



BankMed Economic and
Market Analysis

LEBANON IN 2008

A Whole Range of Possibilities



LEBANON IN 2008

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A whole Range of possibilities

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A WHOLE RANGE OF POSSIBILITIES

The beginning of a new year gives us, at BankMed, an opportunity to lay down for you the economic and financial picture as we see it from our end at the Research division. We base our careful analysis on the latest available data from a variety of sources, to which we add our own reading and judgment. We have always tried to paint as accurate an image as possible, since we believe that a precise understanding of the macro economic situation is an essential pre-requisite for any successful micro decision on the business level.



But economic analysis in a country like Lebanon is never an easy task. The volatility of the political and security situation and its effect on economic activity, be it consumption or investment, is probably among the highest in the world. Our first two reports, "At a Crossroad", and "Into the Crossroad" argued that Lebanon was going through a crucial political transition that was initiated by the assassination of late Prime Minister Hariri, and that the economic course it was going to take at the end of this transition depended greatly on the political realities emerging then. The economic figures materializing over the last couple of years, showing sub-optimal growth, were exactly a reflection of the effect of this transition, with all its uncertainties, on the economy.

At the time of writing this report, it was still uncertain how the endgame political situation was unfolding, though it was looking highly likely that the head of the army, General Michel Sleiman, would be the next President of the Republic. Disagreements over power sharing arrangements between the March 14 coalition (parliamentary majority) and the March 8 coalition (parliamentary minority) in terms of number of seats and specific portfolios in the new government as well as disagreement over its overall political identity and its economic policy still constituted an obstacle to the election of General Sleiman by early January 2008.

Would the election of General Sleiman mark the end of the transition and the start of a new era that would finally set the economy free to realize its high growth potential? Or would that wait for the 2009 parliamentary election? And what if for any reason the election of a new President is derailed?

We do not have definite answers to these questions. It is exactly for this reason that 2008, to us, is the year of a whole range of possibilities.

Mazen M. Soueid

Chief Economist
Head of Research

LEBANON FACTS AND FIGURES- GENERAL

Geography

Location: Middle East, bordering the Mediterranean Sea, adjacent to Syria

Area: total 10,452 sq km, **land** 10,282 sq km, **water** 170 sq km

Land boundaries: total: 454 km, of which 375 Km with Syria

Coastline: 225 km

Climate: Mediterranean; mild to cool, wet winters with hot, dry summers; Lebanon mountains experience heavy winter snows

Elevation extremes: lowest point: Mediterranean Sea 0 m, **highest point:** Qurnat as Sawda' 3,088 m

People

Population: 3,925,502 (2007)

Age structure:

0-14 years: 26.2% (male 525,199/ female 504,240)

15-64 years: 66.7% (male 1,255,624/ female 1,361,265)

65 years and over: 7.1% (male 125,904/ female 153,270)

Median age: total: 28.3 years (male: 27.2 years, female: 29.5 years)

Population growth rate: 1.198%

Life expectancy at birth: 73.15 years (male: 70.67, female: 75.77)

Language: Arabic (official), French, English, Armenian

Literacy rate (age 15 and over can read and write): 87.4% (male: 93.1% female: 82.2%)

Political System

Government type: Republic

Capital: Beirut

Administrative divisions: 8 governorates: Aakkar, Baalbek-Hermel, Beirut, Beqaa, North Lebanon, South Lebanon, Mount Lebanon, Nabatiye

Independence: 22 November 1943 (from French administrative mandate)

Legal system: mixture of civil law (inspired by Napoleonic code), Ottoman law, and in some instances canon law

Executive branch: President elected by the Parliament for a six-year term (may not serve consecutive terms), the prime minister appointed by the president in consultation with the Parliament, cabinet chosen by the prime minister in consultation with the members of the Parliament

Legislative branch: Parliament of 128 seats; members elected by popular vote to serve four-years terms; Speaker of the House elected by members to serve four-year term

Judicial branch: Four Courts of Cassation (three courts for civil and commercial cases and one court for criminal cases); Constitutional Council (called for in Ta'if Accord - rules on constitutionality of laws); Supreme Council (hears charges against the president and prime minister as needed)

LEBANON FACTS AND FIGURES- ECONOMY AND BUSINESS

Economy

GDP: \$22.7 billion at official exchange rate (2006)

GDP per capita: \$5860 (2006)

GDP composition: agriculture 5.1%, industry 18.4%, services 76.5% (2005)

GDP growth rate (real): 0% (2006)

Inflation rate (end of period): 6.8% (2006)

Exchange rate: 1507.5 LBP per \$

Labor force: 1.5 million (in addition, there are as many as 1 million foreign workers) (2005)

Unemployment rate: 20% (2006)

Population below poverty line: 24.6% (2005)

Agriculture products: citrus, grapes, tomatoes, apples, vegetables, potatoes, olives, tobacco

Industries: banking, tourism, food processing, jewelry, cement, textiles, mineral and chemical products, wood and furniture products, metal fabricating

Exports: \$2.3 billion f.o.b. (2006)

Export partners: Switzerland 19.8%, Syria 7.7%, UAE 7.7%, Saudi Arabia 6.4% (2006)

Imports: \$9.4 billion c.i.f. (2006)

Import partners: USA 10.8%, France 8.1%, China 8.0%, Italy 7.6% (2006)

Business

Sovereign Credit Rating: B- (S&P)

Electricity production: 10.58 billion kWh (2005)

Electricity imports: 750 million kWh (2005)

Oil production: 0 bbl/day (2005)

Oil consumption: 107,000 bbl/day (2006)

Telephones landlines in use: 681,400 (2006)

Telephones mobile cellular: 1.103 million (2006)

International country code: 961

Internet users: 950,000 (2006)

Internet country code: .lb

Pipelines: gas 43 km (2006)

Roadways: 7,300 km (paved: 6,198 km, unpaved: 1,102 km) (1999)

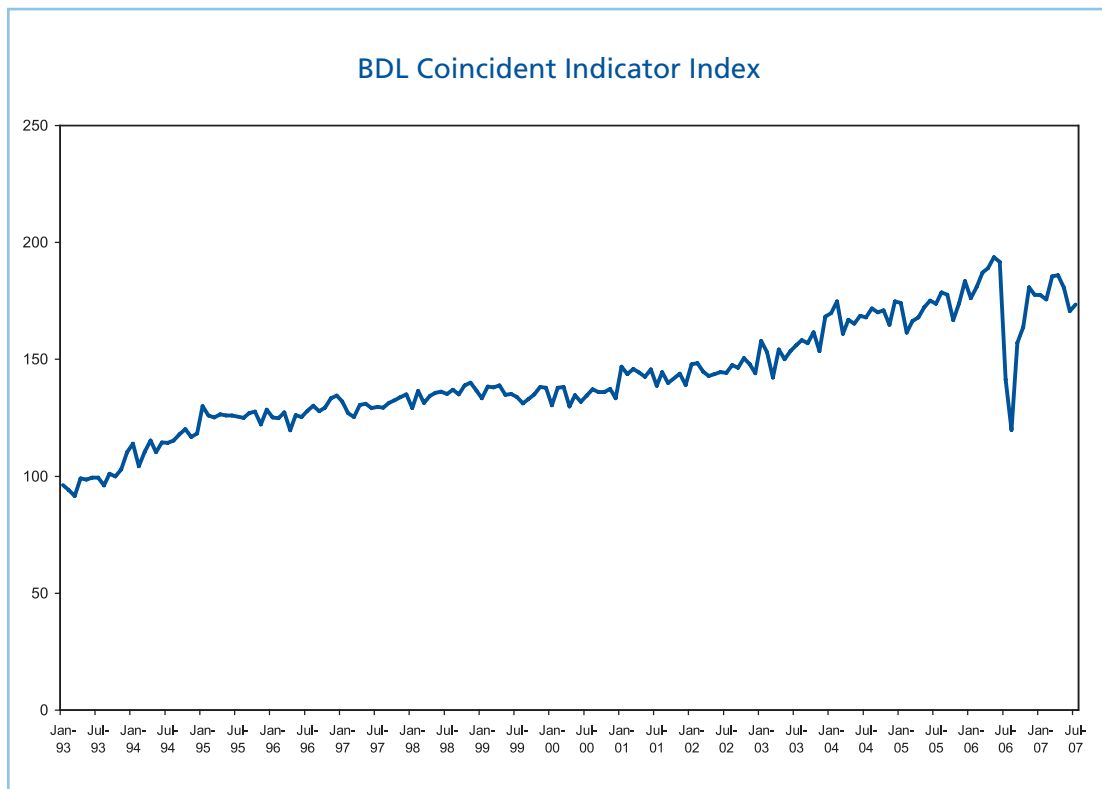
Ports and terminals: Beirut, Chekka, Jbeil, Jounie, Saida, Tripoli, Tyr

Merchant marine: 39 ships (bulk carrier 4, cargo 18, livestock carrier 10, and refrigerated cargo 1, roll on/roll off 3, vehicle carrier 3)

THE LONG TRANSITION

Three long years have passed since the decision to extend the term of Lebanese President Emile Lahoud in November 2004 threw the country into one of the most unstable periods in its history on the political, security, and economic levels. A series of assassinations, bombings, wars, conflicts, and street sit-downs have all made the last three years feel like a long dark tunnel. Only the banking sector, and a few other minor bright spots such as exports, carried the Lebanese economy and helped support growth.

Economic activity has suffered the most. The central bank (BDL) coincident indicator, a gauge of economic activity compiled and updated periodically by the central bank, reflects the long transition. After climbing smoothly over most of the last decades, the index has shown, since February 2005, increased volatility and stronger shifts.

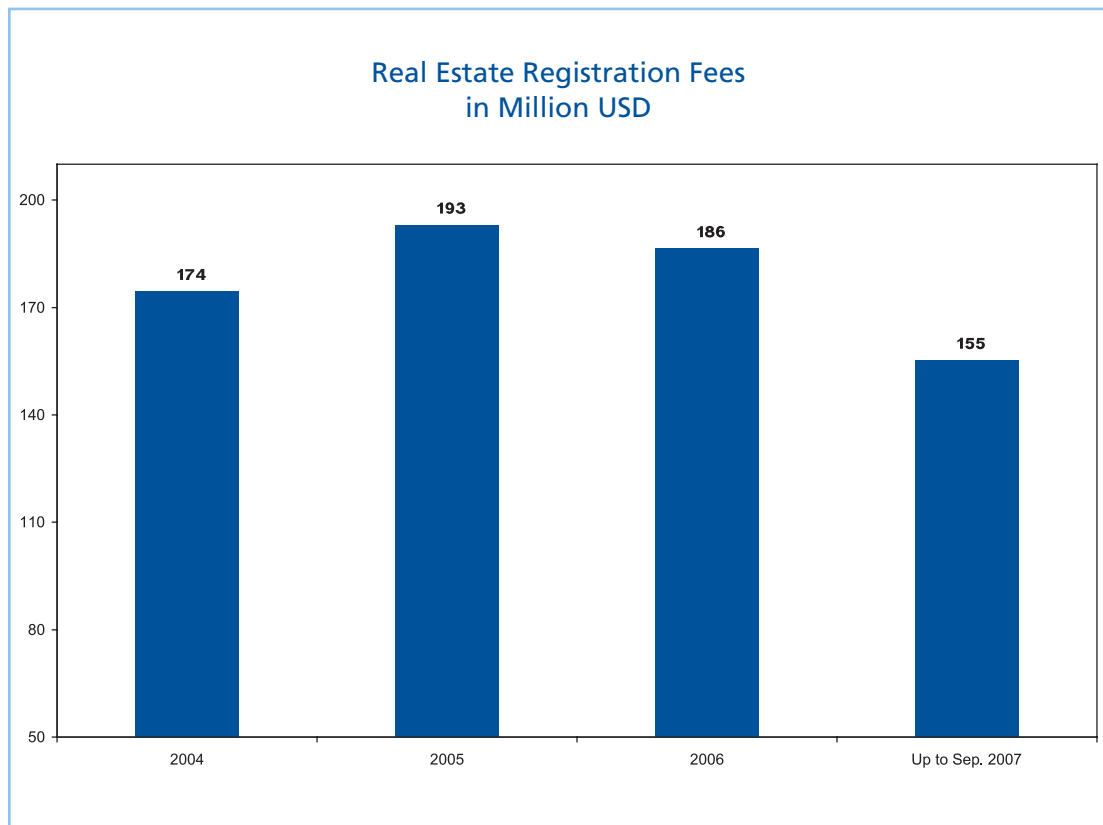


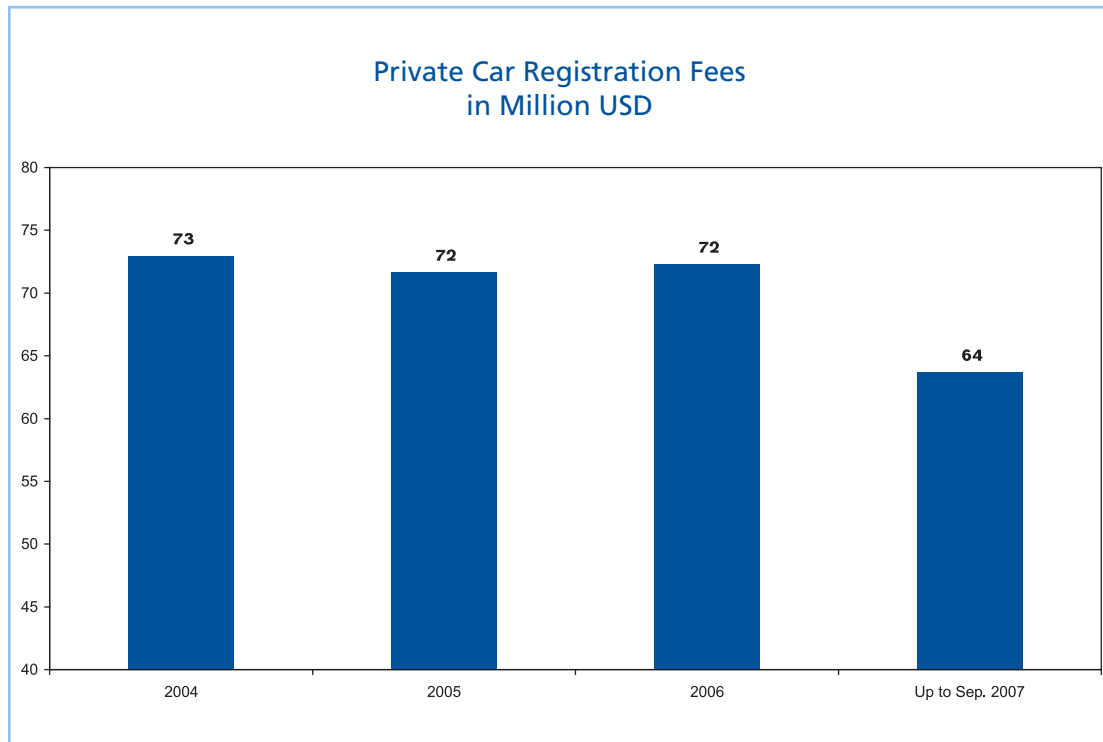
Low economic and business activity stems from the fact that investment and consumer confidence have both taken a nose dive. Various surveys and figures point to this. For instance, credit card giant MasterCard which conducts a biannual survey on consumer confidence in the region, showed that since the first half of 2005, Lebanon has consistently recorded the lowest readings among the 5 Middle East countries covered in the survey.

MasterCard Consumer Confidence Index

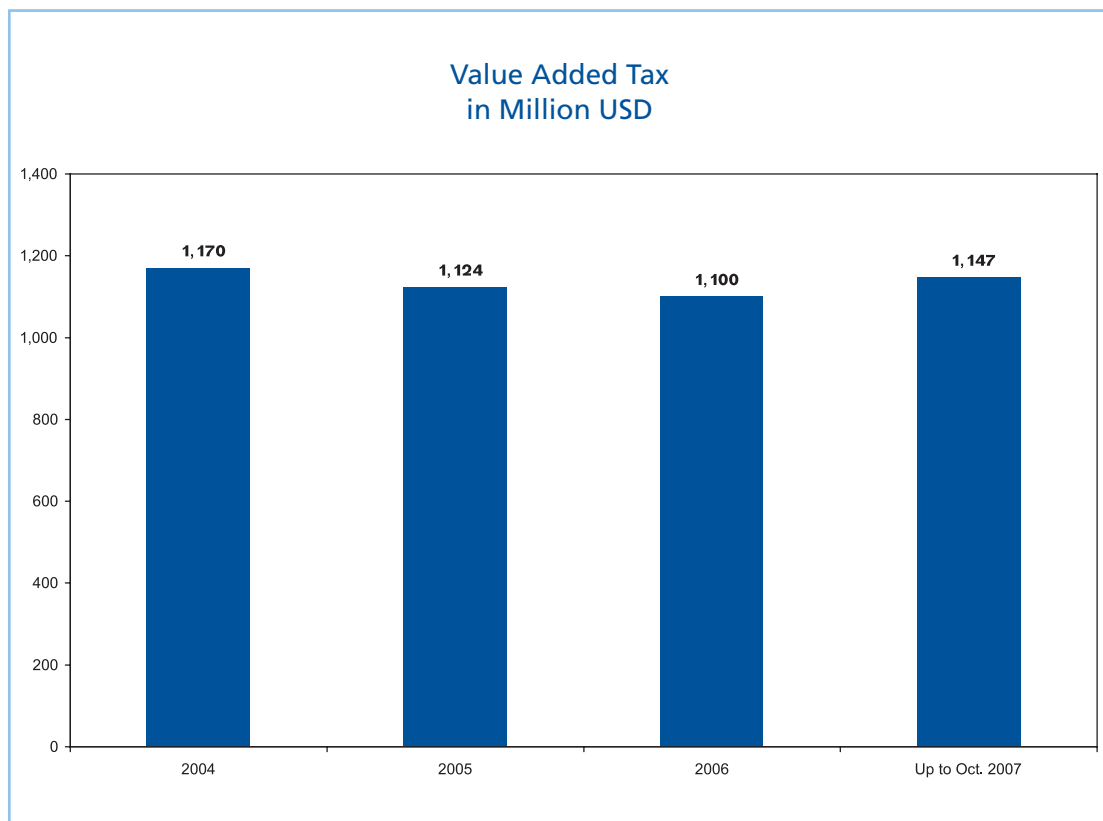
	1H 2005	2H 2005	1H 2006	2H 2006	1H 2007	Average for each country
Egypt	60.7	62.3	83	78.2	94.3	75.7
Saudi Arabia	93.2	98.5	88.5	97.3	92	93.9
Kuwait	94.6	90.7	94.5	94.5	91.6	93.2
UAE	92.9	78.1	77.5	80	88.8	83.5
Lebanon	44	59.2	51.3	67.6	38.6	52.1

The low consumer confidence has been reflected in lower transactions in the real estate and durable goods (cars) markets as evidenced by the lower registration fees collected by the government.

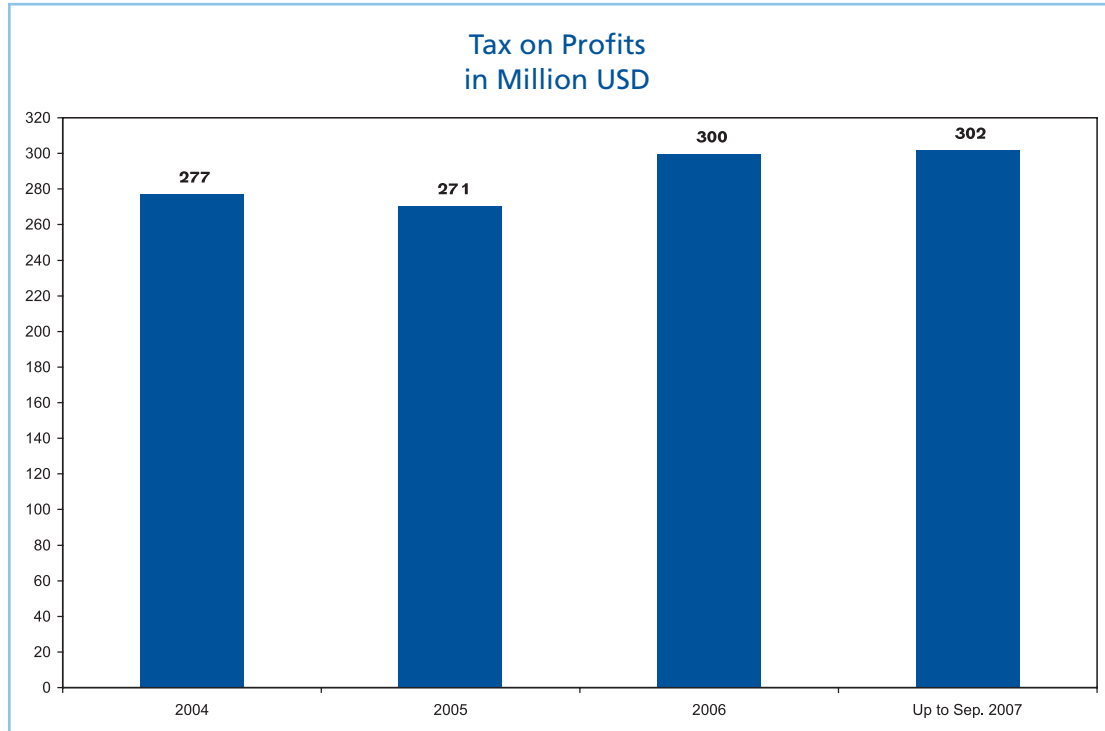




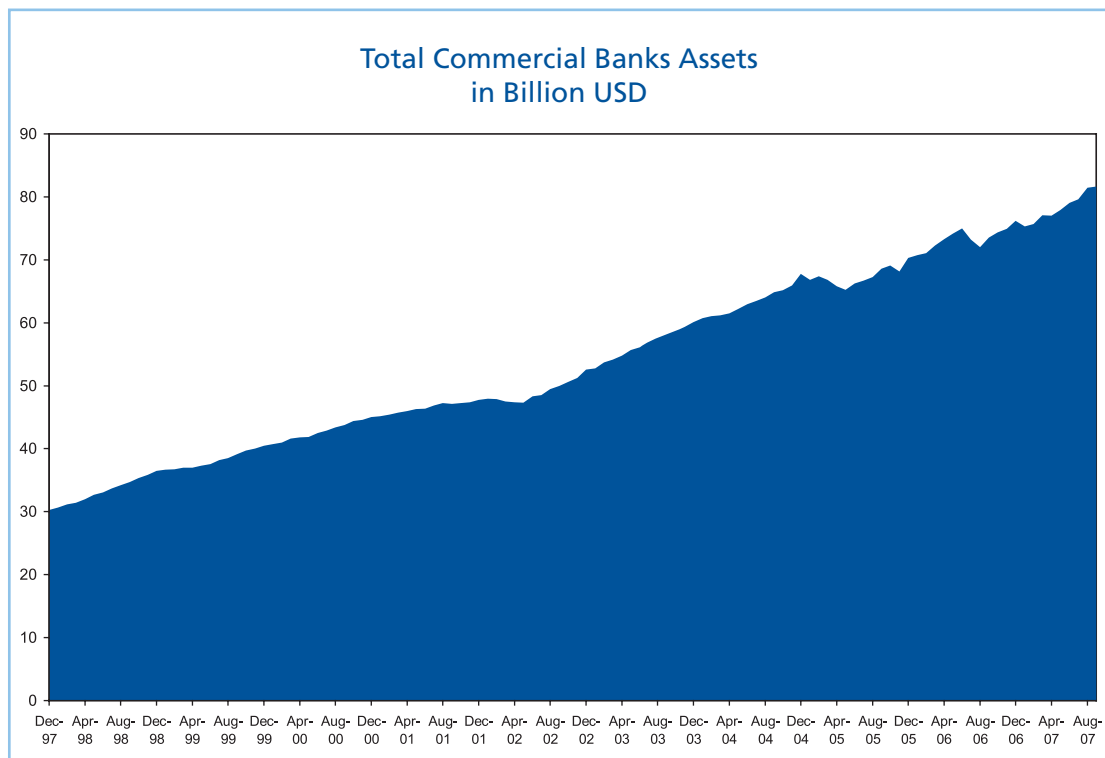
Relatively stagnant VAT tax receipts over the last three years also reflect that consumer confidence has been affected by the political events.



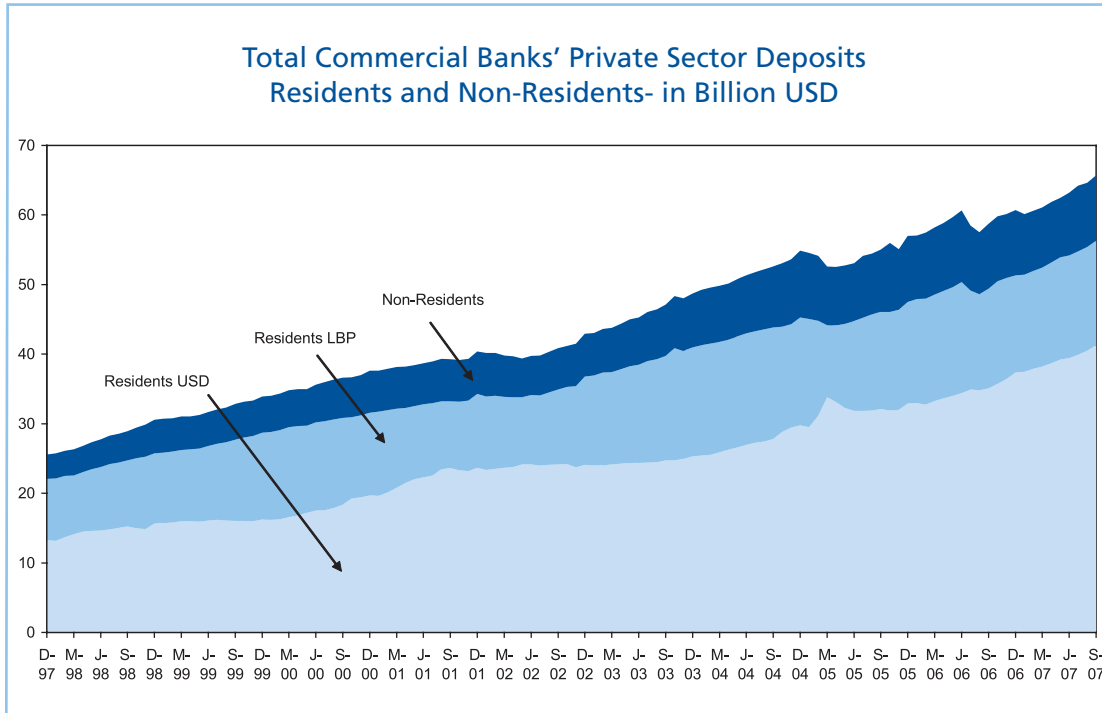
Tax receipts on profits have grown only moderately, reflecting sub-optimal economic growth.



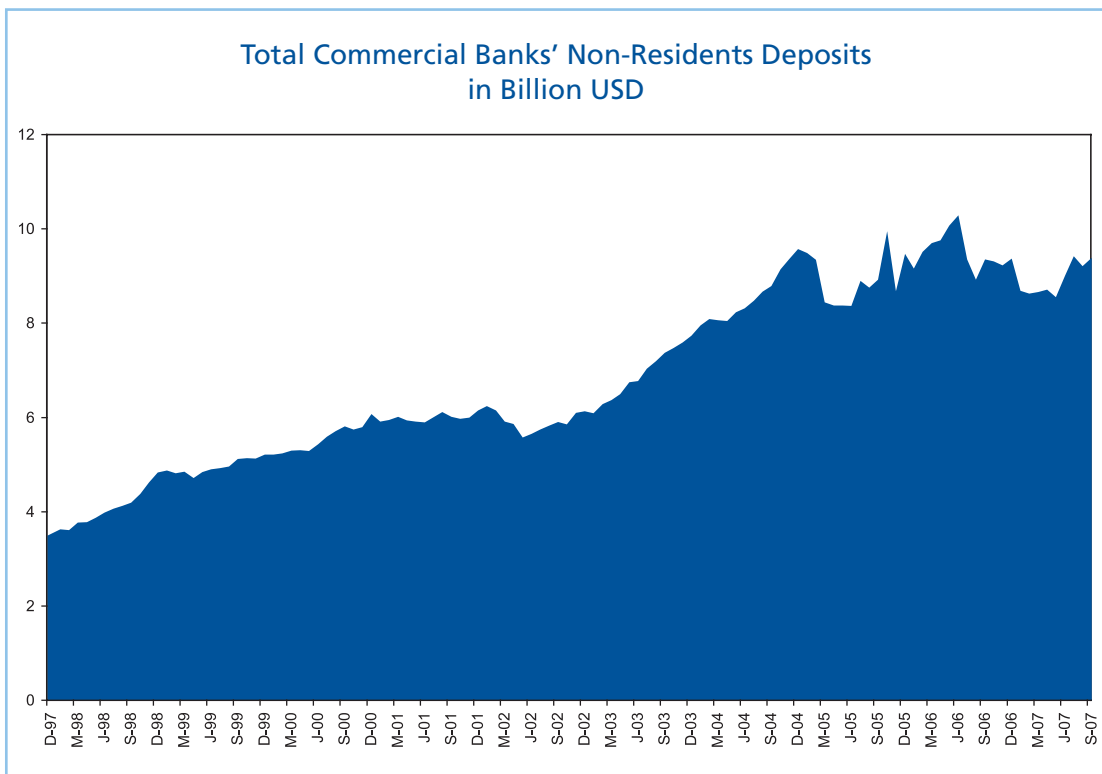
On the other hand, the banking sector, as always, continued to play its role as anchor of stability in volatile economic conditions. Its assets continued to grow despite the blips of February 05, July 06 and early 07, and are now at over \$81 billion, almost 400% of GDP, one of the highest ratios in the world.



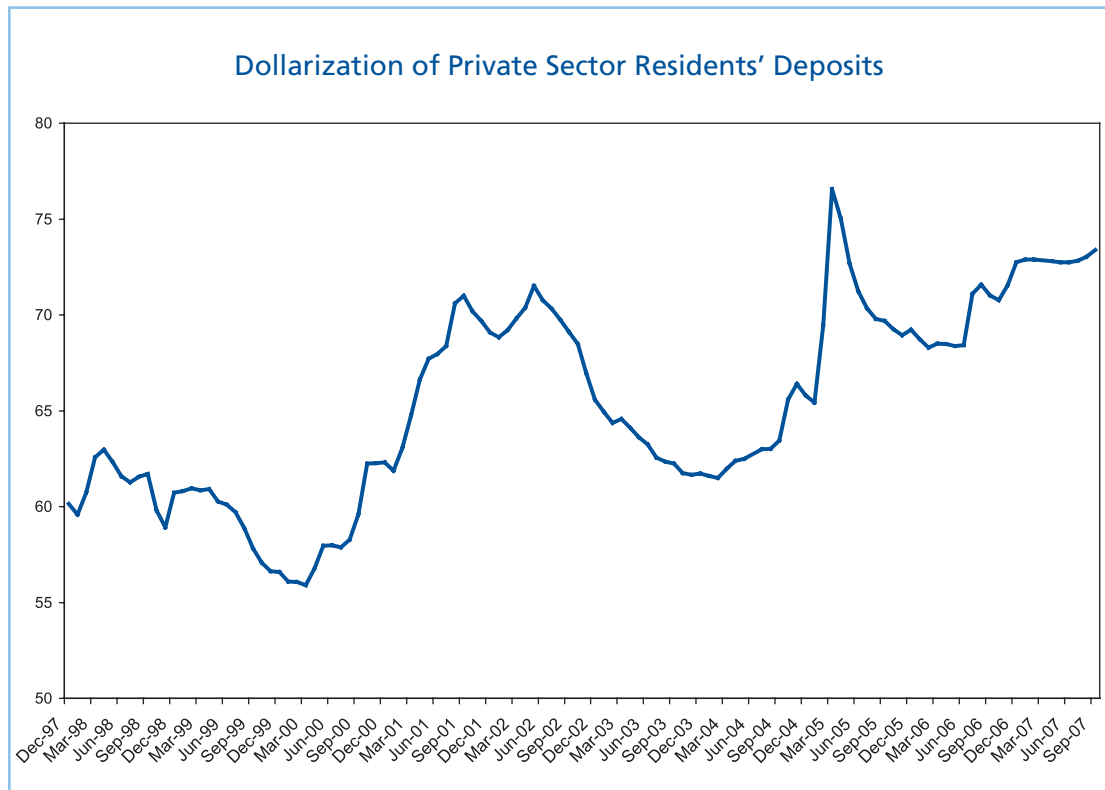
Total private sector deposits have continued to increase, reaching over \$65 billion in September 2007, and constituting almost 300% of GDP. Private sector deposits have actually increased by some \$12 billion from their levels before the assassination of PM Hariri and despite all the events that have followed.



But the political instability and reduced confidence have left their tolls on some indicators in the banking sector. For instance, non-resident deposits have shown some volatility since February 2005 and are in September 2007, at around \$9.4 billion, the same level of January 2005.



Another banking sector indicator of the lower confidence over the last period is the increase in the dollarization of residents' deposits, which has decreased to around 74% from the war peak of 76%, but remains significantly higher than the 65% pre-war level.



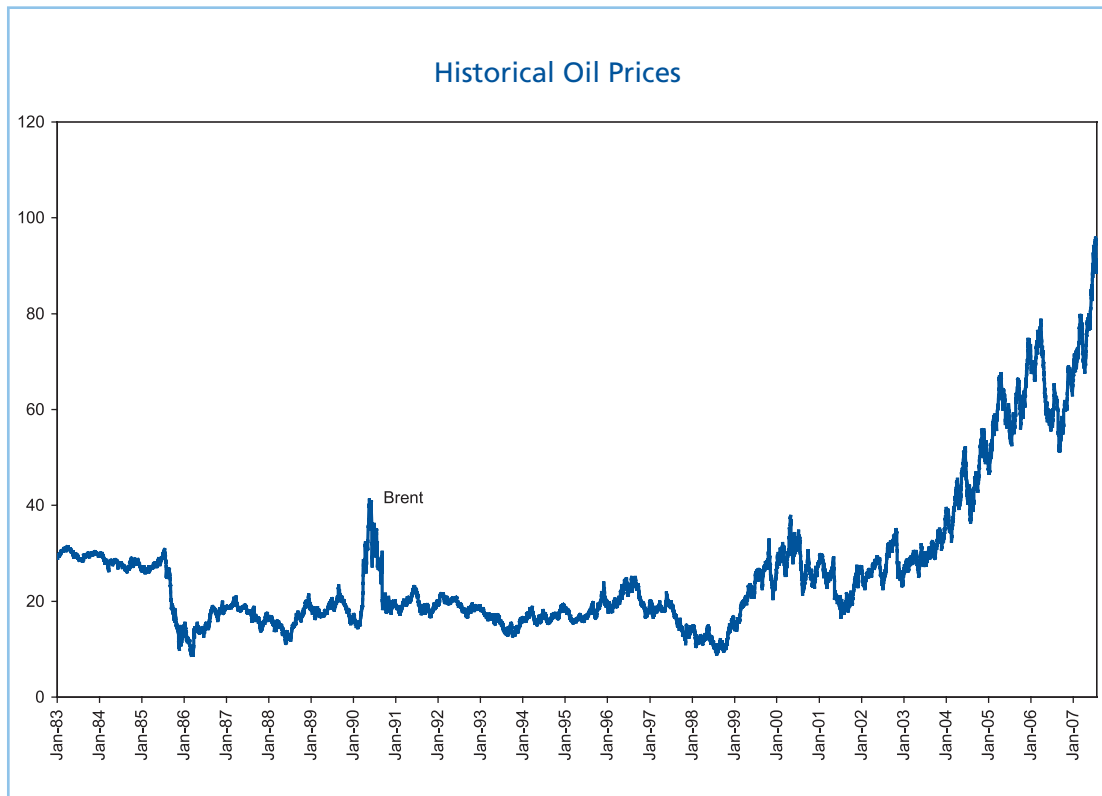
The protracted political crisis of the last three years have not just lowered confidence and affected economic activity, but also deprived Lebanon, as the next section shows, from a surge in the growth rates that the Middle East region has been witnessing.



THE LEBANESE ECONOMY IN A REGIONAL CONTEXT: ANOTHER MISSED OPPORTUNITY

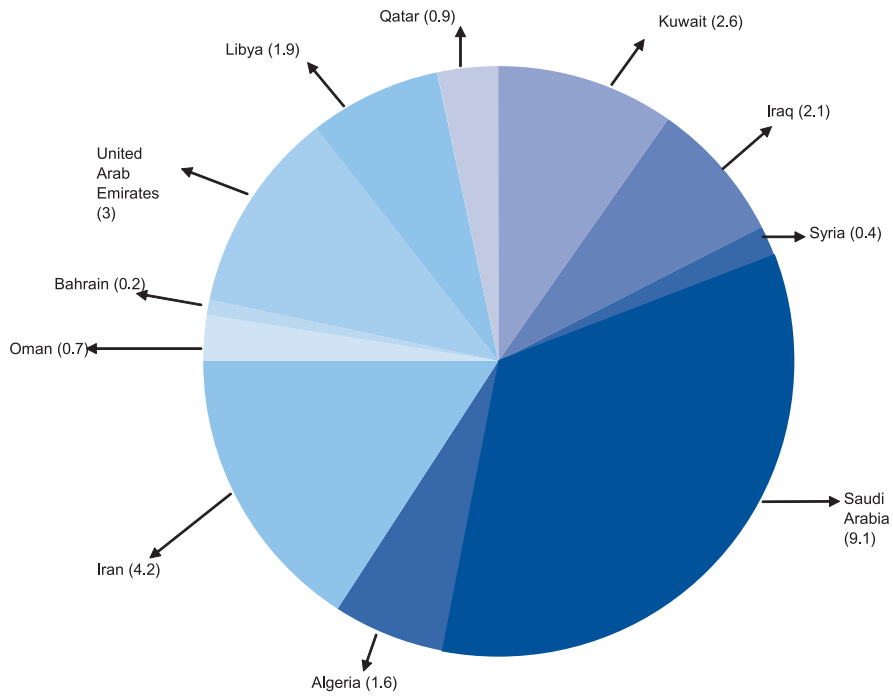
This is the second time Lebanon misses on an oil-driven economic and investment boom in the region. During the first boom of the late seventies, the country was torn by the raging civil war and hence did not benefit from abundant liquidity that was seeking regional and global investment opportunities. Lebanon, boasting one of the oldest banking and financial sectors in the Middle East with its modern banking law and regulatory bodies, as well as established institutions since the sixties of the previous century, would have been then the most eligible candidate to receive a big part of this liquidity, had the political and security situation been better.

Oil prices started to rise again in 2004 after nearly two decades of relative stagnation. Prices climbed from under \$25 a barrel in 2001-2002 to an estimated average of \$68.5 in 2007.

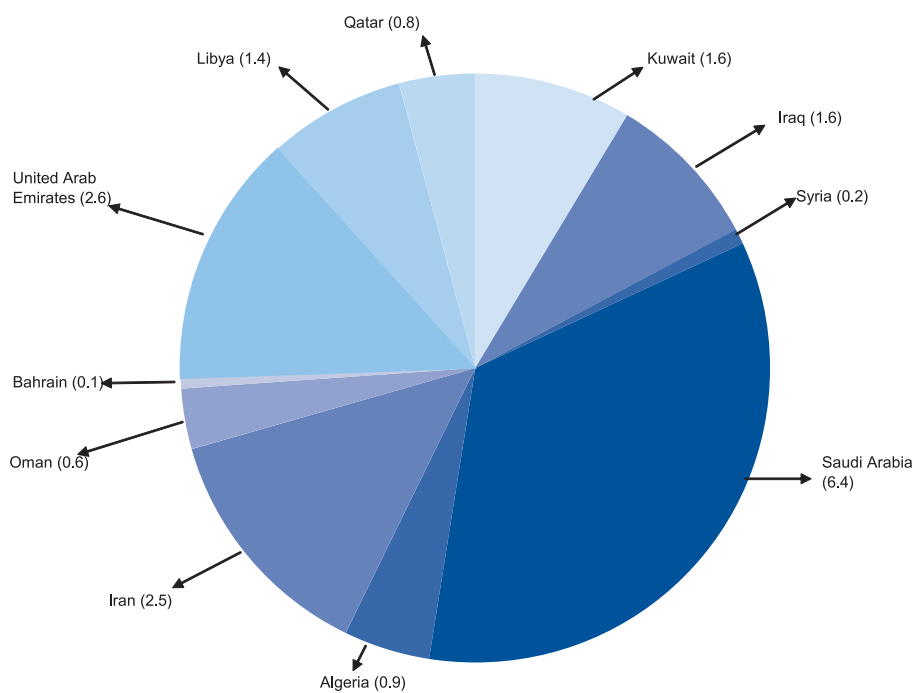


The steep increase in oil prices has generated unprecedented levels of liquidity among oil exporters in the region, with receipts topping \$650 billion in 2007, and estimated to top \$750 billion in 2008. The region's oil producers are estimated to have produced 26.7 millions of barrels a day (over one-third of global oil production) and exported around 18.7 millions of barrels a day in 2007.

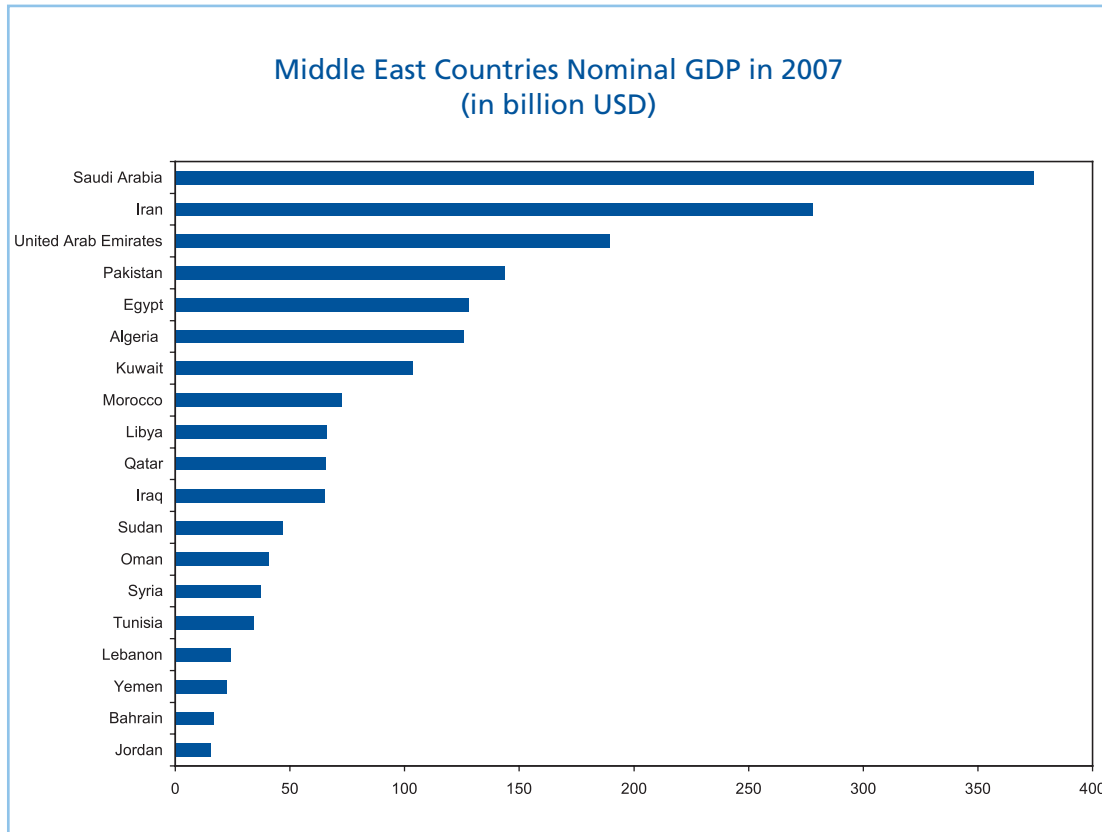
Oil Production in 2007 (Millions of barrels a day)



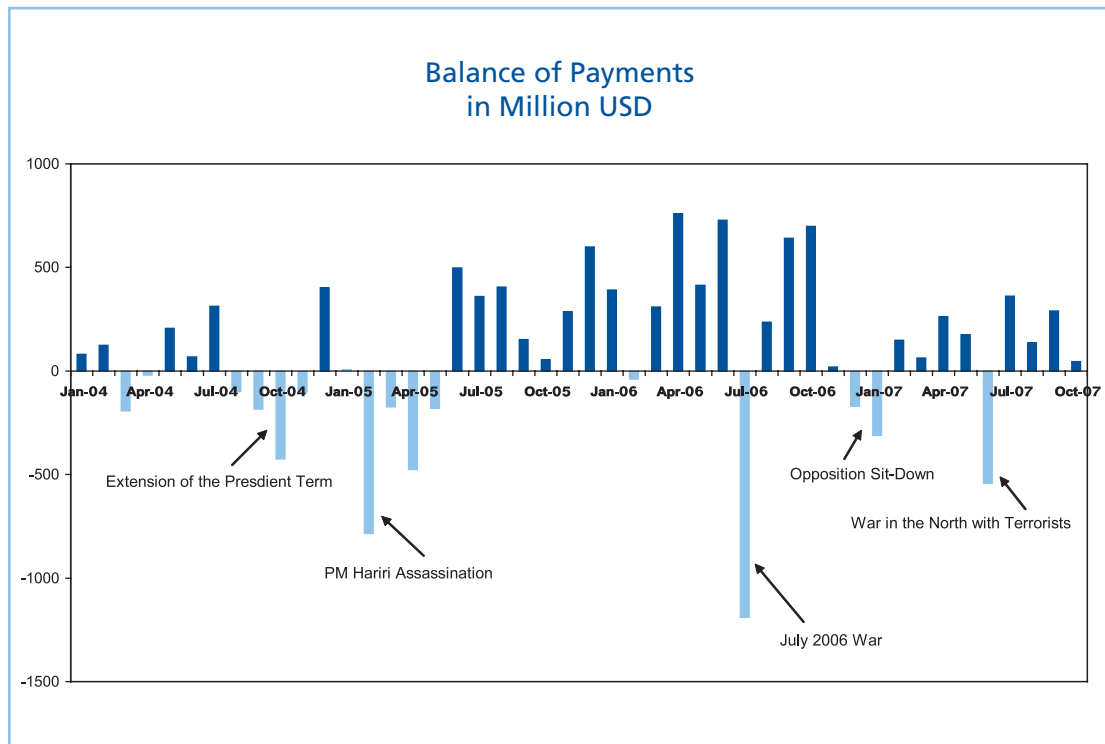
Oil Exports in 2007 (Millions of barrels a day)



The overall nominal GDP for the Arab countries has now well exceeded a trillion dollars, and when Pakistan and Iran are added (the broader Middle East) the number approaches 1.5 trillion dollars, hence creating a vast potential market.



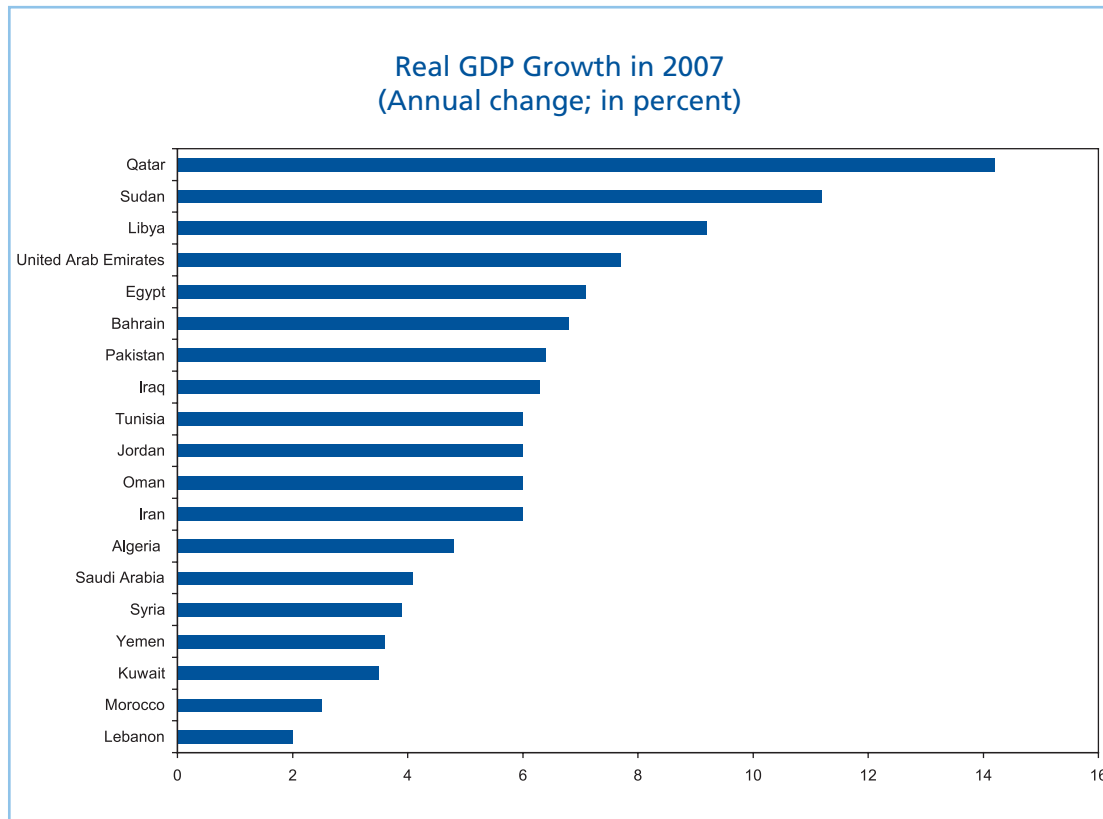
Sadly for Lebanon, just as oil prices were jumping upward, and just as the region growth rates were climbing to unprecedented levels, a succession of unfortunate events ranging from assassinations, bombings, wars, and conflicts to political turmoil and division crippled the ability of the economy to attract foreign investments at a scale that is consistent with its potential. Intra-regional direct investment inflows are estimated to have topped \$40 billion in 2007, while intra-regional portfolio investment inflows are estimated to have topped \$130 billion in 2007, mostly owing to large investments abroad by Saudi Arabia and the UAE. Lebanon has received very little of these, as shown by its balance of payments flows figures, which show strong sensitivity to political and security-related developments.



Lebanon had received \$2.3 billion in 2006, all in the first half, out of total global foreign direct investment inflows of \$60 billion into the region, and hence ranked 4th in terms of regional recipients (after ranking 3rd in 2005 and 1st in 2003), according to a UNCTAD report published this year.

Growth in Lebanon has thus lagged significantly other countries in the Middle East, achieving the lowest regional growth rate of around 2% in 2007, in comparison with a growth rate in the region that has averaged between 6-7% in 2007.



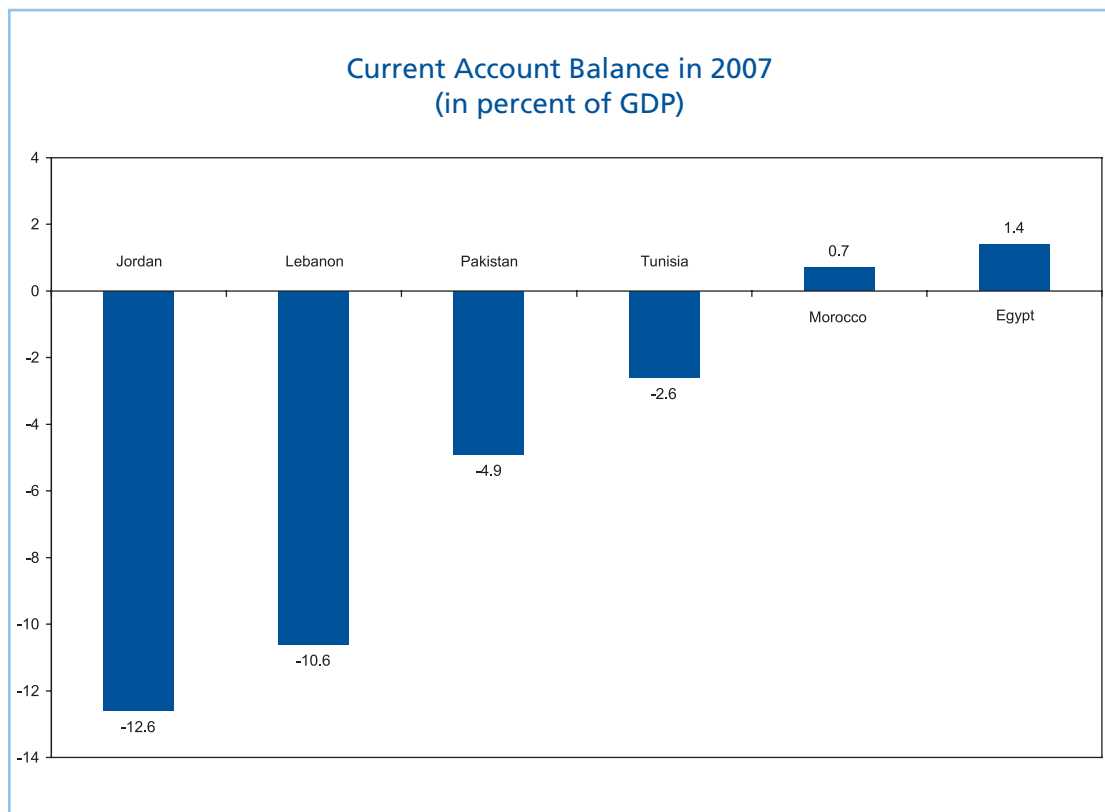
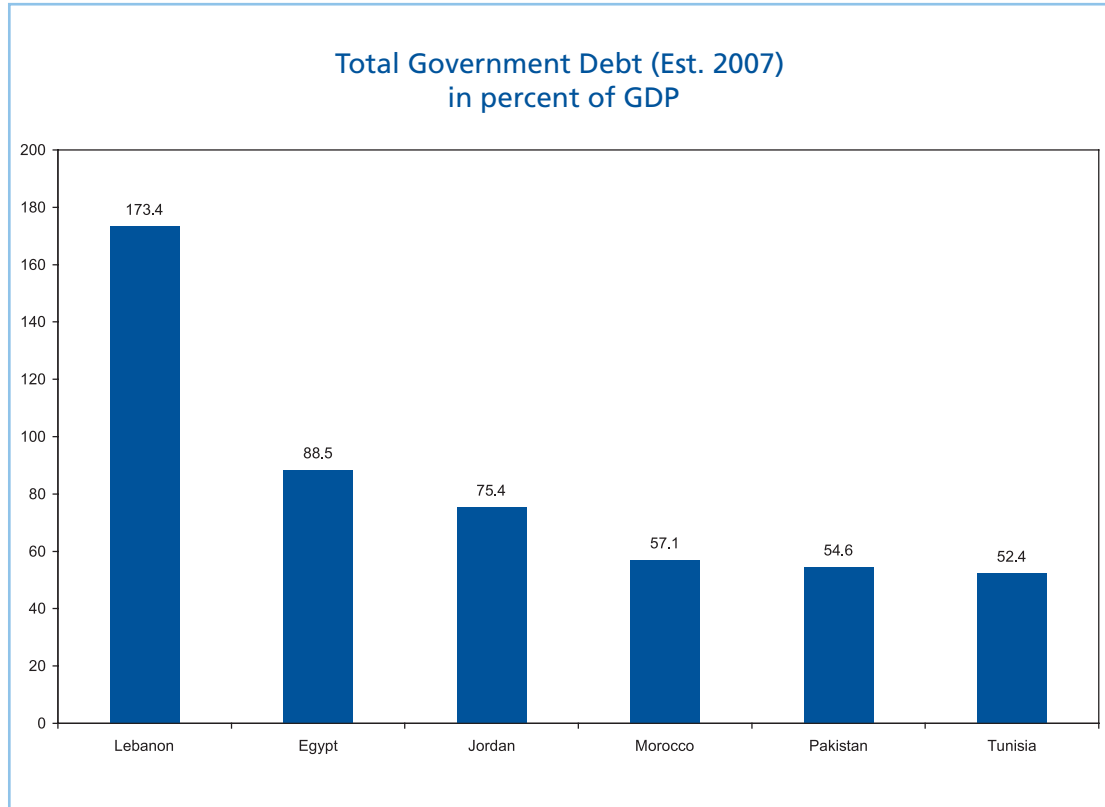


The comparison of Lebanon to 18 other countries may be unfair in the sense that most of those are actually oil producers and exporters and hence their growth rates are heavily driven by the flourishing oil sector. A fairer comparison would be with the other five emerging markets in the region, i.e. non-oil producers with relatively open capital account and liberalized financial markets. These are Egypt, Jordan, Morocco, Pakistan and Tunisia. Looking back at the past 4 years, Lebanon, which achieved one of the highest growth rates in 2004 (when the political situation was more or less stable), underperformed and achieved the lowest rates in 2005, 2006, and 2007.

Emerging Markets Real GDP Growth (in percent)

	2004	2005	2006	Est. 2007	Proj. 2008
Egypt	4.1	4.5	6.8	7.1	7.3
Jordan	8.6	7.1	6.3	6	6
Lebanon	7.4	1	0	2	3.5
Morocco	5.2	2.4	8	2.5	5.9
Pakistan	7.4	7.7	6.9	6.4	6.5
Tunisia	6	4	5.4	6	6.2

This is rather ill-timed as among all these countries, Lebanon is the one that needs most growth in order to grow out of its chronically high debt ratio, and is the one that needs most financing for its current account deficit in terms of capital inflows.



2007- ANOTHER YEAR IN THE WAITING

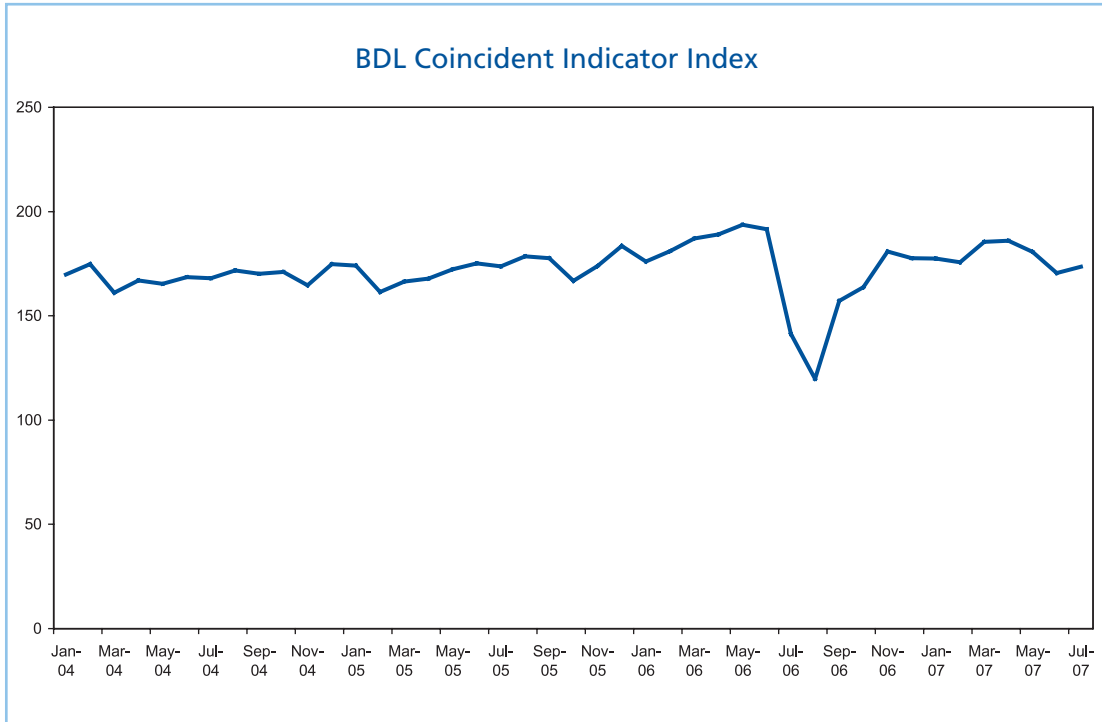
"Another year in the waiting", is probably the most suitable way to describe 2007. The year started with a continuation of the political crisis that has crippled the country, limiting the government's ability to push ahead with well needed reforms. In addition, the assassination of MP Walid Eido in June, and a 15-week long war in the North with a terrorist group that broke out early in May, jeopardized most of the summer season, a key time for the tourism-dependant economy. Some surge in Lebanese expatriates arrivals in late July and August helped offset the dismal activity throughout the year, but was ended abruptly by another bombing that rocked Beirut's eastern suburb, assassinating MP Antoine Ghanem in September. As the end of the year neared, the Presidential election took over center stage, and the economy seemed more than ever at a stalemate, yet eager to a resolution that would launch it to its potential growth.

Economic Activity

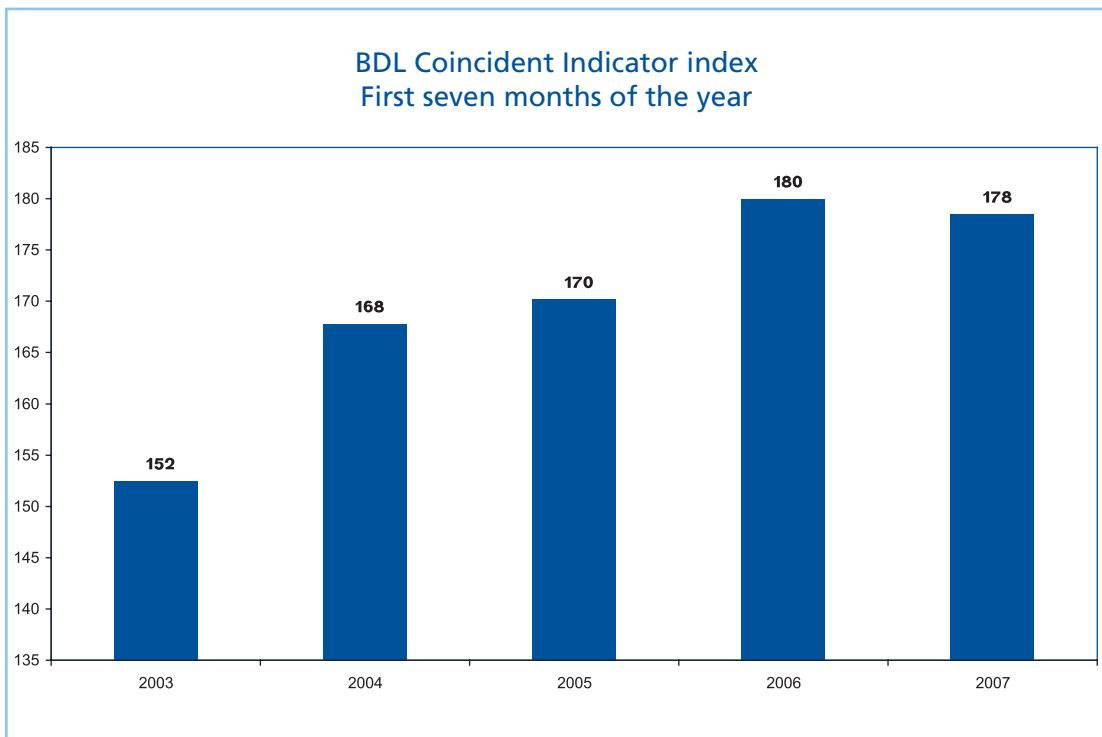
Most international agencies and outside observers had expected 2007 to witness a rebound driven by a reconstruction boom following the devastating effects of the summer 2006 war. But by the end of 2006, the opposition took down to the streets of downtown Beirut with their claim for higher representation in government, which all but paralyzed economic activity in the area. And what everyone, including the opposition, thought would be a matter of days, and maybe weeks, turned into an extended political crisis and a protracted sit-down. Both nationwide investment and consumer confidence suffered as a result, and economic activity in the entire country, and not just the downtown Beirut area, was effectively put on hold.

GDP Growth is expected to range between 2-2.5% in 2007, according to several sources including the International Monetary Fund (IMF) and the Lebanese Central Bank (BDL). Some expatriate Lebanese provided support for the tourism sector in July-August. Growth was also supported by the construction sector and exports.

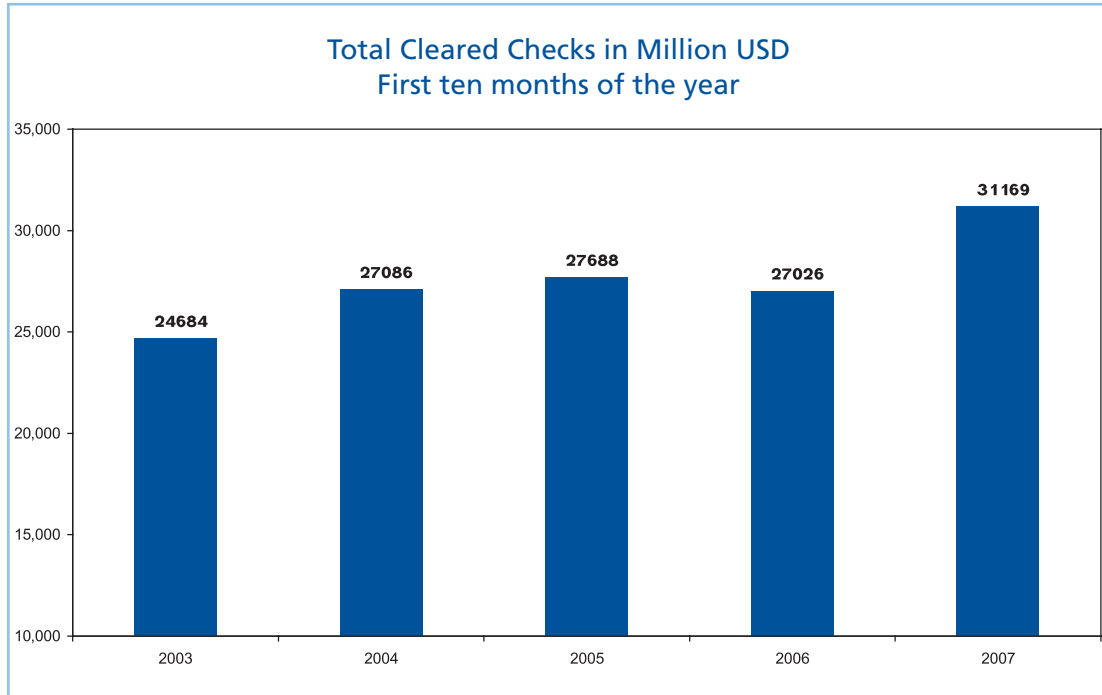
The BDL coincident indicator, a gauge of economic activity compiled and updated monthly by the central bank, which took a massive hit during the summer of 2006, recovered after the end of the war. However, it has since then muddled through, bouncing up and down, mirroring the volatility of the political and security situation that materialized in 2007.



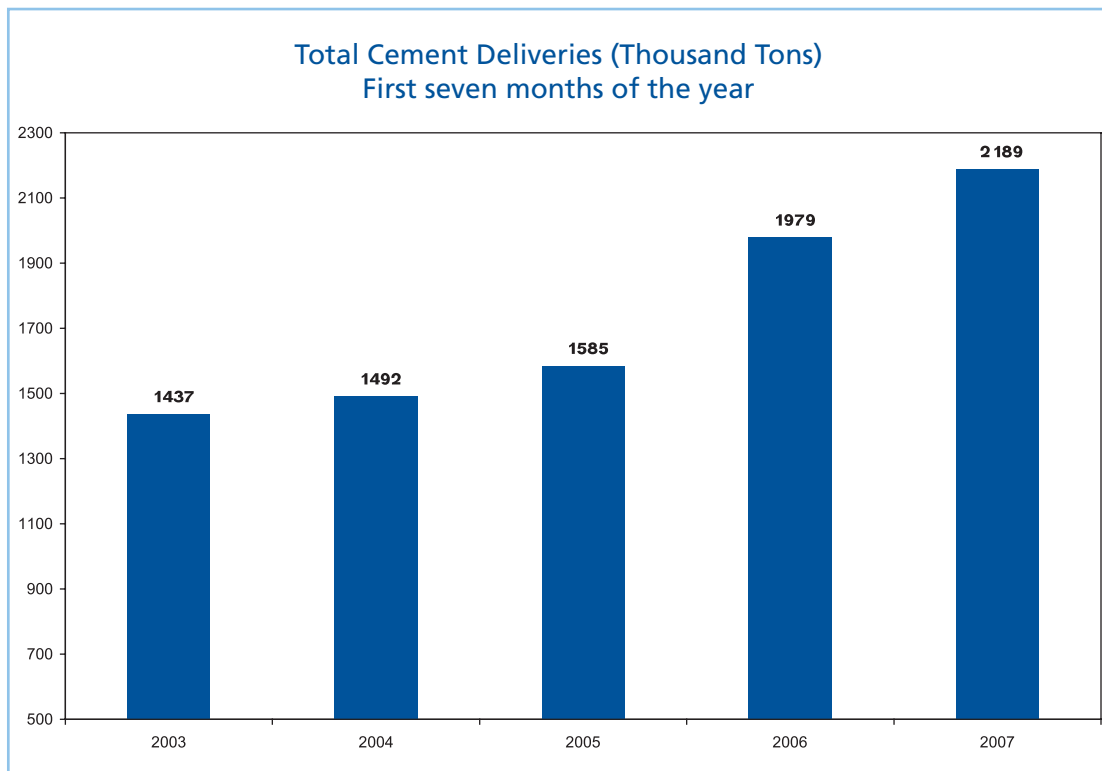
The BDL coincident indicator average of the first seven months of 2007 totaled 178, a slight decline from the average of the first seven months of 2006 which totaled 180. However, the indicator had averaged 171.5 in 2006 as a whole due to the detrimental effect of the war. As a result, the overall 2007 average would probably show around 2% growth in the coincident indicator over the 2006 average.



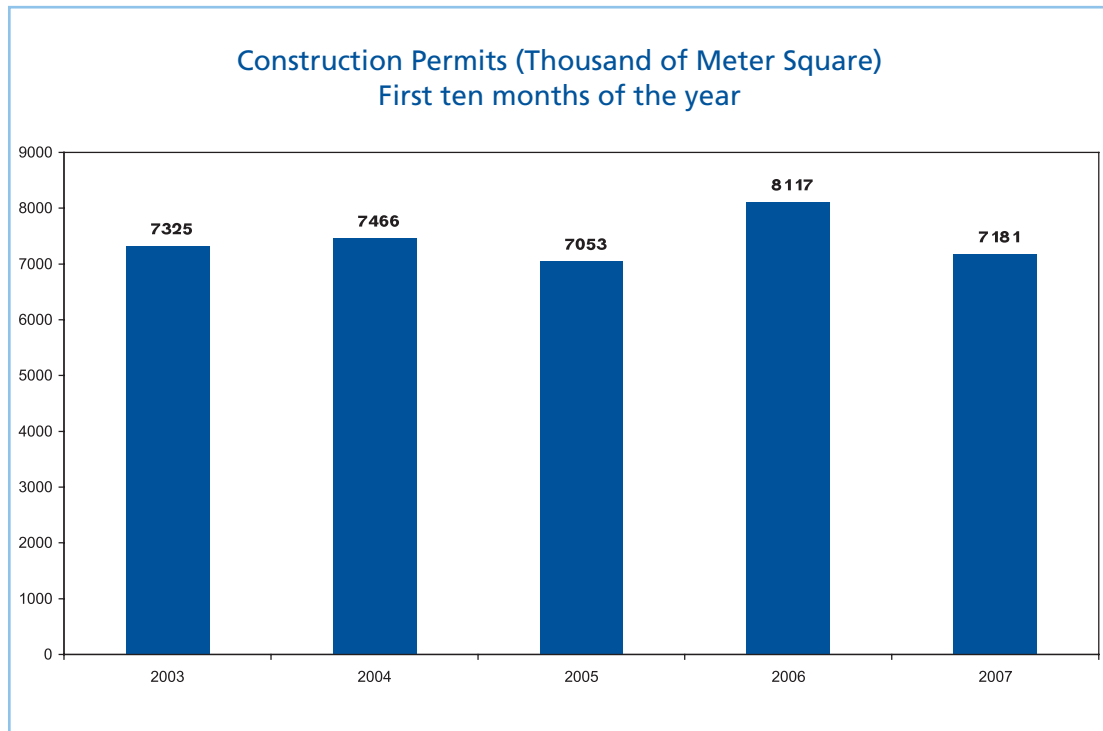
Pointing indeed to some economic activity, especially in the summer months, the value of cleared checks has grown in the first ten months of the year by over 15% to around \$31.2 billion in comparison with \$27.1 billion in the first ten months of 2006.



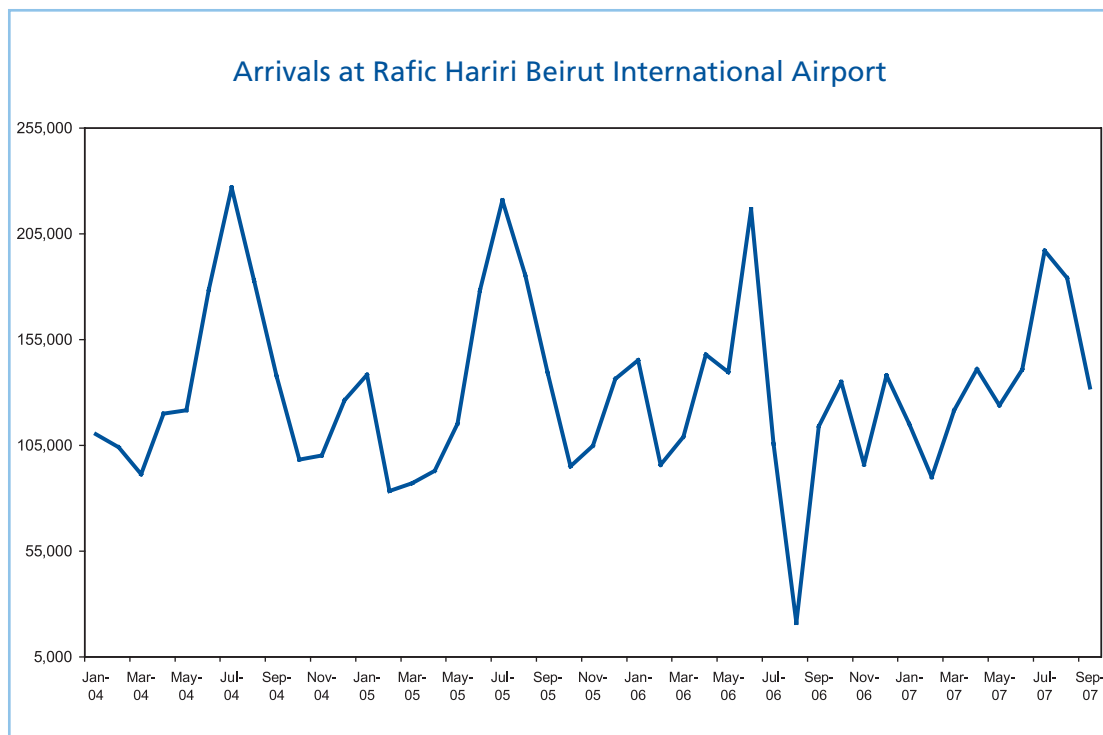
The construction sector seems to have provided some support to the economy, as reflected by cement deliveries. Cement deliveries in the first seven months of the year totaled 2189 thousand tons, an increase of over 10% from deliveries in the first seven months of 2006.



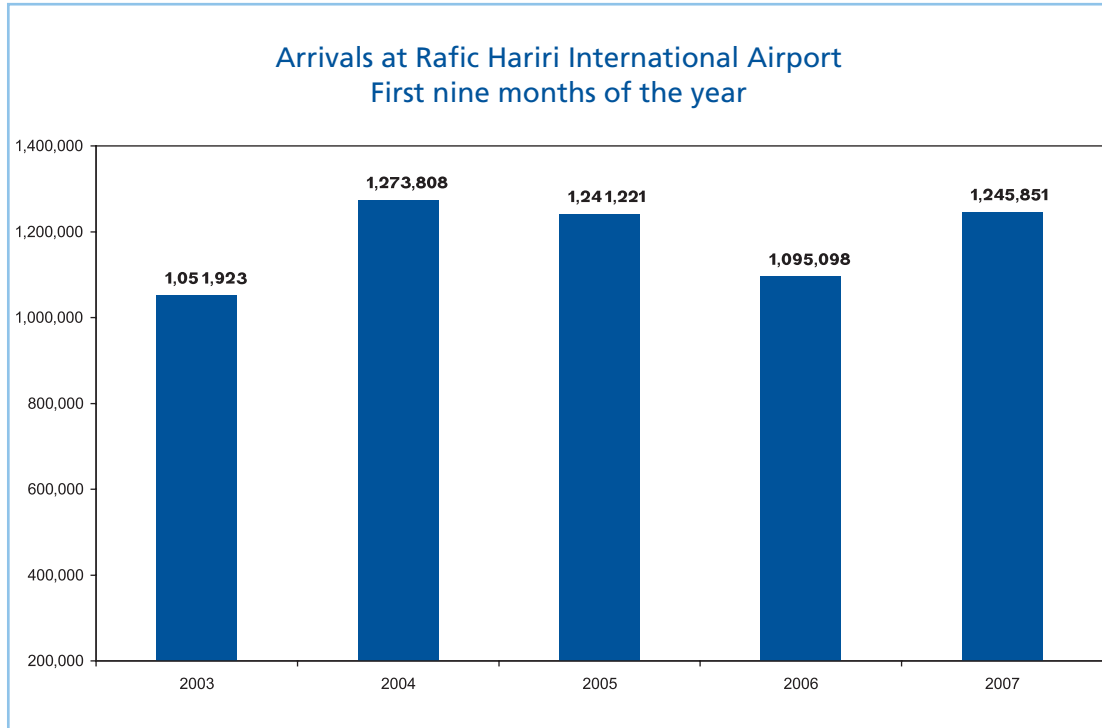
Meanwhile, construction permits have shown an 11% decline in the first ten months of 2007 from the first ten months of 2006. This indicates that while the construction sector was supportive in 2007, it may be less so next year in case the political situation does not stabilize.



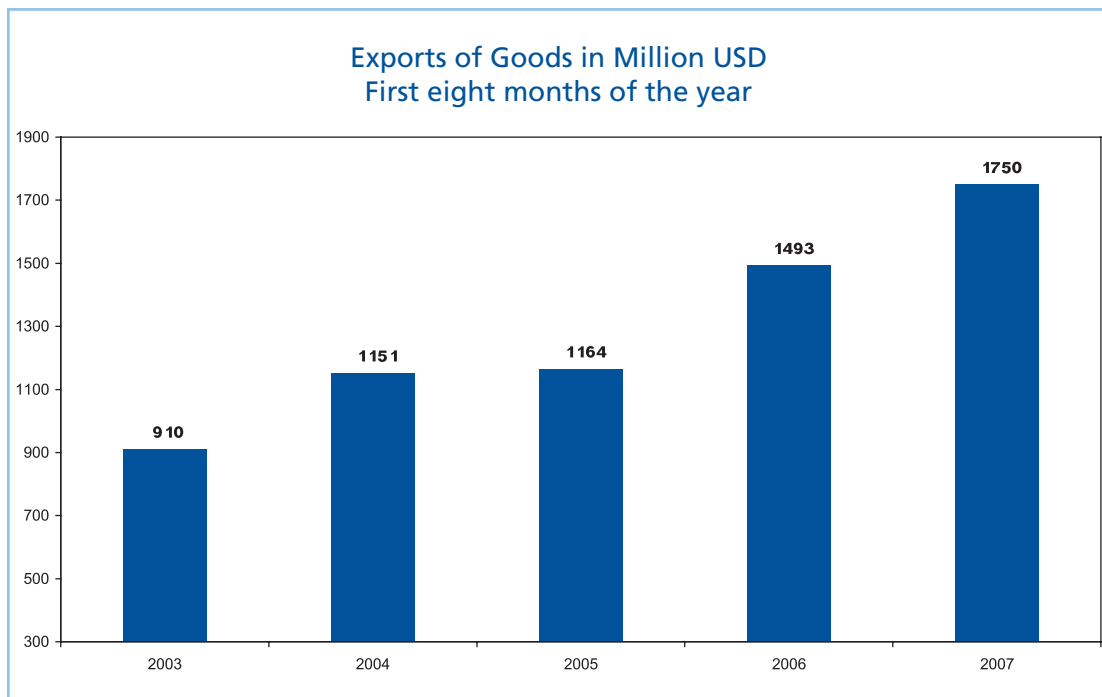
Tourism, a very important contributor to growth in Lebanon, had suffered in 2006 because of the war, and in early 2007 because of the political crisis. A recovery in July and August 2007 brought back arrivals at Rafic Hariri (Beirut) International Airport to the pre-war levels, but a bombing in Beirut in September ended the surge abruptly.



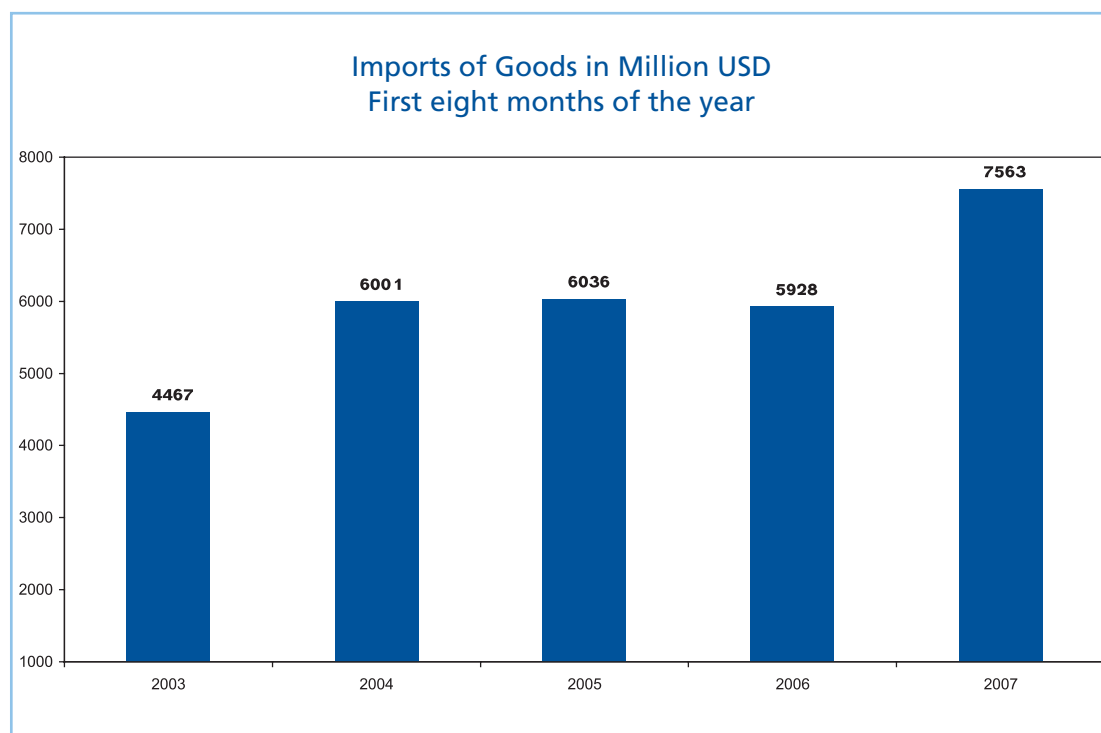
The arrivals in the first nine months of the year in 2007 have totaled around 1.246 million, in comparison with a total of 1.095 million in the first nine months of 2006. This constitutes an increase of over 13%.



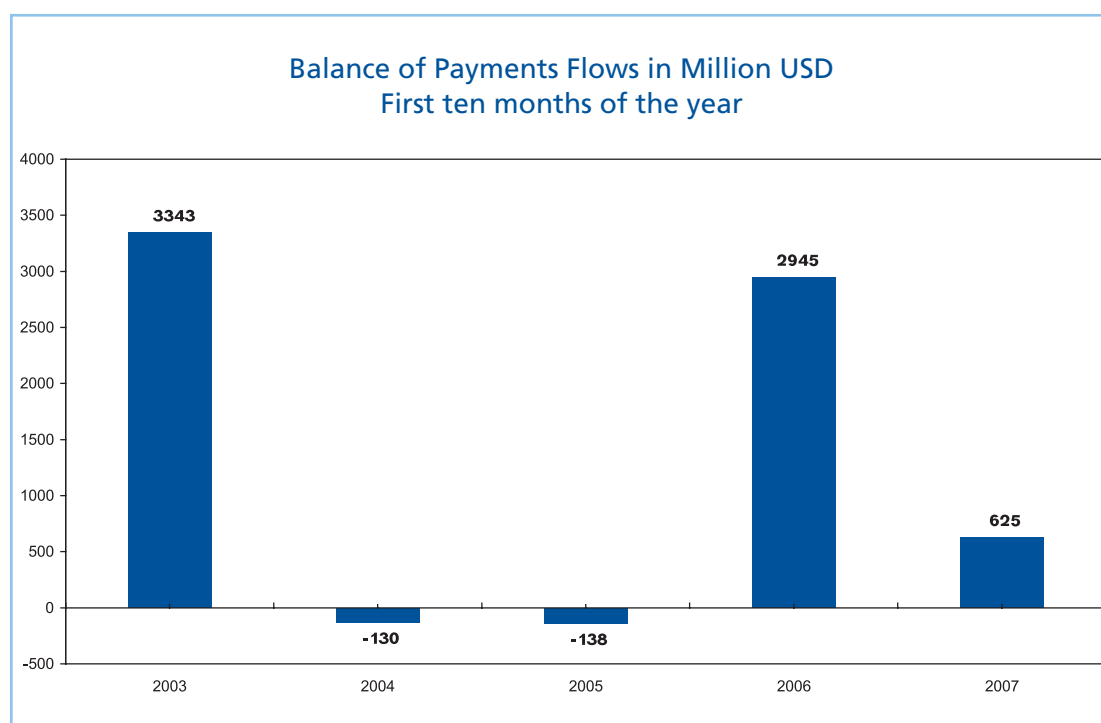
The trade sector, exports in particular, provided some support to growth. Total exports grew by over 17% in the first eight months of 2007, to \$1750 billion in comparison with \$1493 billion in the first eight months of 2006. The weakness of the dollar, against which the Lebanese currency is effectively pegged, has supported exports to Europe, the largest trading partner of Lebanon.



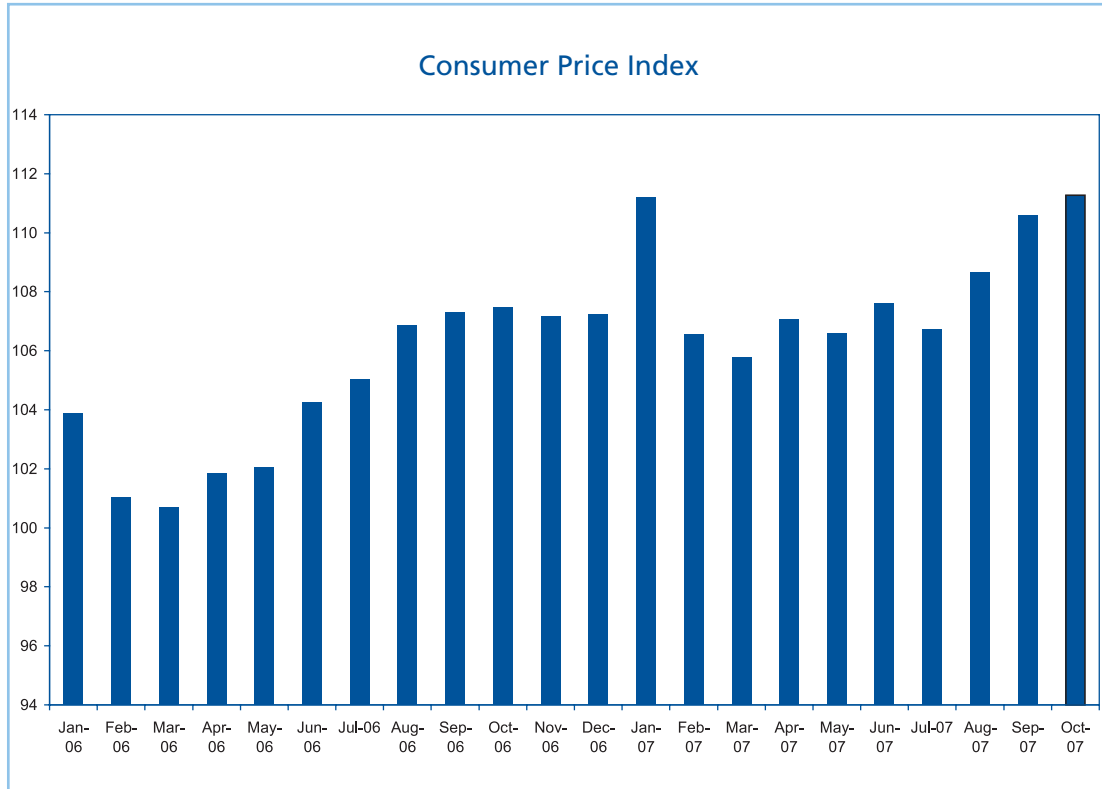
Meanwhile, imports have also increased with the total of the first eight months of the year totaling \$7563 million, an increase of over 27% from the same period in 2006 when they totaled \$5928 million. The steep increases in commodity prices, oil, and the Euro, have all contributed to the increase in value of imports in 2007.



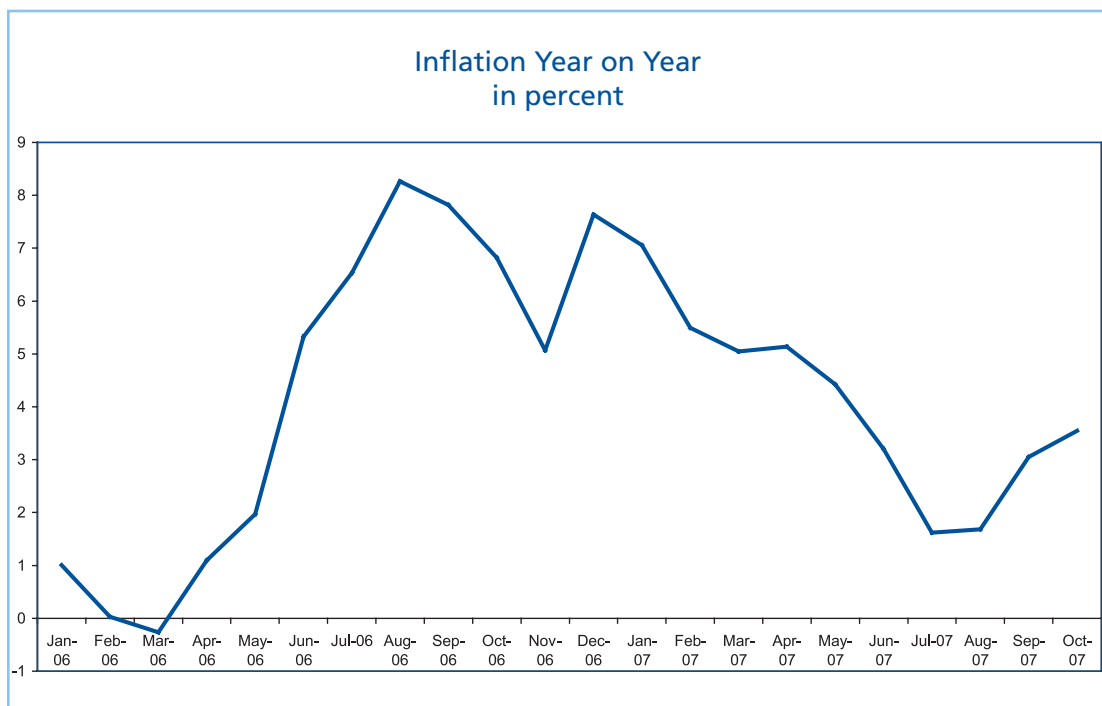
The balance of payments recorded a modest surplus of \$625 million in the first ten months of 2007, reflecting modest foreign direct investment and portfolio investment flows.



The modest economic activity, however, was not reflected in a lower price level. In fact the opposite was true and the price level increased in Lebanon, especially towards the middle of the year, mostly due to global inflation, which is driven by soaring commodity prices, oil prices, and a weakening dollar against which the Lebanese currency is effectively pegged.



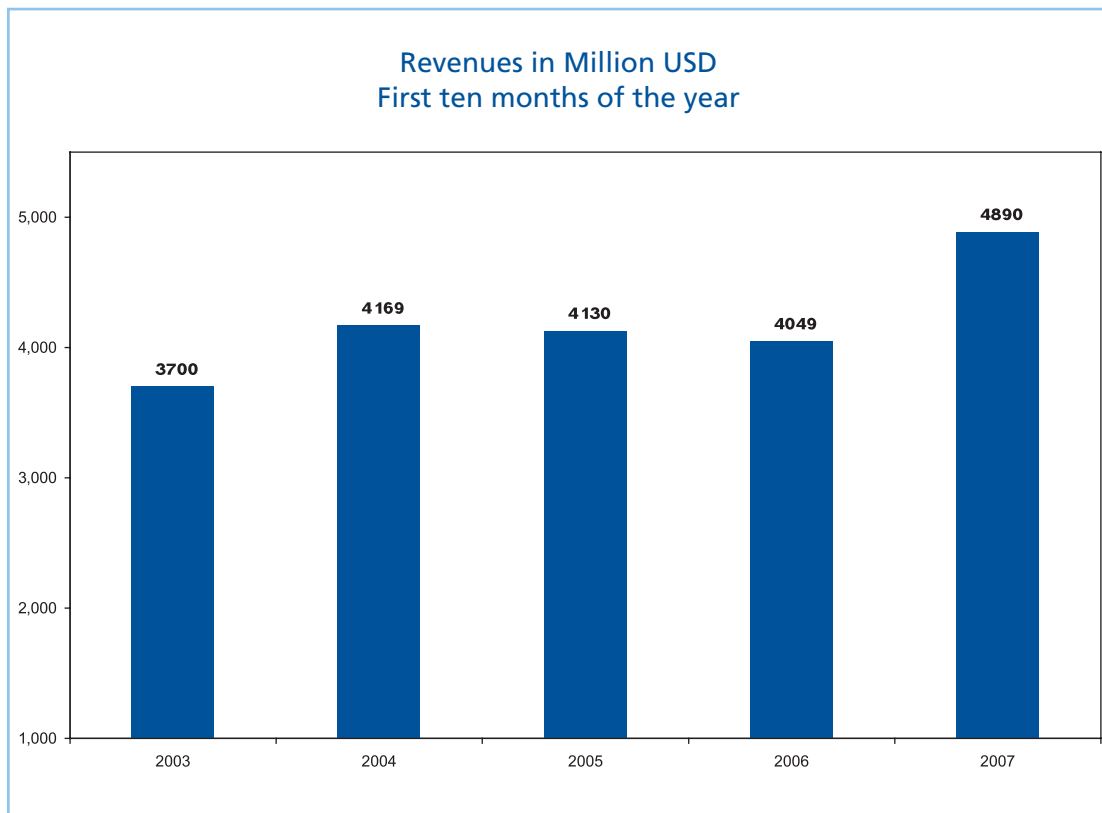
The price level had increased significantly during the war last summer, and stabilized, before jumping in January of this year on the back of the increased political instability. This has caused year on year inflation to start high and decline slowly throughout the year before picking up again in the summer on the back of a higher price level. Still given that inflation is measuring year on year changes against already high prices in the wake of the 2006 war, the last figure of 3.5% in October 2007 reflects only partly the higher prices in Lebanon. Overall, the inflation in Lebanon is expected to average 3.5% in 2007.



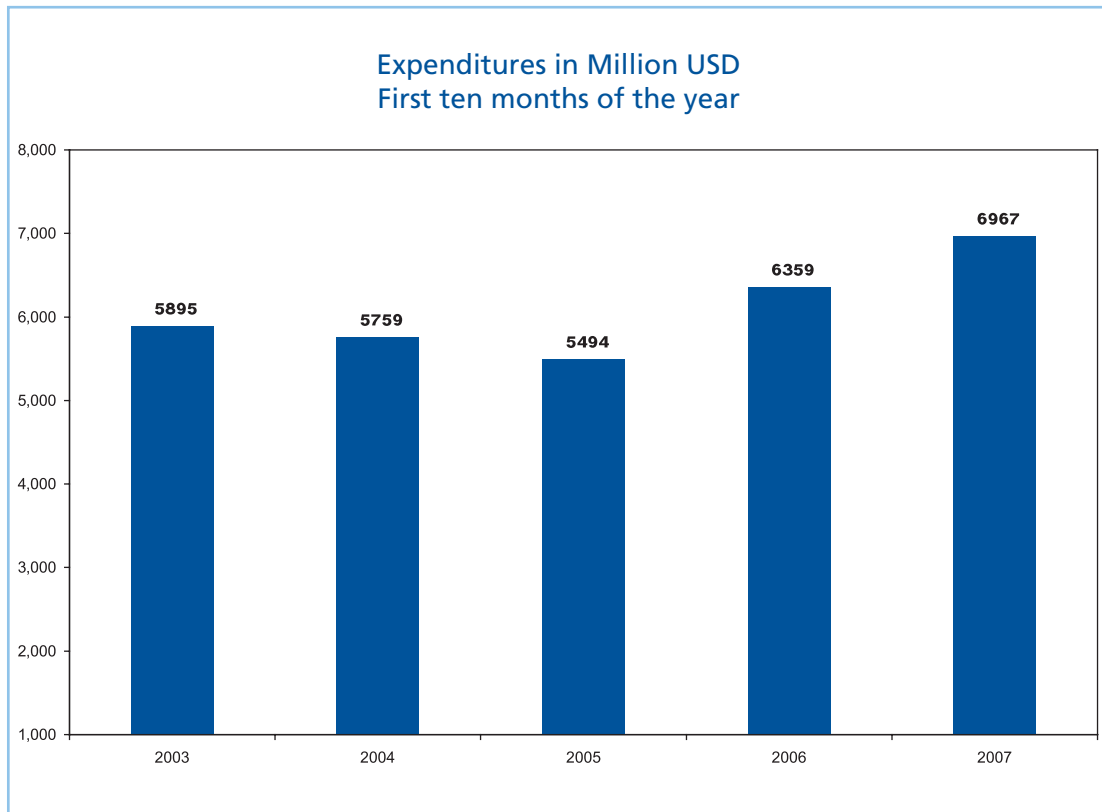
Public Finances

The government has managed to contain the overall deficit, which totaled around \$2 billion in the first 10 months of 2007. Achieving its budget deficit target of \$2.7 billion for the year, does, in that respect, look feasible. The deficit had increased in 2006 due to increased interest payments and higher transfers to the electricity company (EDL). The same factors remain behind the deficit in 2007, despite strong improvements on the revenue side.

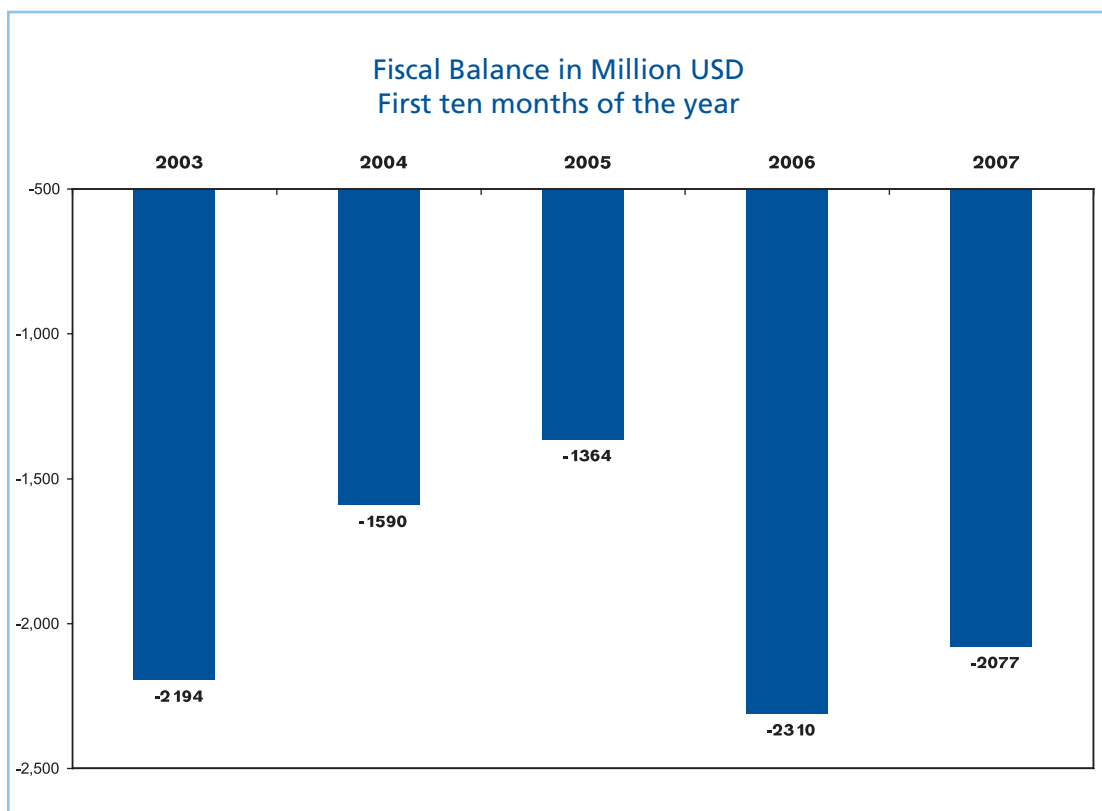
Revenues increased by around 21% to \$4890 million in the first 10 months of 2007, in comparison with \$4049 million in the 10 first months of 2006. Non-tax revenues, which include receipts from the mobile phone operators, jumped by 30%, contributing strongly to the increase in revenues.



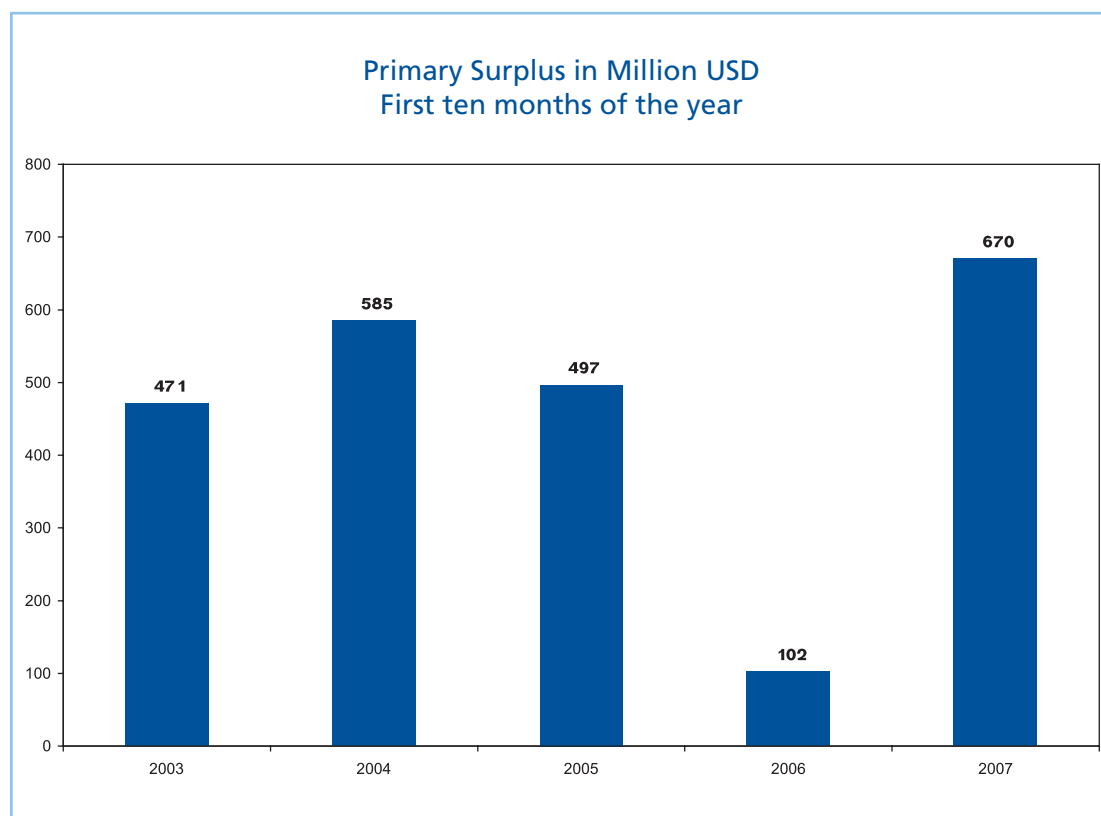
Expenditures increased by 10%, reaching \$6967 million in the first 10 months of 2007 in comparison with \$6359 million in the first 10 months of 2006. Non-interest expenditures increased by 20%, mainly due to (1) an increase in personnel cost driven by increased wages and salaries to armed forces, (2) an increase in various transfers due to increased transfers to NSSF, and (3) an increase in Treasury expenditures mostly due to increased transfers to EDL. Meanwhile, interest expenditures increased by 14%.



The fiscal deficit has shown some improvement, declining by around 10% to \$2077 million in the first 10 months of 2007, in comparison with \$2310 million in the first 10 months of 2006.

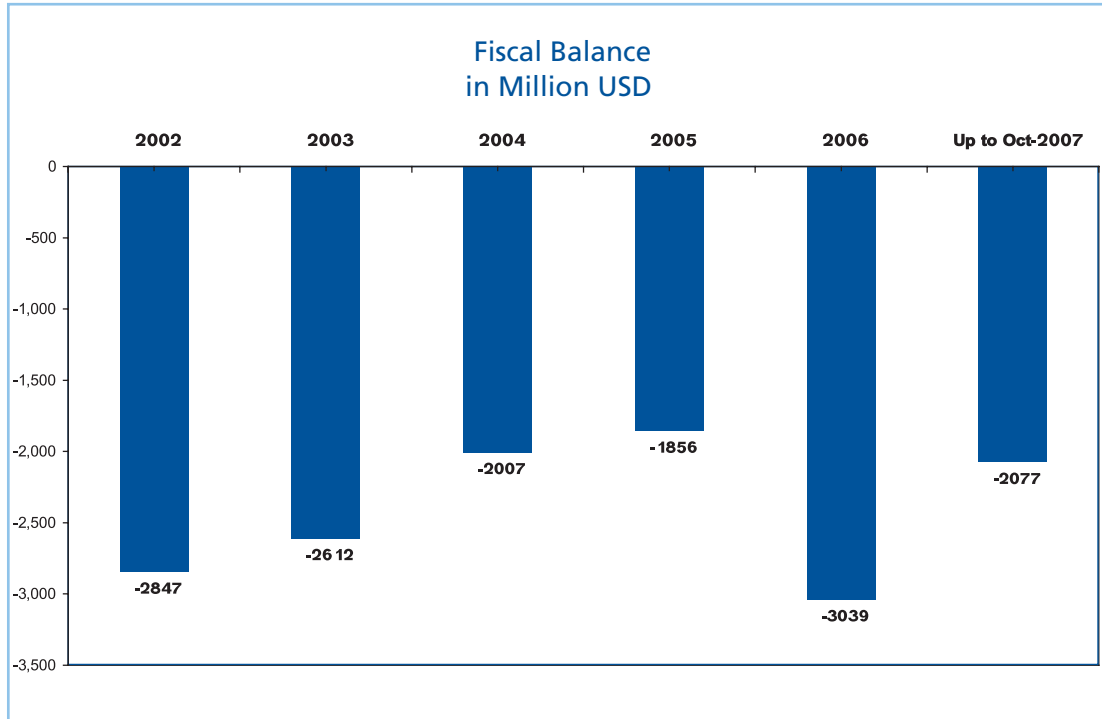


Meanwhile, the primary balance, defined as the fiscal balance net of interest payments on the debt, has shown a significant improvement, increasing by 657% to \$670 million in the first 10 months of 2007, in comparison with \$102 million in the first 10 months of 2006. This is indeed a reflection that the debt and its servicing cost remain the biggest problems in public finances.

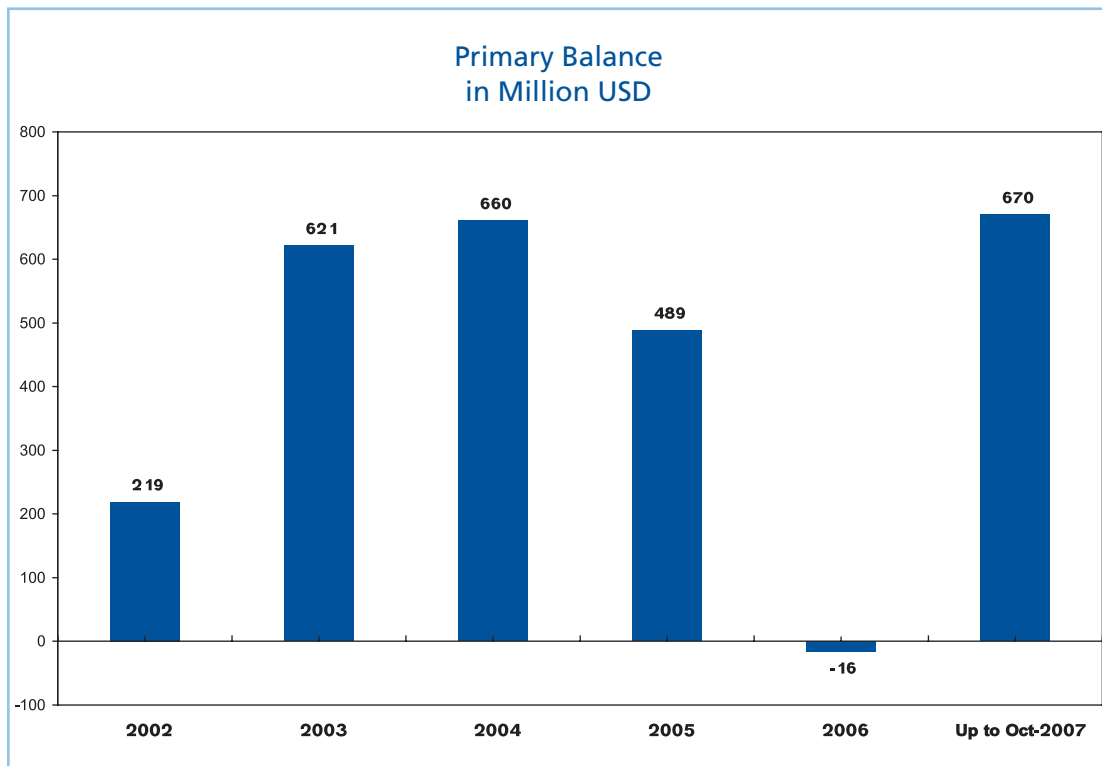


The final fiscal figures for 2007 are likely to show an 18% reduction in the overall fiscal deficit from the 2006 figure.

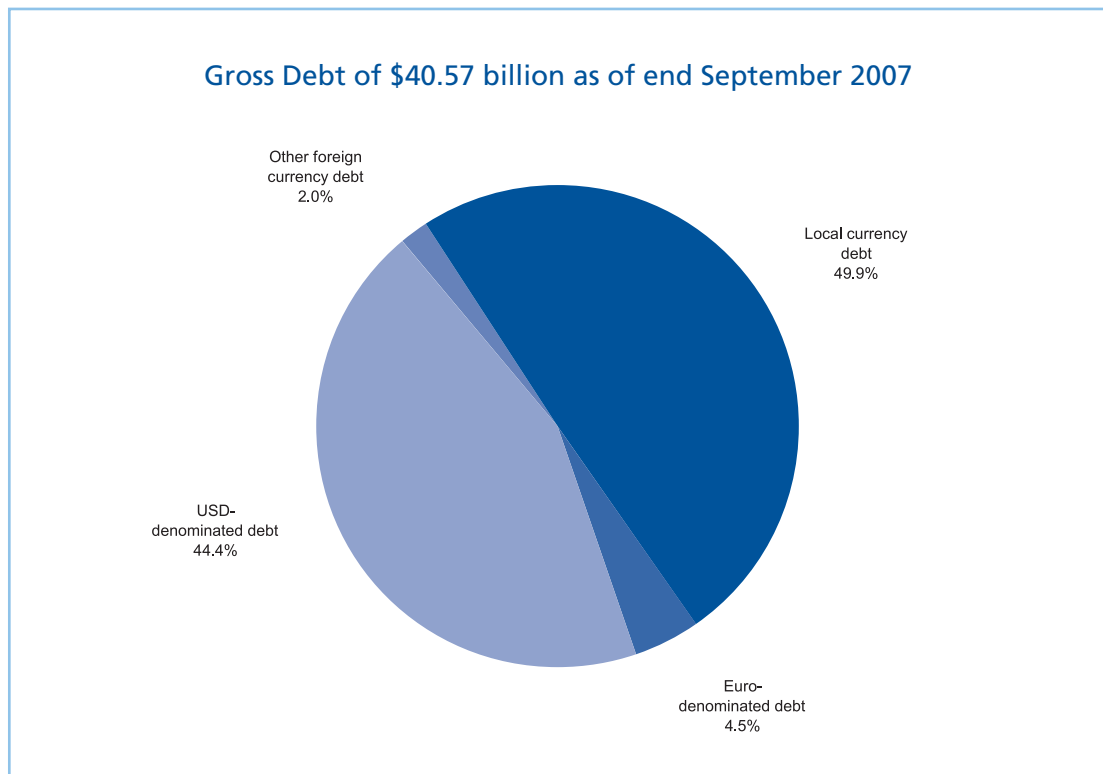
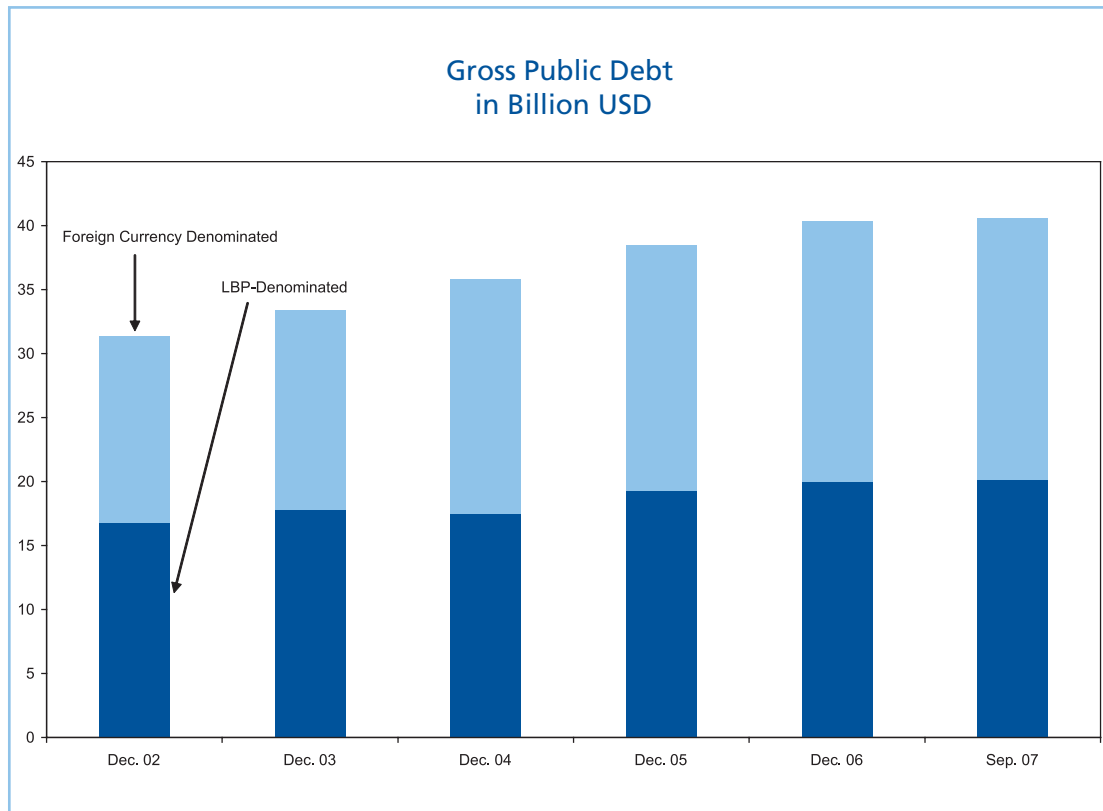




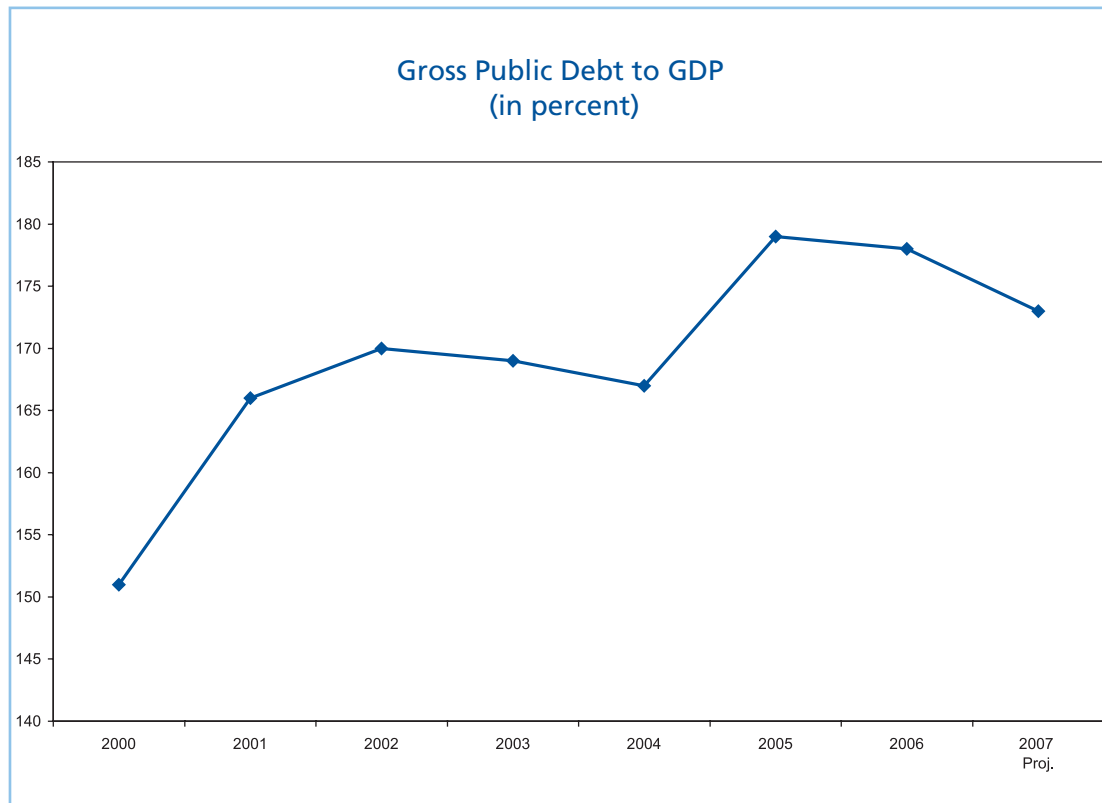
They are also likely to show, a significant improvement in the primary surplus, which was actually a deficit in 2006.



The debt level was kept stable at around \$40.5 billion due to the revaluation of gold price appreciation which allowed the government to reduce its debt exposure to the BDL. Around \$1.6 billion in debt were retired (written off) from the Treasury bills holdings of the central bank, a form of transferring to the government the unrealized valuation gains of gold held at the BDL.



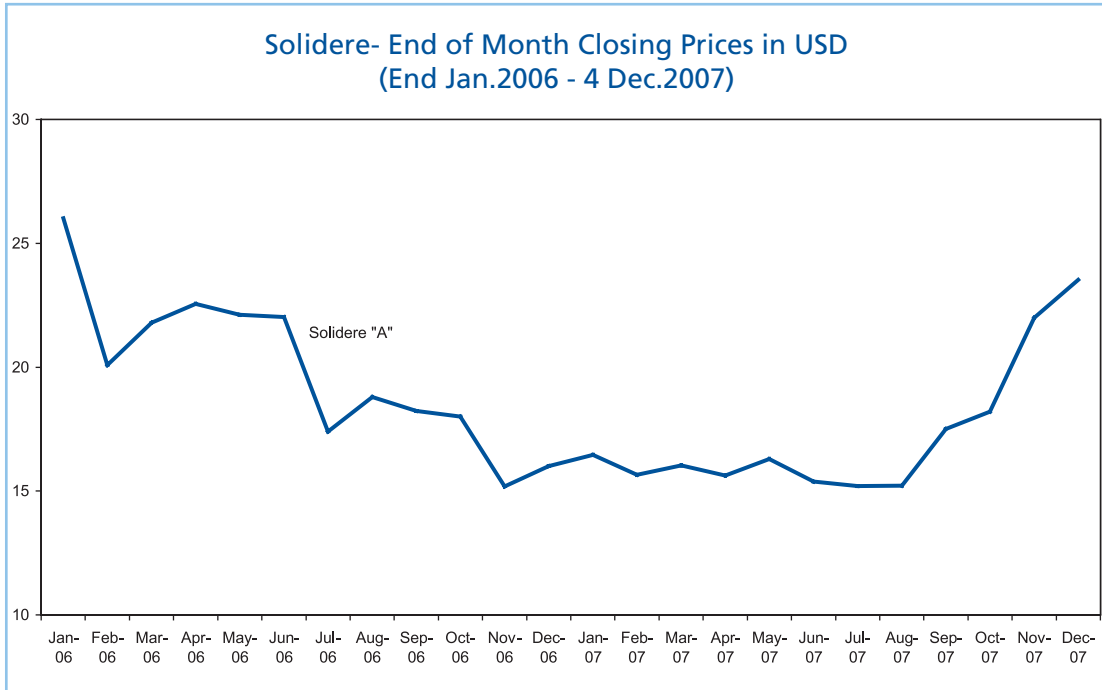
The debt declined slightly as a percent of GDP as it was kept stable nominally while the GDP level increased. It declined from 178% of GDP in 2006 to 173% of GDP in 2007.



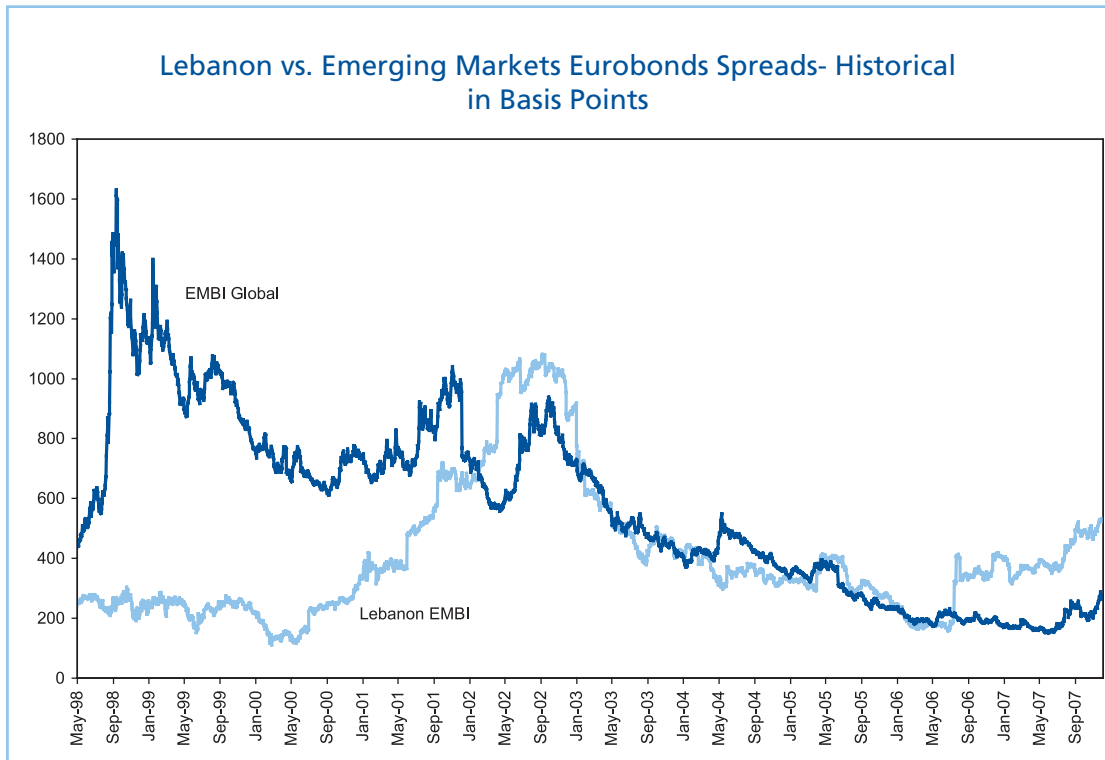
Financial Markets

Despite lackluster growth in economic activity caused by the unstable political situation, the financial markets have shown incredible resilience. The stock market, as of early December 2007 was significantly up from the end-2006 closing prices. The banks performed particularly well, especially in the last quarter as rumors of takeovers and/or mergers boosted their value. Meanwhile, Solidere, probably the most "political" stock in the sense of its sensitivity to the political developments, reflected largely in its move over the last year the ups and downs of the political and security situation.

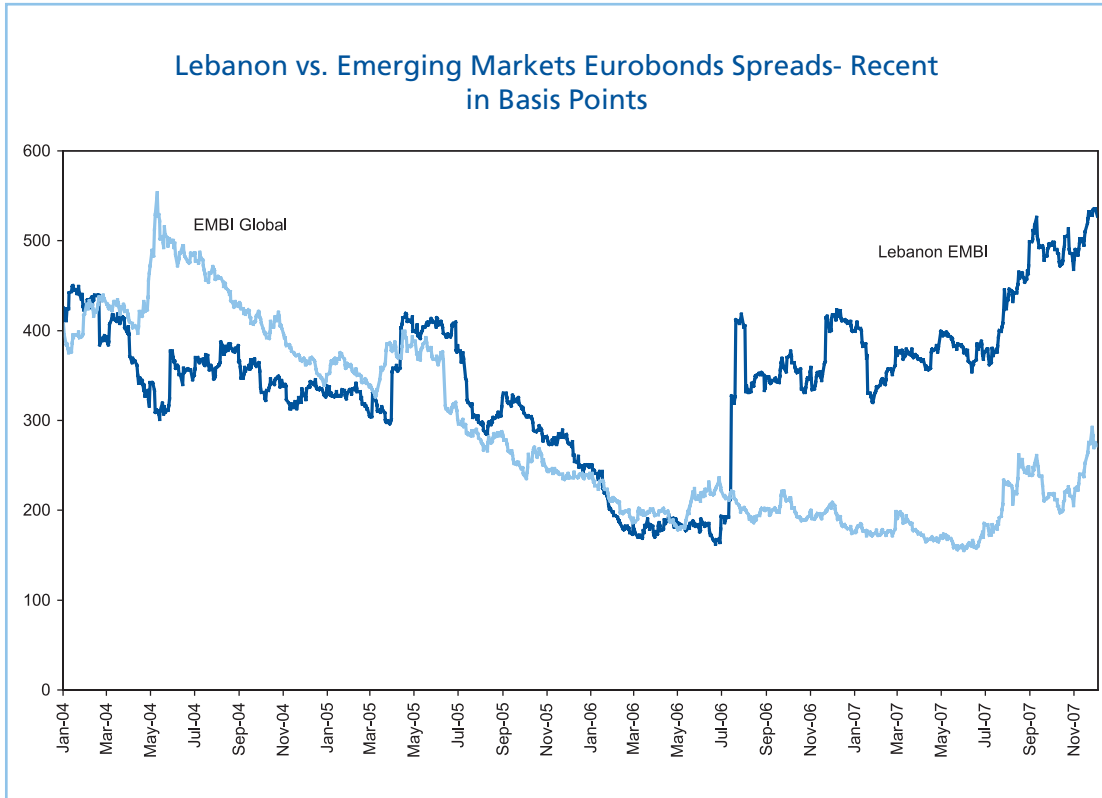
Listed Securities	Closing Price (USD)	
	28-Dec-06	4-Dec-07
Solidere A	16.00	23.52
Solidere B	16.00	23.36
Bank Audi- GDR	55.95	74.80
Byblos Bank	1.81	2.33
Byblos Bank priority	1.81	2.44
BLOM Bank GDR	57.65	92.35
Holcim Liban	1.78	20.71
Market Capitalization (in USD)	8,305,164,511	11,044,222,824



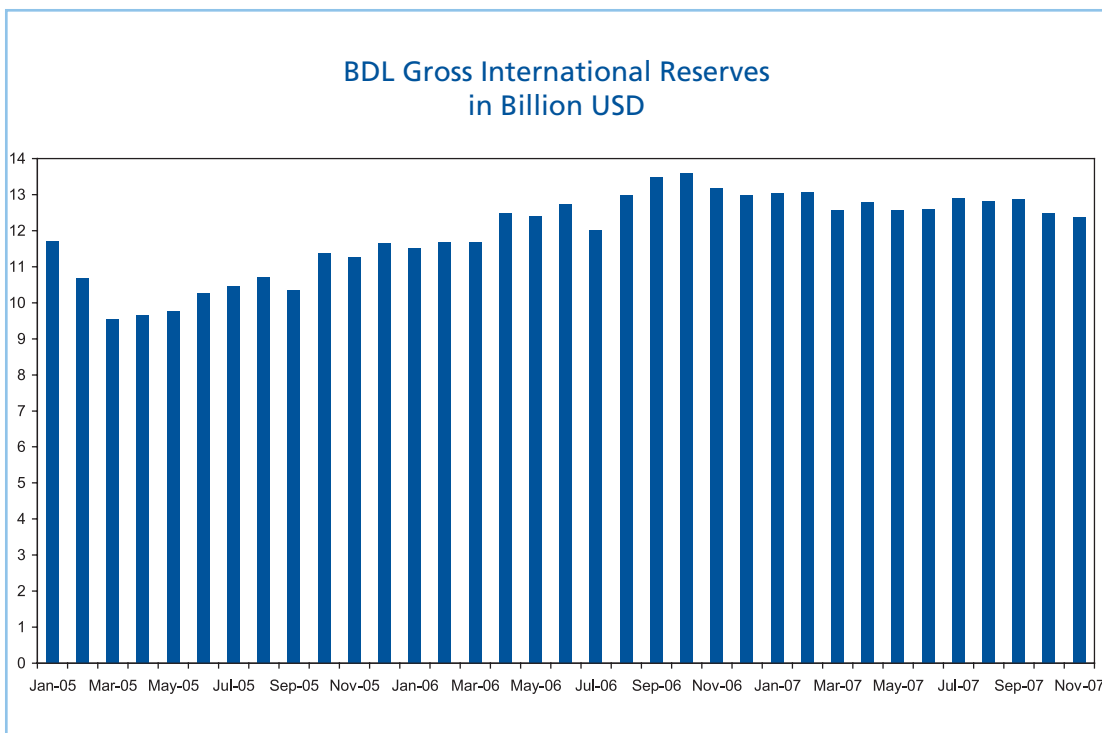
Eurobonds spreads (Lebanon EMBI) had jumped in the wake of the July 2006 war, diverting significantly from the overall index of their emerging markets counterparts (EMBI Global) and have remained at higher levels due to the political and security situation.



They increased further in the summer during the war in the North, and had another increase in the fall, this time in line with emerging markets spread in the wake of the sub-prime mortgage debacle in the United States, which caused jitters in global financial markets. Now Lebanon spreads are some 350 basis points over their pre-July 2006 war level.

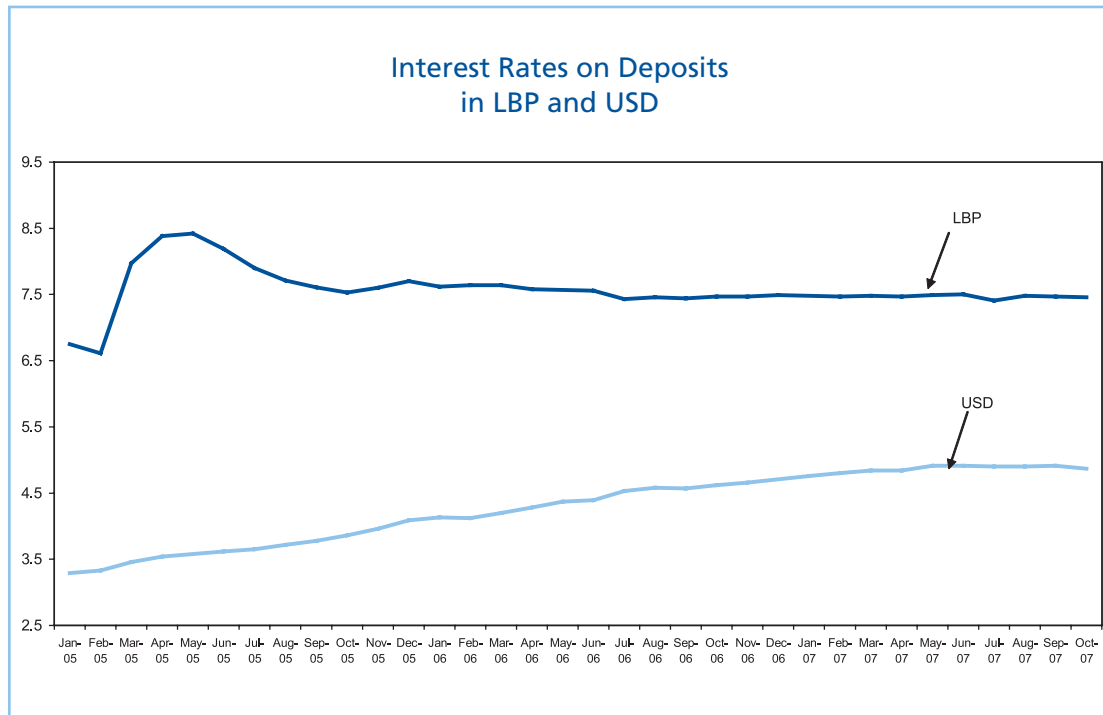


The exchange rate has remained stable at 1507.5 LBP to 1 USD, underpinned by an adequately high level of reserves at the central bank, which stood, as of end-November 2007 at around \$12.3 billion, the equivalent of over 15 months of imports.



Banking Sector

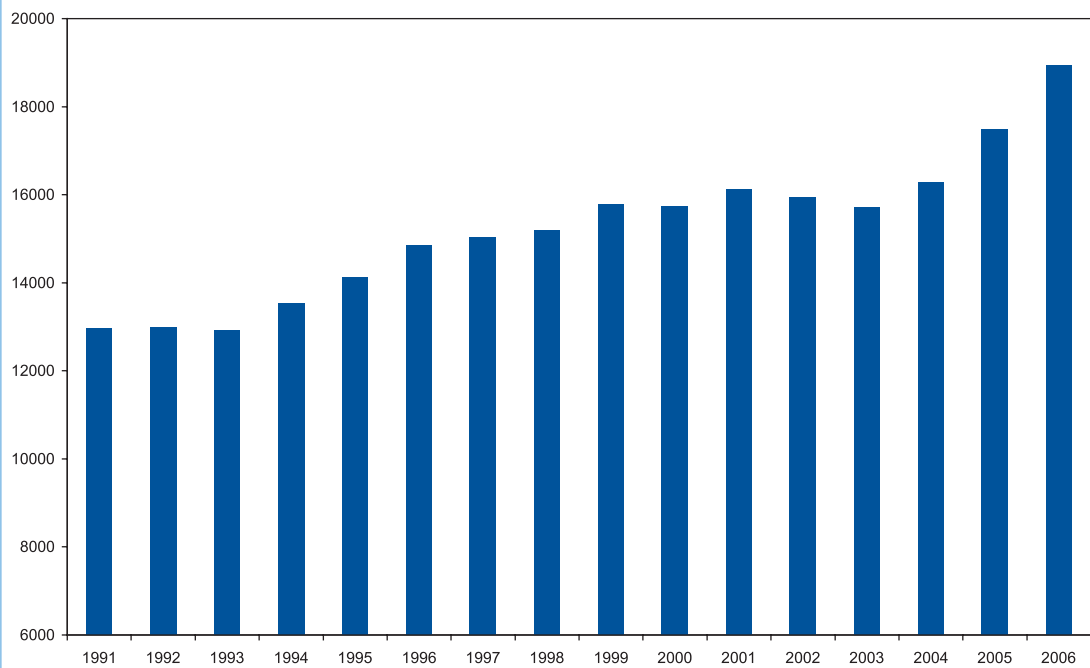
The banking sector, which employs around 19000 and spreads in Lebanon and all over the region, has long been the vertebral column of the Lebanese economy. With assets around 400% of GDP and deposits around 300% of GDP, the sector has played the key role in financing the private sector and the government as well as supporting the central bank's stable exchange rate policy. This abundant liquidity has allowed the banks to keep their interest rates on deposits stable despite the global financial markets turbulence that world markets have witnessed over the last period.



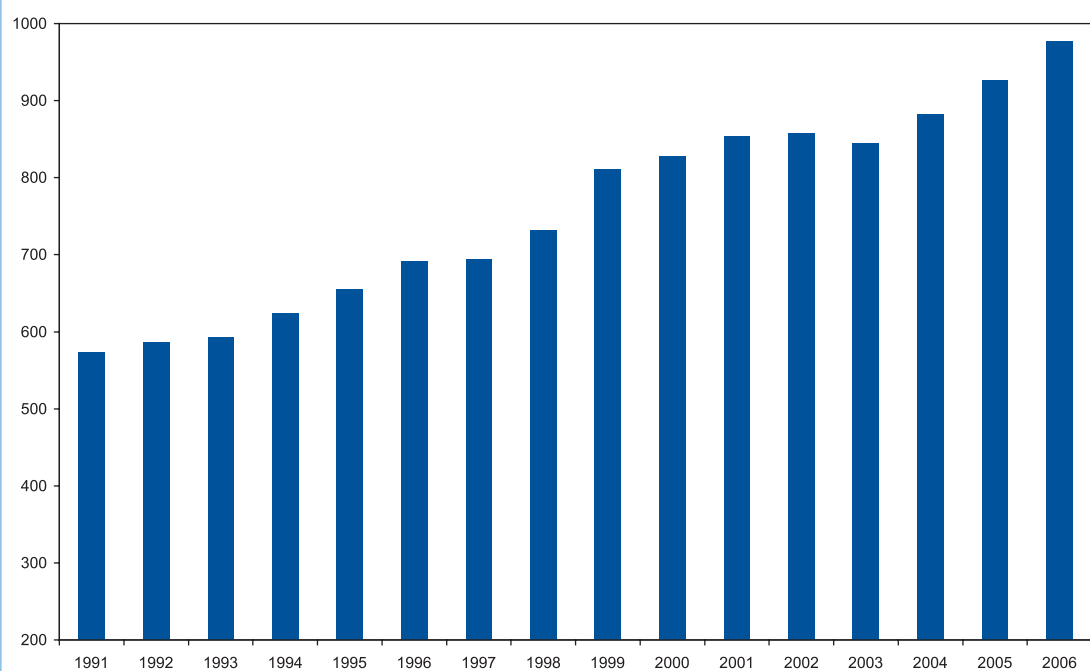
In particular, the last 4 years have witnessed strong and steady growth, reflected in the steep expansion, in terms of staffing and branching, but most importantly, reflected in the higher increases in capitalization and profitability.

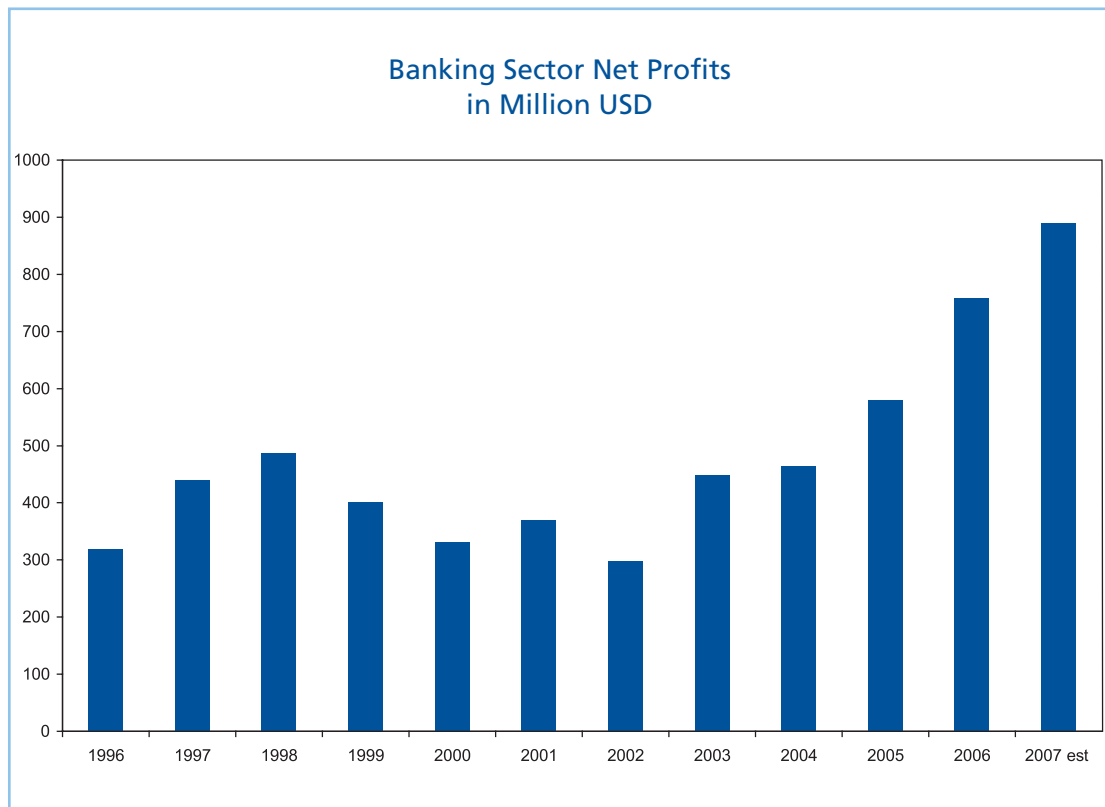
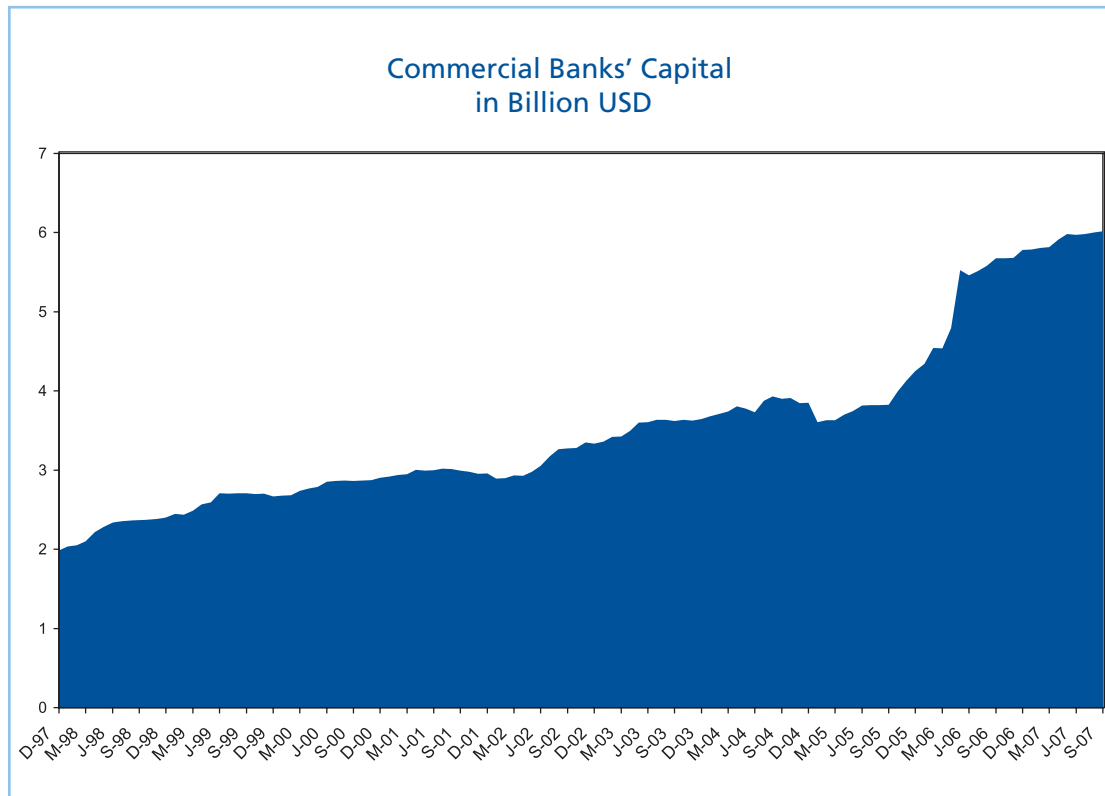


Total staff employed in the Lebanese banking sector



Total branches in the Lebanese banking sector





Consolidated Balance Sheet of Lebanese Commercial Banks
USD Billion

	Dec-05	Oct-06	Dec/Oct	Dec-06	Oct-07	Dec/Oct	Oct/Oct
			%			%	%
Assets							
Deposits at BDL	20.375	19.268	-5.44	19.328	20.172	4.37	4.70
Claims on Private Sector	16.230	17.064	5.14	15.317	17.318	13.06	1.49
in LBP	2.856	3.115	9.06	2.454	2.716	10.65	-12.82
in USD	13.374	13.949	4.30	12.864	14.602	13.52	4.68
Claims on Public Sector	17.709	20.807	17.49	20.692	20.932	1.16	0.60
in LBP	8.402	10.344	23.11	10.017	10.129	1.12	-2.07
in USD	9.307	10.463	12.42	10.674	10.803	1.21	3.25
Foreign Assets	13.278	14.535	9.47	16.415	19.313	17.65	32.87
Claims on Non-Residents Banks	10.475	10.523	0.46	12.236	13.595	11.10	29.19
Liabilities							
Resident Private Sector Deposits	47.517	50.494	6.27	51.321	56.902	10.88	12.69
in LBP	14.622	14.760	0.95	13.984	14.933	6.79	1.17
in USD	32.896	35.735	8.63	37.337	41.969	12.41	17.45
Public Sector Deposits	1.131	0.898	-20.65	1.047	0.666	-36.42	-25.79
Non-Residents Deposits	9.469	9.309	-1.68	9.372	9.374	0.02	0.69
in LBP	0.689	0.511	-25.82	0.452	0.465	2.79	-8.96
in USD	8.780	8.799	0.21	8.919	8.909	-0.12	1.25
Deposits of Non Residents Banks	2.165	1.934	-10.63	2.810	4.101	45.96	112.04
Capital Account	4.253	5.675	33.44	5.783	5.878	1.64	3.58
Balance Sheet (Assets=Liabilities)	70.325	74.338	5.71	74.271	80.722	8.69	8.59

Source: BDL

As reflected by the consolidated balance sheet of the commercial banks, credit to the private sector has increased by only 1.5% year on year on the back of the difficult political and security conditions that the country has been going through. However, foreign assets have also increased significantly, rising by 30% year on year through October 2007 to reach around \$20 billion.

The banks have kept their exposure to the government relatively fixed, as claims on the public sector have increased by just 0.6% year on year through October 2007. A reallocation of the assets of the National Social Security Fund (NSSF) from bank deposits to treasury bills covered much of the domestic financing need in the first half of the year.

2008- THE ECONOMIC AGENDA

Growth and Inflation

As mentioned earlier in the report, the endgame of the political stalemate has yet to materialize, leaving open several scenarios for economic growth, which could really be anything within the 1% to 8% range. A failure to elect a President and a protracted continuation of the stalemate, to which we assign a low probability, would probably cause the economy to muddle through, hence producing a 1-2% growth rate. On the other hand, an overall political agreement, not just on the President, but on the whole range of issues, to which we also assign a low probability, would produce a 7-8% growth rate as it would boost the chances of the economic reform agenda being implemented in full. The more likely outcome, which is the election of a President, that manages rather than solves the crisis between the March 14 and the March 8 camps, until the parliamentary election of 2009, would probably produce a growth rate in the 3-6% range, depending on how far economic reform could go without an overall macro political agreement. The IMF, which also seems to assign a high probability to this outcome, forecasts a 3.5% growth rate in 2008.

Inflation is also somehow related to the political situation, though to a lesser extent than growth. Continued increase in global commodity prices and a weaker dollar imply that Lebanon would continue to import some inflation. If the government, in addition, implements the VAT increase to 12% scheduled in January 2008, this would also mean some additional inflation. The IMF forecasts a 2.5% average inflation rate for 2008.

The Budget

According to the 2008 budget, which was approved by the Council of Ministers (and has yet to be ratified by Parliament), revenues are projected at \$5.6 billion, compared with \$5.1 billion budgeted in 2007 and \$4.9 billion actual in the first 10 months of the year. Meanwhile, expenditures are estimated to reach \$7.6 billion, compared with \$7.8 billion budgeted in 2007 and \$6.9 billion actual in the first 10 months of 2007. As a result, the deficit is expected at around \$2 billion (27% of total expenditures), compared with \$2.7 budgeted in 2007 (35% of expenditures). In the first 10 months of 2007, the deficit has actually totaled \$2.1 billion (29.8% of expenditures).

The Budgeted and Actual Deficit: 2006-2008 (Million USD)

	Budget 2006	Actual 2006	Budget 2007	Actual YTD Jan-Oct 2007	Budget 2008
Budget Deficit	3,010	3,039	2,763	2,077	2,061
% of Total Expenditures	40.5	38.58	35.2	29.81	27.1
Total Expenditures	7,426	7,878	7,854	6,967	7,612
Total Revenues	4,416	4,839	5,091	4,890	5,551
Primary Balance	76	-16	488	670	1,024

The increase in revenues is mainly due to an increase in the VAT from 10% to 12% and the rise in the interest rate tax from 5% to 7%, both officially starting on January 1, 2008. Revenues generated from the Telecom sector are projected to drop by 29% following the privatization of the two mobile licenses. Administrative reforms are also expected to help on both the revenue and expenditure side. Public expenditures are expected to drop by 2%.

Privatization

The long-overdue privatization of the Lebanese state-owned companies, in particular those of the telecom sector, is an integral part of the Lebanese government reform agenda presented in Paris III on January 2007. State-owned companies include the two mobile phone operators, currently operated by Zain Group (previously known as MTC Touch) and Alfa, the fixed line telephone monopoly (OGERO), and the electricity company (EDL). In addition, the central bank (BDL) is expected to divest ownership of Middle East Airlines and Intra, a holding company which owns Casino du Liban.

Most progress has been achieved on the front of the privatization of the two mobile licenses. The Telecom Regulatory Authority (TRA) was established and its board appointed on February 21, 2007, and has been operational since April. Transaction advisors, technical consultants and financial auditors were appointed in June 2007.

A memorandum of understanding was signed and announced in November 2007 by the Higher Council of Privatization (HCP) and the TRA. It sets February 21, 2008 as the date of the sale, through a public auction, of the two 20-year 2G mobile licenses, currently owned by the government and operated by Zain Group and Deutsche Telekom (through its subsidiary Detecon GmbH- Alfa). Each winner will receive 67% of the shares in the entity that holds the license, while the state will sell the remaining 33% of the equity in an initial public offering (IPO) within a year of the auction. Lebanon's monopoly fixed-line operator OGERO will also receive a third license to operate a mobile network, and will be privatized after its corporatization as Liban Telecom.

Zain Group and Orascom Telecom have already expressed their willingness to bid, and strong international interest is expected in one of the few remaining mobile licenses in the region. Credit Suisse released a report on November 12, 2007 analyzing the prospects of the privatization of the two mobile licenses. It described the Lebanese mobile market as small but attractive, expecting each mobile license to be sold over \$3 billion. Credit Suisse underlined two features of the sector that boosted its prospects.

- First, the networks count some 1.1 million subscribers, giving Lebanon one of the lowest penetration rates in the region, with less than 30% of the population owning a mobile phone. On the other hand, Lebanon, a country with the highest GDP per capita in the Levant region, hosted over 1.1 million tourists on average over the last 3 years, and more than 10 million Lebanese live abroad. As a result Credit Suisse expects the mobile penetration to reach 95% in the next 3 years, and 140% by 2027.
- Second, the Lebanese telecom market has a high ARPU (average return per user) of \$72, the highest in the Middle East. The high ARPU is the consequence of two factors: (i) the minimum spending rule of \$42 for post-paid users and the fact that failure to recharge the post-paid cards results in the termination of service; and (ii) Lebanese minutes of use per Month (MOU) of 388 minutes is the highest among comparable countries. Credit Suisse expects the ARPU to decline to \$48 by 2010.

The long planned privatization of the mobile licenses would alter the fiscal situation. Around \$1 billion a year are generated by the transfer from the mobile operators (after they charge \$8 million a month in management fees). The privatization allows for the possibility of revenue-sharing option with the government, and in any case, the government would generate revenue from taxing the profits of the winning bidders. On the other hand, the privatization would reduce the debt servicing cost, as whatever the state nets from the sale will go towards reducing the public debt stock (according to the Privatization Law of 2000).

However, the real economic advantages of the privatization would be reducing the cost of usage, improving the service and hence enhancing productivity of businesses. Lebanon, once a regional leader in business development and entrepreneurship, has been lagging behind other Arab countries, in its standing as a business friendly environment. Sure the political and security situation have played a holding role, but it is also clear that the deterioration in quality of services, especially on the IT front, has been a draw back factor.

Ease of Doing Business in the MENA region	2008 rank
Saudi Arabia	23
Kuwait	40
Oman	49
Turkey	57
United Arab Emirates	68
Jordan	80
Lebanon	85
Algeria	125
Egypt	126
Iran	135
Syria	137
Iraq	141

Source: Doing Business database

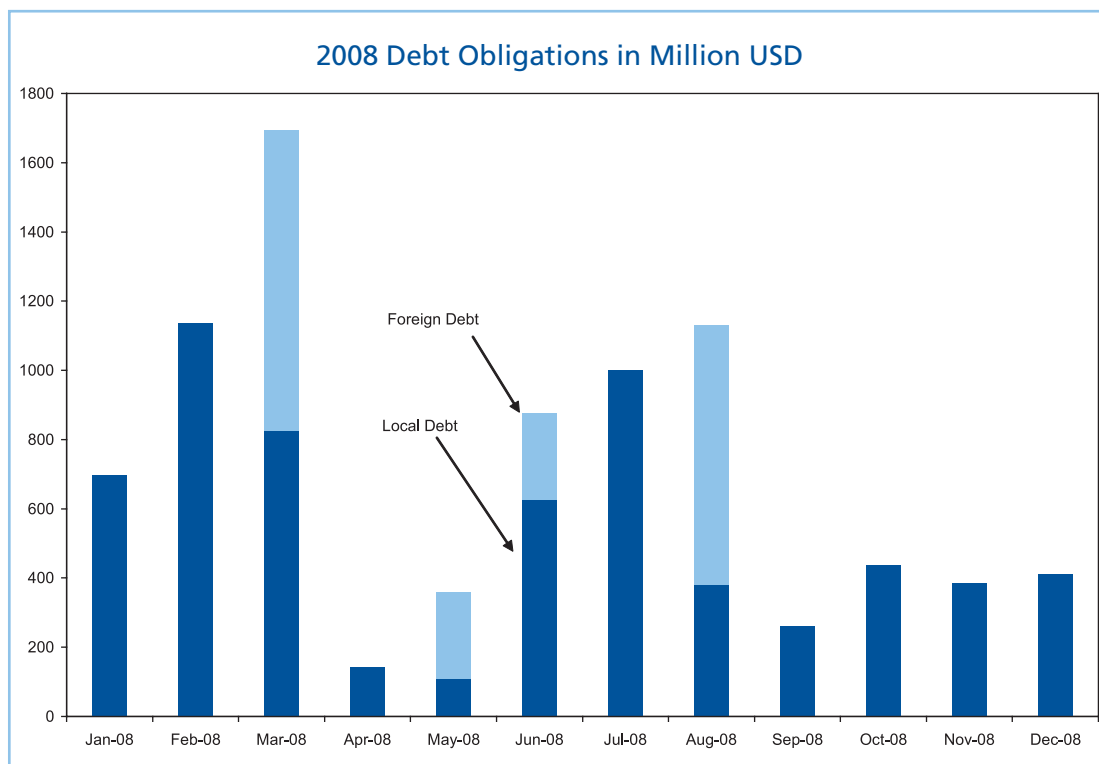
Middle East Internet Usage

	Internet usage in December 2000	Internet usage latest data, March 2007	% population (penetration)
UAE	735,000	1,397,200	35.1
Qatar	30,000	219,000	26.6
Kuwait	150,000	700,000	25.6
Bahrain	40,000	155,000	21.0
Lebanon	300,000	700,000	15.4
Jordan	127,000	629,500	11.7
Saudi Arabia	200,000	2,540,000	10.6
Syria	30,000	1,100,000	5.6

Source: InternetWorldStats, Nielsen/NetRatings/ ITU

Debt Obligations

Debt obligations falling due in the coming year amount to around \$8.6 billion distributed by monthly payment according to the graph below.



This includes the equivalent of around \$6.5 billion in debt LBP-denominated Treasury bills and the total of \$2.1 billion in foreign-currency denominated debt.

Projected Monthly Maturities of Outstanding TB's Portfolio denominated in LBP as of October 31, 2007 (Million USD)

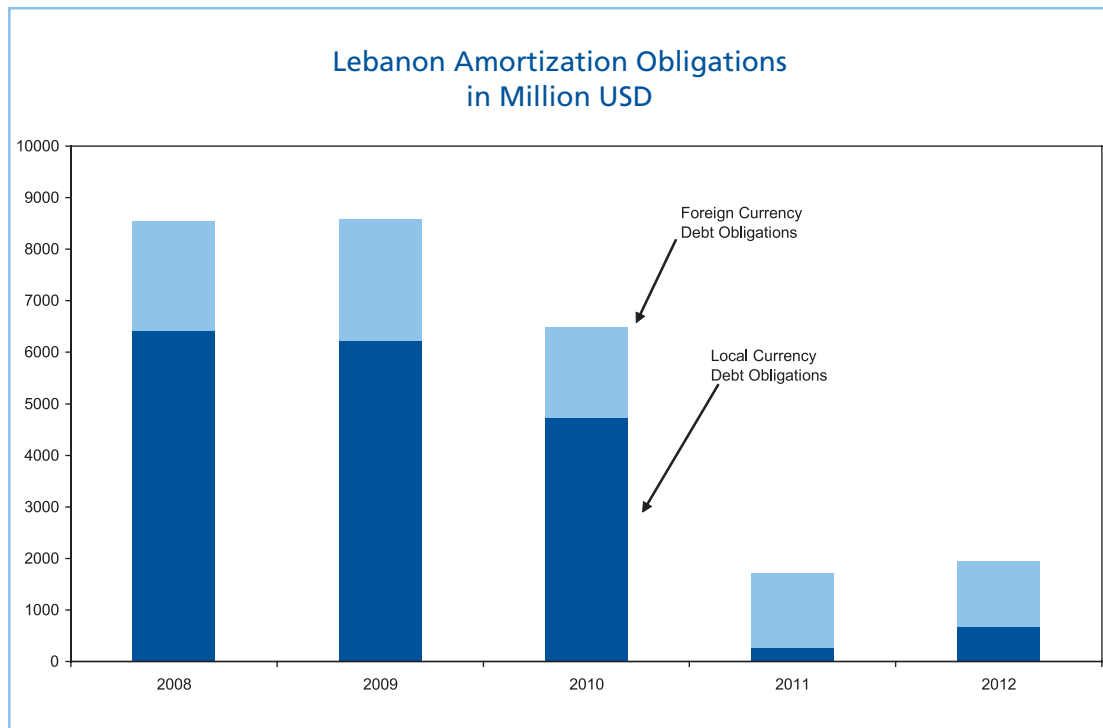
Year	Month	Category								Total
		3-month	6-month	12-month	24-month	36-month	48-month	54-month	60-month	
2008	Jan-08		466	38	19	174				697
	Feb-08		289	74	32	741				1136
	Mar-08		25	55	25	311		409		825
	Apr-08		111	5	27	0				143
	May-08			5	37	68				110
	Jun-08			36	67	523				626
	Jul-08			54	20	496			431	1000
	Aug-08			6	23	352				381
	Sep-08			3	117	142				262
	Oct-08			36	221	181				438
	Nov-08				9	377				387
	Dec-08				17	393				411
	Total		890	312	614	3761		409	431	6416

According to the IMF, the availability of liquidity in the banking sector should enable the government to rely on market financing, but notes that greater interest rate flexibility may be needed to tap the financial markets, particularly if donor's disbursements from Paris III do not materialize at the announced pace. Indeed, the IMF has noted that donor disbursements have been lower than expected, as the finalization of many arrangements is taking significantly longer than expected, owing mostly to technical and administrative reasons.

AND BEYOND

Implementing the ambitious reform agenda outlined on January 2007 in the context of the Paris III conference remains the most credible attempt to solving the chronic debt problem and boosting the growth rates to their potential levels.

The high debt, with amortization payments totaling over \$25 billion over the next three years, remains Lebanon biggest economic problem and the major impediment to achieving high growth rates.



Projected Monthly Maturities of Outstanding TB's Portfolio denominated
in LBP as at October 31, 2007 (Million USD)

Year	Month	Category							Total	
		3-month	6-month	12-month	24-month	36-month	48-month	54-month		60-month
2008	Jan-08		466	38	19	174				697
	Feb-08		289	74	32	741				1136
	Mar-08		25	55	25	311		409		825
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	Oct-08			36	221	181				438
	Nov-08				9	377				387
	Dec-08				17	393				411
	Total		890	312	614	3761		409	431	6416
2009	Jan-09				119	462				582
	Feb-09				46	386				432
	Mar-09				167	500	198			864
	Apr-09				157	269	222			647
	May-09				32	318				350
	Jun-09				100	370				470
	Jul-09				5	214				219
	Aug-09				12	419				431
	Sep-09				7	655				662
	Oct-09				5	787				792
	Nov-09					277				277
	Dec-09					487				487
	Total				647	5,144	420			6,212
2010	Jan-10					155				155
	Feb-10					182				182
	Mar-10					127		131		258
	Apr-10					176		610		785
	May-10					546				546
	Jun-10					119				119
	Jul-10					868				868
	Aug-10					758				758
	Sep-10					719				719
	Oct-10					332				332
	Total					3,983		740	4,723	
2011	Mar-11							27		27
	Total							27		27
2012	Oct-12							666		666
	Total							666		666
	Portfolio		890	312	1,261	12,888	420	409	2,103	18,282

Projected Monthly Maturities of Outstanding TB's Portfolio Denominated in FC (million USD) as at October 31, 2007	
Mar-08	869
May-08	250
Jun-08	250
Aug-08	750
May-09	326
Aug-09	352
Oct-09	636
Nov-09	625
Dec-09	425
Mar-10	1,065
Nov-10	700
May-11	1,000
Aug-11	450
Apr-12	471
Jul-12	200
Sep-12	600
Jun-13	650
Apr-14	677
Jan-16	750
May-16	400
Jul-17	300
Dec-17	2,658
Mar-18	700
May-18	200
Apr-21	2,092

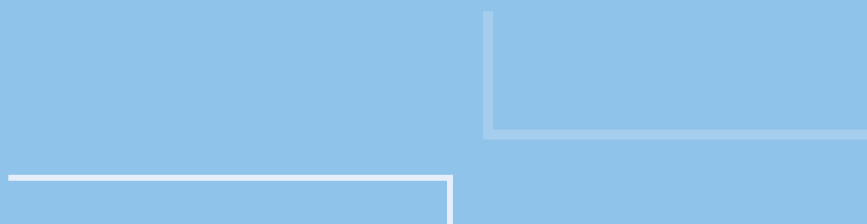
Two pillars of the reform agenda are expected to be implemented in 2008, the fiscal adjustment measures and privatization. These two measures are urgent in order to deal with the high debt burden shown above. But for Lebanon to sustain the high growth rates that it needs to deal with longer-term challenges, the two remaining pillars of the reform agenda need to be implemented in the medium-term.

These two pillars include growth-enhancing structural reforms and social sector reforms. Growth-enhancing structural reforms are designed to improve the business climate and competitiveness. They will: (1) address issues relating to governance, (2) streamline regulations, and (3) facilitate access to credit and deepen the capital markets. Meanwhile, social sector reforms seek to alleviate poverty, reduce regional income disparities and improve education and health indicators. Measures will include rationalizing social spending across ministries, reforming the existing social safety net, introducing new pilot programs targeting the poor, and raising the effectiveness and coverage of health and education facilities.

A fifth pillar overlaps over both the short and medium term and constitutes an important anchor of stability for the reform agenda. It is the monetary and exchange rate policies that will continue to focus on maintaining price stability through the exchange rate peg. Meanwhile, the reform agenda states that the government will reduce its reliance on central bank financing to strengthen the independence of the BDL.

While some progress has been achieved on some of these five pillars, the full implementation of the reform agenda requires a political agreement that would constitute the cover for a successful execution of the program. Only then would Lebanon achieve its potential growth rate of 8% on a sustainable basis and come back to play its leading economic and financial role on the regional level.

TABLES



General Economic Indicators

	2004	2005	2006	2007 (e)
Real GDP growth (in %)	7.4	1.0	0.0	2.0
Inflation-end of period (in %)	2.0	0.5	6.8	3.5
GDP (in Billion \$)	21.5	21.5	22.7	23.6
Government Revenues (in Million \$)	4985	4912	4838	5868
Government Expenditures (in Million \$)	6992	6768	7879	8361
Deficit (in Million \$)	2007	1856	3041	2493
Deficit (in % of GDP)	9.2	8.4	13.4	10.6
Primary Balance (in Million \$)	660	489	-17	804
Primary Balance (in % of GDP)	3.0	2.2	0.0	3.4
Gross Public Debt* (in Billion \$)	33.85	38.48	40.40	40.57
of which LBP (in Billion \$)	17.49	19.33	20.00	20.08
of which USD (in Billion \$)	16.36	19.15	20.40	20.48
Gross Public Debt (in % of GDP)	156	174	178	172
Export of Goods (in Million \$)	1748	1880	2282	2625
Imports of Goods (in Million \$)	9400	9343	9398	11344
Trade Deficit (in Million \$)	7652	7463	7116	8719
Trade Deficit (in % of GDP)	35.3	33.8	31.5	36.9
Current Account Deficit (in Million \$)	3377	2517	1549	2596
Current Account Deficit (in % of GDP)	18.3	12.6	6.9	11
Net Foreign direct investment (in Million \$)	2333	2629	2724	n.a
Balance of Payments Flows (in Million \$)	169	747	2795	750
BDL FC Reserves* (in Million \$)	11483	11657	12975	12880
BDL FC Reserves* (in % of M2)	67	72	83	78

*as of September 2007

Source: IMF, Ministry of Finance and BDL

Economic Activity Indicators

	Y 2006	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	YTD 2007
BDL Coincident Indicator	171.5	177.5	175.7	185.5	186	180.6	170.6	173.5				178.5
Electricity Production (Kwh)	10214	867	777	876	858	854	851	946				6029
Cleared Checks in FC (Million \$)	25269	2204	1997	2378	2240	2456	2410	2457				16142
Cleared Checks in LBP (Billion LBP)	10883	703	627	697	634	739	656	706				4763.9
Cement Deliveries (000' tons)	3423	230	237	336	328	361	343	354				2189
Construction Permits (000' m2)	9400	463	528	613	784	794	871	735	762	803	828	7181
Arrivals at BIA (000' Passengers)	1464	115	90	122	141	124	141	197	184	132		1246
Total Exports of Goods (Million \$)	2283	189	219	214	230	233	226	217	222			1750
Total Imports of Goods (Million \$)	9400	887	830	984	946	930	892	1051	1043			7563
Consumer Price Index	104.57	111.2	106.57	105.79	107.06	106.59	107.6	106.74	108.67	110.58	111.27	

Total Imports & Exports By Product
(Million US Dollars)

Goods	Imports		Exports	
	2006	2007	2006	2007
	Jan-Aug		Jan-Aug	
Live animals, animal products	444	309	12	7
Vegetable products	366	350	80	68
Fats & eible fats & oils	94	78	12	12
Prepared foodstuffs	534	511	187	166
Mineral products	2,413	1624	86	52
Products of the chemical	887	751	162	147
Plastic & articles thereof	361	310	85	74
Raw hides & skins, leather, furskins	41	28	14	8
Wood and articles of wood	127	123	19	17
Paer & paperboard & articles thereof	242	215	134	111
Textiles and textile articles	464	318	87	66
Footwear, headgear, prepared feathers	70	50	15	12
Articles of stone, plaster, cement	148	129	48	37
Pearls, precious stones and metals	291	359	555	235
Base metals and articles of base metal	682	621	321	337
Machinery & mechanical appliances	1,123	920	334	291
Transport equipment	764	612	34	23
Optical instruments & apparatus	184	125	20	14
Arms and ammunition	3	4	0	1
Miscellaneous manufactured articles	155	119	70	56
Works of art	6	4	10	19
Total	9,398	7,562	2,283	1,751

Source: Directorate General of Customs



Imports By Origin (Million US Dollars)

			Jan-Aug	
	2006	Share %	2007	Share %
USA	1,016	10.8	627	8.3
France	761	8.1	539	7.1
China	752	8.0	644	8.5
Italy	710	7.6	766	10.1
Germany	660	7.0	469	6.2
UK	407	4.3	309	4.1
Egypt	379	4.0	368	4.9
Saudi Arabia	296	3.1	200	2.6
Japan	285	3.0	243	3.2
Turkey	258	2.7	240	3.2
Brazil	227	2.4	187	2.5
Switzerland	212	2.3	287	3.8
Other Countries	3,435	36.6	2683	35.5
Total imports	9,398	100	7562	100

Source: Directorate General of Customs

Exports By Destination (Million US Dollars)

			Jan-Aug	
	2006	Share %	2007	Share %
Switzerland	451	19.8	122	7.0
Syria	176	7.7	138	7.9
UAE	176	7.7	149	8.5
Saudi Arabia	146	6.4	123	7.0
Iraq	136	6.0	90	5.1
Turkey	102	4.5	71	4.1
Jordan	84	3.7	65	3.7
Kuwait	82	3.6	62	3.5
Qatar	64	2.8	49	2.8
USA	53	2.3	43	2.5
Egypt	48	2.1	74	4.2
Belgium	47	2.1	60	3.4
Other Countries	718	31.4	705	40.3
Total Exports	2,283	100	1,751	100

Source: Directorate General of Customs

Fiscal Performance Summary
(LBP Million)

	2004	2005	2006	YTD 2007 up to Oct.
1. Budget Transactions				
1.1 Revenues	7,075,268	6,984,222	6,867,491	6,811,171
1.1.1 Tax Revenues	5,168,747	4,866,834	4,922,218	4,760,251
Tax Revenues other than customs and VAT	1,788,976	1,905,860	2,189,561	1,981,448
Customs Revenues	1,616,573	1,267,578	1,073,924	1,048,973
VAT Revenues	1,763,198	1,693,396	1,658,733	1,729,830
1.1.2 Non Tax Revenues	1,906,521	2,117,388	1,945,273	2,050,920
1.2 Expenditures	8,305,821	7,802,216	8,640,901	8,460,249
1.2.1 Expenditures excluding debt service	4,284,335	4,267,913	4,084,093	4,318,325
1.2.2 Debt Service	4,021,486	3,534,303	4,556,808	4,141,924
1.2.2.1 Domestic Debt	2,245,915	1,532,600	2,368,158	2,176,102
1.2.2.2 Foreign Debt	1,775,571	2,001,703	2,188,650	1,965,822
2. Treasury Transactions				
2.1 Receipts	438,978	421,251	427,365	560,484
2.1.1 Trust accounts/Guarantees	94,238	74,595	68,809	101,029
2.1.2 Municipalities	108,878	187,172	137,408	137,027
2.1.3 Deposits	72,018	66,278	74,244	62,181
2.1.4 Other	163,844	93,206	146,904	260,247
2.2 Payments	2,234,615	2,401,059	3,235,648	2,043,131
2.2.1 Trust accounts/Guarantees	566,869	894,486	504,116	198,528
2.2.2 Municipalities	460,664	384,188	404,778	218,713
2.2.3 Deposits	69,175	73,663	59,669	72,919
2.2.4 Other	1,137,907	1,048,722	2,267,085	295,842
2.2.5 EDL	492,000	974,000	1,370,000	1,257,147
3. Total Budget and Treasury Receipts	7,514,246	7,405,473	7,294,856	7,371,655
4. Total Budget and Treasury Payments	10,540,436	10,203,275	11,876,549	10,503,380
5. Total Deficit/Surplus (cash basis)	-3,026,190	-2,797,802	-4,581,693	-3,131,725
6. Total Primary Deficit/Surplus	995,296	736,501	-24,885	1,010,199

Source: Ministry of Finance

Fiscal Performance 2007 Monthly (LBP Million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Total
1. Budget Transactions											
1.1 Revenues	718,956	480,093	796,995	714,788	856,100	549,634	790,196	604,803	525,523	774,083	6,811,171
1.1.1 Tax Revenues	598,421	333,591	422,310	523,570	652,716	370,224	545,907	361,169	357,169	595,174	4,760,251
Tax Revenues other than customs and VAT	236,243	105,039	169,694	191,702	443,118	175,732	195,551	125,607	131,449	207,313	1,981,448
Customs Revenues	116,523	108,121	119,401	106,688	88,485	84,930	100,478	112,316	101,366	110,665	1,048,973
VAT Revenues	245,655	120,431	133,215	225,180	121,113	109,562	249,878	123,246	124,354	277,196	1,729,830
1.1.2 Non Tax Revenues	120,535	146,502	374,685	191,218	203,384	179,410	244,289	243,634	168,354	178,909	2,050,920
1.2 Expenditures	626,877	908,816	1,034,899	854,391	898,163	779,565	732,067	828,107	821,927	975,437	8,460,249
1.2.1 Non-debt Service	343,344	547,442	566,611	368,069	443,346	386,285	412,742	451,240	365,498	433,748	4,318,325
1.2.2 Debt Service	283,533	361,374	468,288	486,322	454,817	393,280	319,325	376,867	456,429	541,689	4,141,924
1.2.2.1 Domestic Debt	198,311	171,384	270,596	237,067	221,482	200,626	212,573	217,807	235,048	211,208	2,176,102
1.2.2.2 Foreign Debt	85,222	189,990	197,692	249,255	233,335	192,654	106,752	159,060	221,381	330,481	1,965,822
2. Treasury Transactions											
2.1 Receipts	75,737	21,454	28,806	182,288	35,243	37,752	61,044	27,187	56,412	34,561	560,484
2.1.1 Trust accounts/Guarantees	5,323	3,865	4,995	4,896	11,971	13,858	11,881	4,187	31,827	8,226	101,029
2.1.2 Municipalities	27,565	7,564	10,011	9,410	10,417	8,543	31,650	10,556	9,971	11,340	137,027
2.1.3 Deposits	5,474	5,334	5,464	5,732	4,780	4,757	8,767	5,804	9,269	6,800	62,181
2.1.4 Other	37,375	4,691	8,336	162,250	8,075	10,594	8,746	6,640	5,345	8,195	260,247
2.2 Payments	186,157	94,194	264,126	151,346	165,703	381,585	191,067	210,737	167,983	230,233	2,043,131
2.2.1 Trust accounts/Guarantees	2,654	5,501	21,613	5,587	15,020	29,766	15,435	25,009	31,736	46,207	198,528
2.2.2 Municipalities	116	28,249	23,165	2,013	23,826	25,284	26,399	21,008	43,969	24,684	218,713
2.2.3 Deposits	3,054	3,092	28,939	2,793	4,330	5,531	3,957	3,055	14,198	3,970	72,919
2.2.4 Other	21,069	35,549	18,188	14,671	64,739	11,469	48,959	34,121	9,863	37,196	295,824
2.2.5 EDL	159,264	21,803	172,221	126,282	57,788	309,535	96,317	127,544	68,217	118,176	1,257,147
3. Total Budget and Treasury Receipts	794,693	501,547	825,801	897,076	891,343	587,386	851,240	631,990	581,935	808,644	7,371,655
4. Total Budget and Treasury Payments	813,034	1,003,010	1,299,025	1,005,737	1,063,866	1,161,150	923,134	1,038,844	989,910	1,205,670	10,503,380
5. Total Deficit/Surplus (cash basis)	-18,341	-501,463	-473,224	-108,661	-172,523	-573,764	-71,894	-406,854	-407,975	-397,026	-3,131,725
6. Total Primary Deficit/Surplus	265,192	-140,089	-4,936	377,661	282,294	-180,484	247,431	-29,987	48,454	144,663	1,010,199

Source: Ministry of Finance

Gross Public Sector Debt Outstanding

	Dec. 03	Dec. 04	Dec. 05	Dec-06	Dec-07
in LBP Billion					
Total Gross Public debt	50,285	54,048	58,018	60,880	61,159
Domestic Debt	26,843	26,371	29,141	30,204	30,275
a. Central Bank (including REPOs and Loans to EDL)	8,938	10,652	11,686	9,588	9,419
b. Commercial Banks	12,303	12,220	14,130	16,487	15,440
c. Other Domestic Debt (T-Bills)	5,603	3,500	3,325	4,129	5,416
o/w Public entities	2,564	2,187	2,446	3,313	4,654
Foreign debt	23,442	27,677	28,877	30,676	30,884
a. Bilateral Multilateral Foreign Private sector loans	2,934	2,970	2,822	2,884	2,882
b. Paris II Related debt (Eurobonds and Loans)	3,731	6,634	6,501	6,540	6,240
c. Paris III related debt (Eurobonds)					905
d. Market Eurobonds	13,631	17,686	18,729	20,399	20,032
e. Accrued Interest on foreign currency debt	327,128	387,428	405,518	434,160	556,268
f. Special T-Bills in Foreign currency			419,085	419,085	419,085
in USD Billion					
Total Gross Public debt	33.357	35.853	38.486	40.385	40.570
Domestic Debt	17.806	17.493	19.331	20.036	20.083
a. Central Bank (including REPOs and Loans to EDL)	5.929	7.066	7.752	6.360	6.248
b. Commercial Banks	8.161	8.106	9.373	10.937	10.242
c. Other Domestic Debt (T-Bills)	3.717	2.322	2.206	2.739	3.593
o/w Public entities	1.701	1.451	1.623	2.198	3.087
Foreign debt	15.550	18.360	19.156	20.349	20.487
a. Bilateral Multilateral Foreign Private sector loans	1.946	1.970	1.872	1.913	1.912
b. Paris II Related debt (Eurobonds and Loans)	2.475	4.401	4.312	4.338	4.139
c. Paris III related debt (Eurobonds)					0.6004
d. Market Eurobonds	9.042	11.732	12.424	13.532	13.288
e. Accrued Interest on foreign currency debt	217	257	269	288	369
f. Special T-Bills in Foreign currency			278	278	278

Source: Ministry of Finance

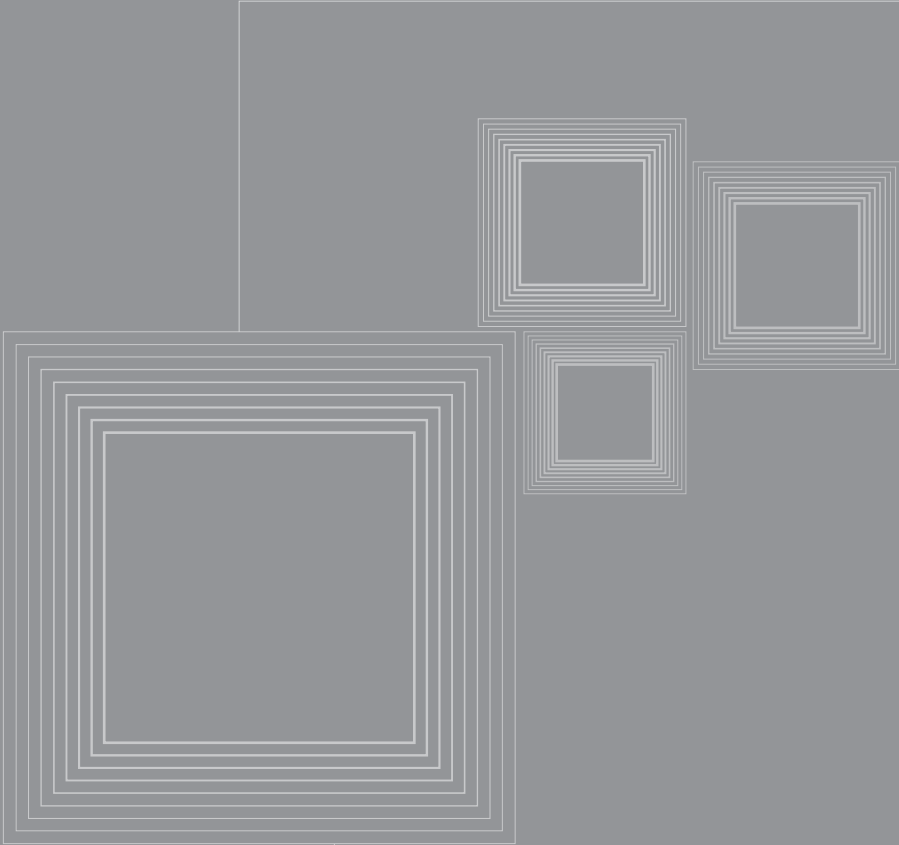
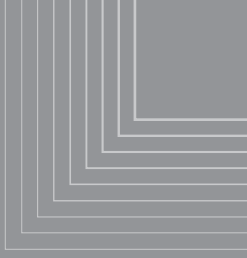
BANKMED CONTACTS

BankMed Center	482 Clémenceau Str.	Tel: (961) 1- 373-937	
			Ext.
Market & Economic Research	Mazen Soueid	Soueidm@bankmed.com.lb	2217
Market & Economic Research	Stephanie Ghanem	Ghanems@bankmed.com.lb	2226

BUSINESS LINES

Corporate Credit	Mohamad Loutfi	Loutfim@bankmed.com.lb	1700/1701
Large Corporate Credit	Walid Cheikha	Cheikhaw@bankmed.com.lb	1709
Financial Institutions & Trade Finance	Ziad Ghosn	Ghosnz@bankmed.com.lb	1500/1501
Investment Banking	Samer Salam	Salams@bankmed.com.lb	2517
Med Securities	Khaled Zeidan	Zeidank@bankmed.com.lb	2460
Retail Banking	Basil Karam	Karamb@bankmed.com.lb	600
Branch Network & Retail Liability Products	Fadi Flaihan	Flaihanf@bankmed.com.lb	200
Consumer Credit	Muhieddine Fathallah	Fathallahm@bankmed.com.lb	700
Electronic Delivery Channels & Card Products	Hatem Charani	Charanih@bankmed.com.lb	300/301
Treasury & Capital Markets	Fouad Saad	Saadf@bankmed.com.lb	2400/2401
Treasury Dealing Room	Adel Jabre	Jabrea@bankmed.com.lb	2411
Treasury Marketing	Ahmad Alwan	Alwana@bankmed.com.lb	2410

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BankMed Center | 482, Clemenceau street
Beirut, Lebanon
Tel: 961.1.373937 | Fax: 961.1.362706
www.BankMed.com.lb