came behind Yemen. This category reflects the efficiency and effectiveness of Customs and other border procedures. Further, Lebanon tied with Liberia and Haiti, ranked ahead of Guatemala and came behind Kenya on the Infrastructure sub-index, while it ranked ahead of Yemen and behind Mauritania in the region. This category measures the quality of Transport and IT infrastructure for logistics.

Lebanon ranked ahead of Nigeria, tied with 8 countries that include Angola and Bosnia & Herzegovina and came behind Ukraine on the International Shipments sub-index. Regionally, it ranked ahead of Egypt and behind Oman. The category measures the ease and affordability of arranging shipments. Also, Lebanon ranked ahead of Nigeria, tied with Togo and came behind Nicaragua on the Logistics Competence sub-index, while it ranked ahead of Egypt and behind Tunisia in the region. This category reflects the skills available in the local logistics industry such as transport operators and customs brokers, among others.

Lebanon ranked ahead of Senegal, tied with Nepal, Uganda and Gambia, and came behind Guyana on the Tracking & Tracing sub-index. This category measures the ability to track and trace shipments. Regionally, it ranked ahead of Yemen and behind Egypt.

Lebanon ranked ahead of Ecuador tied with the Czech Republic and came behind Bosnia, as well as ranked ahead of all Arab countries on the Domestic Logistics Costs sub-index. This category measures the cost of local transportation, terminal handling and warehousing. Also, Lebanon ranked ahead of Jamaica, tied with Madagascar and the Comoros and came behind Nigeria on the Timeliness sub-index, while it came ahead of Djibouti, tied with Syria and came behind Yemen in the region. This category assesses the timeliness of shipments in reaching their destination.

Logistics Performance Index		
Economy	Arab Rank	Global Rank
UAE	1	20
Bahrain	2	36
Saudi Arabia	3	41
Kuwait	4	44
Qatar	5	46
Oman	6	48
Jordan	7	52
Tunisia	8	60
Sudan	9	64
Mauritania	10	67
Morocco	11	94
Egypt	12	97
Lebanon	13	98
Yemen	14	112
Syria	15	135
Algeria	16	140
Djibouti	17	145

Source: World Bank, Byblos Research

Logistics Performance Indicators for Lebanon		
Indicator	Arab Rank	Global Rank
Customs	13	107
Infrastructure	12	102
International Shipments	12	88
Logistics Competence	11	93
Tracking and Tracing	12	101
Domestic Logistics Costs	1	11
Timeliness	15	115

Source: World Bank, Byblos Research

Logistics Performance Scores by Category			
Indicator	Lebanon Score	Arab Average	Global Average
Customs	2.17	2.44	2.56
Infrastructure	2.14	2.51	2.58
International Shipments	2.50	2.65	2.72
Logistics Competence	2.40	2.58	2.71
Tracking & Tracing	2.33	2.69	2.73
Domestic Logistics Costs	3.40	2.87	2.90
Timeliness	2.67	3.14	3.17

Source: World Bank, Byblos Research

Lebanon in the News

Telecom revenues reach \$1.1bn in first 10 months of 2007

The Minister of Telecommunications announced that the revenues generated by the ministry have reached LP1,700bn (\$1.1bn) up to October 2007. Revenues amounted to LP1,780bn (\$1.2bn) in 2006 compared to LP1,710bn (\$1.1bn) in 2005 and LP1,600bn (\$1.06bn) in 2004. The Minister also announced that the transfer from the Telecom surplus to the Treasury reached LP1,385bn (\$0.9bn) in the first 10 months of 2007. Transfers from the Telecom surplus to the Treasury amounted to LP1,298bn (\$0.86bn) in 2006 and LP1,456bn (\$0.97bn) in 2005.

Cleared checks up 15% to \$31.2bn in first 10 months of 2007

The value of cleared checks reached \$31.2bn in the first 10 months of 2007, up 15% year-on-year. The value of cleared checks in Lebanese Pounds rose by 19% to the equivalent of \$6.9bn, while the value of cleared checks in US dollars increased by 14% to \$24.2bn. The dollarization rate dropped from 78.3% to 77.7% year-on-year. The value of cleared checks increased by 38% to \$3.7bn in October 2007 compared to October 2006.

Balance of payments posts \$580m surplus year-to-September

Central Bank figures show that Lebanon's balance of payments recorded a surplus of \$580m in the first 9 months of 2007 compared to a surplus of \$2.2bn in the same period last year. The surplus resulted from an increase of \$841m in commercial banks' net foreign assets combined with a decrease of \$262m in the Central Bank's net foreign assets. The balance of payments posted a surplus of \$290m in September 2007 compared to one of \$135m in August 2007 and another of \$640m in September 2006. The surplus in September came as a result of an increase of \$490m in the commercial banks' net foreign assets with a decrease of \$199m in the Central Bank's net foreign assets.

Finance Ministry transfers \$6.6m to IDAL

The Ministry of Finance transferred LP10bn (\$6.6m) to the Investment Development Authority of Lebanon (IDAL) in order to pay its dues for farmers and exporters who are subscribed to its Export Plus program. The government launched the Export Plus program through IDAL in August 2001 in order to increase Lebanon's agricultural exports, improve their quality and transfer know-how to farmers and exporters.

Energy Ministry signs two MoUs

The Ministry of Energy and Water signed a Memorandum of Understanding (MoU) with the Zahlé Electricity Company to build a 50 MegaWatt electricity plant in Zahlé. The Ministry also signed a MoU with Lebanon Wind Power to build a wind-powered plant in the Bekaa. Zahlé Electricity Company and Lebanon Wind Power are two privately-owned companies, and the two agreements are in line with the government's privatization plans.

Cabinet to subsidize prices of Diesel oil and wheat

In its last meeting, the Cabinet decided to subsidize the price of Diesel oil for domestic use by LP3,000 (\$2) per liter. The liter's price will hence be LP21,800 (\$14.5) The Cabinet also decided to increase the support of wheat from \$50 to \$75 per ton amid the increase in the world price of the ton of wheat from \$210 to \$310.

Association of Banks in Lebanon re-elects board of directors

The General Assembly of the Association of Banks in Lebanon (ABL) re-elected unanimously its Board of Directors to a second two-year term. Dr. François Bassil, Chairman & General Manager of the Byblos Bank Group was re-elected as ABL chairman and Saad Azhari, Chairman of BLOM Bank, as Vice Chairman. Also, Bank Audi's chairman Raymond Audi was re-elected as the Board's Secretary and Tanal Sabbah from the Lebanese-Swiss Bank as its Treasurer. The other board members are Nadim Kassar (Fransabank), Farid Raphael (Banque Libano-Française), Joseph Torbey (Crédit Libanais), Mohammad Hariri (BankMed), Antoine Sehnaoui (SGBL), Marwan Kheireddine (Al-Mawarid), Abdel-Razzak Achour (Bank of Kuwait & the Arab Countries) and Selim Sfeir (Bank of Beirut).

Corporate Highlights

RYMCO posts \$3m profits in first nine months of 2007

Rasamny Younis Motor Co. (RYMCO) announced that its net income reached \$3.1m in the first nine months of 2007, up 250% from the same period last year. Total sales (net of discounts) reached \$82m, up 81% year-on-year. RYMCO's total assets and total equity amounted to \$79m and \$41.2m as at end-September 2007 respectively, compared to \$80m and \$38.3m as at end-September 2006. RYMCO increased its capital this year from LP25bn (\$16.6m) to LP26bn (\$17.2m) through transferring LP1bn (\$0.7m) from reserves to current capital and issuing new shares at a nominal value of LP1,000 (\$0.66) each. RYMCO had a 21% market share in new cars registered in the first 8 months of 2007, the highest among car dealerships in the country.



Ratio Highlights

	2005	2006	Change*	H1-2007 ⁽¹⁾
Nominal GDP ⁽²⁾ (\$bn)	21.5	22.7		24.0
External Debt / GDP	89.3	89.9	60	85.0
Local Debt / GDP	89.8	88.1	(170)	81.7
Total Debt / GDP	179.1	178.4	(70)	165.8
Trade Balance / GDP	(34.9)	(31.3)	360	(17.5)
Exports / Imports	20.1	24.3	420	24.0
Revenues / GDP	22.8	19.4	(340)	12.5
Expenditures / GDP	31.6	30.8	(80)	17.5
Budget Balance / GDP	(8.8)	(11.5)	(270)	(5.0)
Primary Balance / GDP	2.3	0.4	(190)	1.7
BdL FX Reserves / M2	60.7	65.6	490	60.8
M3 / GDP	229.8	234.4	460	233.3
Bank Assets / GDP	327.0	335.7	870	329.2
Bank Deposits / GDP	265.1	267.4	230	267.5
Private Sector Loans / GDP	75.3	75.8	50	77.9
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 2% 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	Sept.2006	Aug.2007	Sept.2007	Change*	Risk Level
Political Risk Rating	56.5	56.0	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	56.8	58.2	58.2	▲	High

Regional Average	Sept.2006	Aug.2007	Sept.2007	Change*	Risk Level
Political Risk Rating	66.3	67.6	67.6	▲	Moderate
Financial Risk Rating	41.4	42.0	41.9	▲	Very Low
Economic Risk Rating	41.1	40.2	40.3	▼	Very Low
Composite Risk Rating	74.4	74.9	74.9	▲	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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