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Economic Research & Analysis Department

LEBANON THIS WEEK

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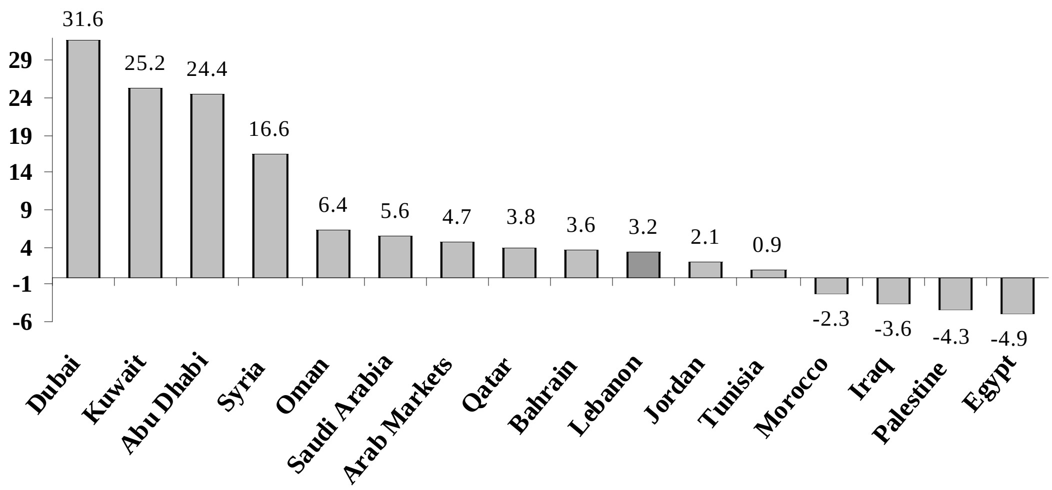
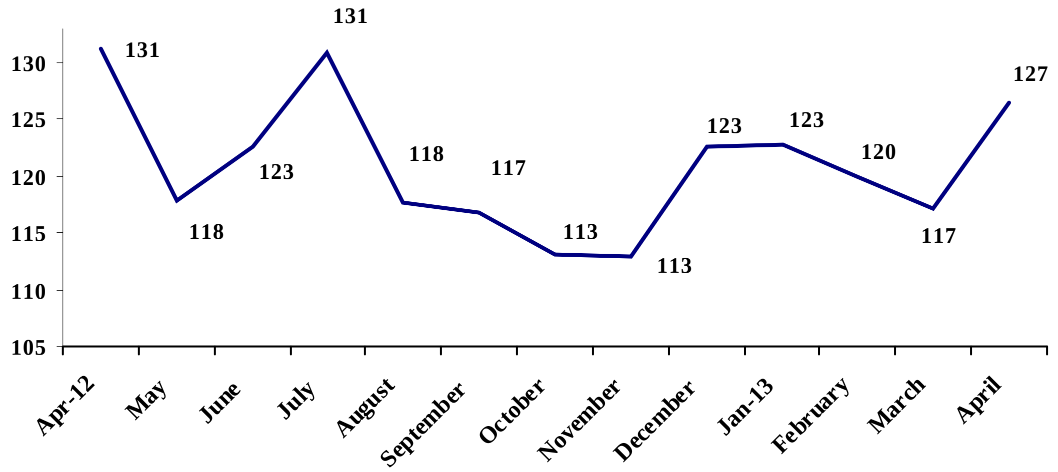
Charts of the Week

Performance of Arab Stock Markets in the First Four Months of 2013 (% change)



Performance of the Beirut Stock Exchange*



** Banque du Liban Market Value Weighted Index*

Source: Local Stock Markets, Dow Jones Indices, Banque du Liban, Byblos Bank

Quote to Note

"The domestic political stalemate represents the major risk factor to the country's near-term economic outlook."

JPMorgan Chase Bank, on the difficulties of reconciling the conflicting demands of rival political factions

Number of the Week

$30.4bn: Gross foreign curreny reserves at the Central Bank of Lebanon at the end of March 2013

Economic Indicators

$m (unless otherwise mentioned)	2011	Jan 12	2012	Nov 12	Dec 12	Jan 13	% Change*
Exports	4,276	348	4,486	364	381	405	16.38
Imports	20,170	1,454	21,281	1,604	1,871	1,646	13.20
Trade Balance	(15,894)	(1,106)	(16,795)	(1,240)	(1,490)	(1,241)	12.21
Balance of Payments	(1,996)	(290)	(1,538)	179	312	383	(232.07)
Checks Cleared in LBP	14,251	1,246	14,976	1,287	1,337	1,305	4.77
Checks Cleared in FC	57,852	4,663	56,044	4,676	4,670	4,637	(0.56)
Total Checks Cleared	72,103	5,909	69,787	5,963	6,007	5,942	0.56
Budget Deficit/Surplus	(2,342)	(176.00)	(3,925)	(807.69)	(441.24)	(17.78)	(89.90)
Primary Balance	1,662	33.00	(109.87)	(369.47)	(174.33)	200.38	507.22
Airport Passengers	5,596,034	430,472	5,960,414	412,595	495,760	463,972	7.78

$bn (unless otherwise mentioned)	Dec 2011	Jan 12	Oct 12	Nov 12	Dec 12	Jan 13	% Change*
BdL FX Reserves	30.82	30.74	29.46	29.79	29.97	30.96	0.72
In months of Imports	*18.51*	*21.14*	*16.61*	*18.57*	*16.02*	*18.81*	*(11.03)*
Public Debt	53.66	53.65	56.60	57.55	57.69	58.04	8.18
Net Public Debt	46.37	46.59	48.35	48.87	49.12	49.55	6.34
Bank Assets	140.58	142.85	149.38	150.38	151.88	153.11	7.18
Bank Deposits (Private Sector)	115.72	116.69	122.60	123.13	125.00	125.55	7.59
Bank Loans to Private Sector	39.38	40.51	42.76	42.94	43.45	43.72	7.93
Money Supply M2	38.90	39.09	42.31	42.67	43.17	43.28	10.71
Money Supply M3	97.23	97.49	102.43	102.89	104.01	104.13	6.81
LBP Lending Rate (%)	7.38	7.19	7.31	7.11	7.07	7.32	13b.p
LBP Deposit Rate (%)	5.63	5.60	5.43	5.38	5.41	5.43	(17b.p)
USD Lending Rate (%)	7.02	6.99	7.15	7.09	6.87	6.98	(1b.p)
USD Deposit Rate (%)	2.83	2.87	2.87	2.85	2.86	2.88	1b.p
%* Change in CPI**	4.27	4.47	7.75	6.97	4.68	4.32	(15b.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"	12.97	(1.22)	37,177	11.74%
Solidere "B"	12.79	(1.24)	21,547	7.52%
Byblos Common	1.69	2.42	779,485	5.50%
Byblos Pref. 08	102.50	0.00	0	1.85%
Byblos Pref. 09	102.90	0.00	0	1.86%
BLOM GDR	8.85	1.14	4,584	5.92%
BLOM Listed	8.40	0.00	21,445	16.34%
Audi GDR	6.75	0.00	16,200	6.23%
Audi Listed	6.70	0.00	252,711	21.20%
HOLCIM	15.50	0.00	250	2.74%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
June 2013	8.625	100.40	4.57
Apr. 2014	7.375	104.75	2.13
Jan. 2015	5.875	103.50	3.69
Apr. 2015	10.00	112.00	3.57
Jan. 2016	8.500	110.00	4.50
Mar. 2017	9.000	114.50	4.83
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	113.75	6.04
Nov. 2026	6.600	100.75	6.52

Source: Byblos Bank Capital Markets

	May 7-10	Apr 29-May 2	% Change	Apr 2013	Apr 2012	% Change
Total Shares Traded	1,170,281	724,978	61.42	4,184,711	3,868,312	8.18
Total Value Traded	$5,073,079	$3,623,736	40.00	$28,430,668	$35,454,787	(19.81)
Market Capitalization	$11.05bn	$11.04bn	0.06	$11.07bn	$10.50bn	5.40

Source: Beirut Stock Exchange (BSE)

U.S. maintains Lebanon on Watch List of intellectual property rights protection

In its annual Special 301 review of the state of intellectual property rights (IPR) protection and enforcement around the world, the Office of the United States Trade Representative (USTR) maintained Lebanon on the Watch List for the ineffective and inadequate protection of intellectual property rights and for severe copyright problems, along with 29 other countries and jurisdictions. The USTR placed Lebanon on the Watch List in 1999 and then downgraded it to the more critical Priority Watch List in 2001 where it remained till 2007. It then upgraded Lebanon to the Watch List in 2008. The USTR also included 10 countries this year on its Priority Watch List. Countries from the Middle East & Africa on the 2013 Watch List are Egypt, Kuwait, Lebanon, Turkey and Israel, while Algeria remained on the more critical Priority Watch List.

The USTR indicated that Lebanon has not made any progress on any of the pending IPR legislative reforms, including amendments to the patent and copyright laws. It noted that Lebanon has not completed its accession to the World Intellectual Property Organization (WIPO) Internet Treaties, despite the ratification of these treaties by Parliament in 2010. It added that several IPR treaties that have been approved by the Cabinet still await parliamentary approval, including the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Singapore Treaty on the Law of Trademarks, and the Patent Cooperation Treaty.

Further, The USTR said that the manufacturing and sale of counterfeit drugs remain a concern in Lebanon. It added that a lack of transparency in the pharmaceuticals registration process has enabled the registration of counterfeit products. But it noted that Lebanese enforcement officials successfully conducted raids targeting sellers of counterfeit goods, including counterfeit pharmaceuticals. It encouraged Lebanon to clarify its protection against the unfair commercial use and unauthorized disclosure of test or other data generated to obtain marketing approval of pharmaceutical products. It said that Lebanon should provide enforcement authorities, including the Cybercrime & Intellectual Property Unit of the Internal Security Forces and customs officials, with *ex officio* authority. In parallel, it welcomed the launch last November of an online registration service for copyrights and trademarks.

Occupancy at Beirut hotels at 56%, room yields down 35% in first quarter of 2013

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 56% in the first quarter of 2013, down from 66% in the same quarter last year. The occupancy rate at hotels in Beirut fell by ten percentage points year-on-year, constituting the second steepest decrease among 16 markets in the Middle East and North Africa region, and relative to an average increase of 1.3 percentage points for the region.

The occupancy rate at Beirut hotels was the third lowest in the region in the covered period, while it was the seventh lowest in the first quarter of 2012. Occupancy rates at Beirut hotels were 49% in January, 60% in February and 58% in March 2013, compared to 60% in January, 64% in February and 74% in March 2012. Cairo had the lowest hotel occupancy rate at 28%, while Amman posted a drop of 22 percentage points in hotel occupancy, the steepest in the region.

The survey said that the average rate per room at Beirut hotels was $161 in the first quarter of 2013, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 23.3% year-on-year and posted the steepest decrease among all markets in the region. The average rate per room in Beirut came below the regional average of $193.6, which increased by 1.7% from the same period last year.

Hotel Performance in First Quarter of 2013

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Dubai Overall	89	282	9.7
Makkah	85	196	3.4
Abu Dhabi	83	201	10.4
Muscat	82	178	5.2
Jeddah	76	201	7.0
Madina	76	154	17.4
Doha	73	195	0.0
Al Ain	71	101	11.2
Sharm El Shaikh	68	37	32.5
Hurghada	65	23	60.0
Riyadh	64	147	(1.0)
Kuwait	63	188	13.4
Amman	58	92	(20.5)
Beirut	**56**	**90**	**(35.4)**
Manama	48	100	23.5
Cairo Overall	28	25	(10.1)

Source: Ernst & Young, Byblos Research

Further, revenues per available room (RevPAR) were $90 in Beirut in the first quarter of the year, down from $140 in the first quarter of 2012, and coming in 13th place in the region. Beirut's RevPAR fell by 35.4% year-on-year compared to an increase of 4% across the MENA region, and posted the steepest decrease in the region. Beirut posted RevPARs of $82 in January, $97 in February and $93 in March 2013, compared to $139 in January, $131 in February and $149 in March 2012. Dubai City posted the highest average room rate in the region at $314, the highest RevPAR at $282, and the highest occupancy rate at 89% in the first quarter of 2013.

Lebanon ranks 112th globally, third in Arab world in press freedoms

In its annual report on press freedoms in 197 countries, independent think tank Freedom House ranked Lebanon in 112th place globally and in third place among 20 Arab countries in 2013. Lebanon also came in 30th place among 53 upper middle-income countries (UMICs) included in the survey. Lebanon ranked in 107th place globally and in first place regionally in the 2012 survey.

The survey assesses the degree of print, broadcast, and Internet freedom across the world. The 2013 ratings are based on an assessment of the legal environment in which media operate; political influences on reporting and access to information; and economic pressures on content and the dissemination of news in 2012. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. A country's numerical rating is the sum of the Legal and Economic Environment categories that each ranges between zero and 30, and the Political Environment category that varies between zero and 40. Lebanon, along with Kuwait, Tunisia, Libya and Mauritania were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 15 countries came in the 'Not Free' category.

Press Freedom Rankings & Ratings for 2013

	Rating	Arab Rank	Global Rank
Mauritania	47	1	93
Tunisia	52	2	109
Lebanon	**53**	**3**	**112**
Kuwait	59	4	128
Libya	59	4	128
Algeria	61	6	134
Egypt	62	7	140
Jordan	63	8	145
Morocco	66	9	149
Qatar	67	10	153
Iraq	67	10	153
Oman	71	12	160
UAE	74	13	164
Djibouti	74	13	164
Yemen	79	15	172
Sudan	80	16	174
Saudi Arabia	84	17	182
Palestine	84	17	182
Bahrain	86	19	188
Syria	88	20	189

Source: Freedom House, Byblos Research

Globally, Lebanon's level of press freedoms is similar to that in Bangladesh, Colombia, Kenya, Malawi and Moldova; is higher than in the Maldives, Uganda and the Democratic Republic of the Congo, and came lower than in Tunisia, Senegal and Argentina. Lebanon also tied with Columbia, ranked ahead of the Maldives, Macedonia and Turkey, and came behind Tunisia, Argentina and Bosnia & Herzegovina among UMICs. Lebanon received a score of 53 points worse than the 51 points in the 2012 survey and similar to its score in 2011. Lebanon's score was also better than the Arab average of 68.8 points, the Gulf Cooperation Council (GCC) countries' average score of 73.5 points and the non-GCC Arab countries' average of 66.8 points, but worse than the global and UMICs' averages of 47.5 points and 49.5 points, respectively.

Lebanon tied with seven other countries including Fiji, Guinea and Tunisia, ranked ahead of Angola, Armenia and Pakistan, and came behind Zambia, the Seychelles and Panama on the Legal Environment category. This category evaluates the laws and regulations that influence media content. Lebanon came behind only Mauritania and Libya among Arab countries. It also tied with the Maldives and Tunisia, ranked ahead of Angola, Algeria and Ecuador, and came behind the Seychelles, Panama and Macedonia among UMICs.

Also, Lebanon tied with Liberia, the Maldives, Mali and Ukraine, ranked ahead of Armenia, Bangladesh and Bolivia, and came behind the Philippines, Kenya and the Dominican Republic on the Political Environment category. This category measures political pressures and control on media content, including harassment or violence against journalists or facilities, and censorship. Regionally, it trailed only Mauritania and Tunisia, while it tied with the Maldives, ranked ahead of Brazil, Macedonia and Bosnia & Herzegovina, and came behind the Seychelles, the Dominican Republic and Panama among UMICs.

Finally, Lebanon tied with five other countries including Mexico and Senegal, ranked ahead of Croatia, Indonesia and Mozambique, and came behind Mauritius, the Dominican Republic and Botswana on the Economic Environment category. This category assesses economic influences over media content. Lebanon ranked first among Arab countries, while it tied with Romania and Mexico, ranked ahead of Ecuador, Tunisia and Argentina, and came behind the Dominican Republic, Botswana and Mauritius among UMICs.

Categories of the Press Freedom Index in 2013

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avge Score	Arab Avge Score	UMIC Avge Score
Legal Environment	126	3	35	18	14.2	22.7	14.8
Political Environment	112	3	28	21	19.0	26.8	20.2
Economic Environment	93	1	27	14	14.3	19.4	14.5

Source: Freedom House, Byblos Research

Average annual hotel occupancy rate in Beirut at 57% during past 17 years

The annual survey of the Middle East hotel sector by global hotel consulting firm HVS indicated that the average occupancy rate at Beirut hotels was 57% during the 1996-2012 period, constituting the second lowest rate among 14 cities in the Middle East for which complete data is available over the covered period. The survey added that the average rate per room at Beirut hotels grew at a compound annual growth rate (CAGR) of 2% during the covered period, similar to that of Abu Dhabi, and posted the fourth lowest CAGR in the region. Further, revenues per available room (RevPAR) increased by a CAGR of 4%, similar to Manama, Muscat and Dubai, constituting the fifth largest growth rate in the Middle East.

Hotel Performance in the Middle East during 1996-2012

	Avge Annual Occupancy Rate (%)	Room Rate CAGR (%)	RevPar CAGR (%)
Dubai	76	4	4
Hurghada	71	(2)	-
Abu Dhabi	70	2	2
Sharm El Sheikh	70	4	2
Cairo	69	3	2
Doha	67	7	8
Damascus	65	-	(8)
Jeddah	65	5	6
Manama	63	5	4
Muscat	63	4	4
Riyadh	63	6	5
Amman	61	5	6
Beirut	**57**	**2**	**4**
Kuwait City	55	1	2

Source: HVS, Byblos Research

In parallel, HVS said that the average occupancy rate at Beirut hotels was 56% in 2012, similar to the occupancy rate in Aqaba in Jordan, which ranked Beirut in 26th place among 45 cities covered by the survey. Also, the occupancy rate at Beirut hotels decreased by three percentage points in 2012 from the previous year, compared to an increase of five percentage points for the region. The survey pointed out that Beirut was among 11 cities that posted a decline in occupancy rates. It had the fourth lowest drop in the region, along with Petra in Jordan and Abu Dhabi. Further, the occupancy rate at Beirut hotels in 2012 was the sixth lowest rate in Lebanon since 1994, and came higher than the rates of 55% posted in 2001, 52% in 2005, 48% in 2006, 45% in 1996 and 39% in 2007. Also, the occupancy rate at Beirut hotels last year was similar to that posted in 1999.

HVS said that the average rate per room at Beirut hotels reached $241 in 2012 relative to $191 for the region. It added that the average rate per room in Beirut increased by 9% year-on-year compared to a rise of 4% for hotels in the Middle East. It noted that Beirut was among 29 cities that posted an increase in room rates in 2012, while its rate increase, along with that of Taif in Saudi Arabia, was the 17th largest in the Middle East. The average room rate at Beirut hotels in 2012 was similar to that in Kuwait City and was the fifth highest in the region, while it was the third highest in Lebanon during the previous 17 years, behind $281 in 2009 and $263 in 2010.

Further, HVS indicated that revenues per available room (RevPAR) reached $134 in 2012, up 3% year-on-year and compared to the regional average of $106. The increase in RevPAR in Beirut constituted the fourth smallest rise last year among 34 cities that posted an increase in their RevPAR. But Beirut hotels realized the 11th highest RevPAR in the region last year, as well as the third highest in Lebanon during the previous 17 years after posting RevPARs of $197 in 2009 and $174 in 2010.

Net public debt at $50.1bn at end-March 2013

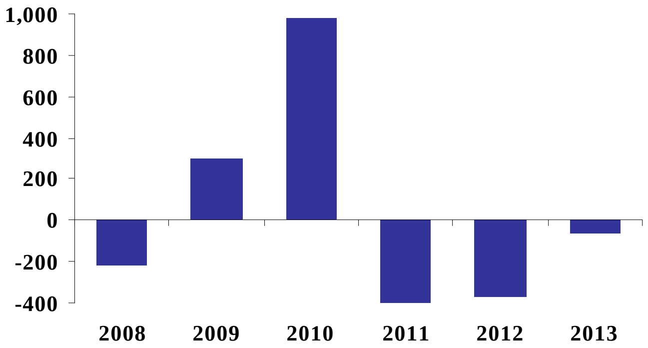
Lebanon's gross public debt reached $57.7bn at the end of March 2013, constituting a rise of 0.1% from the end of 2012 and an increase of 6.7% from end-March 2012. Domestic debt totaled $33.8bn at end-March, up by 1.6% from end-2012 and by 1% annually; while external debt stood at $23.9bn, decreasing by 2% from end-2012 but rising by 15.9% from a year earlier. Local currency debt accounted for 58.6% of gross public debt at end-March 2013 compared to 61.9% a year earlier, while foreign currency-denominated debt represented 41.4% of the total at the end of March relative to 38.1% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.56%, while the weighted interest rate on Eurobonds was 6.61% at the end of March. Further, the weighted life on Eurobonds was 5.96 years, while that on Treasury bills was 1,064 days.

Commercial banks accounted for 50.6% of the local public debt at the end of March 2013 compared to 48.8% a year earlier. They were followed by the Central Bank with 32.4%, down from 35.7% at end-March 2012; while public agencies, financial institutions and the general public accounted for 17% of local debt compared to 15.6% at end-March 2012. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 89.7% of the external debt, followed by multilateral institutions with 5.3%, foreign governments with 4.3%, and Paris II loans with 0.6%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 6.8% to $50.1bn. In parallel, the gross market debt accounted for about 64% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Balance of payments posts deficit of $62m in first quarter of 2013

Central Bank figures show that Lebanon's balance of payments posted a deficit of $62.2m in the first quarter of 2013 compared to a deficit of $373.2m in the same quarter last year. The balance of payments posted a deficit of $353m in March compared to a deficit of $91.7m in February 2013 and a surplus of $50.7m in March 2012. The March 2013 deficit was caused by a deficit of $334m in the net foreign assets of banks and financial institutions and a deficit of $18.9m in those of the Central Bank. The cumulative deficit over the first quarter of 2013 was caused by a deficit of $2.22bn in the banks and financial institutions' net foreign assets and was partly offset by a surplus of $2.16bn in those of the Central Bank. The balance of payments posted deficits of $1.54bn in 2012 and $2bn in 2011 and surpluses of $3.3bn in 2010 and $7.9bn in 2009.

Balance of Payments* (US$m)



**in the first quarter of each year*
Source: Central Bank of Lebanon

Opened letters of credits at $1.86bn for imports and $1bn for exports in first quarter of 2013

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled $1.86bn in the first quarter of 2013, constituting an increase of 30.2% from $1.43bn in the same quarter of 2012. Further, utilized credits for imports totaled $1.78bn in the first quarter of 2013, up 33.8% from $1.33bn in the same quarter of 2012. They accounted for 95.4% of opened LCs in the covered quarter compared to 92.8% in the first quarter of 2012. Also, outstanding import credits totaled $1.24bn at end-March 2013 compared to $978.7m at end-2011. Further, the aggregate value of inward bills for collection totaled $366.7m in the first quarter of 2013, constituting a decrease of 14.7% from $429.7m in the same quarter last year. Outstanding bills for collection reached $151.5m at end-March 2013 relative to $165m at end-March 2012.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached $1bn in the first quarter of 2013, unchanged from the same quarter of last year. Further, utilized credits for exports reached $992.7m in the covered quarter, down 0.9% from $1bn of used credits in the first quarter of 2012. Outstanding export credits totaled $1.48bn at end-March 2013, up from $1.21bn at end-March 2012. The aggregate value of outward bills for collection totaled $442.7m in the first quarter of the year, down 15.6% from $524.3m in the same quarter of 2012. The outstanding value of outwards bills for collection reached $447m at end-March 2013 relative to $454.5m a year earlier.

New route for agricultural exports to Arab markets

The Ministry of Agriculture announced that it has reached a deal with the Beirut-based Falcon Shipping to transport Lebanese agricultural products to Egypt and Saudi Arabia through the sea. The ministry said that all carriers will depart from the port of Tripoli, but it noted that it would be possible for them to depart from the port of Beirut if required. It indicated that the cargos will be shipped on roll-on/roll-off vessels, which are designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers and railroad cars. It noted that the two to four carriers will depart from Lebanon each week starting on May 11th. It estimated the time required for the vessels to arrive to Saudi Arabia at around three days with an estimated cost of $4,100 for the round trip, $2,150 for a one way trip, while one-way trips to Egypt would cost $1,250. It noted that the figures include transportation costs and exclude customs and other related fees. Lebanese exports to Arab markets have historically transited through Syria, but the ongoing turmoil has rendered this channel risky and very expensive.

Agreement allows direct flights to Khartoum and transit route to African destinations

Lebanon signed a Memorandum of Understanding with Sudan to develop an existing agreement in air transportation between the two countries. The original deal was signed in 1971 and was amended in 1995. The MoU will allow direct flights between Beirut and Khartoum starting in September 2013. Also, the MoU stipulates that Lebanese flag carriers can use Sudan as a transit route to six other destinations in Africa that are Accra in Ghana, Abuja in Nigeria, Johannesburg in South Africa, Luanda in Angola, Libreville in Gabon and Kinshasa in the Democratic Republic of the Congo. The MoU also allows Sudanese flag carriers to use Beirut as a transit route for other destinations.

Lebanon in the News

Ministry of Finance issues $1.1bn in Eurobonds for early redemption of domestic T-bills

The Ministry of Finance issued two new Eurobonds totaling $1.1bn under the Republic of Lebanon's Global Medium Term Note Program to be used for early redemption and cancellation of Lebanese pound-denominated Treasury bills held by the Central Bank of Lebanon. The bonds were issued on April 23, 2013. The government issued a $600m Eurobond that matures in April 2016 and carries a coupon rate of 4.5%. Also, it issued a $500m Eurobond that matures in April 2019 and that carries a coupon rate of 5.5%. The bonds that have a weighted average cost of 4.95% and an average time to maturity of 4.36 years will be swapped with three- and five-year T-bills that mature in 2014, 2015 and 2016 and that have a weighted average cost of 6.15% and an average time to maturity of 2.51 years. As such, the transaction lowered the weighted average cost of Lebanon's debt portfolio and contributed to extending its average time to maturity. In June 2012, The Ministry of Finance issued three new Eurobonds totaling $2bn to be used for early redemption and cancellation of Lebanese pound-denominated Treasury bills held by the Central Bank of Lebanon. The new Eurobonds will be listed on the Beirut Stock Exchange and the Luxembourg Stock Exchange.

Trade deficit down 10.4% to $4.3bn in first quarter of 2013, volume of non-hydrocarbon imports up 8.2%

Total imports reached $5.5bn in the first quarter of 2013, constituting a decrease of 7.7% from the same quarter last year; while aggregate exports rose by 3.3% to $1.2bn, leading to a trade deficit of $4.3bn, down by 10.4% year-on-year. The narrowing of the deficit was mainly caused by a decline of $461.7m in imports, as exports increased by just $37.9m year-on-year. The coverage ratio reached 21.6% in the first quarter of 2013 compared to 19.3% in the same quarter last year, while it reached 19.6% in March 2013 relative to 21.9% in March 2012. The value of imported oil & mineral fuels fell by 33.8% year-on-year to $1.5bn, and that of non-hydrocarbon imports rose by 8.6% to $4bn.

In volume terms, imports reached 3.8 million tons in the first quarter of 2013, constituting a decrease of 16.6% from the same quarter of last year; while exports posted a 49.5% rise to 768,517 tons, leading to a trade deficit of 3 million tons in the first quarter of 2013, down by 25% year-on-year. Imports of oil & mineral fuels fell by 32.4% year-on-year to 1.88 million tons, while non-hydrocarbon imports increased by 8.2% annually to 1.93 million tons.

The United States was the main source of imports with $576.4m or 10.5% of the total in the first quarter of 2013, followed by China with $461.8m (8.4%), Italy with $433.5m (7.9%), Turkey with $414.7m (7.5%), Russia with $375.8m (6.8%), France with $359.7m (6.5%) and Germany with $307m (5.6%). Imports from Russia surged by 481.8%, those from Turkey increased by 56%, those from China grew by 20.4% and those from Germany rose by 16.6%; while imports from the United States dropped by 52.9%, those from France fell by 11.7% and those from Italy contracted by 0.8%. Syria was the main export destination with $228.8m or 19.2% of the total, followed by South Africa with $190m (15.9%), the UAE with $84.9m (7.1%), Saudi Arabia with $84.1m (7.1%), Switzerland with $71.8m (6%), Iraq with $56.1m (4.7%) and Turkey with $50m (4.2%). Exports to Syria surged by 316.6% in the first quarter of 2013, those to Iraq grew by 64% and those to Turley rose by 6.1%, while exports to Switzerland dropped by 62.8%, those to South Africa fell by 21.5%, those to the UAE decreased by 5.6% and those to Saudi Arabia contracted by 2%.

Customs receipts flat at $243m in first two months of 2013

Figures released by the Customs Directorate indicated that customs revenues reached $242.9m in the first two months of 2013, constituting a marginal increase of 0.3% from $242.1m in the same period of 2012. The Port of Beirut continues to be the main point of customs receipts, as it accounted for 88.8% of the total in the first two months, and was followed by the Hariri International Airport with 7%, the Port of Tripoli with 3.1%, the Masnaa crossing point with 0.8%, the Port of Tyre with 0.2% and the Port of Saida with 0.1%. Customs receipts from the value-added tax totaled $212.4m in the first two months of 2013, down 19.1% from $262.7m in the same period of 2012. The Port of Beirut accounted for 80.8% of such receipts, and was followed by the Hariri International Airport with 9.9%, the Port of Tripoli with 4.8%, the Masnaa crossing point with 3.9%, the Port of Saida with 0.4%, and the Port of Tyre and the crossing point of Abboudieh with 0.1%, each. As such, overall customs receipts reached $455.3m in the first two months, with the Port of Beirut accounting for 85.1% of the total, followed by the Hariri International Airport with 8.4%, the Port of Tripoli with 3.9% and the Masnaa crossing point with 2.2%. In addition, other entry points represented the balance, with the ports of Saida and Tyre accounting for 0.2%, each, and the crossing point of Abboudieh for 0.1%.

Economic activity stagnates in February 2013

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 270.6 points in February 2013 compared to 263.9 points in each of January 2013 and February 2012. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 2.5% month-on-month and year-on-year in February 2013. The indicator averaged 258.3 in the 12 months ending February 2013, compared to 257.7 in the 12 months ending January 2013 and to 257 in the 12 months ending February 2012. As a result, the average coincident indicator increased by a marginal 0.5% year-on-year and by 0.2% month-on-month, which reflects economic stagnation in real terms. In parallel, the indicator improved 11 times and regressed 10 times in the month of January since 1993. The indicator reached an all-time high of 273.7 points in April 2012. It averaged 256.6 in 2012, 255.7 in 2011, 249.5 in 2010 and 225.9 in 2009.

Fiscal deficit down 90% to $17.8m in January 2013 when assuming $104.7m in telecom revenues

Figures released by the Finance Ministry show that the fiscal deficit reached $17.8m in January 2013, down 90% from $175.5m in the same month last year. The deficit was equivalent to 1.7% of total budget and Treasury expenditures compared to 14.9% of overall spending in January 2012. Overall government expenditures reached $1.04bn, down 11.4% year-on-year, while total revenues increased by 2.4% to $1.02bn. Budgetary expenditures regressed by 12% to $777m and included $135.9m in transfers to Electricité du Liban and $110.7m in outlays from previous years, while budget revenues were unchanged at $948.6m. Tax revenues rose by 4.8% year-on-year to $788.3m, of which 38.6%, or $303.9m, were in VAT receipts that fell by 1.5% from January 2012. Tax revenues accounted for 83.1% of budgetary revenues and for 77% of total Treasury and budget receipts. The Finance Ministry is basing its monthly fiscal results on the Telecommunications Ministry's estimate of telecom receipts which reached $104.7m in January 2013, rather than on the Treasury actually receiving the funds from the Telecom Ministry. On a cash basis for the two compared periods, public revenues increased by 3.9% year-on-year; while the fiscal deficit fell by 57.9% to $122.5m, equivalent to 11.8% of expenditures.

The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains tax increased by 9.1% to $219.2m; customs revenues grew by 9.3% year-on-year to $130.9m; revenues from property taxes fell by 20.8% to $49m; revenues from taxes on goods & services surged by 123.1% to $48.9m and other tax receipts, mainly stamp fees, decreased by 8% to $36.4m. Further, the distribution of income tax revenues shows that taxes on wages & salaries accounted for 48.1% of total income tax receipts, followed by the tax on profits with 26.5%, the tax on interest deposits with 18.6% and the capital gains tax with 6.4%. Income from taxes on wages & salaries improved by 22.5%, and revenues from capital gains tax and the tax on profits increased by 10.6% each, while income from the tax on interest regressed by 8.3%.

Also, the distribution of property taxes shows that revenues from real estate registration fees decreased by 22.7% to $35.2m and receipts from built property taxes fell by 33.4% to $5.1m, while revenues from inheritance tax increased by a marginal 0.4% to $8.7m. In parallel, non-tax budgetary revenues regressed by 18.7% to $160.3m, with revenues from government properties dropping by 16.5% to $121.6m and administrative fees & charges dropping by 20.8% to $30.5m. Based on the ministry's assumption, receipts from telecom services accounted for 86.1% of income from government properties and for 65.3% of non-tax revenues.

Debt-servicing cost increased by 4.6% year-on-year to $218.2m in January 2013. It accounted for 21% of total expenditures and for 28.1% of budgetary spending, and absorbed 21.3% of overall revenues and 23% of budgetary receipts. Interest payment on domestic debt increased by 16.9% year-on-year to $156.7m, while interest disbursement on foreign debt fell by 6.6% to $48.3m. Repayment of principal on foreign debt fell by 42.2% to $13.1m. Excluding debt servicing, the primary budget balance posted a surplus of $389.8m, or 50.2% of budget expenditures compared to a surplus of $275.4, or 31.2% of budget spending in the same month last year. The overall primary balance posted a surplus of $200.4m or 19.2% of spending, compare to a surplus of $33m or 2.8% of total expenditures in January 2012.

Fiscal Results in January 2013

	Including Assumed Telecom Receipts	**Excluding Assumed Telecom Receipts***
	US$m	**US$m**
Budget revenues	948.6	843.9
Tax revenues	788.3	788.3
Non-tax revenues	160.3	55.6
of which Telecom revenues	*104.7*	-
Budget expenditures	777	777
Budget Surplus	**1,716**	**66.9**
In % of budget expenditures	*22.1%*	*8.6%*
Budget Primary Surplus	**389.8**	**285.1**
In % of budget expenditures	*50.2%*	*36.7%*
Treasury receipts	74.8	74.8
Treasury expenditures	264.2	264.2
Total Revenues	1,023	918.7
Total Expenditures	1,041	1,041
Total Deficit	**(17.8)**	**(122.5)**
In % of total expenditures	*(1.7%)*	*(11.8%)*
Total Primary Surplus	**200.4**	**95.7**
In % of total expenditures	*19.2%*	9.2%

** Cash basis*

Source: Ministry of Finance, Byblos Research

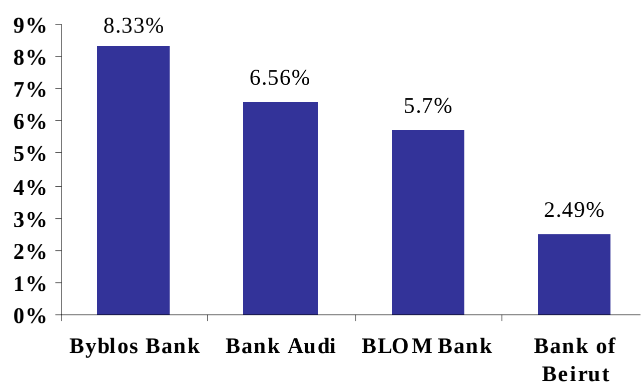
Corporate Highlights

Byblos Bank approves $107m in dividends, payout ratio at 63%

The Ordinary General Assembly of Byblos Bank sal held on May 11, 2013 approved the Bank's proposed distribution of $107m in dividends for common and preferred shares for 2012, representing a payout ratio of 63.2%. The Bank will pay LBP200 per share for holders of common shares; and $8 per share for holders of Preferred Shares Class 2008 and Preferred Shares Class 2009. The dividends will be paid starting May 17, 2013 net of a 5% withholding tax. Also, the Bank will pay LBP200 per share in US dollars for GDR holders starting May 23, 2013 through the Bank of New York Mellon after deducting the 5% tax. Byblos Bank has 565,515,040 common shares, 2,000,000 preferred shares Class 2008, 2,000,000 preferred shares Class 2009, and 1,309,078 GDRs listed on the Beirut Stock Exchange.

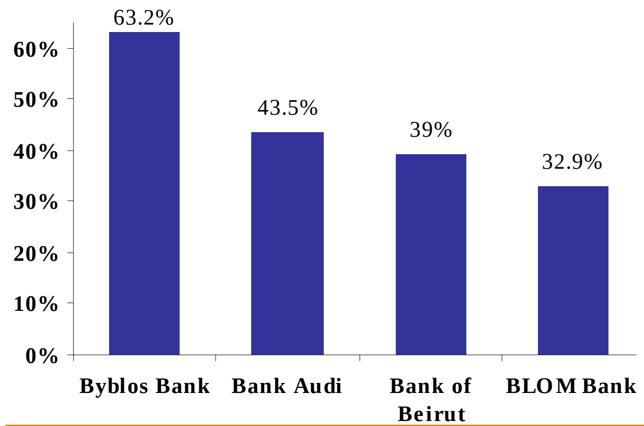
Byblos Bank posted consolidated net profits of $169.2m in 2012 relative to $179.7m in 2011. Total assets reached $17bn at end-2012, constituting a rise of 2.5% from the end of 2011; while net loans & advances to customers rose by 3% year-on-year to reach $4.1bn at end-2012. Customers' deposits totaled $13.4bn and increased by 4.4% from end-2011, with deposits from related parties reaching $135.7m. The Bank's Basel III Capital Adequacy Ratio stood at 15.5%, one of the highest such ratios in the sector, compared to the minimum regulatory requirement of 12% for end-2015. Earnings per common ordinary share stood at LBP 354.91, equivalent to $0.24 per share. The Bank's total equity reached $1.65bn at end-2012. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Gross Dividend Yield on Common Shares*



** for closing prices at end-2012*
Source: Beirut Stock Exchange, Banks' releases, Byblos Research

Dividend Payout Ratio for 2012*



**for common and preferred shares*
Source: Banks' releasese, Byblos Research

Byblos Bank's profits at $36m in first quarter of 2013, primary liquidity at 70% of deposits

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, declared consolidated net profits of $35.7m in the first quarter of 2013 relative to $38.6m in the same quarter of 2012. Net interest income reached $63.3m, up 6.5% year-on-year; while net fees & commission income stood at $22.7m relative to $24.2m in the first quarter of 2012. Net operating income reached $96.4m in the first quarter of the year compared to $108.4m in the same quarter of 2012.The Bank's cost-to-income ratio grew to 48.4% in the first quarter of 2013 from 47.8% in the same quarter last year.

Total assets reached $17.6bn at end-March 2013, constituting a rise of 3.5% from the end of 2012 and an increase of 5% from end-March 2012; while net loans & advances to customers regressed by 2.2% from end-2012 to reach $4bn at end-March 2013. Net loans & advances to related parties stood at $10.5m at end-March 2013, nearly unchanged from end-2012. The Bank allocated in the first quarter of 2013 provisions for credit losses of $18.3m that included $10.3m in collective provisions. Also, the coverage ratio reached 95.2% when accounting for specific and collective provisions and reserved interest, and represented 0.3% of net loans. The Bank's net non-performing loans, which represent NPLs net of specific provisions and reserved interest, reached 2.2% of net loans at the end of March 2013.

Customers' deposits totaled $13.6bn and increased by 2.4% from end-2012, with deposits from related parties reaching $137.6m at end-March 2013. The Bank's primary liquidity, representing dues from central banks and commercial banks, totaled $9.6bn and was equivalent to 70.11% of total deposits at the end of March 2013, which is one of the highest liquidity levels in the Lebanese banking sector. Also, Byblos Bank's Basel III Capital Adequacy Ratio stood at 15.03% on a consolidated level and at 16.4% on a standalone basis at end-March 2013, constituting one of the highest such ratios in the sector, compared to the minimum regulatory requirement of 12% to be met by end-2015. The Bank's total equity reached $1.68bn at end-March 2013.

Corporate Highlights

Stock market activity down 30% to $89m in first four months of 2013

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 13.6 million shares in the first four months of 2013, constituting a decrease of 21% from the same period last year; while aggregate turnover amounted to $88.5m, down 29.8% from a turnover of $126.2m in the first four months of 2012. Market capitalization increased by 5.4% from end-April 2012 to $10.5bn, of which 76.9% was in banking stocks, followed by real estate stocks with 19.5%, industrial stocks with 3%, and fund stocks and trading stocks with 0.3% in each. The market liquidity ratio was 0.8% compared to 1.2% in the same period last year. Bank stocks accounted for 76.7% of aggregate trading volume in the first four months of the year, followed by real estate stocks with 16.7%, trading stocks with 3.3% and industrial stocks with 3.2%. In terms of the value of shares traded, banking stocks accounted for 63.6% of aggregate value, followed by real estate stocks with 33.4%, industrial stocks with 1.7% and trading stocks with 1.3%.The average daily traded volume for the period was 170,453 shares for an average daily value of $1.1m. The figures reflect decreases of 23% in volume and 31.6% in value year-on-year.

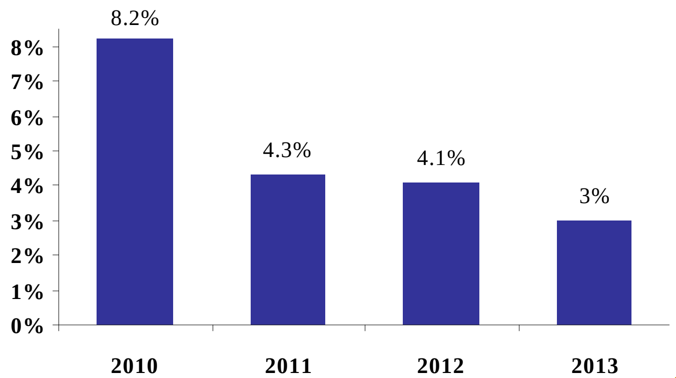
Solidere raises $185m through securitization deal

Solidere sal, the Lebanese Company for the Development and Reconstruction of the Beirut Central District, raised $185m through a securitization transaction. Proceeds from the transaction will be earmarked to Solidere's real estate and infrastructure development activities on the waterfront, as well as to deleverage its balance sheet. The structure involves the set-up of a securitization fund that liquidates at face value a proportion of Solidere's receivables portfolio from land sales. The fund issued three tranches of securities. The first tranche consisted of $130m of senior Class A securities that were fully subscribed by local banks; the second series consisted of $45m in mezzanine Class B notes that will be retained by Solidere but may be resold after the redemption of the Class A; and $10m in junior Class C securities that would be retained by Solidere for the whole life of the transaction. Investors in Class A notes are paid a fixed annual coupon of 5% over 1.33 years, with an expected final maturity of 2.5 years. The deal was jointly arranged by BLC Bank and by BSEC, the securitization subsidiary of Banque BEMO sal.

Commercial banks' assets reach $155.4bn at end-March 2013

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached $155.4bn at the end of March 2013, constituting an increase of 2.3% from the end of 2012 and a rise of 7.4% from end-March 2012. Private sector deposits totaled $128.1bn, increasing by 2.5% from end-2012 and by 8.4% from end-March 2012. Deposits in Lebanese pounds reached $44.6bn and rose by 1.4% from end-2012 and by 9% from end-March 2012; while deposits in foreign currencies totaled $83.5bn and increased by 3.1% from end-2012 and by 8% from a year earlier. Non-resident foreign currency deposits totaled $22bn at the end of March 2013, up by 5.9% from the end of 2012 and by 16.2% year-on-year. Total non-resident deposits reached $25.3bn at the end of March 2013 and grew by 5.1% from end-2012 and by 15.6% from a year earlier. Total private sector deposits increased by $1.8bn in March, by $745m in February and by $558m in January 2013, compared to rises of $806m in March, $725.3m in February and $976m January 2012. In parallel, deposits of non-resident banks reached $5.9bn at the end of March 2013 and increased by 0.8% from end-2012 but declined by 8.2% from a year earlier. The dollarization rate of deposits reached 65.2% at the end of March 2013 relative to 64.8% at end-2012 and 65.4% a year earlier. Further, the average deposit rate in Lebanese pounds reached 5.44% at end-March 2013 relative 5.46% a year earlier; while the same rate in US dollars was 2.97%, up from 2.83% in March 2012.

Private Sector Lending Growth* (% Change)



*in first quarter of each year
Source: Association of Banks in Lebanon, Byblos Research

Loans to the private sector totaled $44.7bn, constituting an increase of 3% from end-2012 and a rise of 9% from a year earlier. Lending to the resident private sector totaled $38.9bn and increased by 2.7% from end-2012 and by 10.7% year-on-year, while credit to the non-resident private sector reached $5.8bn and increased by 4% from end-2012 and regressed by 0.8% from end-March 2012. The dollarization rate in private sector lending regressed to 77.7% at end-March 2013 from 78.4% a year earlier. The average lending rate in Lebanese pounds was 7.28% in March 2013 compared to 7.16% a year earlier, while the same average in US dollars was 6.95% compared to 7.06% in March 2012. In addition, claims on non-resident banks reached $13.2bn at end-March 2013, posting a decrease of 8.6% from end-2012 and a decline of 9.1% from a year earlier. Claims on the public sector stood at $31.9bn, constituting an increase of 2.4% from end-2012 and a rise of 10.6% year-on-year. The ratio of private sector loans-to-deposits in foreign currencies stood at 41.6%, unchanged year-on-year, and well below the Central Bank's limit of 70%. In parallel, the same ratio in Lebanese pounds was 22.3%, up from 21.6% at the end of March 2012. The ratio of total private sector loans to deposits was 34.9% at the end of March compared to 34.7% a year earlier. The banks' aggregate capital base stood at $12.6bn, unchanged month-on-month but increased by 15.1% from $11bn in March 2012.

Corporate Highlights

MEA to stop negotiatons for stake in Cyprus Airways

National flag carrier Middle East Airlines (MEA) is likely to suspend negotiations for a stake in Cyprus Airways following Central Bank Governor Riad Salamé's declaration that the Bank, which owns 99% of MEA, will not approve MEA's acquisition of a stake in the Cypriot airline. MEA was reportedly in preliminary talks with Cyprus Airways to acquire an equity stake of up to 50 % in the airline. The structure of the proposed deal would involve several Lebanese banks operating in Cyprus that extended loans to the Cypriot airline and that are having difficulties getting paid by the airline. Governor Salamé considered that the acquisition of Cyprus Airways, which is in a difficult financial situation, would mean that the Central Bank will bear the airline's debt burden and risks. He added that it would be difficult for MEA to expand aboard prior to becoming a privately owned company.

Majid Al Futtaim Group to build hotel in Lebanon

The United Arab Emirates' conglomerate Majid Al Futtaim Group (MAF) announced that it is planning to enter the Lebanese hotel market through the construction of a new hotel in the southeastern Beiurt suburb of Hazmieh, facing its recently opened Beirut City Center mall. It said that the 175-room hotel would be either a four- or a five-star hotel. The company's strategy consists of building a hotel next to its malls, as it considers that the presence of a nearby mall generates demand for the hotel. The Group owns and operates 12 hotels in Dubai and Bahrain with around 3,000 rooms. The Beirut City Center was inaugurated on April 4, 2013. It includes 200 stores, 40 international food and beverage outlets, in addition to a VOX Cinemas multiplex and a Magic Planet family entertainment center. Further, it includes the first Carrefour hypermarket in Lebanon with a surface area of 13,000 square meters, as well as the first Mark & Spencer outlet in the country. MAF said that the Beirut City Center cost $350m to build and would generate around 1,200 jobs. MAF has a second investment in Lebanon besides the Beirut City Center, which is the Waterfront City real estate project located in the Dbayeh area north of Beirut. The $2bn project is expected to be executed in four phases over the next 15 years. The project will cover 250,000 square meters of land. It consists of seven buildings that will include 5,000 residential units of varying sizes, in addition to a commercial district, a shopping mall, a hotel, and dining and entertainment facilities.

BankMed approves dividend payments for 2012

BankMed sal, one of Lebanon's top 10 banks, announced that its Ordinary General Assembly held on April 15, 2013 approved the distribution of preferred shares dividends for 2012. The bank will allocate a gross dividend payment of $7.75 per share for shareholders carrying Preferred Shares Series 1 and $6.75 per share for shareholders carrying Preferred Shares Series 2. The dividends will be paid starting on May 8, 2013 net of a 5% withholding tax. BankMed posted unaudited consolidated net profits of $126.7m in 2012. Its assets reached $12.5bn; while loans & advances to customers, excluding loans & advances to related parties, totaled $4bn at end-2012. Further, customer deposits, excluding deposits to related parties, totaled $9.23bn at end-2012.

Banque Libano-Française endorses dividend distribution for 2012

Banque Libano-Française sal announced that its Ordinary General Assembly held on May 7, 2013 approved the distribution of preferred shares dividends for 2012. The bank will allocate a gross dividend payment of $8 per share for shareholders carrying Preferred Shares Series 2 and $7 per share for shareholders carrying Preferred Shares Series 3. The dividends will be paid starting on May 9, 2013 net of a 5% withholding tax. BLF posted unaudited consolidated net profits of $87.6m in 2012. Its assets reached $10.5bn at end-2012; while loans & advances to customers, excluding loans & advances to related parties, were flat at $3.3bn. Also, customer deposits, excluding deposits from related parties, totaled $8.8bn at end-2012.

Ratio Highlights

(in % unless specified)	2010	2011	2012	Change*
Nominal GDP ($bn)	37.1	39.3	41.6	
Public Debt in Foreign Currency / GDP	55.5	53.2	58.7	550
Public Debt in Local Currency / GDP	86.2	83.2	80.2	(300)
Gross Public Debt / GDP	141.7	136.4	138.9	250
Total Gross External Debt / GDP	167.2	173.8	172.3	(150)
Trade Balance / GDP	(36.9)	(40.5)	(40.4)	10
Exports / Imports	23.7	21.2	21.1	(10)
Fiscal Revenues / GDP	24.8	23.7	22.8	(90)
Fiscal Expenditures / GDP	30.5	29.7	30.2	50
Fiscal Balance / GDP	(5.7)	(6.0)	(8.3)	(230)
Primary Balance / GDP	5.5	4.2	0.7	(350)
Gross Foreign Currency Reserves / M2	72.6	79.2	69.4	(980)
M3 / GDP	248.4	247.4	250.0	260
Commercial Banks Assets / GDP	347.3	357.4	365.6	820
Private Sector Deposits / GDP	289.0	294.4	300.5	610
Private Sector Loans / GDP	94.2	100.2	104.5	430
Private Sector Deposits Dollarization Rate	63.2	65.9	64.8	(110)
Private Sector Lending Dollarization Rate	80.3	78.4	77.6	(80)

** Change in basis points 11/12*
Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, Ministry of Finance, 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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