BLOMINVEST BANK SAL

Your Investment Reference

THE LEBANON BRIEF

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FINANCIAL MARKETS

Equity Market

Stock Market

	22/3/2013	15/3/2013	% Change
BLOM Stock Index*	1,201.14	1,205.84	-0.39%
Average Traded Volume	73,375	181,697	-59.62%
Average Traded Value	467,952	849,107	-44.89%

*22 January 1996 = 1000

The BLOM Stock Index (BSI), Lebanon's leading index, declined by 0.39% to reach 1,201.14 points, registering a 2.74% increase since year start. The market witnessed lower daily average trade volumes of 73,375 shares worth $467,952 compared to 181,697 shares worth $849,107 in the previous week. As for market capitalization, it narrowed by $37.21 million from last week to reach $9.50 billion.

The Lebanese benchmark lagged behind the S&P Pan Arab Composite LargeMidCap Index that increased by 0.13% to 113.48 points as well as the S&P AFE40 which lost 0.18% to end the week at 56.26 points. Meanwhile, the (MSCI) Emerging markets Index was the biggest loser, having decreased by 2.41% to close at 1,022.43 points. Regionally, the Kuwait Stock exchange continued to top Arab stock market performance for the 4th consecutive week after adding a weekly 1.23%. The Saudi stock exchange and the Amman stock exchange followed having gained 1% and 0.92% respectively. The worst performer this week was Abu Dhabi's stock exchange losing 1.15%, followed by Bahrain and Dubai's stock exchange dropping 0.74% and 0.33% respectively.

Banking Sector

	Mkt	22/3/2013	15/3/2013	% Change
BLOM (GDR)	BSE	$8.62	$8.50	1.41%
BLOM Listed	BSE	$8.24	$8.24	0.00%
BLOM (GDR)	LSE	$8.32	$8.55	-2.69%
Audi (GDR)	BSE	$6.87	$7.00	-1.86%
Audi Listed	BSE	$6.84	$6.75	1.33%
Audi (GDR)	LSE	$6.98	$6.99	-0.19%
Byblos (C)	BSE	$1.58	$1.60	-1.25%
Byblos (GDR)	LSE	$75.00	$75.00	0.00%
Bank of Beirut (C)	BSE	$19.00	$19.00	0.00%
BLC (C)	BSE	$1.95	$1.95	0.00%
Fransabank (B)	OTC	$28.00	$28.00	0.00%
BEMO (C)	BSE	$1.84	$1.84	0.00%

	Mkt	22/3/2013	15/3/2013	% Change
Banks' Preferred Shares Index *		106.61	106.63	-0.02%
BEMO Preferred 2006	BSE	$100.00	$100.00	0.00%
Audi Pref. D	BSE	$10.50	$10.50	0.00%
Audi Pref. E	BSE	$100.30	$100.30	0.00%
Audi Pref. F	BSE	$104.60	$104.60	0.00%
Byblos Preferred 08	BSE	$102.50	$102.50	0.00%
Byblos Preferred 09	BSE	$105.10	$105.10	0.00%
Bank of Beirut Pref. E	BSE	$26.85	$26.85	0.00%
Bank of Beirut Pref. I	BSE	$25.00	$25.05	-0.20%
Bank of Beirut Pref. H	BSE	$26.80	$26.80	0.00%
BLOM Preferred 2011	BSE	$10.20	$10.20	0.00%

* 25 August 2006 = 100

On the Beirut Stock exchange, the banking sector captured 40% of total traded value, followed by the real estate sector with 35% and the trading and industrial sectors with 18% and 7%, respectively. BLOM GDR shares increased by 1.41% to close at $8.62, while Audi GDR and Byblos listed shares fell by 1.86% and 1.25% to close at $6.87 and $1.58, respectively.

The BLOM Bank Preferred Shares Index slid 0.02% to close at 106.61 points with Bank of Beirut Preferred "I" shares losing 0.20% to close at $25.

In the real estate sector, Solidere A and B shares fell by 2.31% and 0.80% to end the week at $12.26 and $12.35 respectively.

Real Estate

	Mkt	22/3/2013	15/3/2013	% Change
Solidere (A)	BSE	$12.26	$12.55	-2.31%
Solidere (B)	BSE	$12.35	$12.45	-0.80%
Solidere (GDR)	LSE	$12.31	$12.01	2.50%

In the retail sector, RYMCO shares jumped 34.78% to close at $3.10. On the other hand, HOLCIM shares fell 5.42% to $15.00 in the industrial sector.

Manufacturing Sector

	Mkt	22/3/2013	15/3/2013	% Change
HOLCIM Liban	BSE	$15.00	$15.86	-5.42%
Ciments Blancs (B)	BSE	$3.26	$3.26	0.00%
Ciments Blancs (N)	BSE	$3.00	$3.00	0.00%

In the London Stock Exchange, the GDR shares of BLOM Bank and Audi lost 2.69% and 0.19% to stand by the end of the week at $8.32 and $6.98, respectively. Solidere shares rose by 2.50% to close at $12.31.

Funds

	Mkt	22/3/2013	15/3/2013	% Change
Beirut Preferred Fund	BSE	$101.50	$101.50	0.00%
BLOM Cedars Balanced Fund Tranche “A”	-----	$6,940.51	$6,931.55	0.13%
BLOM Cedars Balanced Fund Tranche “B”	-----	$5,256.68	$5,249.89	0.13%
BLOM Cedars Balanced Fund Tranche “C”	-----	$5,271.37	$5,264.56	0.13%
BLOM Bond Fund	-----	$9,818.57	$9,818.57	0.00%

Activity on the BSE thinned as union protests heightened during the course of the week. While these strikes were eased upon the cabinet’s approval of passing the public wage hike bill this Thursday, investors remain cautious with regards to its financing.

Retail Sector

	Mkt	22/3/2013	15/3/2013	% Change
RYMCO	BSE	$3.10	$2.30	34.78%
ABC (New)	OTC	$33.00	$33.00	0.00%

Tourism Sector

	Mkt	22/3/2013	15/3/2013	% Change
Casino Du Liban	OTC	$550.00	$545.00	0.92%
SGHL	OTC	$7.00	$7.00	0.00%

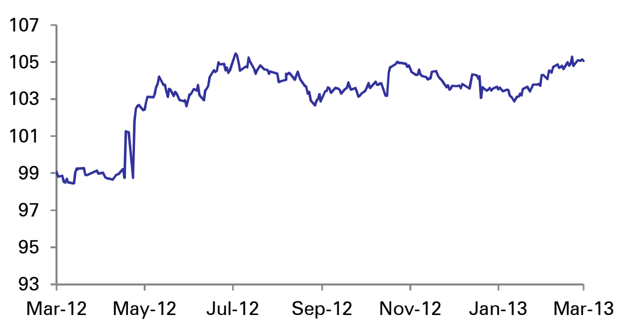
Foreign Exchange Market

Lebanese Forex Market

	22/3/2013	15/3/2013	%Change
Dollar / LP	1512.00	1512.00	0.00%
Euro / LP	1950.25	1967.59	-0.88%
Swiss Franc / LP	1595.91	1597.60	-0.11%
Yen / LP	15.96	15.67	1.85%
Sterling / LP	2293.06	2282.96	0.44%
NEER Index**	105.06	104.79	0.26%

*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.

Nominal Effective Exchange Rate (NEER)



Demand on the US dollar remained constant during the past week, as the range at which banks exchange the currency maintained last week's level of $/LP 1,510 - $/LP 1,514, with a mid-price of $/LP 1,512. Foreign assets (excluding gold) at the Central Bank saw almost no monthly variation standing at $35.3 billion as of mid-March 2013. Meanwhile, the dollarization rate of private sector deposits stood at 65% in January 2013 compared to 66% in January 2012.

On March 18th, the proposal of the unprecedented levy on deposits in Cyprus led to the Euro's largest slide in 14 months against the dollar and selling of the 17-nation currency continued throughout the week even after the levy was ruled out by Parliament.

By Friday March 22, 2013, 12:30 pm Beirut time, the euro closed at €/$ 1.30 down by 0.89% from last week. Hence, the dollar-pegged LP appreciated to €/LP 1,950.25 from €/LP 1,967.59 on Friday 15th of March. The Nominal effective exchange rate (NEER) increased by 0.26% over the cited period to 105.06 points, while its year-to-date performance stood at 1.20%.

Money & Treasury Bills Markets

Money Market Rates

	22/3/2013	15/3/2013	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

During the week ending February 28, broad Money M3, widened by LP639 B ($424 M), to reach LP 158,905 B ($105.41 B). M3's growth rate reached 7.42% on a year-on-year basis and 0.62% from end of December 2012. As for M1, It expanded by LP442 B ($293 M) since both of its constituents, currency in circulation and demand deposits increased by LP118 B ($78.28 M) and LP324 B ($ 214.93 M), respectively. Total deposits (excluding demand deposits) registered a LP197.24 B ($130.84 M) weekly expansion , justifiable by the LP48 B ($31.84 M) progression of term and saving deposits in LP and the LP149.24 ($99 M) increase of deposits denominated in foreign currency. Meanwhile, broad money dollarization rate retracted by a weekly 14 basis points to attain 58.17% compared to its previous level of 58.31%. According to The Central Bank, the overnight interbank rate stood at 2.75% by the end of December 2012.

Treasury Yields

	22/3/2013	15/3/2013	Change bps
3-M TB yield	4.38%	4.38%	0
6-M TB yield	4.87%	4.87%	0
12-M TB yield	5.08%	5.08%	0
24-M TB coupon	5.84%	5.84%	0
36-M TB coupon	6.50%	6.50%	0
60-M TB coupon	6.74%	6.74%	0

In the TBs auction held on March 14th, the Ministry of Finance raised LP 211.81B ($140.51M) through the issuance of Treasury Bills. The highest demand was witnessed on the 5-year bill capturing 84% of total subscriptions. The second highest demand was observed on the 6M bill accounting for 13% of total subscriptions, while the 3M papers took the remaining 3%. During the auction, the average coupon rate for the 5Y Bill and the average discount rates for the 6M and 3M stood at 6.74%, 4.38% and 4.87%, respectively. New subscriptions exceeded maturing T-bills by LP 94.05B ($ 62.38M).

Eurobond Market

Eurobonds Index and Yield

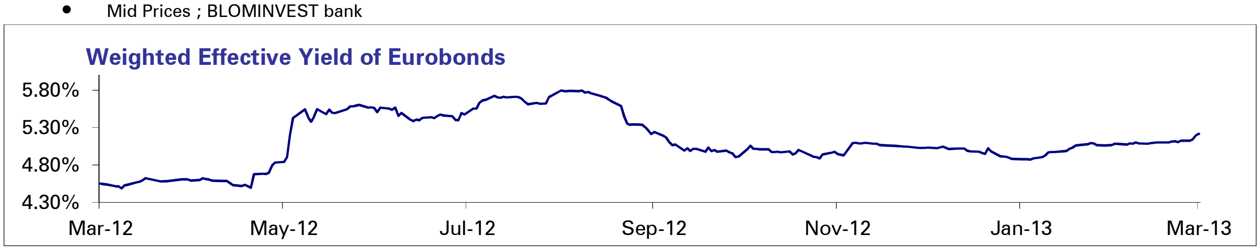
	22/3/2013	14/3/2013	Change	Year to Date
BLOM Bond Index (BBI)*	108.480	109.040	-0.51%	-0.53%
Weighted Yield**	5.22%	5.11%	11	20
Weighted Spread***	440	422	18	10

*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	22/3/2013 Price*	14/3/2013 Price*	Weekly Change%	22/3/2013 Yield	14/3/2013 Yield	Weekly Change bps
2013, Jun - 8.625%	102.05	102.05	0.00%	-0.26%	0.49%	-75
2014, Apr - 7.375%	105.50	105.50	0.00%	2.04%	2.14%	-10
2014, May - 9.000%	107.50	107.50	0.00%	2.05%	2.18%	-13
2015, Jan - 5.875%	104.50	104.50	0.00%	3.28%	3.31%	-3
2015, Aug - 8.500%	110.75	110.75	0.00%	3.70%	3.74%	-4
2016, Jan - 8.500%	110.88	110.88	0.00%	4.34%	4.37%	-3
2016, May - 11.625%	120.50	120.50	0.00%	4.51%	4.55%	-4
2017, Mar - 9.000%	116.00	116.00	0.00%	4.56%	4.58%	-2
2018, Nov - 5.150%	100.38	100.38	0.00%	5.07%	5.07%	0
2020, Mar - 6.375%	104.50	104.50	0.00%	5.58%	5.59%	0
2021, Apr - 8.250%	116.00	116.00	0.00%	5.74%	5.74%	0
2022, Oct - 6.100%	102.50	102.50	0.00%	5.76%	5.76%	0
2023, Jan - 6.00%	101.25	101.25	0.00%	5.83%	5.83%	0
2024, Dec - 7.000%	107.75	107.75	0.00%	6.06%	6.06%	0
2026, Nov - 6.600%	103.50	103.50	0.00%	6.22%	6.22%	0
2027, Nov - 6.75%	104.50	104.50	0.00%	6.28%	6.28%	0

- Mid Prices ; BLOMINVEST bank



The domestic political instability and the ongoing security clashes are looming over the Eurobond market activity that eased over the past weeks. Local investors traded in very low volumes driving yields up and pushing the BLOM Bond Index (BBI) down by 0.53% this week to register its lowest level of 108.48 points since year start. The weighted effective return for government Eurobonds gained 11 basis points (bps) to close at 5.22%, its highest level since mid-September 2012. However, the difference between the Lebanese and US yield curves expanded by 18 bps to close at 440 bps. The 5Y and 10Y Lebanese Eurobonds yields increased by 7 bps and 8 bps to reach 5.15% and 6.02%, respectively.

The Cypriot banking crisis had threatening effects beyond the country itself and attaining the US treasuries market and demand. Accordingly, investors' concerns about the crisis drove their demand back to the bonds market pushing yields down by the end of the week. The 5Y and 10Y US benchmark Treasury notes and bonds yields fell 7 bps and 9 bps to end the week standing at 0.81% and 1.95%. The respective spreads between the 5Y and the 10Y US bonds and their comparable Lebanese Eurobonds widened this week by 14 bps and 9 bps respectively, to stand at 434 bps and 399 bps compared to 420 bps and 390 bps registered last week..

The JP Morgan emerging markets' bond index declined by 0.33% from last week to stand at 656.94 points reflecting a thinner demand in the Emerging markets. Lebanon's credit default swap for 5 years (CDS) was last quoted at 410-450 bps compared to 389-428 bps. In Saudi Arabia and Dubai, 5-year CDS quotes stood at 60-68 bps and 215-227 bps compared to 59-65 bps and 210-220 bps, respectively. In emerging economies, Brazil's and Turkey's 5-year CDS quotes stood at 137-139 bps and 144-147 bps compared to 127-130 bps and 131-133 bps registered last week.

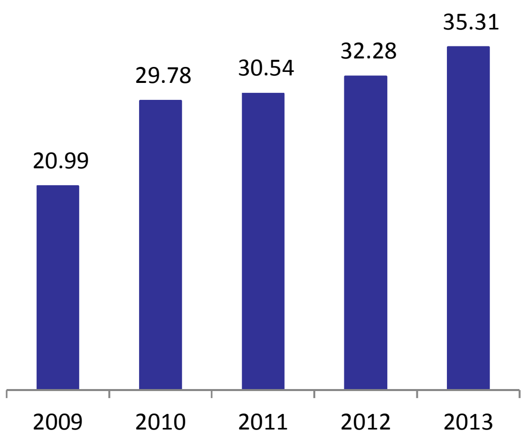
ECONOMIC AND FINANCIAL NEWS

BdL Assets rise 6.8% Y-o-Y to $77.1 Billion by Mid-March

Total assets at Lebanon's Central Bank (BdL) stood at $77.1 billion by mid-March 2013, up 0.3% from the previous month and 6.8% from mid-March 2012. BdL's foreign assets, which excluding gold represent 46% of total assets, remained almost unchanged on a monthly basis at $35.3 billion, 9.4% higher from the previous year. The value of gold reserves accounting for 19% of total assets fell2.2% from the previous month to reach $14.7 billion due to the drop in the average price of gold. Meanwhile, the securities portfolio held by BdL, which represents 15% of total assets, increased by 1.3% m-o-m, but fell 7.1% y-o-y to reach $11.4 billion by mid-March of this year. On the liabilities' side, financial sector deposits, representing 73% of total liabilities, increased by 2.7% from last month to reach $56.3 billion. Public sector deposits representing 7% of total liabilities decreased from mid-February by 11.5% to reach $5.3 billion. Currency in circulation outside BdL increased by a monthly 0.6% to stand at $2.2 billion by mid-March.

BDL's Foreign Assets

Up to Mid-March, $B

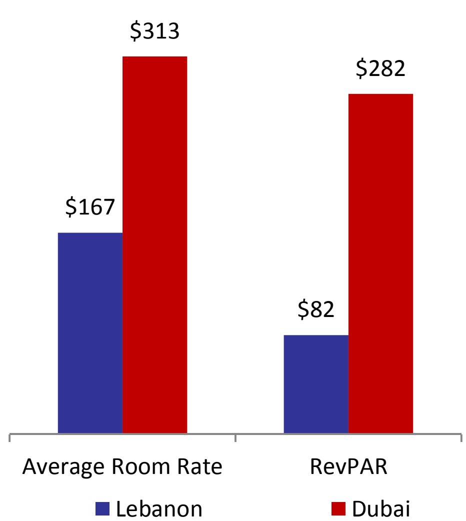


Source: BDL

Beirut Hotels Occupancy Rates Drop To 49% In January 2013

Hotel occupancy rates in Beirut stood at 49% during January 2013, a sharp 60% decrease from the same month in 2012, placing the capital at the 2nd lowest rank among 16 regional cities compared to the 8th lowest rank in January 2012. Ernst & Young reported that Beirut's Hotel Occupancy rate witnessed an annual decrease of 11 percentage points, the second largest drop amongst 16 other markets after the 18 percentage points decrease recorded in Amman. Average room rate in Beirut hotels reached $167 in January, down 27.2% compared to January 2012, making the city the 11th most expensive in the region, and recording the largest fall amidst its MENA peers. Beirut Hotels' average room rate came in lower than the regional average of $190.1, which slightly edged up by 0.3% in comparison with January 2012. As for the revenue per available room (RevPAR), it stood at $82 in January 2013, compared to $139 the same period last year. Room yields in Beirut dropped by 41.2% m-o-m while the region witnessed a 4.2% increase. January 2013's top gainer in all areas was Dubai holding the highest average room rate ($313), the highest revenue per available room ($282) and the highest occupancy rate (89%) in the region.

Average Room Rate and Revenue per Available Room



Source: E&Y Hotel Benchmark Survey

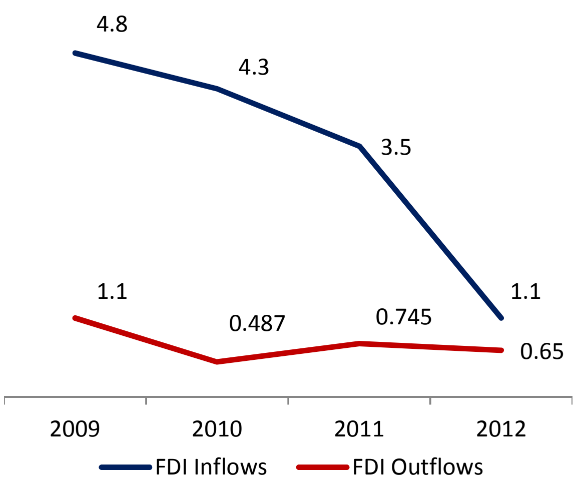
BLOMINVEST BANK S.A.L

68% Drop in FDI Inflows to Lebanon in 2012

Domestic and spillover political uncertainty reduced Lebanon's Foreign Direct Investment (FDI) inflows by 68% to $1.1 billion in 2012, compared to 2011's $3.5 billion, qualifying the country as the poorest FDI magnet amongst 7 Middle East and Africa (ME&A) countries. In 2012, Lebanese FDI Inflows represented 0.2% of total FDI Inflows into 30 emerging markets and 2.8% of total FDI Inflows into 7 cities in the (ME&A) region, compared to 0.7% and 7.9% back in 2011, respectively. The same downward trend prevailed as Lebanese FDI Outflows retracted going from $745 million or 6.9% of total ME&A FDI Outflows in 2011 to $650 Million or 5.1% of total ME&A FDI Outflows in 2012. While Saudi Arabia registered the highest Net FDI Inflows in the ME&A region with $12.8 billion in 2012, Lebanon ranked last with $462 million, down 83.1% from 2011's $2.7 billion. The share of Lebanese Net FDI Inflows in the ME&A region's total also dropped from 8.2% in 2011 to 1.7% in 2012. FDIs accounted for 2.68% of Lebanon's GDP in 2012, the second highest share among 7 other ME&A peers noting that in 2011 this share stood at 1.1% of GDP.

FDI Inflows and Outflows

In $B



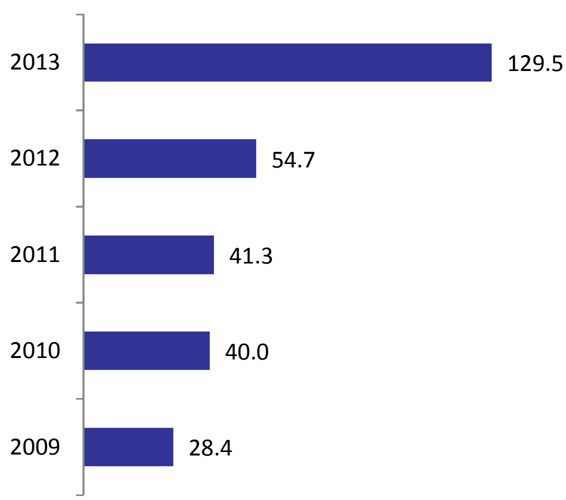
Source: Institute of International Finance

Outstanding Payment Cards Reach 1.87 million in January 2013

The number of payment cards issued in Lebanon reached 1.87 million by the end of January 2013, climbing by 0.6% from the previous month and by almost 4.1% from the previous year, according to data from the Central Bank (BdL). The issuance of cards has almost doubled during the last 5 years driven by a change in consumers' behavior away from cash to the benefit of magnetic cards that are more convenient to execute purchases. Annual growth rates according to card types were led by the prepaid cards that surged 136.7% from 54.7 thousands in January 2012 to 129.5 thousands this year. A shift towards prepaid cards was witnessed at the expense of debit cards that declined by 2.9% to reach 1.1 million debit cards but continued to account for the bulk of outstanding plastics or 61% of the total. The appeal for reloadable cards is related to the ability of holding them without the need of opening a bank account. As for charge and credits cards, they witnessed a yearly 16.9% and 2.0% increase y-o-y to 163.1 and 439.1 thousands cards, respectively. On a monthly basis, prepaid and debit cards rose 4.5% and 0.5% , while the number of issued credit cards edged down by a mere 0.2%.

Number of Prepaid Cards

Up to January, In Thousands



Source: BDL

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CORPORATE DEVELOPMENTS

Lebanon's Global Competitiveness Index Ranking 2012-2013

		Country Rating by		
		Pillar	Sub Index	TTCI
Regulatory framework	Policy rules and regulations	115	73	69
	Environmental sustainability	127		
	Safety and security	116		
	Health and hygiene	33		
	Prioritization of T&T	38		
Business environment & infrastructure	Air transport infrastructure	67	65	
	Ground trans. infrastructure	110		
	Tourism infrastructure	27		
	ICT infrastructure	84		
	Price comp. in T&T industry	68		
Human, cultural, natural resources	Human resources	64	70	
	Affinity for Travel & Tourism	1		
	Natural resources	136		
	Cultural resources	68		

Source: World Economic Forum Report 2012-2013

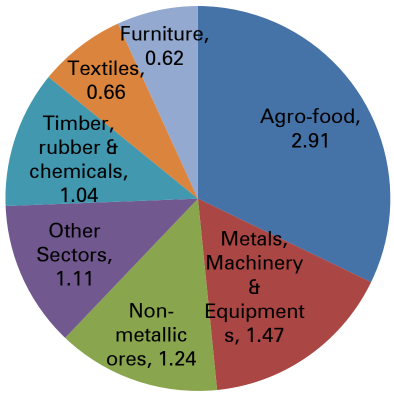
Lebanon Ranks 69th globally in Travel and Tourism Competitiveness Index (TTCI)

The World Economic Forum ranks Lebanon 69th globally and 8th regionally in its annual Travel and Tourism Competitiveness (TTC) 2012-2013 report published under the theme "Reducing Barriers to Economic Growth and Job Creation." The publication is prefaced with interesting statistics which estimate tourism to have accounted for 9% of World GDP in 2012 and provided 120 million direct jobs and 125 million indirect jobs during the year. The TTCI index which surveyed a total of 140 countries is divided into three main categories; Travel and Tourism (T&T) regulatory framework subindex, T&T business environment and infrastructure subindex; and the T&T human, cultural, and natural resources subindex. These sub-indices are further divided into 14 pillars which are in turn composed of numerous variables. The report makes reference to Lebanon's five World Heritage cultural sites located in Anjar, Baalbek, Byblos, Qadisha, & Tyre. More importantly, it ranks Lebanon 1st out of all countries for its affinity for T&T, highlighting the sector's great impact on the overall economy and the positive attitude locals have towards tourists. Lebanon was also competitive in tourism infrastructure, having placed 27th of all countries. On the other hand, the ground transport infrastructure pillar (110th) was uncompetitive and needs further development and the safety and security issues pillar (116th) must be addressed. Policymakers should also pay attention to rules and regulations which hinder T&T competitiveness such as high business startup costs and policies that discourage FDI investment.

FOCUS IN BRIEF

Lebanese Industrial Sector: A Shield Sector in Need of Protection

Output of Industrial Sub sectors, in $B



Source: Lebanon's National Accounts 2010

The Lebanese industrial sector has long struggled to maintain its competitive advantages, building mostly on private initiatives to reach an adequate environment to operate and even to branch out from Lebanon to regional economies. Even as crisis was becoming a permanent trait of Lebanon, industry acted as a shield for the economy against more security-sensitive sectors. Nevertheless, political instability still undermines its performance, especially in the context of increasingly competitive market players in the region.

The Lebanese industrial sector accounts for 7.15% of 2010's GDP, with an estimated added value of $2.66 billion, the last available official data show[1], ranking 5th in contribution, after Market services which tops the list representing 33.45% of GDP, Trade, Construction, and Government. Industry's contribution to GDP has shrunk during the previous years, declining from 12.5% in 1997 and 8.3% in 2008 to 7.6% in 2009. Despite lack of official data regarding the sector's added value in 2011 and 2012, compiled data regarding the sector's exports and imports during the period, along with other indicators tracking the sector's activity detailed later in this report, reveal a continuing decline in performance, partly attributable to the deterioration of the Lebanese and regional political and security situations that limited market growth and consumption, and partly to the translation of increased "crisis costs" on the level of production into a perceived loss of competitive advantages.

When considering its employment force, the industrial sector outgrows its contribution to GDP almost by double, hiring 15-20% of the local labor force or around 140,000 people. The market enjoys skilled and talented labor, although continuous migration has its own repercussions on the sector's turnover and wages setting. The last official data from the Ministry of Industry show that salaries in 2007 were $548 million, with an average added value per worker of $24,927 compared to an average salary of $7,492 per employee.

Lebanon's industry encompasses more than 15 sub-sectors which range in importance in terms of their contribution to GDP and employment, including aluminum and metals, ceramics, chemical products, crystal/glass, machinery and tools, marble and stones, medical equipment, packaging, paints and coating, paper making, plastics, textiles, etc.

[1] *According to National Accounts 2010*

A quick round up over the sub sectors of industry[2] based on output levels, shows that one of the highest prolific sub-sectors is the agro-industrial, contributing to 32% of total industrial output. The second largest contributor to industrial output is metals, machinery and equipment accounting for 16.24% and in third place the non-metallic ores representing 13.73%. Machinery and equipment have witnessed an increased demand while the non-metallic ores remain directly tied to the demand of the construction and public works sector.

As for Agroindustry, the sector employs an estimated workforce of 30,670 people which accounts for 23.3% of the Industrial sector workforce[3], making it the 3rd largest employer in the industrial sector with the Paper sub-sector ranking 1st and the Wood and Furniture sub-sector ranking 2nd. The agroindustry relies to big extent on the output of olive oil and related fats and oils, which are subject to seasonal successes, but retains great potential in many other segments, especially as 80% of Lebanon's food is imported, costing around $1.5 billion yearly. Larger investments and improved government support to this division might enhance Lebanon's food security and reduce its price sensitivity to imports, notably in a global trend where food demand is expected to increase 35% by 2030 with the global population growing by more than 1 billion[4].

On field, mapping the sector's firms reveals a rather under-diversified aspect. Most capital intensive industries are absent and virtually all industry is privately owned. Concentration revolves around food and beverages, while geographically, the most popular region is Mount Lebanon, outpacing by far the activity in the other regions.

According to the guide of Lebanese exports and industrial establishments in Lebanon[5] , a total of 3,123 industrial firms currently operate in Lebanon, concentrated around food and beverages which involves 556 listed firms representing 17.8% of the total. The second sub sector is metal products (excluding transport equipment), with 411 industrial firms, followed by non-mineral mining products, glass and porcelain firms, with 386 firms, then by furniture firms with 351 listed companies. Paper and paper products and printing count 345 firms and textile (including garment firms) comprises 299 firms. Chemical and plastic include 259 firms, machinery and equipment comprise 202 firms, wood and carpentry total 178 firms, and on the lesser side, leather and footwear 82 firms, and transport machinery and equipment list 25 firms.

Regarding the geographical distribution, more than half of the industrial firms are located in Mount Lebanon with 1,718 firms representing 55% of total implanted in the region, followed by North Lebanon with 522 firms or 16.71% of total. Beirut attracts 12%, South Lebanon 7.42%, Bekaa 6.66%, Nabatieh 1%, Hermel 13 firms and Akkar 21 firms. Particularly in Mount Lebanon, Metn and Baabda take up the majority of industrial operations with 814 and 477 firms respectively.

The sector is surviving against the backdrop of many external shocks and problems that are increasing pressure on its performance. For one, labor costs augmented in parallel to higher living costs in Lebanon, and energy expenditures surged pulling the strains on the sector's competing space. While having alternative power generators already adds to the bills of industrialists eating up the sector's profit margins, additional cuts experienced during 2012 that reached around 60% of the time compared to 38% in 2011 pushed costs even higher. Second, domestic consumption of locally manufactured goods is not at its best and varies across the sub-sectors, witnessing hefty competition from imported brands and an absence of a clear pricing differentiation. Cost of shipment has also dramatically increased following the events in Syria as the latter is the only available land transportation route for Lebanese exporters.

The expressed interest in starting industrials firms, seen through the approvals given during 2012 show a decline starting the second half of the year with the security situation in Syria rising to the alarming level of war. A drop of 7% was recorded in industrial licenses in 2012 compared to the previous year, with 349 approval decisions granted, compared to 375 in 2011. To note that geographically, Baouchrieh had the largest share with 16 licenses, followed by Bourj Hammoud with 7 new licenses and Dekwaneh and Chiah with 5 licenses each.

Again, most licenses related to industrial firms in the food and beverages sector, which accounted for 28% of licenses tracked by manufacturing of construction material (6.6%) and chemical products. Most of the licenses were for the double purpose of construction and investment (121 licenses) showing financial readiness for the investors. The most active month

[2] *Based on national accounts 2010*
[3] *According to IDAL (Investment Development Authority in Lebanon)*
[4] *According to US National Intelligence Council, global trends report*
[5] *www.lebanon-industry.com*

was June with 44 licenses while the slowdown was recorded in January and September with 18 and 19 licenses s respectively.

Regarding the sector's exports and imports during 2012, the figures fell within the general performance of the economy, showing decreases of 11.7% and 9.5% respectively for the first eleven months of the year. Concretely, the Lebanese industrial exports decreased by 11.7% to $2.69 billion up to November 2012 compared to $3.44 billion shipped during the first eleven months of 2011, and by 8% compared to 2010. In fact, regular increases of exports were being recorded but only up to the month of April, the first month to witness a sharp decrease of 21.8% that continued to compound for all the following months leaving the net change for the year in red.

Top industrial exports during 2012 were machinery and mechanical appliances accounting for 16.15% of total industrial exports or $434 million. Customs figures for the whole year show an ending total of $478 million plummeting by 7.86% compared to 2011, in parallel to a drop in their imports by 2.67%.

Whole year figures from Customs also show a severe drop of 10.41% to $470 million in Base metals and articles of base metals, the second division in importance, compared to a stagnating level of imports of $1.52 billion.

Pearls, precious or semi-precious stones represented 14% or $378.2 million of total industrial exports, noting that according to Customs, total figures for this division reached $1.72 billion, rising by 15.56% compared to 2011's, while their imports decreased by 26% to $1.58million. However, Customs figures encompass all-purpose exports and are not limited to the industrial sector, making it hard to discern the industrial products performance under this division.

Prepared foodstuffs represented 13.18% or $354 million of total industrial exports, and Customs figures show an increase of 3.24% to $392 million. Meanwhile products of the chemical which represented 12% or $319.5 million dropped 10.74% to $342 million during 2012.

Regarding imports of machines and industrial equipment for the first eleven months of 2012, they amounted to $262.8 million compared to $290.4 million during the same period of 2011, a decrease of 9.5%. Top exporting countries to Lebanon in 2012 were Italy (22%), China (16.8%) Germany (12.8%), the USA (6.4%) and Turkey (5.3%).

The contraction of the sector's figures led to a spur of initiatives to raise awareness and boost prospects, of which the recent BdL incentive promoting low-interest financing to productive sectors, of which industry. The sector failed to escape the general gloom of the economy, and figures from BdL and Kafalat mapping the credit to industry show a decline in investments in 2012, consistent with the general downturn of new projects in Lebanon during the year, although industrial loans continue to account for the highest share of subsidized loans.

BdL data shows that industry grabs the lion's share in total subsidized loans with more than $3 billion worth of loans granted between 1997 and 2012, almost 59.3% of total subsidized loans, of which $573 million guaranteed by Kafalat. However total subsidized financing to the industry declined by 23.6% during 2012 going from $ 485.6 million in 2011 to $371 million. Kafalat loans to the sector deteriorated 19% with 449 new loans guaranteed in 2012 compared to 555 loans in 2011 and 599 in 2010. In comparison, total subsidized loans for touristic projects were the most hit retiring by 30.6% in 2012 while loans accorded for agricultural projects fell by a lesser 14.2%.

On a brighter side, and while the whole country suffers from inadequate infrastructure, the industrial sector has organized itself, with multiple private and public initiatives aiming at neutralizing the sector's operations against security fluctuations and preserving its safety. Many associations and representative bodies remain very active in the promotion of the sectors' products. The establishment of industrial zones, fiscal incentives in the form of reduced customs duties and tax exemptions as well as the presence of investment encouraging associations with high linkages to the Lebanese diaspora as well as to key international markets, have all assisted the sector in holding its grounds so far.

Examples of financial facilities provided by the government are a 50% exemption on tariff duties at export, 2% custom duties for machinery, equipment, spare parts and building material imported for the setting up of new industrial firms, and 0% custom duties for textiles, semi-manufactured goods and raw materials. Fiscal exemptions granted by IDAL can run up to 100% exemptions on corporate income tax for a period up to 10 years for industrial companies, where on the other hand, multiple bilateral and multilateral agreements enhance market access for Lebanese exports to external markets.

Finally, industry in Lebanon has many hands to deal yet. Quality and safety standards are in check and earning international recognition for the Lebanese products. Technology alignment and resilient spirits among Lebanese industrialists, as well as their openness to new markets and flexibility to changing trends, reinforce their management expertise and ensure their going concern. Moreover, governmental support persists, to the possible extent given the rolling political climates in Lebanon, and was latterly proven through the maintaining of a VAT rule permitting industrialists to recuperate VAT paid on raw materials upon the sale of their final products. Many sub sectors, relying on limited workforce are possible to expand, of which generic drugs, but require further policy level government support. Meanwhile, the recent discoveries of oil and gas will attract capital intensive industries, and even though limited domestic expertise exists, both output and employment for industry will inflate. For this new sector, transparency is crucial to frame away corruption temptations and waste of added value. Expected revenues could be used to reduce public debt and subsidies to EdL thus freeing up resources to develop infrastructure and public spending benefiting all sectors. Nevertheless, discoveries of oil and gas should not limit diversification of the Lebanese industrial sector, and investments need to maintain flows towards the protection of its long-standing segments as well as its under-developed aspects, all the while encouraging the tapping of untraditional divisions and regions.

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