



LEBANON THIS WEEK

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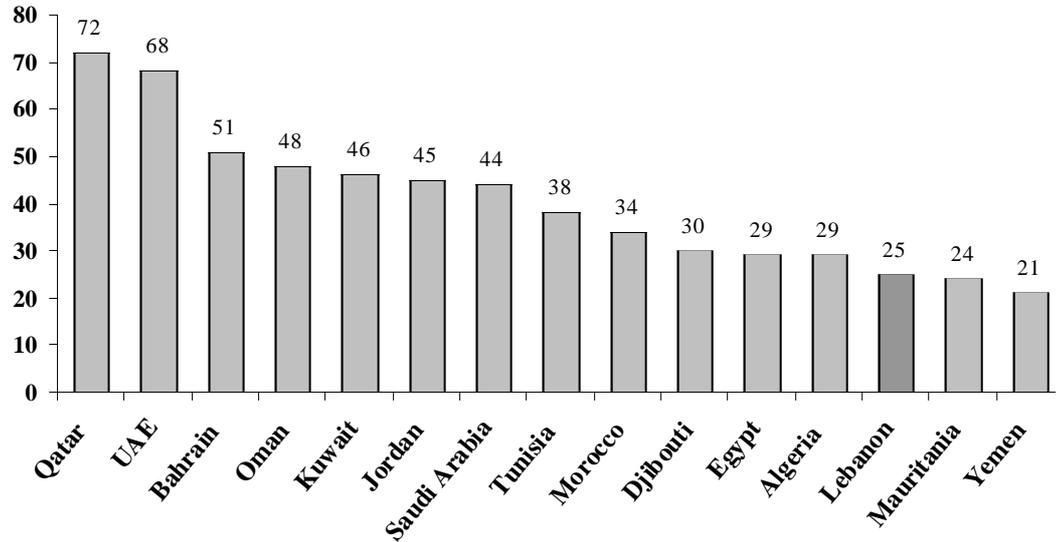
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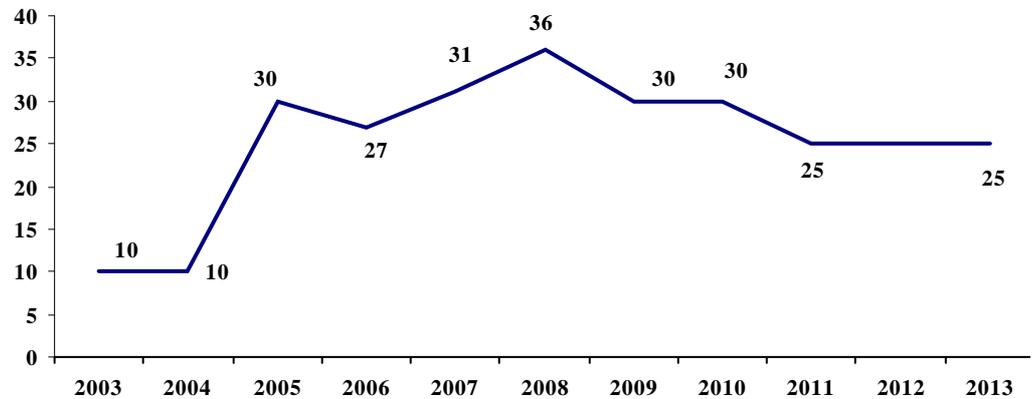
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Charts of the Week

Freedom From Corruption in Arab Countries in 2013



Freedom From Corruption in Lebanon



Source: Heritage Foundation/Wall Street Journal, Byblos Bank

Quote to Note

"Failure to implement near- and medium-term fiscal consolidation would exacerbate existing debt sustainability concerns."

The Institute of International Finance, on the risks of not implementing fiscal reforms

Number of the Week

110: Lebanon's rank among 144 economies in terms of company financing through the local stock market, according to the World Economic Forum's Global Competitiveness Index for 2012-13

Economic Indicators

\$m (unless otherwise mentioned)	2010	Sep 11	2011	Jul 12	Aug 12	Sep 12	% Change*
Exports	4,256	334	4,276	317	339	471	41.02
Imports	17,956	1,792	20,170	1,739	1,782	1,629	(9.10)
Trade Balance	(13,700)	(1,458)	(15,894)	(1,422)	(1,443)	(1,158)	(20.58)
Balance of Payments	3,326	(302)	(1,996)	(322)	(497)	(92)	(69.54)
Checks Cleared in LBP	13,519	1,147	14,251	1,311	1,233	1,233	7.50
Checks Cleared in FC	53,925	5,181	57,852	5,150	4,657	4,580	(11.60)
Total Checks Cleared	67,444	6,328	72,103	6,461	5,890	5,813	(8.14)
Budget Deficit/Surplus	(2,894)	(419)	(2,342)	36.01	(320.35)	(569.85)	36.00
Primary Balance	1,231	44	1,662	158.69	(143.82)	(138.20)	(414.09)
Airport Passengers	5,512,435	582,383	5,596,034	640,615	624,525	542,920	(-6.78)

\$bn (unless otherwise mentioned)	Dec 2010	Sep 11	Jun 12	Jul 12	Aug 12	Sep 12	% Change*
BdL FX Reserves	28.60	30.62	29.26	29.64	29.54	29.99	(2.06)
<i>In months of Imports</i>	<i>19.46</i>	<i>17.09</i>	<i>17.08</i>	<i>17.05</i>	<i>16.57</i>	<i>18.41</i>	<i>(7.72)</i>
Public Debt	52.59	54.35	55.25	55.44	55.69	56.07	3.16
Net Public Debt	45.01	45.80	47.10	47.28	47.82	47.83	4.43
Bank Assets	128.93	138.42	145.90	145.51	147.05	148.36	7.18
Bank Deposits (Private Sector)	107.20	113.39	119.94	119.75	121.16	121.75	7.37
Bank Loans to Private Sector	34.93	38.76	41.70	41.49	41.72	42.29	9.11
Money Supply M2	39.40	37.68	41.00	41.19	41.63	41.81	10.96
Money Supply M3	92.15	95.63	100.36	100.50	101.08	101.50	6.14
LBP Lending Rate (%)	7.91	7.37	7.44	7.24	7.27	7.30	(7b.p.)
LBP Deposit Rate (%)	5.68	5.58	5.45	5.45	5.51	5.43	(15b.p.)
USD Lending Rate (%)	6.74	6.58	7.15	7.19	7.26	7.16	58b.p.
USD Deposit Rate (%)	2.80	2.84	2.78	2.84	2.84	2.83	(1b.p.)
%* Change in CPI**	6.19	5.27	4.72	4.72	5.85	8.26	299b.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"	13.10	0.92	60,265	12.18%
Solidere "B"	13.05	(0.08)	19,975	7.89%
Byblos Common	1.65	0.61	1,392,339	5.52%
Byblos Pref. 08	102.00	0.00	0	1.90%
Byblos Pref. 09	102.10	0.00	0	1.90%
BLOM GDR	8.30	0.61	44,728	5.70%
BLOM Listed	7.90	(0.25)	13,500	15.79%
Audi GDR	7.00	3.70	61,591	6.64%
Audi Listed	6.55	4.97	44,457	21.30%
HOLCIM	15.80	0.00	0	2.87%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
June 2013	8.625	103.01	1.10
Apr. 2014	7.375	106.75	1.75
Jan. 2015	5.875	104.75	3.37
Apr. 2015	10.00	114.13	3.42
Jan. 2016	8.500	112.75	3.93
Mar. 2017	9.000	117.50	4.35
Nov. 2018	5.150	102.00	4.75
Apr. 2021	8.250	117.63	5.55
Nov. 2026	6.600	104.75	6.09

Source: Byblos Bank Capital Markets

	Jan 21-25	Jan 14-18	% Change	Dec 2012	Dec 2011	% Change
Total Shares Traded	1,646,491	473,538	247.70	6,388,172	9,690,284	(34.08)
Total Value Traded	\$4,619,810	\$4,030,913	14.61	\$32,380,726	\$34,336,260	(5.70)
Market Capitalization	\$10.76bn	\$10.60bn	1.50	\$10.42bn	\$10.29bn	1.32

Source: Beirut Stock Exchange (BSE)



Lebanon's sovereign ratings affirmed, outlook 'stable'

Capital Intelligence affirmed Lebanon's long- and short-term foreign and local currency sovereign ratings at 'B' with a 'stable' outlook. It said that Lebanon's ratings reflect its adequate international liquidity and track record of meeting its debt obligations, as well as of maintaining relative macroeconomic stability even in times of crisis. But it noted that the ratings are constrained by the country's volatile political and security situation, a very high public debt level, and large fiscal and external current account deficits.

The agency indicated that the rise in political risks from the Syrian conflict, concerns about the domestic security situation, and the marked slowdown in the economies of Lebanon's main trading partners led to the weakening of the country's macroeconomic performance and to the increase in risks related to its large public and external financing needs. It said that Lebanon's public finances deteriorated due to the subdued economic performance over the past two years. It estimated the budget deficit to have widened to 8% of GDP in 2012 and expected it to further widen in 2013. It also noted that the country's debt dynamics have started to reverse and forecast the public debt-to-GDP ratio to marginally rise to 140% in 2013, constituting the first increase since 2006. Capital Intelligence indicated that Lebanon's refinancing risk remains high, with the government's current annual gross financing requirement at about 35% of GDP. It noted that local banks currently hold 74% of the public debt, which reflects the government's reliance on the domestic banking system to meet the bulk of its financing needs in both local and foreign currency. As such, it anticipated that the government will be vulnerable to a political or economic shock that would adversely affect the risk appetite of local banks or the confidence of depositors. However, it said that, in the absence of such shocks, the government would manage its gross financing needs in the short-term and that the domestic market would provide financing due to satisfactory, but slower, deposit inflows. It added that, in the event of near-term funding gaps, the government would be able to meet its financing needs through borrowing from the Central Bank and the use of its deposits that were worth almost 12% of estimated GDP in 2012. But it considered that these two forms of financing are not sustainable.

Further, it noted that Lebanon's external position continues to be affected by a chronic double-digit current account deficit, estimated at 14.6% of GDP in 2012, and by a high level of gross external debt of more than 200% of GDP. It said that the Central Bank's assets in foreign currencies of around \$34bn provide a reasonable buffer against moderate external shocks, but it noted that they would not be sufficient in case of large-scale capital flight. In parallel, the agency indicated that Lebanon's banking sector is currently adequately capitalized and has been resilient during the period of economic slowdown, adding that non-resident deposits have been relatively immune to domestic political shocks.

Capital Intelligence pointed out that it is unlikely to upgrade the sovereign ratings in the near-term and that downward pressures on the ratings are building up. It added that the regional geopolitical situation, weak global recovery prospects, and volatile global oil prices constitute the main downside risks to the economic outlook. It considered that a significant rise in these risks would have a severe impact on the sovereign and banks' ratings.

Trade deficit up 6% to \$16.8bn in 2012, volume of non-hydrocarbon imports down 5%

Total imports reached \$21.3bn in 2012, constituting an increase of 5.6% from 2011; while aggregate exports rose by 5.1% to \$4.5bn, leading to a trade deficit of \$16.8bn in 2012, up by 5.7% year-on-year. The deficit was the highest in five years in both value and volume terms, and was caused by a rise of \$1.1bn in imports and an increase of just \$218m in exports year-on-year.

Imports of oil & mineral fuels increased by 31.8% year-on-year to \$5.9bn, while non-hydrocarbon imports fell by 1.9% to \$15.4bn. In volume terms, imports reached 15.6 million tons in 2012, constituting an increase of 3.8% from 2011; while exports posted a 4.2% drop to 2.6 million tons, leading to a trade deficit of 13 million tons in 2012, up by 5.6% year-on-year. Imports of oil & mineral fuels surged by 18.6% year-on-year to 6.6 million tons, while non-hydrocarbon imports dropped by 4.8% annually to 9 million tons. The trade deficit was \$1.5bn in December 2012, up by 12.3% from the same month in 2011. Imports and exports averaged \$1.8bn and \$374m, respectively, on a monthly basis in 2012, resulting in an average monthly trade deficit of \$1.4bn last year. The coverage ratio reached 21.1% in 2012 compared to 21.2% in 2011, while it reached 20.4% in December 2012 relative to 20.3% in December 2011.

The United States was the main source of imports with \$2.4bn or 11% of the total in 2012, followed by Italy with \$1.83bn (9%), China with \$1.77bn (8%), France with \$1.5bn (7%), and Germany with \$1.2bn (6%). Imports from the U.S. surged by 19.4% year-on-year in 2012, those from China increased by 9.1%, those from Germany rose by 5.4% and those from France grew by 2.1%; while imports from Italy dropped by 2%. South Africa was the main export destination with \$864m or 19% of the total, followed by Switzerland with \$547m (12%), Saudi Arabia with \$359m and the UAE with \$352m (8% each), Syria with \$294m (7%), Iraq with \$211m (5%) and Turkey with \$157m (4%). Exports to Syria grew by 36.7% in 2012, those to South Africa rose by 28.4%, those to Saudi Arabia increased by 16.6%, those to the UAE rose by 9.3%, those to Iraq improved by 6.6% and those to Switzerland grew by 6.2%; while exports to Turkey dropped by 43.1% last year.

Lebanon ranks 103rd globally, last among Arab countries on Energy Architecture Performance Index

The World Economic Forum ranked Lebanon in 103rd place among 105 countries on its Energy Architecture Performance Index (EAPI) 2013, and in last place among 14 Arab countries and 26 upper-middle income countries (UMICs) included in the survey.

The EAPI assesses the performance of energy systems across three primary objectives that are delivering economic growth, achieving economic growth in an environmentally-sustainable way, and providing universal energy access and security. The index is composed of 16 indicators aggregated into three sub-indices that are Economic Growth & Development, Environmental Sustainability, and Energy Access & Security. The scores and ranks of each country are based on how well its current energy architecture contributes to the three objectives. Scores are between zero and one, with zero reflecting the lowest score and one the highest.

Globally, Lebanon ranked ahead of only Tanzania and Ethiopia. Lebanon received a score of 0.39 points, lower than the global, UMICs and Arab averages of 0.55 points, 0.57 points and 0.47 points respectively. In comparison, GCC countries received an average score of 0.44 points, while non-GCC Arab countries had an average of 0.49 points.

Lebanon tied with Kuwait, Qatar and Libya, ranked ahead of China, Ghana, and Kenya and came behind Nigeria, Côte d'Ivoire and Armenia on the Economic Growth & Development Sub-Index. This category measures the extent to which a country's energy architecture supports its economic growth and development. Lebanon tied with Libya, ranked ahead of Jamaica and Malaysia and came behind Algeria and Namibia among UMICs. Also, it tied with Kuwait, Qatar and Libya, ranked ahead of Oman and Syria and came behind Algeria and the UAE among Arab countries.

Further, Lebanon tied with Trinidad & Tobago, ranked ahead of Australia, Iran and Brunei Darussalam, and came behind Jordan, Syria and the Czech Republic on the Environmental Sustainability Sub-Index. This category reflects the extent to which a country's energy architecture has been constructed to minimize negative environmental externalities. Lebanon ranked ahead of only Iran among UMICs, while it came ahead of Oman and Saudi Arabia and ranked behind Jordan and Syria in the Arab world.

Finally, Lebanon ranked ahead of Pakistan, Mongolia, and Namibia and came behind Botswana, Nicaragua and India on the Energy Access & Security Sub-Index. This category mainly measures whether adequate access to energy is provided to all segments of the population. Lebanon ranked ahead of only Namibia among UMICs, while it ranked last in the Arab world.

Arab Countries Rankings & Scores

	Score	Arab Rank	Global Rank
Oman	0.48	1	76
Saudi Arabia	0.46	2	82
Qatar	0.43	2	92
Kuwait	0.42	4	95
Algeria	0.54	5	58
Tunisia	0.57	6	50
Libya	0.52	6	66
UAE	0.44	6	87
Egypt	0.49	9	73
Bahrain	0.4	9	99
Jordan	0.43	11	91
Syria	0.44	12	90
Morocco	0.52	13	64
Lebanon	0.39	14	103

Source: World Economic Forum, Byblos Research

Components of the Energy Architecture Performance Index in 2013

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Economic Growth & Development	78	5	22	0.35	0.48	0.34	0.53
Environmental Sustainability	94	8	25	0.37	0.54	0.36	0.53
Energy Access & Security	89	14	25	0.44	0.63	0.7	0.65

Source: World Economic Forum, Byblos Research

Ministry of Tourism launches religious tourism initiative

The Ministry of Tourism launched an initiative to develop religious tourism in Lebanon and to diversify and improve the tourism product mix through the identification and promotion of religious destinations in the country. It said that the plan aims to raise the level of communication between the country's various religious groups, contribute to the development of areas in the countryside and create new tourism attractions. It noted that the project will establish a comprehensive database that will provide information about the religious tourism market in Lebanon and about different methods that would help manage this segment. It added that the plan will develop a religious tourism map that will be provided to travel agents and tourist guides, after being approved by the relevant political and religious authorities. Also, the ministry intends to launch a marketing campaign in support of religious tourism and pilgrimage in Lebanon, and will form an exclusive electronic website dedicated to religious tourism in the country. The project will be funded by a grant from the Italian government. In April 2012, Italy extended to Lebanon a €14,000 grant and signed a Memorandum of Understanding with the Ministry of Tourism to support the development of religious tourism in the country. The project is jointly implemented by the Ministry of Tourism, the Presidency of the Council of Ministers, and the Italian Development Cooperation.

Lebanon's external debt posts fifth lowest returns in emerging markets, second lowest in the Middle East & Africa in 2012

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted returns of 5.11% in 2012, constituting the second lowest return among 32 markets in the Eastern Europe, the Middle East & Africa (EMEA) region as well as the fifth lowest return among the 57 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon underperformed the EMEA region's returns of 20.24%, as well the overall emerging markets returns of 18.2% last year. Also, Lebanon's external debt underperformed the 22.3% returns posted by similarly-rated sovereigns.

Further, Lebanon's external debt posted the second lowest returns among 17 countries in the Middle East & Africa region in 2012, outperforming Zambia (0.59%) only. It was outperformed by Jordan (7.82%), Tunisia (8.32%), Angola (9.38%), the Ivory Coast (11.59%), South Africa (11.63%), Ghana (13.28%), Gabon (13.79%), Morocco (13.96%), Namibia (15.43%), Bahrain (17.23%), Nigeria (20.6%), Turkey (22.61%), Iraq (23%), Egypt (23.1%) and Senegal (28.83%). In US dollar terms, Lebanon's external debt posted returns of 5.04% in 2012, second lowest in the EMEA region and fifth lowest among emerging markets.

In parallel, Lebanon's external debt posted returns of 0.56% in December 2012, constituting the 28th highest return in the EMEA region and the 20th highest in emerging markets during the covered month. Lebanon outperformed the EMEA returns of 0.53%, but underperformed the emerging markets returns of 0.9% as well as the 1.67% returns of similarly-rated sovereigns for the same month. Regionally, it outperformed Angola (0.19%), Jordan (-0.08%), South Africa (-0.29%), Tunisia (-0.62%), Ivory Coast (-2.06%) and Egypt (-4.2%); and underperformed Senegal (0.61%), Gabon (0.85%), Iraq (1.02%), Ghana (1.04%), Namibia (1.31%), Bahrain (1.43%), Nigeria (1.73%), and Morocco (1.92%).

Merrill Lynch said the spread on Lebanese Eurobonds ended 2012 at 411 basis points, constituting the 11th widest spread in the EMEA region and the 19th widest among emerging markets. It was wider than the EMEA spread of 260 basis points as well as the emerging markets overall spread of 268 basis points at end-2012. Lebanon has a weight of 3.48% on Merrill Lynch's Sovereign Plus Debt Index, fourth highest in the EMEA universe, and ninth highest among emerging markets. Lebanon accounted for 7.3% of the allocations in the EMEA region.

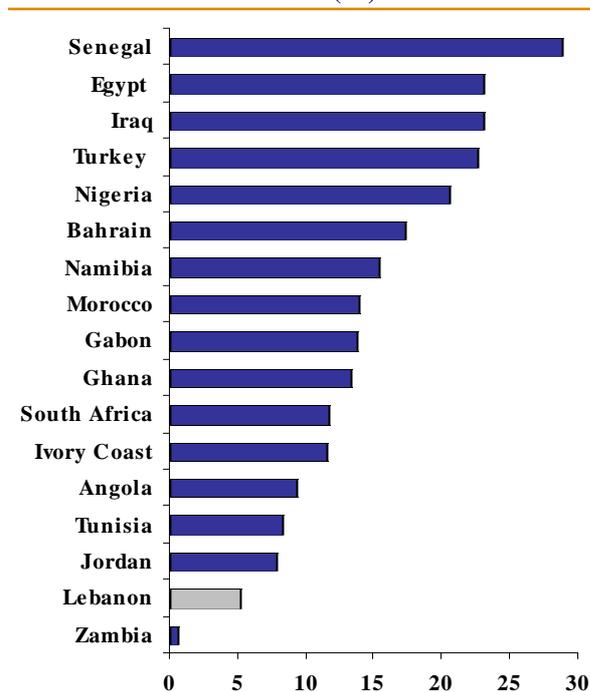
Value of cleared checks down 1.2%, returned checks up 7% in first 11 months of 2012

The value of cleared checks reached \$63.8bn in the first 11 months of 2012, constituting a decrease of 1.2% from the same period of the previous year and a rise of 3.2% from the first 11 months of 2010. The value of cleared checks in Lebanese pounds rose by 5.9% annually to the equivalent of \$13.6bn in the first 11 months of 2012, while the value of cleared checks in US dollars decreased by 2.6% to \$51.4bn. The dollarization rate of cleared checks decreased to 80.5% from 81.8% in the same period of the previous year. Also, the value of returned checks in domestic and foreign currency amounted to \$1.4bn in the first 11 months of 2012, increasing by 5.6% from the same period of 2011 and by 6% from the first 11 months of 2010. In parallel, the number of cleared checks totaled 12 million checks in the first 11 months of 2012, up by a marginal 0.5% from the same period of 2011. Also, the number of returned checks totaled 257,000 checks, up by 6.6% from 241,000 in the same period of 2011.

Construction permits down 12% in first 11 months of 2012

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits issued in the first 11 months of 2012 reached 13 million square meters, constituting a decrease of 11.7% from 14.7 million square meters in the same period of 2011. Construction permits totaled 1.1 million square meters in November 2012, up by 5.8% from 1 million square meters in November 2011. In parallel, cement deliveries reached 4.9 million tons in the first 11 months of 2012, down 3.2% from the same period of 2011. Cement deliveries reached 467,000 tons in November 2012, up 45.5% from 321,000 tons in November 2011.

External Debt Performance in Middle East & Africa in 2012 (%)



Source: Merrill Lynch, Byblos Research

Occupancy at Beirut hotels at 55%, room yields down 12% in first 11 months of 2012

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 55% in the first 11 months of 2012, down from 58% in the same period of the previous year.

The occupancy rate at Beirut hotels was the fifth lowest among 21 markets in the region, while it was the eighth lowest in the same period of 2011. Occupancy rates at Beirut hotels were 60% in January, 64% in February, 74% in March, 66% in April, 67% in May, 58% in June, 53% in July, 34% in August 2012, 46% in September, and 39% in each of October and November 2012 compared to 44% in January, 42% in February, 53% in March, 61% in April, 58% in May, 62% in June, 67% in July, 31% in August, 76% in September, 65% in October and 74% in November 2011.

The survey said that the average rate per room at Beirut hotels was \$195 in the first 11 months of 2012, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 12% year-on-year and posted the third steepest decrease among all markets in the region. The average rate per room in Beirut came above the regional average of \$187.6, which decreased by a marginal 0.7% from the same period of the previous year.

Further, revenues per available room (RevPAR) were \$108 in Beirut in the first 11 months of 2012, down from \$129 in the same period of the previous year, and ranking it in 12th place in the region. Beirut's RevPAR fell by 16.7% year-on-year, compared to an increase of 4.3% across the region, and posted the steepest decrease in the region. Beirut posted RevPARs of \$139 in January, \$131 in February, \$149 in March, \$139 in April, \$134 in May, \$119 in June, \$103 in July, \$62 in August, \$79 in September, \$68 in October and \$62 in November 2012, compared to \$99 in January, \$84 in February, \$107 in March, \$103 in April, \$117 in May, \$142 in June, \$184 in July, \$63 in August, \$187 in September, \$134 in October and \$182 in November 2011. Dubai-Beach posted the highest average room rate in the region at \$350 and the highest RevPAR at \$277, while Dubai-Apartments posted the highest occupancy rate at 86% in the first 11 months of 2012.

Consumer Price Index up 10% annually in December 2012

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 10.1% in December 2012 from December 2011. Prices of housing increased by 44.1%, followed by education (+14.5%), alcoholic beverages & tobacco (+8.3%), water, electricity, gas & other fuels (+6.6%), recreation & entertainment (+6%), restaurants & hotels (+4.5%), clothing & footwear (+4.3%), food & non-alcoholic beverages (+4.2%), miscellaneous goods & services (+3.4%), transportation (2.3%), furnishings & household equipment (1.4%); while communication prices remained unchanged year-on-year. Further, healthcare costs decreased by 0.2% annually in December. Lebanon's headline inflation rate rose significantly since July 2012, reflecting a technical adjustment in the official CPI, rather than an underlying trend. The increase is attributed to a 44% one-off upward adjustment in the cost of housing, which had not changed in the CPI since July 2009. When spreading the rental cost over the previous three years, inflation would come at about 5.4% in 2012.

The Consumer Price Index contracted by 0.1% in December 2012 from November 2012. Prices of restaurants & hotels increased by 0.6%, followed by furnishings & household equipment and clothing & footwear (+0.2% each), food & non-alcoholic beverages, alcoholic beverages & tobacco, recreation & entertainment and miscellaneous goods & services (+0.1% each); while prices of transportation decreased by 1.2% month-on-month and those of water, electricity, gas & other fuels by 0.3%. Further, the cost of housing, communication, education and healthcare remained unchanged month-on-month. The Consumer Price Index grew by 10.3% year-on-year in November 2012, 11.1% in October 2012, by 10.3% annually in September 2012 and by 9.3% year-on-year in August 2012.

Hotel Performance in First 11 Months of 2012

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai Apartments	86	105	11.6
Jeddah	81	196	18.9
Dubai City	81	158	10.9
Dubai Overall	80	199	10.8
Dubai Beach	78	277	8.1
Abu Dhabi	76	145	(10.5)
Makkah	75	240	2.4
Hurghada	72	24	3.3
Amman	72	108	31.7
Sharm Shaikh	70	34	16.3
Madina	68	156	14.8
Muscat	66	136	(2.4)
Al Ain	64	91	(3.1)
Doha	61	159	(5.8)
Cairo Pyramids	58	68	3.3
Riyadh	58	130	(1.1)
Beirut	55	108	(16.7)
Kuwait	51	145	(6.5)
Cairo Overall	41	42	4.8
Manama	39	84	20.7
Cairo City	39	39	5.2

Source: Ernst & Young, Byblos Research

Lebanon's external debt is 30th largest among emerging economies, third highest among Arab countries at end-2011

Figures released by the World Bank show that total Lebanon's total external debt reached \$24.8bn at the end of 2011, and accounted for 0.5% of total external debt in emerging markets, for 0.9% of such debt in Upper-Middle Income Countries (UMICs), and for 14.5% of the aggregate external debt of Arab economies. It grew at a compound annual growth rate (CAGR) of 1% during the 2005-11 period compared to a CAGR of 11.2% in emerging markets, while it increased at a CAGR of 8.35% between 2000 and 2011.

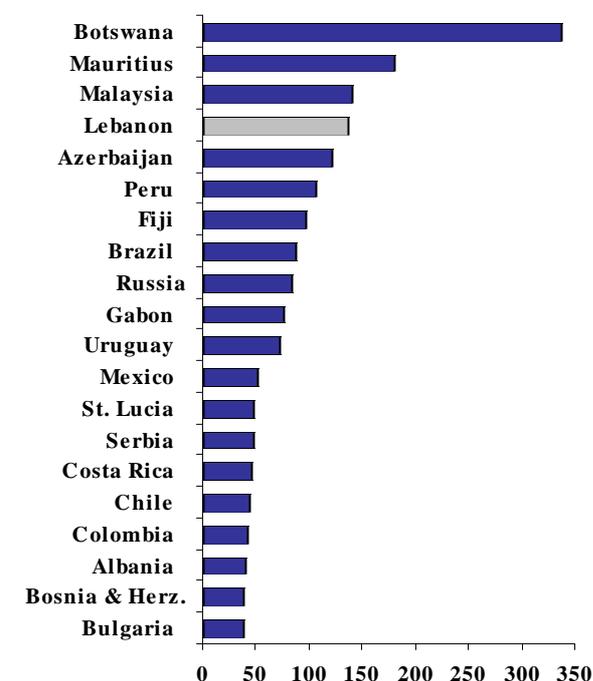
Lebanon was the 30th largest holder of external debt among 128 emerging economies and the third largest among 11 Arab countries. It also had the 18th largest amount of external debt among 39 UMICs included in the survey. Lebanon had a larger external debt size than Sri Lanka (\$24bn), Tunisia (\$22.3bn) and Sudan (\$21.2bn); while it had less external debt than Belarus (\$29.1bn), Morocco (\$29bn) and Bangladesh (\$27bn) among emerging markets. It had a lower external debt level than only Egypt (\$35bn) and Morocco (\$29bn) among Arab countries. Also, it had a larger external debt than Iran (\$19.1bn), the Dominican Republic (\$15.4bn) and Jamaica (\$14.4bn); while it had less external debt than Serbia (\$31.6bn), Lithuania (\$30bn) and Belarus (\$29.1bn) among UMICs.

The distribution of Lebanon's external debt shows that the stock of long-term external debt in Lebanon reached \$21.1bn and accounted for 85.2% of the total, followed by short-term external debt at \$3.3bn (13.4%), and the use of IMF credit at \$355m (1.4%). Further, public and publicly-guaranteed debt accounted for 97.6% of Lebanon's long-term external debt, while private non-guaranteed debt represented the remaining 2.4%. Further, Lebanon's stock of long-term external debt increased by a CAGR of 1% during the 2005-11 timeframe, its short-term external debt posted a CAGR of -0.7%, and the use of IMF credit rose by a CAGR of 97.4% during the covered period. Also the stock of long-term external in Lebanon grew by a CAGR of 9.6% during the 2000-11 timeframe, its short-term external debt increased by a CAGR of 2.4%, and its use of IMF credit rose by a CAGR of 45% during the covered period.

Lebanon was the 29th largest holder of long-term external debt among 128 emerging countries and the third largest among 11 Arab countries. It was also the 17th largest debt holder among 39 UMICs included in the survey. Lebanon had a larger stock of long-term external debt than Sri Lanka (\$19.7bn), Angola (\$17.5bn) and Tunisia (\$16.9bn); while it had less long-term external debt than Latvia (\$24.6bn), Lithuania (\$24.5bn) and Bangladesh (\$22.4bn) among emerging markets. It had a lower level of long-term external debt level than only Egypt (\$30.6bn) and Morocco (\$25.2bn) among Arab countries. Also, it had a larger long-term external debt than Uruguay (\$13.3bn), Panama (\$12.3bn) and Jamaica (\$12.1bn); and less than Serbia (\$27.6bn), Bulgaria (\$26.1bn) and Lithuania (\$25.5bn) among UMICs.

In parallel, Lebanon's ratio of total external debt-to-exports reached 92.6% at end-2011, down from 110.5% at end-2010 and 107.2% at end-2009, and compared to 69.3% for emerging markets and 44.5% for the Middle East & North Africa region; while its ratio of total external debt-to-Gross National Income (GNI) reached 61.7% at end-2011, down from 63.9% at end-2010 and 71.5% at end-2009, and relative to 21.5% for emerging economies and 15% for the MENA region. Also, Lebanon's debt service accounted for 20% of total exports compared to 8.8% for emerging economies and 5.1% for the MENA region. Further, Lebanon's gross foreign currency reserves were equivalent to 136.2% of its external debt stock at end-2011 relative to 128.2% at end-2010 and 117.3% at end-2009, and compared to 120.8% for emerging markets and 160.8% for the MENA region.

Gross Foreign Currency Reserves-to-External Debt of Select UMICs



Source: World Bank, Byblos Research

Less than half of Lebanese population has Internet access at home

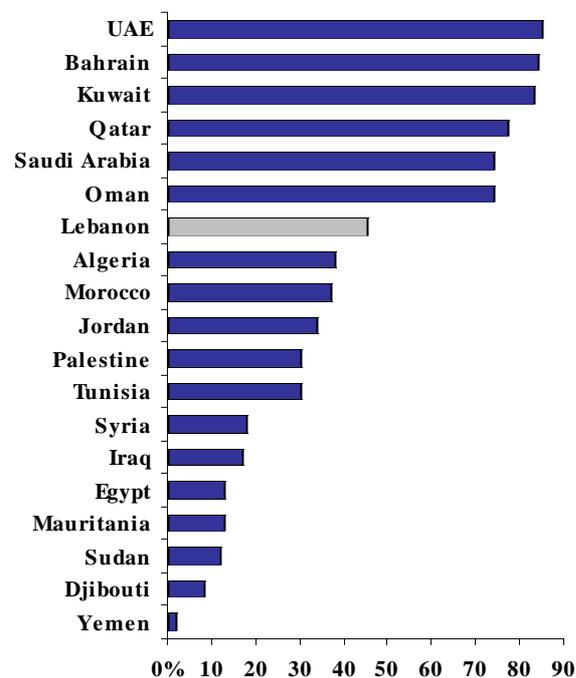
A survey conducted by opinion polling and consulting firm Gallup on home Internet access in 148 countries worldwide shows that 45% of respondents in Lebanon said that they have Internet access at home, compared to 32% of participants worldwide who reported having home Internet access. The share of Lebanese who have access to the Internet at home was the 54th highest worldwide, higher than the share of respondents who have home Internet access in Greece (44%), Moldova (42%) and Jamaica (41%), and lower than that in Trinidad & Tobago (46%) and Chile and Venezuela (48%, each). It was also the seventh highest percentage among 19 Arab countries included in the survey, but lower than that in the UAE (85%), Bahrain (84%), Kuwait (83%), Qatar with 77%, and Saudi Arabia and Oman with 74% each. Lebanon was among 100 countries globally where less than half of the population has Internet access at home.

In parallel, the survey showed that 55% of survey participants in Lebanon indicated that they do not have Internet access at home, compared to around 68% of respondents worldwide who reported that they do not have home Internet access. The percentage of Lebanese who said that they lack home Internet access was the 94th highest worldwide, and was similar to the share of survey participants in Greece. It was also higher than the share of respondents who do not have home Internet access in Trinidad & Tobago (54%), and Chile and Venezuela (52% each), and lower than that in Moldova, Jamaica and Ukraine with 58% each. It was also the 13th highest among Arab states. The survey's results are based on telephone and face-to-face interviews with approximately 1,000 adults per country, aged 15 and older, conducted in 148 countries and territories in 2011. The survey in Lebanon was conducted through face-to-face interviews with 1,003 adults.

Finance Ministry signs cooperation agreement with the Canadian Commercial Corporation

The Ministry of Finance signed a Memorandum of Understanding with the Canadian Commercial Corporation (CCC) to strengthen trade and investment cooperation between the two countries, as well as to support the implementation of infrastructure projects in Lebanon. Also, the MoU is a step for Lebanon to access Canadian expertise and know-how in priority projects such as in electricity production and transportation, airports, road networks, energy, and waste management, among others. Further, The MoU allows the CCC to assist, through qualified Canadian companies, in the development and implementation of projects in Lebanon that promote economic development. Also, it allows the CCC to assist in the structuring of potential projects as well as in finding financing for these projects from official export credit guarantee agencies, commercial banks, and private sources. Also, the CCC would be able during a project's implementation to provide over the long term training, technology transfer and licensing. The Canadian Commercial Corporation acts as Canada's international contracting and procurement agency.

Population with Home Internet Access
(% of Respondents)



Source: Gallup, Byblos Research

Fifty car rental firms close in past two years

The Syndicate of Car Rental Agencies in Lebanon announced that around 50 car rental firms have closed their operations in the last two years, due mainly to the decline of tourism activity in the country. It noted that many companies have shut down their operations and sold their entire fleet of cars to limit their losses, but have kept their operating licenses. It said that the car rental business has regressed by around 70% when compared to a normal year for tourism. It expected additional closures of such companies in case the negative political and security situation continues to affect the tourism sector, and if Arab Gulf countries maintain their travel warnings to Lebanon. It said that warnings of GCC governments to their nationals against traveling to Lebanon have negatively affected the car rental sector, as tourists from GCC countries account for around 35% of the sector's business and more than 60% of its revenues. It noted that Arab tourists tend to rent large-size cars in general, which leads to higher profit margins.

There were around 200 operational car rental agencies Lebanon prior to the deterioration of political and security conditions in the country in early 2011. The market is highly fragmented, with a small portion of large companies in terms of fleet size and a large number of small players with a modest fleet. The total car rental fleet in Lebanon was around 17,000 vehicles at the end of 2010, with the top 5 car rental companies accounting for 21.5% of the total, according to Byblos Research. In general, the high season for car rentals runs from the start of July to September 15th and from December 15th to January 5th, as well as during major religious holidays and the ski season. However, the core season is much shorter, as it lasts 45 days only from mid-July till the end of August.

In parallel, the syndicate asked the government to exempt car rental companies from registration fees, annual mécanique fees, and the LBP100,000 annual license fee imposed on each car in their fleets. It also asked the government to track down and close illegal rental companies operating in Lebanon. Also, the syndicate urged the government to initiate a plan to stimulate the car rental sector, and to provide soft loans at low interest rates to support businesses in the sector.

Invest Bank divests stake in FNB

UAE-based Invest Bank sold its 15.5% stake in First National Bank (FNB) to the latter's current shareholders and to new investors. The stake consists of 2.4 million shares that were sold for \$42m. Invest Bank's decision to sell its share in FNB came after the Central Bank of Lebanon granted it a license to operate in the country, and requested it to avoid holding major stakes or board membership in any commercial bank in Lebanon. Invest Bank authorized FNB to sell half of its shares to current shareholders and the other half to new investors. FNB posted net profits of \$13.3m in the first nine months of 2012, up 23.7% from the same period of the previous year. Total assets reached \$3.3bn at end-September 2012 and rose by 16% from end-2011, while loans & advances to customers grew by 8.6% to \$822.2m in the first 9 months of 2012. Also, its customer deposits grew by 10.7% to \$2.5bn in the covered period. Invest Bank, which was established in the Emirate of Sharjah in 1975, acquired an 18% stake in FNB in 2006.

Fitch affirms Holcim's ratings, outlook stable

Fitch Ratings affirmed the Long-term Issuer Default Ratings (IDR) of the Swiss-based building materials company Holcim Ltd at 'BBB', with a 'stable' outlook. It also affirmed the firm's short-term rating at 'F2'. Holcim Ltd is the parent company of Holcim Liban and holds a 52% stake in the Lebanese firm. The agency indicated that the company's IDR reflects its strong market position in cement, aggregates and concrete, and its wide geographical diversification, with a presence in more than 70 countries and a balanced mix between developed and emerging markets. It estimated Holcim's earnings before interest, taxes, depreciation and amortization (EBITDA) to have increased in 2012 due to positive volumes and pricing trends in all major markets, except in Europe. It anticipated further improvements in the company's operating performance in 2013 and 2014, supported by a moderately favorable price trend, reduced cost inflation, and the implemented cost cutting and efficiency measures. Further, it estimated that Holcim's net debt has significantly declined in 2012, supported by the disposal of non-core assets. It said that emerging markets constitute the firm's main growth driver, and that both cement price and volume trends continue to be positive in most Latin America and South East Asia markets. It indicated that trading conditions are still difficult in Europe due to weak demand, and that the outlook for 2013 remains challenging. It pointed out that North America is recovering faster than expected and the price trend is favorable, but the prospects of the recovery remain subject to macro uncertainties.

Holcim Liban posted net profits of \$9.1m in the first half of 2012, constituting a decrease of 54.3% from \$19.9m in the same period of the previous year. The firm's net sales totaled \$89.8m in the first half of 2012, down 7.5% from \$97.1m in the first half of 2011. Holcim's total assets reached \$283.5m at end-June 2012, constituting a decrease of 5.7% from \$300.6m at end-2011; while its shareholders' equity was \$197.8m at end-June 2012 relative to \$215.2m at the end of the previous year. The company's total loans and borrowings reached \$11.5m at the end of June 2012, down 8.8% from \$12.6m at end-2011; while its banks' balance and cash fell by 51% to \$11.8m at the end of June 2012 from \$24.1m at the end of 2011. The firm is engaged in the production and sale of cement and other related services.

Ratio Highlights

(in % unless specified)	2009	2010	2011	Change*
Nominal GDP ⁽¹⁾ (\$bn)	34.7	37.1	39.1	
External Debt / GDP	61.3	55.4	53.5	(190)
Local Debt / GDP	86.0	86.3	83.7	(260)
Total Debt / GDP	147.2	141.8	137.2	(460)
Total External Debt / GDP	176.1	167.0	163.2	(380)
Trade Balance / GDP	(36.8)	(36.9)	(40.7)	(380)
Exports / Imports	21.5	23.7	21.2	(250)
Budget Revenues / GDP	24.3	22.7	22.7	(5)
Budget Expenditures / GDP	32.8	30.6	27.2	(342)
Budget Balance / GDP	(8.5)	(7.9)	(6.0)	191
Primary Balance / GDP	3.1	3.2	4.3	105
BdL FX Reserves / M2	74.0	77.1	78.8	172
M3 / GDP	236.5	248.4	248.7	30
Bank Assets / GDP	332.1	347.5	359.5	1,200
Bank Deposits / GDP	276.0	289.0	296.0	695
Private Sector Loans / GDP	81.8	94.2	100.7	650
Dollarization of Deposits	64.5	63.2	65.9	270
Dollarization of Loans	84.0	80.3	78.4	(190)

* Change in basis points 10/11

(1) Based on Ministry of Finance Estimations and the International Monetary Fund

Source: Association of Banks in Lebanon, 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	Apr 2011	Mar 2012	Apr 2012	Change*	Risk Level
Political Risk Rating	55.5	55.5	55.5	↔	High
Financial Risk Rating	28.5	35.0	35.0	▲	Low
Economic Risk Rating	32.5	34.0	34.0	▲	Moderate
Composite Risk Rating	58.2	62.2	62.2	▲	Moderate

Regional Average	Apr 2011	Mar 2012	Apr 2012	Change*	Risk Level
Political Risk Rating	60.5	60.5	60.3	▼	Moderate
Financial Risk Rating	41.8	42.1	42.1	▲	Very Low
Economic Risk Rating	37.5	37.3	37.2	▼	Low
Composite Risk Rating	69.9	69.9	69.8	▼	Low

*year-on-year

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B1	NP	Stable	B2		Stable
Fitch Ratings	B	B	Stable	B		Stable
Standard & Poor's	B	B	Negative	B	B	Negative
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative
EIU		B	Stable

Source: Rating agencies



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