

PRESS RELEASE

Byblos Bank Hosts the Launch of IIF New Report on the Middle East and North Africa

- **MENA: At the Threshold of Change, Uncertainties Mount**
- **Lebanon: Recovery Hinges on Political Stability and Reforms**

Byblos Bank Headquarters, December 10, 2012: The Institute of International Finance (IIF) published today its regional report on the Middle East & North Africa (MENA) region, indicating that rigid ideologies are battling political pragmatism at the expense of economic growth and reduced investment. The analysis, conducted by the Africa & Middle East Department of the IIF, concludes that the region's uncertain future political landscape is blocking urgent tasks such as the re-establishment of security and the rule of law, and is inhibiting the urgently needed structural reforms that would lift growth trajectories and reduce unemployment.

During a press conference held at Byblos Bank Headquarters in Beirut, Dr. Garbis Iradian, Deputy Director of the Africa & Middle East Department and principal author of the report, commented: "the deepening conflict in Syria continues to pose a threat to Lebanon's political order and economic stability. Real GDP is expected to grow by 0.6% in 2012, following the IIF's estimate of 1.8% in 2011 and 7% in 2010. Reaching consensus on effective government and an improvement in Lebanon's domestic security, combined with structural reforms, including fiscal reforms and addressing the chronic problems in the electricity sector, could spur growth to 3.5% in the course of 2013. This would help move the Lebanese economy to a higher growth path beyond 2013 and help bring the public debt down to more sustainable levels." He added, "Lebanon's banking system remains resilient, supported by loyal depositors and stable remittances from the large Lebanese Diaspora. The Lebanese pound also remains stable and, unlike other oil-importing countries in the region, official foreign exchange reserves continued to increase."

Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research & Analysis Department at Byblos Bank, stated that "consumer confidence and investor sentiment in Lebanon continue to be severely affected by domestic political instability and regional turmoil, so it is not surprising that growth will be less than 1% this year." He added that "Lebanon could have mitigated the adverse impact of Syria's turmoil on its economy if Lebanese politicians and government officials made a concerted effort to maintain political stability, and if they prioritized economic and financial issues by focusing on reforms that would improve the economy's competitiveness and attractiveness." Instead, the economy missed several major opportunities since the beginning of 2011 and Lebanon failed to capitalize on regional developments to position itself as a destination for tourists, capital inflows and foreign companies." He considered that "the economy requires a positive political shock of the magnitude of the Doha Accord for consumer confidence and investor sentiment to rebound to the levels seen in 2009 and 2010.

This, combined with structural reforms, would raise economic growth to higher and sustainable levels." He stressed that "policymakers must avoid complacency and need to tackle the challenges ahead in order to reduce public finance vulnerabilities and preserve financial and monetary stability."

The report, based on several ground-level research visits to the region, stated that the MENA region's non-oil economies (Egypt, Jordan, Lebanon, Morocco, Tunisia, and Syria) continue to face the challenges of weak growth, wide fiscal and current account deficits, and rising unemployment. As such, the recovery in these countries will be modest at best in 2013. Increased government spending on fuel and food subsidies, combined with pressures to raise public wages, is straining public finances. Concessional external financing has been promised, but disbursements may not be adequate to secure macroeconomic stability in oil-importing economies. Monetary and fiscal policy buffers have diminished, while private investors are still in a wait-and-see mode.

On the issue of future risks to the region, Dr. Iradian said "The main risks for MENA oil importers emanate from ideological tensions, potential social unrest, populist policies, and fiscal slippages. Foreign investors still need more clarity on the political direction of the new governments in the region. The prolonged crisis in Syria has not just damaged the country's economy but has also impacted private investment in Jordan and Lebanon."

The Washington D.C.-based Institute of International Finance is the leading global association of financial services firms with more than 470 member institutions. Byblos Bank S.A.L. is a long-time member of the IIF and Dr. François Bassil, Chairman & General Manager of Byblos Bank, is a member of the IIF's Emerging Markets Advisory Council.

MENA Outlook: GDP, Growth and Fiscal Balance									
	GDP (\$bn)	Real GDP Growth (%)				Fiscal Balance (% of GDP)			
	2012f	2010	2011e	2012f	2013f	2010	2011e	2012f	2013f
MENA	2831	4.8	3.9	4.9	3.8	1.3	4.6	4.5	3.3
Oil Exporters	2333	4.9	4.5	5.7	4.0	3.3	7.0	7.5	5.9
<i>of which:</i>									
Saudi Arabia	640	5.1	7.1	5.8	4.0	5.2	12.9	16.5	12.3
UAE	375	1.8	5.2	4.2	3.3	-2.2	3.3	4.3	5.0
Iran	460	5.0	1.2	-3.5	1.4	1.7	-0.4	-3.5	-3.9
Oil Importers	498	4.5	1.5	1.0	2.9	-6.1	-8.1	-9.3	-8.8
Egypt*	257	5.2	1.9	2.2	2.8	-8.1	-9.8	-10.9	-10.4
Jordan	31	2.3	2.6	2.7	3.2	-5.6	-6.8	-7.1	-6.7
Lebanon	41	7.0	1.8	0.6	3.5	-5.7	-6.0	-7.4	-8.9
Morocco	95	3.6	5.0	2.9	4.9	-4.8	-6.6	-5.9	-4.7
Syria	29	3.4	-6.0	-20.0	-5.0	-4.8	-10.6	-16.3	-13.0
Tunisia	45	3.5	-2.0	3.2	3.5	-1.0	-3.1	-5.5	-5.0

e = IIF estimate; f = IIF forecast

*Egypt's figures are on a fiscal year basis (July to June)

For further information, please contact:

Nassib Ghobril

Head of Economic Research & Analysis

Byblos Bank Group

Phone: (961) 1 338 100 Ext 0205

Direct: (961) 1 338 595

Fax: (961) 1 217 774