



LEBANON THIS WEEK

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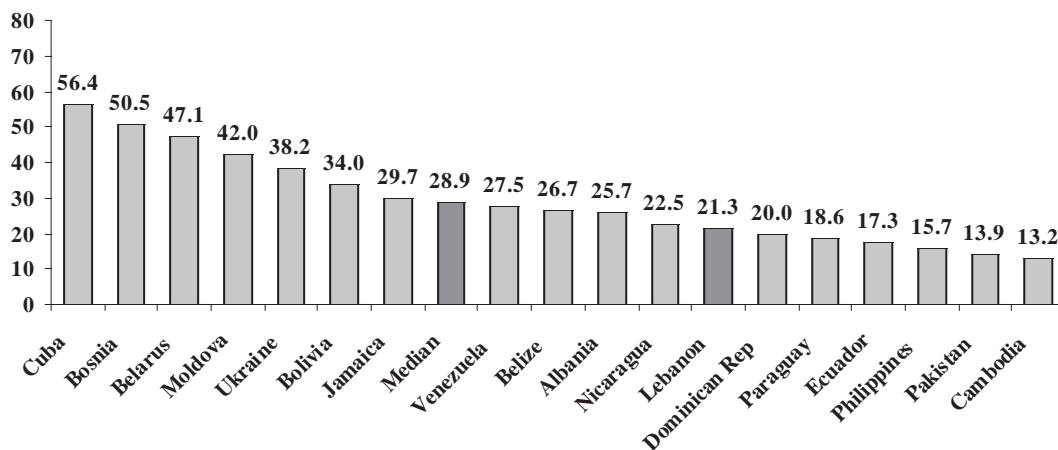
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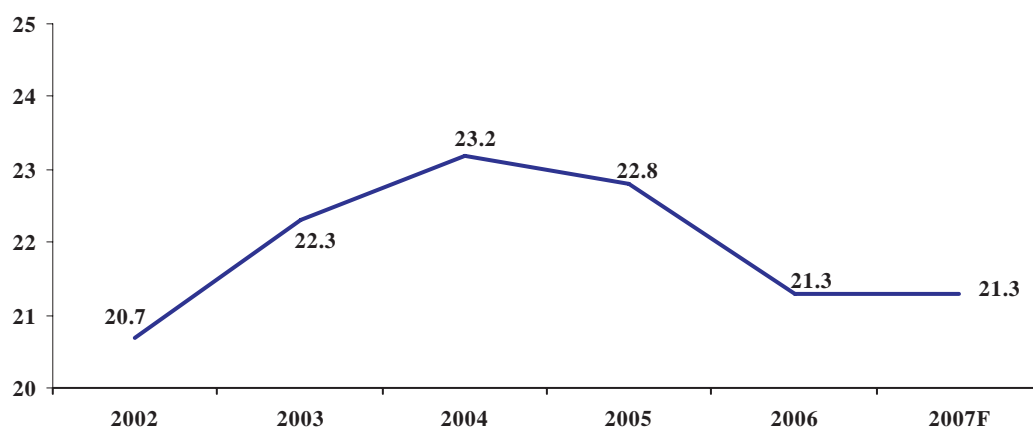
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Charts of the Week

Government Revenue/GDP in Similarly Rated Countries for 2007 (%)



Government Revenue/GDP in Lebanon (%)



Source: Moody's Investors Service, 2007

Quote to Note

“Some international banks financed themselves through Lebanese banks.”

Central Bank Governor Riad Salameh, noting that the Lebanese banking system was not affected by the global subprime mortgage crisis and that the strength of the sector provided support to some foreign banks.

Number of the Week

77%: Current dollarization rate of the Lebanese economy, according to the Central Bank of Lebanon.

Economic Indicators

\$m (unless otherwise mentioned)	Nov.2006	Jan-Nov.06	2006	Oct.2007	Nov.2007	Jan-Nov.07	% Change*
Exports	221	2,076	2,282	258	-	-	-
Imports	984	8,459	9,399	1,193	-	-	-
Trade Balance	(763)	(6,420)	(7,118)	(935)	-	-	-
Balance of Payments	19	2,963	2,795	45	547	1,172	(60.44%)
Checks Cleared in LBP	695	6,549	7,219	775	778	7,727	17.99%
Checks Cleared in FC	1,991	23,162	25,268	2,879	2,902	27,124	17.23%
Total Checks Cleared	2,686	29,711	32,487	3,654	3,680	34,851	17.30%
Budget Deficit	260	2,570	3,039	263	314	2,391	(6.96%)
Primary Balance	33	135	(17)	96	(30)	639	373.33%
Airport Passengers	216,226	2,559,102	2,825,138	275,716	225,571	3,074,348	20.13%

\$bn (unless otherwise mentioned)	Dec.2005	Nov.2006	Dec.2006	Sep.2007	Oct.2007	Nov.2007	% Change*
BdL FX Reserves	9.85	10.94	10.21	10.27	9.58	9.75	(10.88%)
<i>In months of Imports</i>	<i>11.3</i>	<i>11.12</i>	<i>11.30</i>	<i>10.90</i>	<i>8.03</i>	-	-
Public Debt	38.50	40.43	40.39	40.57	41.16	41.61	2.92%
Net Public Debt	34.79	36.96	37.44	38.28	38.68	38.71	4.73%
Bank Assets	68.54	73.05	74.27	81.62	80.72	80.11	9.66%
Bank Deposits	56.99	60.15	60.69	65.68	66.28	65.93	9.61%
Bank Loans to Private Sector	14.46	15.24	15.31	17.23	17.32	17.65	15.81%
Money Supply M2	16.23	16.04	15.57	16.60	16.53	16.27	1.43%
Money Supply M3	49.38	52.76	53.23	58.27	58.88	58.75	11.35%
LBP Lending Rate (%)	10.12	10.29	10.37	10.25	10.28	10.24	(5b.p.)
LBP Deposit Rate (%)	7.70	7.47	7.49	7.47	7.46	7.42	(5b.p.)
USD Lending Rate (%)	8.38	8.52	8.55	8.25	8.21	8.22	(30b.p.)
USD Deposit Rate (%)	4.09	4.66	4.76	4.91	4.87	4.84	18b.p.
%* Change in CPI**	(2.23)	5.09	7.04	3.05	3.55	5.07	(2b.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"	21.58	0.56%	166,501	20.17%
Solidere "B"	21.48	0.66%	45,751	13.05%
Byblos Common	2.25	2.74%	40,602	4.31%
Byblos Priority	2.29	0.00%	0	4.41%
BLOM GDR	88.05	(1.45%)	6,500	6.08%
BLOM Listed	81.50	0.00%	0	5.46%
Audi GDR	73.50	(0.68%)	567	6.75%
Audi Listed	70.00	0.00%	0	21.53%
HOLCIM	19.36	(1.48%)	6,086	3.58%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	102.88	8.31
Dec.2009	7.000	99.00	7.59
Mar.2010	7.125	98.00	8.21
May 2011	7.875	98.00	8.59
Sep.2012	7.750	97.00	8.55
June 2013	8.625	99.50	8.74
Apr.2015	10.000	105.75	8.90
Jan.2016	8.500	97.25	8.99
May 2016	11.625	114.50	9.08
Apr.2021	8.250	94.25	9.00

Source: Byblos Capital Markets

	This Week	Last Week	% Change	January 2008	January 2007	% Change
Total Shares Traded	462,151	543,876	(15.03%)	4,272,183	3,352,646	27.43%
Total Value Traded	\$8,179,380	\$11,483,569	(28.77%)	\$77,621,174	\$43,564,786	78.17%
Market Capitalization	\$10.70bn	\$10.68bn	0.14%	\$10.70bn	\$8.40bn	27.30%

Source: Beirut Stock Exchange (BSE)



Lebanese economy growing below full potential

Central Bank Governor Riad Salameh declared that the Lebanese economy is growing below its full potential because of the political situation and is not taking advantage of the high liquidity and opportunities existing in the region. Governor Salameh considers that Lebanon's GDP could have reached \$31bn if the political climate was better whereas the country's GDP stands now at about \$24bn. He said that Lebanon is suffering from an important brain drain which will impact the economy in the future. He added that the purchasing power of the population has declined by 10% to 15% due to the appreciation of the Euro currency, the increase in the prices of oil and raw materials, and the low level of revenues in the country.

In parallel, Governor Salameh revealed that the financial and monetary situations have improved despite the instability in the country, adding that the funds accumulating in the financial system could have been used to finance the domestic economy if the situation was stable. He added that the Central Bank has approved commercial banks' request to exceed their limit to invest 25% of their capital abroad and that such authorization will be studied on a case by case basis.

Central Bank asks subscribing banks to renew maturing Eurobond

The Central Bank of Lebanon asked commercial banks to renew a Eurobond worth \$869m that is due to mature in March 2008 and that carries a coupon rate of 6.375%. Within this context, the Finance Ministry addressed a letter to the main banks that have subscribed to the maturing bond to renew their subscription in the new issue that is expected to have an amount of \$700m and that will have a maturity of 3 to 5 years. Lebanon faces \$4.1bn in overall foreign currency debt amortization this year that includes both principal and coupon maturities. A total of \$2.43bn in Eurobonds are due to mature this year that include \$2.1bn in regular Eurobonds, in addition to the start of payment of a \$2.66bn Eurobond issued in the context of the Paris II conference that is redeemable in 20 semi-annual payments starting in 2008 and that matures in 2017. The balance of the \$4.1bn consists of principal and interest on bilateral and multilateral loans.

MP Hariri grants \$52m for development projects in Northern Lebanon, Iran grants \$1m for Nabatieh

Member of Parliament Saad Hariri announced grants of \$52m for projects in Tripoli, Akkar and the North of Lebanon to fuel economic growth and expansion in these regions. The grants are part of a total of about \$100m he plans to donate to develop various regions in Lebanon. In parallel, Iran granted \$1m for projects in the Nabatieh region of Southern Lebanon in order to rebuild and revive this area that has been affected during the summer war of 2006.

Most tourist spending in Lebanon originates from Saudi Arabia

According to Global Refund, the cash refund operator for international shoppers, tourists from Saudi Arabia spent the most in Lebanon over the year-to-January 2008, equivalent to 16% of total tourist spending, followed by tourists from UAE (15%), Kuwait (9%), France (6%) and Jordan (5%). Beirut attracted 79% of total spending over the period January 2007-January 2008, followed by the Metn-Mount Lebanon with 15% and the Keserwan-Mount Lebanon with 4%. Fashion and clothing accounted for 66% of total spending in the year-to-January 2008, followed by watches with 13%, home and garden with 4%, perfumes and cosmetics with 4%, and department stores with 4%.

Beirut has 37th highest office occupancy cost in the world

The 2008 survey of the world's most expensive office locations in 58 cities around the world by property consultants Cushman & Wakefield ranked Beirut as the 37th most expensive city worldwide and the third most expensive among 4 cities in the Middle East and Africa region included in the rankings. Beirut was the 35th most expensive city globally and the second most expensive in the region in the 2007 survey. The study evaluates 203 key office locations in 58 countries. It then includes in its annual rankings the location with the most expensive occupancy cost in each country.

On a global basis, Beirut ranked immediately behind Budapest, Bucharest, Istanbul and Lisbon and was considered more expensive than Prague, Bratislava in Slovakia and Calgary in Canada. The cost of office space in Beirut was €342 per square meter in 2007, close to the global average of €345 but significantly higher than the regional average of €245 per sqm. According to Cushman & Wakefield, the rates reflect rent in addition to municipal tax, service charges and value-added tax. It attributed Beirut's drop in the rankings to a lack of growth in the office sector. It said there was little change in the market during 2007 and a certain amount of stagnation due to the ongoing political problems. It added, however, that there is a shortage of good quality office accommodation within the Beirut Central District, which has led to rental values in the capital growing by 17% over the year. The increase in office space rent in the BCD came slightly below the region's rental growth of 19% and above the global increase of 14% worldwide in 2007.

Most Expensive Office Occupancy Cost in the Middle East and Africa in 2007

City	Cost per sqm in Euro	ME & A Rank	World Rank	Rental Growth
Dubai	921	1	8	68%
Tel Aviv	367	2	32	35%
Beirut	342	3	37	17%
Sandton	207	4	54	15%

Source: Cushman & Wakefield

The Beirut Central District also ranked 4th among the top 10 most expensive locations in the Middle East & Africa region in 2007. Dubai had the most expensive office occupancy cost at €921, followed by Abu Dhabi at €80 and Tel Aviv at €367. The other five most expensive locations in the region were in Israel and South Africa. In parallel, the Beirut Central District ranked among the top 10 best performing locations in the region with an annual rental growth of 17% last year, behind Dubai with 68%, Tel Aviv with 35%, Johannesburg with 25% and Ramat Hahayal at 20%.

London, Hong Kong and Tokyo retained their positions as the world's three most expensive cities for office space, with London's West End district maintaining its rank as the world's most expensive location with €2,277 a year. Oslo posted the biggest rise in the rankings, jumping 14 positions to 11th place.

Bank of Beirut distributes profits for preferred shares

The Ordinary General Assembly of Bank of Beirut approved the distribution of \$6.36m of its profits to the bearers of Preferred Shares 'A' and 'B'. The bearers of Preferred Shares 'A' will receive a total of \$3.95m, equivalent to \$0.79 per share and bearers of Preferred Shares 'B' will get \$2.41m, equivalent to \$0.80 per share before taxes. The aggregate amount accounts for 14.4% of the bank's overall profits that reached \$44.1m in 2007. Bank of Beirut had assets of \$5.3bn and deposits of \$3.63bn at year-end 2007.

Solidere considering projects in Turkey, Oman, Egypt and North Africa

Solidere International Ltd. (SI) announced it is considering new projects in Turkey, Oman, Egypt and North Africa. Solidere, the Lebanese Company for the Development of the Beirut Central District, established SI in July 2007 to undertake real estate projects outside Lebanon. Solidere has a 37.2% stake in SI, which raised successfully \$700m in a private placement and is based in Dubai. Currently, SI is developing a large project in the capital of Saudi Arabia. Earlier this year, SI and Egypt's Sixth of October for Development an Investment Company (SODIC), signed a deal to develop two real estate joint projects in Egypt with an expected investment cost of \$4.7bn. SI is also co-investing with the government of the UAE's Ajman emirate in a 12 million sqm development project.

Ratio Highlights

	2005	2006	Change*	Q3-2007 ⁽¹⁾
Nominal GDP ⁽²⁾ (\$bn)	21.5	22.7		24.0
External Debt / GDP	89.3	89.9	60	85.4
Local Debt / GDP	89.8	88.1	(170)	83.7
Total Debt / GDP	179.1	178.4	(70)	169.0
Trade Balance / GDP	(34.9)	(31.3)	360	-
Exports / Imports	20.1	24.3	420	-
Revenues / GDP	22.8	19.4	(340)	18.1
Expenditures / GDP	31.6	30.8	(80)	25.7
Budget Balance / GDP	(8.8)	(11.5)	(270)	(7.6)
Primary Balance / GDP	2.3	0.4	(190)	2.4
BdL FX Reserves / M2	60.7	65.6	490	42.8
M3 / GDP	229.8	234.4	460	242.8
Bank Assets / GDP	318.8	327.2	840	340.1
Bank Deposits / GDP	265.1	267.4	230	273.7
Private Sector Loans / GDP	67.3	67.4	10	71.8
Dollarization of Deposits	73.1	76.2	310	76.5
Dollarization of Loans	84.5	84.0	(50)	84.4

* Change in basis points

(1) Up to September 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	Dec.2006	Nov.2007	Dec.2007	Change*	Risk Level
Political Risk Rating	66.3	57.0	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	56.0	58.7	58.5	▲	High

Regional Average	Dec.2006	Nov.2007	Dec.2007	Change*	Risk Level
Political Risk Rating	66.3	67.3	65.6	▼	Moderate
Financial Risk Rating	41.5	41.8	41.3	▼	Very Low
Economic Risk Rating	41.3	40.4	40.0	▼	Very Low
Composite Risk Rating	74.6	74.8	73.5	▼	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	CCC+	C	Stable	CCC+	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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