

THE LEBANON BRIEF

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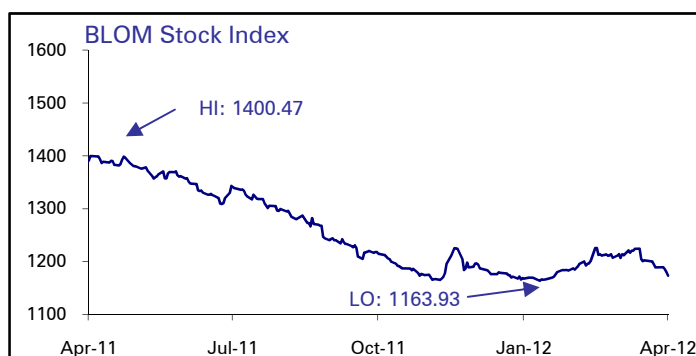
FINANCIAL MARKETS

Equity Market

Stock Market

	20/04/12	05/04/12	% Change
BLOM Stock Index*	1173.57	1202.58	-2.41%
Avg Traded Volume	262,569	62,896	317.47%
Avg Traded Value	2,408,449	675,990	256.28%

*22 January 1996 = 1000



Banking Sector

	Mkt	20/04/12	05/04/12	% Change
BLOM (GDR)	BSE	\$7.94	\$8.00	-0.75%
BLOM Listed	BSE	\$7.75	\$7.65	1.31%
BLOM (GDR)	LSE	\$7.85	\$7.95	-1.26%
Audi (GDR)	BSE	\$6.30	\$6.30	0.00%
Audi Listed	BSE	\$5.98	\$6.07	-1.48%
Audi (GDR)	LSE	\$6.15	\$6.30	-2.38%
Byblos (C)	BSE	\$1.61	\$1.71	-5.85%
Byblos (GDR)	LSE	\$79.00	\$79.00	0.00%
Bank of Beirut (C)	BSE	\$19.30	\$19.29	0.05%
BLC (C)	BSE	\$1.90	\$1.90	0.00%
Fransabank (B)	OTC	\$28.00	\$28.00	0.00%
BEMO (C)	BSE	\$2.20	\$2.20	0.00%

	Mkt	20/04/12	05/04/12	% Change
Banks' Preferred Shares Index *		\$103.80	\$105.74	-1.83%
BEMO Preferred 2006	BSE	\$100.00	\$100.00	0.00%
Audi Pref. D	BSE	\$10.00	\$10.50	-4.76%
Audi Pref. E	BSE	\$100.00	\$100.50	-0.50%
Byblos Preferred 08	BSE	\$101.00	\$105.00	-3.81%
Byblos Preferred 09	BSE	\$101.00	\$106.00	-4.72%
Bank of Beirut Pref. D	BSE	\$26.25	\$26.25	0.00%
Bank of Beirut Pref. E	BSE	\$26.00	\$26.00	0.00%
BLOM Preferred 2011	BSE	\$10.35	\$10.30	0.49%
Bank of Beirut Pref. H	BSE	\$25.00	\$25.00	0.00%

* 25 August 2006 = 100

The Lebanese bourse has been dominated by a negative climate for the past two weeks with the BLOM Stock Index (BSI), Lebanon's leading index, retreating by 2.41% to 1173.57 points. Market capitalization contracted by \$225.6M to settle at \$9.1B while the average daily traded volume was 262,569 shares worth \$2,408,449, significantly higher than the values recorded two weeks ago at 62,896 shares worth \$675,990.

The Lebanese benchmark relatively outperformed the S&P Pan Arab Composite LargeMidCap Index that retreated by 2.91% to 117.07 points while the Morgan Stanley (MSCI) Emerging markets Index and the S&P AFE40 Index declined by 1.33% and 2.25% to settle at 1023.49 and 56.39 points correspondingly. Saudi Arabia and Dubai were the main components pulling the indices down falling by 4.83% and 3.82% to 7513.85 and 1638.25 points respectively.

During the past two weeks, the banking sector maintained its dominance over the market holding approximately 68% of total volume traded. BLOM GDR retreated by 0.75% to \$7.94 whereas the listed stock surged by 1.31% to reach \$7.75. Audi listed stock also declined by 1.48% to \$5.98 while Byblos listed share witnessed the most severe drop of 5.85% to \$1.61 whereas Bank of Beirut listed shares increased by a slight 0.05% to stand at \$19.30. On the other hand, the preferred shares index declined by 1.83% to 103.80 points characterized by the decline in Audi Preferred E and D classes by 0.50% and 4.76% to \$100.00 and \$10.00 respectively. Additionally, Byblos Preferred 08 and 09 decreased by 3.81% and 4.72% to \$101.00 each. Conversely, BLOM Preferred 2011 shares increased by 0.49% to \$10.35. It is to note that the drop in BLOM Cedars Balanced Fund Tranche B is due to a dividend payment of \$162.90 (gross) on 19/04/2012. On the London Stock Exchange, BLOM GDR dropped 1.26% to \$7.85, while Audi GDR retreated 2.38% to \$6.15.

Real Estate

	Mkt	20/04/12	05/04/12	% Change
Solidere (A)	BSE	\$13.26	\$14.15	-6.29%
Solidere (B)	BSE	\$13.14	\$14.01	-6.21%
Solidere (GDR)	LSE	\$12.90	\$13.99	-7.79%

The real estate sector witnessed a severe slowdown with Solidere A and B shares retreating by 6.29% and 6.21% to \$13.26 and \$13.14 respectively. In London, Solidere GDR tumbled 7.79% to \$12.9.

Manufacturing Sector

	Mkt	20/04/12	05/04/12	% Change
HOLCIM Liban	BSE	\$16.99	\$16.50	2.97%
Ciments Blancs (B)	BSE	\$3.15	\$3.15	0.00%
Ciments Blancs (N)	BSE	\$3.10	\$3.10	0.00%

As for the industrial sector, cement producer Holcim Liban witnessed a rise of 2.97% to \$16.99.

During this period of dividend payments by banks, the stock market may witness a stretch of profit taking. However, the expected first quarter positive results of listed banks, in addition to some correction in the decline of Solidere stock, might contract the slowdown of the market and even give it an upward lift.

Funds

	Mkt	20/04/12	05/04/12	% Change
Beirut Preferred Fund	BSE	\$103.10	\$103.10	0.00%
BLOM Cedars Balanced Fund Tranche "A"	-----	\$6,726.74	\$6,710.11	0.25%
BLOM Cedars Balanced Fund Tranche "B"	-----	\$5,104.39	\$5,254.27	-2.85%
BLOM Cedars Balanced Fund Tranche "C"	-----	\$5,109.00	\$5,096.37	0.25%
BLOM Bond Fund	-----	\$10,016.99	\$10,016.99	0.00%

Retail Sector

	Mkt	20/04/12	05/04/12	% Change
RYMCO	BSE	\$2.13	\$2.13	0.00%
ABC (New)	OTC	\$16.50	\$16.50	0.00%

Tourism Sector

	Mkt	20/04/12	05/04/12	% Change
Casino Du Liban	OTC	\$550.00	\$550.00	0.00%
SGHL	OTC	\$4.50	\$4.50	0.00%

Foreign Exchange Market

Lebanese Forex Market

	20/04/12	05/04/12	%Change
Dollar / LP	1502.00	1502.00	0.00%
Euro / LP	1983.72	1984.32	-0.03%
Swiss Franc / LP	1650.43	1648.26	0.13%
Yen / LP	18.45	18.33	0.65%
Sterling / LP	2427.08	2392.85	1.43%
NEER Index**	98.97	99.17	-0.20%

*Close of GMT 09:00+2

**Nominal Effective Exchange Rate; Base Year Jan 2006=100

**The unadjusted weighted average value of a country's currency relative to all major currencies being traded within a pool of currencies. The NEER represents the approximate relative price a consumer will pay for an imported good.

Nominal Effective Exchange Rate (NEER)



Money & Treasury Bills Markets

Money Market Rates

	20/04/12	05/04/12	Change bps
Overnight interbank	2.75	2.75%	0
BDL 45-day CD	3.57%	3.57%	0
BDL 60-day CD	3.85%	3.85%	0

Treasury Yields

	20/04/12	05/04/12	Change bps
3-M TB yield	4.43%	4.38%	5
6-M TB yield	4.99%	4.87%	12
12-M TB yield	5.08%	5.06%	2
24-M TB coupon	5.84%	5.82%	2
36-M TB coupon	6.50%	6.48%	2
60-M TB coupon	6.74%	6.74%	0

The exchange rate between the Lebanese Pound and the US dollar remained at the lower end of the peg on the local exchange market this week at \$/LP 1,500.5 - \$/LP 1,503.5 with a mid-price of \$/LP 1,502. BdL's foreign assets (excluding gold) rose by a monthly 2.5% to a new high of \$33.09 billion by mid-April 2012 while the dollarization rate of private sector deposits was 65.63% in February 2012, down from 65.9% a month earlier.

The Euro fluctuated mildly over the past two weeks coming under pressure on several occasions from increasing borrowing costs in Spain and Italy. The single currency still rebounded by the end of this week covering its previous losses, as new data showed an improvement in German consumer confidence. Trading however remained thin as investors looked for clues from the G20 meetings and ahead of the first round of French Presidential elections this weekend. The Euro thus ended almost flat at \$/€ 1.3159 by Friday 12.00 pm Beirut time, keeping the Lebanese Pound at LP/€ 1983.72. The Nominal effective exchange rate (NEER) slipped by 0.2% to 98.97 points.

Broad money M3 increased by LP351B (\$232.84M) during the week ending April 05 to attain LP151,116B (\$100.24B). Consequently, M3 rose by 7.79% y-o-y and 3.1% from end of December 2011. M1 progressed during the week by LP168B (\$111.44M) as the LP273B (\$181.09M) increase in money in circulation outpaced the LP105B (\$69.65M) drop in demand deposits. Total deposits (excluding demand deposits) went up by \$121.74M as term and saving deposits in LBP rose by \$185.74M, while deposits denominated in foreign currencies retreated by \$64M. As for the dollarization rate of broad money, it fell by 20 bps on a weekly basis to 58.92%. The overnight interbank rate stood at 2.75% during the month of January, according to the Association of Banks.

On April 12, the Ministry of Finance (MoF) raised LP391.13B (\$259.45M) through the issuance of Treasury Bills. The money collected from the auction was more than the LP366.1B (\$242.85M) required to finance the maturing TBs. Demand was mainly observed on the 60M paper that captured 79.92% of total subscriptions. The 3M and 6M papers accounted for 0.91% and 19.17% respectively. The average discount rate for the 3M and 6M papers rose by 5 bps and 12 bps to 4.43% and 4.99% respectively, whereas the average coupon rate for the 60M paper stood at 6.74%. To note that the MoF continues to undertake all accepted bids.

Eurobond Market

Eurobonds Index and Yield

	20/04/12	05/04/12	Change	Year to Date
BLOM Bond Index (BBI)*	110.880	111.000	-0.11%	-0.05%
Weighted Yield**	4.61%	4.60%	1	-17
Weighted Spread***	392	372	20	-14

*Base Year 2000 = 100; includes US\$ sovereign bonds traded on the OTC market

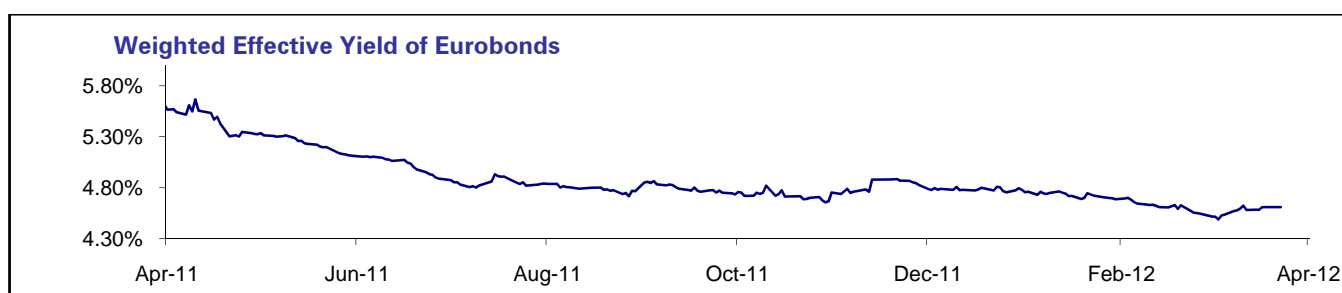
** The change is in basis points

***Against US Treasuries (in basis points)

Lebanese Government Eurobonds

Maturity - Coupon	20/04/12 Price*	05/04/12 Price*	Weekly Change%	20/04/12 Yield	05/04/12 Yield	Weekly Change bps
2012, Sep - 7.750%	102.63	102.63	0.00%	0.57%	1.28%	-71
2013, Mar - 9.125%	105.75	105.75	0.00%	2.48%	2.76%	-29
2013, Jun - 8.625%	107.00	107.00	0.00%	2.43%	2.63%	-20
2014, Apr - 7.375%	107.50	107.50	0.00%	3.41%	3.48%	-8
2014, May - 9.000%	110.50	110.50	0.00%	3.56%	3.66%	-10
2015, Jan - 5.875%	104.88	104.88	0.00%	3.97%	3.99%	-3
2015, Aug - 8.500%	113.90	113.90	0.00%	3.94%	3.99%	-5
2016, Jan - 8.500%	114.38	114.38	0.00%	4.29%	4.33%	-4
2016, May - 11.625%	127.00	127.00	0.00%	4.28%	4.34%	-6
2017, Mar - 9.000%	119.13	119.13	0.00%	4.60%	4.63%	-3
2018, Nov - 5.150%	100.50	100.50	0.00%	5.06%	5.06%	0
2020, Mar - 6.375%	106.25	106.25	0.00%	5.39%	5.39%	0
2021, Apr - 8.250%	118.75	118.75	0.00%	5.56%	5.57%	-1
2022, Oct - 6.100%	102.50	102.50	0.00%	5.78%	5.78%	0
2024, Dec - 7.000%	108.38	108.38	0.00%	6.04%	6.04%	0
2026, Nov - 6.600%	102.88	102.88	0.00%	6.30%	6.30%	0

- Mid Prices ; BLOMINVEST bank



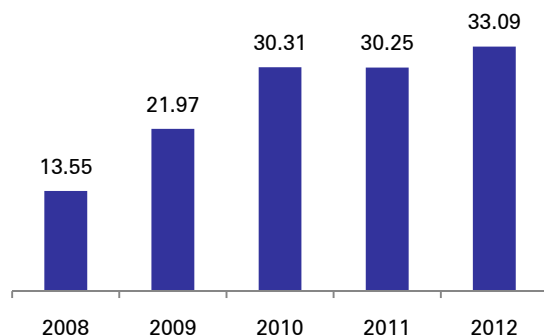
The Eurobond market retreated over the past two weeks as short term investors took a break from Lebanese papers and collected their gains from the previous rally. The BLOM Bond Index (BBI) slipped by 0.1% to 110.88 points pushing the portfolio's average weighted yield up by 1 basis point (bps) to 4.61%. As for the spread against the US benchmark yield, it widened 20 bps to 392 bps as demand for US Treasuries surged after fears over EU debt returned with Spain's increasing borrowing costs. Likewise, debt in emerging markets recorded a notable improvement as spiking oil prices boosted demand especially for papers of oil-rich Latin American countries. The JP Morgan emerging markets' bond index added 1.2%.

Lebanon's credit default swap for 5 years (CDS) was last quoted at 432-470 bps, down from 452-478 bps two weeks earlier. In regional markets, 5-year CDS quotes for Dubai and Saudi Arabia slightly broadened to 354-367 bps and 128-130 bps respectively. In emerging Turkey and Brazil 5 year CDS quotes broadened to 237-240 bps and 128-130 bps from 230-234 bps and 120-124 bps respectively.

ECONOMIC STATISTICS & INDICATORS

BdL Foreign Assets

By Mid-April (\$B)



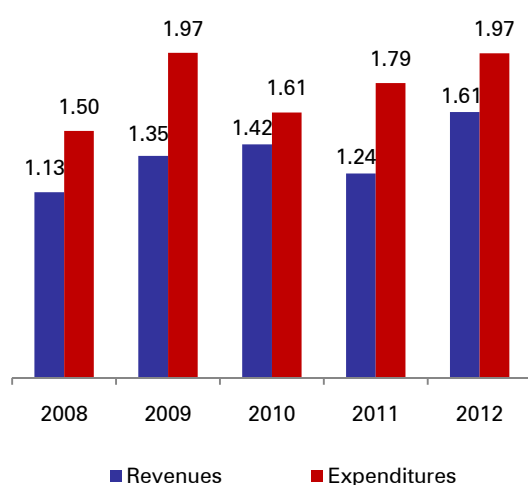
Source: BdL

BdL Foreign Assets Reach a Record High of \$33.09 billion by mid-April 2012

Total assets at the Central Bank (BdL) stood at \$73.93 billion by mid-April 2012 increasing by 2.44% from mid-March and by 14.3% from the same period a year earlier. The value of gold reserves edged up by a monthly 0.35% to \$15.26 billion, while foreign assets (excluding gold) rose 2.5% to \$33.09 billion. BdL's securities portfolio added 5% to \$12.9 billion. On the liabilities side, financial sector deposits that represent 70.7% of the account rose by 2.3% m-o-m to \$52.3 billion while public sector deposits jumped by 13.45% m-o-m to \$5.9 billion.

Government Revenues and Expenditures

Up to February (\$B)

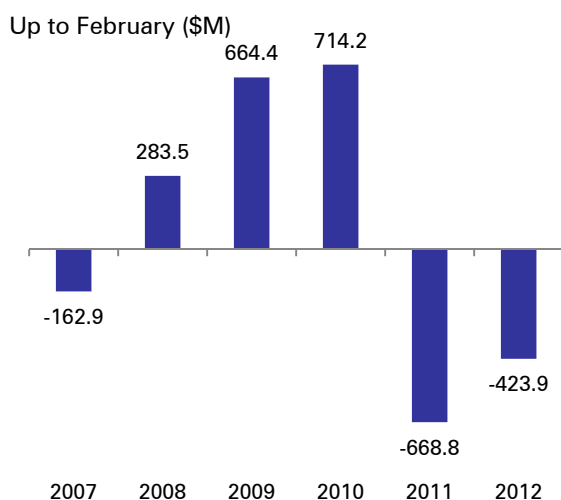


Source: Ministry of Finance

Fiscal Deficit Narrows to \$356.7M up to February 2012; Primary Surplus at \$44M

Lebanon's fiscal deficit stood at \$356.7 million in the first two months of 2012, down by a substantial 35% from the previous year. An increase in government revenues by more than 30% y-o-y to \$1.61 billion overshadowed a 10% y-o-y rise in expenditure to \$1.97 billion. Tax revenues climbed 12.8% y-o-y to \$1.17 billion as gains from Value Added Tax (VAT) jumped 16% y-o-y to \$442 million reflecting an improvement in consumer confidence. In contrast, customs receipts remained subdued compared to the first two months of 2011, sliding by 1.4% y-o-y to \$231 million; noting that the tax break on imported fuel was put into effect in March 2011. With receipts from the Telecom Ministry adding up to \$235.72 million, non-tax revenues reached \$372.9 million up to February 2012, more than double the amount recorded during the same period last year. No Telecom receipts had been transferred to the Treasury in the first two months of 2011 following the government fallout in January. On the expenditure side, the government's transfers to Electricite Du Liban (EdL) surged 56% y-o-y to \$360.7 million in tandem with spiking oil prices. In contrast, government dues on previous years fell by 28% y-o-y to \$324 million, while interest expenditure on domestic and foreign loans dropped by 26% y-o-y to \$368 million. Lebanon's primary balance recorded a surplus of \$44 million in the first two months of 2012, compared to a \$24 million deficit up to February 2011.

Balance of Payments

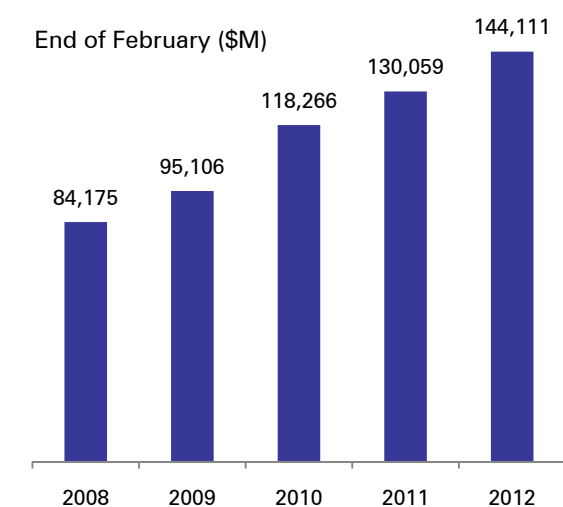


Source: BdL

Decline in Net Foreign Assets Moderates to \$134.1 Million in February

Lebanon's Balance of Payments (BoP) recorded a deficit of \$424 million in the first two months of 2012, according to figures released by the Central Bank (BdL). Losses from the trade deficit continued to outweigh other receipts from the external sector due to sustained security concerns in the region, causing net foreign assets (NFA) of commercial banks and BdL to fall by \$294.3 million and \$129.6 million respectively. This result was still considerably better than the period last year, when a domestic political deadlock and the rise of regional unrest sent the BoP to a \$669 million deficit. In February 2012 alone, the BoP saw a deficit \$134.1 million – compared to a deficit of \$289.8 million a month earlier – as NFA of BdL diminished by \$26.6 million and NFA of commercial Banks fell \$107.5 million.

Commercial Banks Total Assets



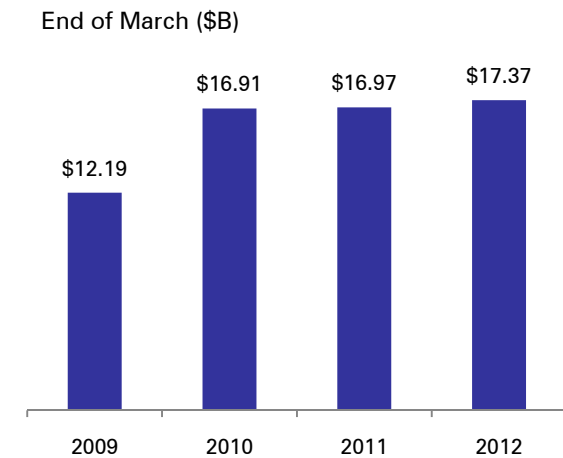
Source: BdL

Commercial Banks Total Assets Grew to \$144 Billion

The consolidated balance sheet of commercial banks for the month of February 2012 recorded a yearly rise of 10.8% in total assets to reach \$144.11 billion. Total claims on the private sector jumped by 13.82% y-o-y to reach \$34.58 billion, accounting for 24% of total assets. This was mainly caused by a 23.81% y-o-y surge in claims in Lebanese pounds and a 10.81% y-o-y increase in claims in foreign currencies. On the other hand, claims on the public sector increased by 5.65% y-o-y to \$29.07 billion as treasury bills in domestic currency rose 3.72% and bills in foreign currencies jumped by an annual 8.22%. As for the liabilities, total resident and nonresident private sector deposits grew by 9.94% from February 2011 to reach \$117.41 billion while the dollarization rate of these deposits slid to 65.63% from 65.92% in December 2011.

Cleared Checks Reach \$17.37B up to March 2012

Value of Cleared Checks

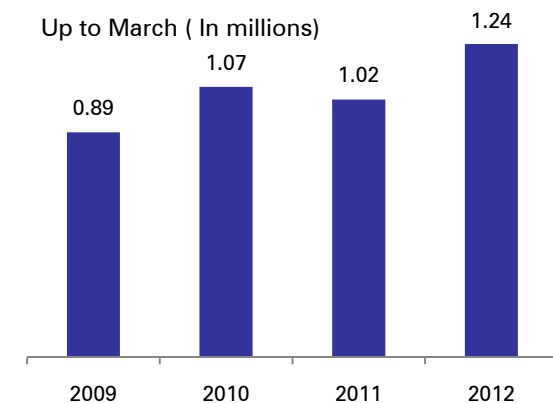


Source: ABL

The number of checks cleared by Banque du Liban reached 3.18M worth \$17.37B in the first quarter of 2012 compared to a total of 3.09M checks valued at \$16.97B registered a year earlier. Checks denominated in foreign currencies climbed by 3.64% y-o-y to \$13.78B, while the dollarization rate of checks rose from 78.33% to 79.33%. The value of checks denominated in Lebanese pounds dropped by 2.41% to reach \$3.59B up to March 2012. As for returned checks that account for 2.23% of the total value of checks, they jumped by 19.43% y-o-y to \$387M. In the month of March alone, the value of cleared checks dropped by 1.04% from March 2011 to attain \$6.03B. The value of checks denominated in foreign currencies, which represents 80.26% of the total, edged 0.96% up to \$4.84B, while that of checks denominated in LP declined by 8.41% to \$1.19B.

Airport Passengers at 1.24M in Q1 2012

Airport Passengers



Source: Rafic Hariri International Airport

Activity at Rafic Hariri International Airport (RHIA) witnessed a significant growth in the first quarter of 2012 as the number of passengers reached 1.24M, recording the highest level compared to previous years, up by 21.2% from 2011 and 16.17% from the exceptional figures of 2010, according to statistics published by RHIA. Arrivals and departures increased by 21.5% each in Q1 to reach 594,542 and 632,046 respectively. Moreover, 15,440 passengers, or 1.24% of the total, were in transit. In the month of March alone, total travelers surged by 24.5% to 432,817 compared to the same month last year. Arrivals rose by 23% to 223,254 compared to March 2011, whereas departures rallied by 25.9% to 204,670.

ECONOMIC AND FINANCIAL NEWS

Guarantees in the First Quarter

	Guarantees Number	Value (in \$M)	Average Value per guarantee (in \$ 000's)
2009	215	29.4	137
2010	393	46.6	119
2011	301	41.8	138
2012	240	33	137

Source: Kafalat

Kafalat Loans Total \$33M in Q1 2012

Kafalat loans to small and medium businesses totaled \$33M in the first three months of 2012, down by a yearly 21.2%. Furthermore, the number of total guarantees fell by a yearly 20.3% to 240 loans. This, along with the decrease in the value of guarantees, resulted in a 1.2% drop in the average value per guarantee to reach \$137,491. The industrial sector received the majority of extended guarantees during this period with 88 guarantees making up 36.7% of total guarantees. The agriculture sector closely followed with 87 guarantees amounting to 36.3% of the total while tourism scored 48 guarantees or 20% of total guarantees. Moreover, handicrafts and specialized technologies formed the remaining portion with 5.8% and 1.2% respectively. Regarding the geographical distribution of the loans, the majority of distributed guarantees were allocated in Mount Lebanon accounting for 43.8% of total guarantees, the North followed with 16.3% while 10% were concentrated in the South. Finally, Nabatieh and Beirut made up 7.5% and 7.1% of total guarantees correspondingly.

Aid Highlights in March

Initiating Agent	Donation	Benefiter
European Union	12.5M Euros	Palestinian Refugee Camps
European Union	108,686 Euros	Cultural Projects
China	50M Yuan (\$7.5M)	Council for Development and Reconstruction
Kuwait	13.5M Kuwait Dinar (\$47M)	Wastewater Sector
UNDP*	\$ 2.5M	Ministry of Environment

*January 2012

Source: Ministry of Finance

March Aid Targets Social Relief, Cultural Support, and Environmental Reform

Lebanon was recipient to cultural, social, economic, and environmental aid in March 2012 according to the latest Aid Coordination Newsletter from the Ministry of Finance. First, the European Union (EU) announced a Euro 108,686 grant aimed at helping Lebanese civil societies organize cultural projects. It also provided a Euro 12M grant to support Palestinian refugee camps by rehabilitating houses and aiding displaced families with rental subsidies in Nahr El Bared camp. Furthermore, the EU organized the EU-Lebanon cooperation days on the 23rd and 24th of March aiming to raise public awareness of its funding programs. Separately, the Chinese government provided a grant of 50 million Yuan (equivalent of \$7.5M) to the Council for Development and Reconstruction in order to finance economic and technical cooperation projects between the countries. Kuwait signed a loan agreement for 13.5M Kuwaiti Dinars (equivalent of \$47M) for the construction of sewer systems and wastewater treatment plants in the South. Finally, the UNDP signed a project with the Minister of Environment aimed at phasing out products that contribute to the depletion of the Ozone layer. The project's cost is approximately \$2.5M and will be financed by the Multilateral Fund of the Montreal Protocol.

CORPORATE DEVELOPMENTS

Bank Audi Financial Highlights (\$M)

	Mar-12	Dec-11	% ch
Customer's deposits	24,196	24,608	-1.67%
Net Loans & advances to customers	8,679	8,419	3.08%
Total assets	28,661	28,737	-0.26%
Net Profit	94.48	90.42*	4.49%

*: Up to March 2011

Source: Company Data

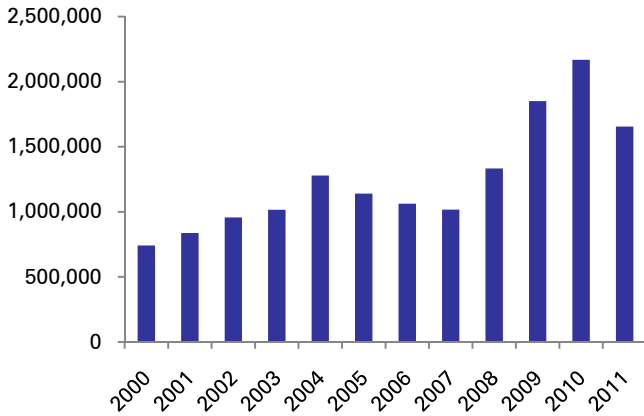
Bank Audi Net Profit Reaches \$94.5M in Q1 2012

Bank Audi published its financial results for the first quarter of 2012 revealing an increase in net profit of 4.5% y-o-y to \$94.5M. This rise was mainly fueled by net interest income jumping by 11% to \$146M. Total assets declined slightly by 0.26% or \$75M from December 2011 to \$28.6B. Moreover, liquidity placed with banks and the central bank formed an approximate 36% of customer deposits which in turn decreased by 1.67% to settle at \$24.2B. In addition, total shareholders' equity amounted to \$2.5B compared to \$2.4B recorded in December. Capital adequacy ratio amounted to 10.7% as per Basle III, while return on average equity was 16.8%. Cost to income ratio reached 42.9%. Separately, the Ordinary General Assembly of Shareholders of Bank Audi s.a.l. – Audi Saradar Group met on April 10, 2012, approved the bank's accounts for the year 2011, and declared a gross distribution of dividends. In details, the assembly approved the distribution of \$0.775 per share to holders of Series "D" preferred shares, \$6 per share to holders of series "E" preferred shares, and LBP 603 per share for holders of Common shares. Since the applicable tax rate is 5%, the net payable amounts per share will be \$0.73625, \$5.7, and LBP 572.85 respectively.

FOCUS IN BRIEF

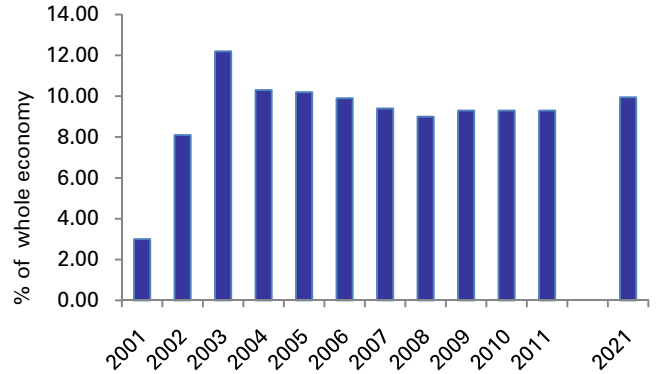
The Lebanese Tourism Sector: Key Driver of Growth with High Potential

Number of Tourists Visiting Lebanon



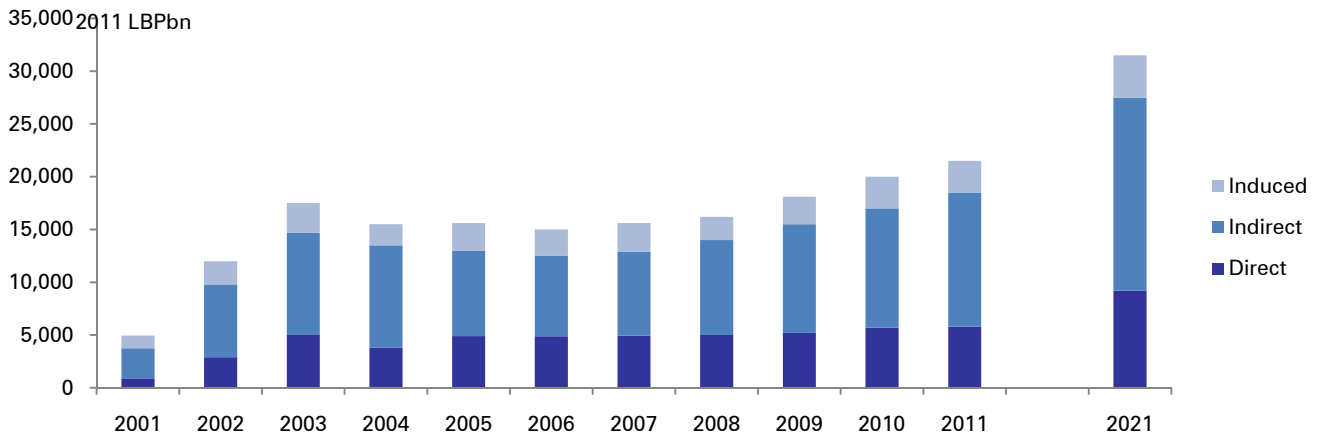
Source: Ministry of Tourism – Blominvest Bank, Research Dept.

Lebanon: Direct Contribution of Travel & Tourism to Employment



Source: World Trade Organization

Total Contribution of Travel & Tourism to GDP



Source: World Trade Organization

2011 marked a critical year for Lebanon with high downside risks, derived mostly from regional turbulence, continuing to pave their way through 2012. While the economic slowdown was not converted into a recession, the key pillar areas of the Lebanese economy were strongly impacted; the Tourism sector counts as one. The vulnerability and weakening performance of the latter reflects itself through a 24% y-o-y plunge in the number of visitors in 2011. Also, the impact of a wearying sector is being heavily felt on the economy through lower consumption and investment that took their toll on the balance of payment, which landed in negative territory in 2011 for the first time since 2005, recording a deficit of \$2 billion.

As a service-driven economy, the Travel & Tourism (T&T) industry functions as a crucial engine of growth for Lebanon. The potential of the sector is being leveraged further by Lebanon’s strategic geographic location which provides it with the most suited climate in the area, allowing visitors to enjoy winter activities not being available elsewhere in the region. The country embraces also a strong cultural diversity combined with a modern profile that offers eco-tourism base activities ranging

from biking, climbing, horse riding, and rafting, driving by that tourists from developed countries in search of such sources of entertainments.

T&T's direct contribution to GDP is estimated at \$3.77 billion in 2011, the equivalent of 9.4% of total GDP¹. The former captures the impact from commodities (i.e. accommodation, transportation, entertainment, and attractions); and industries (hotels and catering, retail, and business services). Given the strong interconnection between T&T and all other sectors of the economy, the indirect impact of T&T is far from negligible. The "wider impacts" of the sector on the economy are measured under T&T's total contribution which is estimated to have stood at \$13.5 billion in 2011, the equivalent of 33.8% of GDP.

The T&T industry also benefits the economy through its contribution to employment. The World Travel Tourism Council estimates the sector to have generated 122,000 jobs directly in 2011, the equivalent of 9.1% of total employment. The latter embraces "employment by hotels, travel agencies, airlines, and other passenger transportation services (excluding commuter services)." The wider or total contribution of T&T to employment, defined as including broader impacts from investment, supply chain, and induced income impacts, is estimated to have reached 432,000 jobs in 2011, the equivalent of 32.2% of total jobs.

Lebanon is a touristic destination for visitors from around the globe. Yet, its geographical positioning makes Arabs represent the bulk of tourists' flow, both in terms of visitors and in the duration of their stay, accounting for over 43% of total visitors. In 2011, Jordan topped the list of the latter, followed by Iraq and Saudi Arabia. Also, Arab tourists seem to be spending the most in Lebanon as suggested by the VAT refund operator for international shoppers issued by Global Blue. The indicator show that total spending by visitors rose 10% in 2011 with Saudi Arabian tourists accounting for 20% of the total, followed by UAE with an 11% share, Kuwait with 10%, Syria with 8% and Egypt with 6%. This stands behind the vulnerability of the local tourism sector to unfolding events in the region. According to Tourism Minister Fadi Abboud, "the number of Jordanians and Iranians coming to Lebanon via Syria was reaching approximately 300,000 annually, but this number declined by 70% y-o-y in 2011." In parallel to the fall, the country has been witnessing a rise in Far East and South East Asian travelers with a share hovering around 14%, up from 12.5% in 2007.

In light of the breakdown of Lebanon's tourists by nationality, Abboud deems the Lebanese government's efforts to take advantage of the ongoing unrest in Arab countries and promote Lebanon and attract tourists as barren, citing "the administration's decision not to lower airfare ticket prices or improve infrastructure and other policies related to the tourism sector."

Yet from a historical perspective, the Lebanese government has long invested efforts in promoting tourism through several agreements with Turkey and China to ease visa requirements and boost the number of flights with these countries. Thus prior to the eruption of Arab Spring, the tourism sector has been expanding rapidly with the number of tourists rising at a CAGR of 17.% over 2007-2011. Significant private investment was being made in the upgrade and expansion of restaurants, hotels, and other tourism-related services to meet and satisfy the surge in demand. In 2009 alone, there were over 1.9 million visitors, recording a 39% rise from a year earlier, the highest rate of growth in the world².

Long term efforts to develop further the tourism sector in Lebanon continue to make their way: Abboud exposed his plan to boost the annual number of tourists to 4 million by 2015 earlier in the year, asserting that such a project, which implicates realizing agreements regarding tourism and services between Arab countries, necessitates serious commitment by other ministries in the government. He also mentioned that they are considering rehabilitating the Rashid Karame International fairground in Tripoli to convert it into a "resort similar to Disney Land and its ilk".

Going into 2012, the prospects of the sector seem promising in spite of the current bump brought in by the regional crisis. The number of Arab tourists rose 22% y-o-y in January mostly boosted by the tourism ministry's "simple and low-budget tourism promotion campaign launched in various Arabic-language newspapers", as stated by Abboud. The overall number of tourists continued its fall but the latter decelerated to a 2.15% y-o-y decline in January. Hotels activity looks healthy: the average occupancy rate of hotels in Beirut stood at 60% in January 2012, a 16% increase from a year earlier³. On a relative scale, Beirut hotels hold the tenth highest occupancy rate among 21 markets in the region, improving from position 20 in

¹ According to the World Travel Tourism Council 2011

² According to World Tourism Organization (WTO)

³ According to Ernst & Young

January 2011. Also, the average rate per room at Beirut hotels stood at \$229 in January 2012, positioning Beirut's hotels as the seventh most expensive in the region, and way above the regional average of \$191.

On the longer term, the World Trade and Tourism Council projects healthy growth for the sector. The T&T is expected to grow by 4.3% between 2011 and 2021 to reach \$5.75 billion, the equivalent of 9.7% of total GDP. The total contribution of T&T to GDP is forecasted to reach 34.7% by 2021. The sector's direct contribution to employment is also projected to increase from 9.1% in 2011 to 9.7% in 2021; its total contribution will rise from 32.2% to 34.1% over the considered period. According to Abboud, the sector could achieve far better results if a real budget was to be allocated for tourism promotion in foreign countries. He asserts the availability of various projects that would boost tourism but lack funding for the implementation, as his ministry's 2012 budget falls below the level required to give a much needed boost to the sector.



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