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Ratings

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Research Update:

Lebanon Ratings Affirmed At 'B-/B'; Outlook Remains Negative

August 23, 2019

Overview

- Investor confidence in Lebanon has weakened substantially, as reflected by net customer deposit outflows year on year and declining foreign exchange (FX) reserves in first-half 2019.
- Nonresident depositors and foreign investors will likely remain cautious of Lebanon unless the government is able to overcome political differences and implement structural reforms to reduce the large budget gap and improve business activity.
- We expect the central bank's FX reserves will continue to decline, but remain sufficient to fund the government's borrowing requirements and country's external deficit over the next 12 months.
- We are therefore affirming our 'B-/B' long- and short-term sovereign credit ratings on Lebanon. The outlook remains negative.

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Rating Action

On Aug. 23, 2019, S&P Global Ratings affirmed its long- and short-term foreign and local currency sovereign credit ratings on Lebanon at 'B-/B'. The outlook remains negative.

Outlook

The negative outlook reflects that we could lower our ratings on Lebanon in the next six-12 months if banking system deposits and the Banque du Liban's (BdL; the central bank) foreign exchange (FX) reserves continue to fall, likely reflecting a weak policy environment and impaired market access. Continued weakness in foreign currency inflows and the use of BdL's FX reserves to meet government debt-service could test the country's ability to maintain the currency peg, in our view.

We could revise the outlook to stable if the Lebanese government is able to significantly improve foreign investor confidence by taking credible steps to implement its fiscal consolidation and medium-term electricity sector reform plans.

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Rationale

The affirmation reflects our view that, despite a significant decline in investor confidence, BdL's usable FX reserves, estimated at about $19 billion at end-2019, remain sufficient to service government debt in the near term. In our base-case scenario, we expect BdL will draw on FX reserves to finance the $1.5 billion Eurobond maturity and about $1 billion of coupon payments in November.

The Lebanese government's debt-servicing capacity depends largely on the domestic financial sector's willingness and ability to add to its government debt holdings. In turn, this relies on bank deposit inflows, particularly from nonresidents. However, customer-deposit growth has slowed in recent years and total deposits contracted for the first time in May 2019 by close to 1% year on year. We expect nonresident deposits will rebound following BdL's recent financial engineering operation in July. These operations are BdL's efforts to increase U.S.-dollar inflows into Lebanon by offering high interest rates and other financial incentives to banks, and to depositors. Notwithstanding these operations, we expect gross FX reserves (including gold) will decline by $5.5 billion in 2019 given large external financing needs.

In the next six months, the government will face the challenging task of implementing announced measures to address fiscal and economic issues. Given the weakness of foreign currency inflows, on which the whole economy depends, we expect the government will make some progress on reforms in the short term to improve investor confidence.

Recent government measures include the approval of a fiscal deficit reduction plan in 2019, a roadmap to reform the electricity sector, and plans to finalize the 2020 budget before the end of this year. The authorities have indicated that the 2020 budget will incorporate major changes to the pension system and public sector, as well as new procurement, customs, and tax evasion laws. While the historical track record on reforming these areas remains mixed, even partial implementation could support the disbursement of some donor funds for infrastructure projects pledged at the Cedre conference in 2018.

The ratings on Lebanon reflect our view of the country's sizable fiscal and external deficits and very high and rising public debt levels. These partly stem from weak institutions and sectarian tensions. Lebanon's net general government debt, projected at 130% of GDP in 2019, is the fourth-highest among all the sovereigns we rate after Venezuela, Greece, and Japan.

Institutional and economic profile: We view Lebanon's governance and institutional effectiveness as very weak.

- Deep sectarian divisions in the political system and high regional security risks will likely continue to hamper policymaking.
- However, implementation of fiscal and economic reforms will be key to stemming the deterioration of public finances and foreign currency buffers.
- We expect growth will remain subdued, but gradually improve to 2.2% by 2022, supported by the government's investment program and easing tensions in Syria.

We see long-term constraints on Lebanon's institutional and economic profile, largely stemming from a divided political environment organized along confessional lines. The fragile political landscape continues despite an end to the political vacuum that persisted in one form or another for more than a decade. A new cabinet was formed on Jan. 31, 2019, after a nine-month delay and

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at a time of heightened investor fears regarding Lebanon's debt sustainability and the possibility of debt restructuring. Parliamentary elections were held in May 2018, the first since 2009.

The new government has shown some willingness to address extremely weak public finances. The approved 2019 budget was more austere than expected, reflecting some level of political cooperation. Reducing the fiscal deficit over five years is one of the key conditions to release the $11 billion donor funds pledged at the Cedre conference in April 2018, which will be critical to restoring investor confidence.

In addition, after decades of electricity shortages, meager investment, and costly government subsidies (of 3% of GDP in 2018) to Electricite du Liban (EdL), in April the cabinet approved a medium-term plan to transform the electricity sector. The plan targets a reduction in technical losses, the introduction of smart meters, new power plants, and a change in the fuel mix from diesel and heavy fuel oil to cheaper natural gas. A key fiscal measure to achieve cost recovery for EdL is an increase in electricity tariffs in 2021. This is contingent on a substantial increase in electricity generation financed by the private sector and donors.

However, efforts to implement structural reforms remain an uphill battle. We note that even after long delays in forming a government, there was a government shutdown for more than 40 days until mid-August, following a shooting that targeted a minister's convoy and stirred tensions between rival Druze parties in the cabinet and their allies.

Official estimates show that real economic growth slowed to 0.3% in 2018, and we expect the weak performance will persist in 2019. Credit to the private sector contracted by 7% year on year in first-half 2019 following a 3% decline at end-2018. Leading economic indicators for the first half of the year point to a decline of 30% or more in cement deliveries, construction permits, and property sales' value. We estimate subdued but positive growth of 0.2% in 2019 based on some offsetting factors, such as increasing tourist arrivals from the Gulf Cooperation Council, the gradual start of exports to Syria, and the disbursement of BdL's $1.1 billion 2019 stimulus package, which was delayed until July.

We forecast growth will recover only gradually, to 2.2% by 2022, far below the average real GDP growth of 9.2% seen in 2007-2010. Our growth forecasts assume some increase in exports and public and private investment following the partial implementation of the government's Capital Investment Program. The Cedre donor funds are mostly in the form of concessional debt targeted for infrastructure and other investments. Because this funding is contingent on structural reforms, including improving public finances, we expect disbursements will be gradual and far lower than the pledged amounts.

The government expects to start the second round of licensing for offshore blocks in 2020, following the signing of oil and gas exploration and production agreements for two blocks in 2018. However, we have not incorporated potential oil and gas production into our economic forecasts at this time, given uncertainty surrounding discoveries and the ongoing maritime dispute with Israel.

We also expect external security risks will remain high. The Syrian conflict has abated, but has yet to be resolved, and we expect Lebanon's political, security, and economic trajectories will remain entwined with those of its larger neighbor. There is also an increasing risk of escalating tensions between Hizbullah and Israel amid growing tensions between Iran and the U.S. Moreover, Lebanese banks risk being affected by a further ramp up in sanctions against Hizbullah, following new sanctions imposed against Hizbullah members in the government for the first time. Nevertheless, our base-case scenario does not incorporate a destabilization of the country's banking industry.

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Flexibility and performance profile: Very high debt burden, with debt-servicing capacity increasingly dependent on the central bank's foreign reserves

- We expect a general government deficit of 10% of GDP in 2019, compared with the official target of 7.6% of GDP.
- We do, however, forecast gradually narrowing fiscal deficits through 2022, although these will not be enough to reverse the rise in government debt levels.
- We expect a small turnaround in nonresident deposits for the rest of 2019, mainly because of BdL's recent financial engineering operation. Nevertheless, these inflows will be insufficient to meet the country's high external financing requirements.

We estimate Lebanon's fiscal deficit will shrink slightly to 10% of GDP this year, from a peak of 11% in 2018. The 2019 budget was only passed in July and the impact of the government's policy measures will be limited to the remaining five months of 2019. While the fiscal deficit decreased by 18% year on year during the first five months of 2019, we understand that this was mainly due to delayed payments to municipalities, hospitals, and contractors that will likely be fulfilled before the end of the year.

Lebanon's fiscal flexibility remains constrained by high interest costs--above 50% of government revenue and the highest ratio among our rated sovereigns--along with still-high public sector wages. Although the 2019 budget envisaged the issuance of treasury bills (T-bills) at 0%-1% interest rates, aiming for fiscal savings of 1.2% of GDP, we understand that there is no commitment from BdL or the banks to subscribe to these bills. On the revenue front, the ratio of tax revenue to GDP is low, at about 15%, and tax evasion is widespread.

We forecast Lebanon's deficits will gradually narrow to 9% of GDP by 2022. Authorities expect electricity sector reforms will bring savings of $1.7 billion over the next three years, and help narrow the deficit to 4.8% in 2022. While we expect the government to make some progress on these reforms, several challenges remain, including vested political interests, subdued economic growth, public opposition to austerity, and the expiry of several of the fiscal measures included in the 2019 budget after three years.

As a result of Lebanon's large financing needs, we expect gross general government debt will increase to 157% of GDP by 2022, from about 140% in 2018. Although the proportion of foreign currency-denominated debt to total government debt is high, at about 40%, nonresident holdings of government commercial debt are relatively low, at about 10%.

Domestic banks support government debt-servicing in two ways:

- They buy certificates of deposit (CDs) issued by BdL, which in turn buys government debt. BdL held about 53% of the government's outstanding domestic debt as of end-May 2019, which amounted to around 36% of total central government debt.
- They buy Lebanese government debt directly. Banking-system claims on the public sector accounted for about 13% of total banking-system assets, or about 40% of total central government debt.

The proportion of government debt BdL holds has been steadily increasing, while the proportion held directly by the banks has decreased. BdL has absorbed banks' liquidity through the issuance of long-term deposits and CDs, which constrains banks from converting local currency to U.S.

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dollars and limits rapid dollarization. As a result, bank deposits at BdL accounted for 56% of total bank assets as of June 2019.

BdL was the key contributor to the repayment of maturing government Eurobonds in 2018 and 2019. In April and May 2019, BdL repaid Eurobond maturities of $500 million and $650 million, respectively, through bridge financing to the Ministry of Finance (MoF). The MoF has also issued Eurobonds directly to the BdL. We view these Eurobonds as an accounting transaction that does not generate foreign currency until the Eurobonds are issued to investors. We deduct the Eurobonds on BdL's balance sheet from FX reserves--the residual amount held by BdL was $2.9 billion as of end June.

In the past, growth in nonresident and total deposits has provided a reliable source of funding for the current account and fiscal deficits, and supported BdL's FX reserves. However, during the first six months of 2019, there were total deposit outflows of almost $2.5 billion. This reflects reduced investor confidence, partly driven by the delays in the formation of the government at the start of the year and the budget's approval.

We expect continued pressure on FX reserves through 2022, given the large external financing needs, an expected drop in nonresident deposit inflows, and rising dollarization to above 70%. Between December 2017 and June 2019, BdL's official FX reserves (excluding gold) dropped by $6.8 billion to $33.5 billion. BdL has implemented several financial engineering operations since 2016, the latest in July 2019. We understand that banks attracted a little over $2 billion in deposits over July to mid-August. As a result, central bank FX reserves improved by nearly $700 million in July, the difference reflecting other foreign currency drains on reserves. The risk of large deposit outflows is mitigated to some extent by the increase in average deposit maturity to over one year from about just 45 days in 2017.

We forecast the current account deficit will decline only slightly through 2022, helped by gradual growth in exports following the opening of the land border with Syria. Nonetheless, we expect the deficit will remain very large, averaging about 21% of GDP over 2019-2022, reflecting the large current account payments including imports for expected capital projects.

BdL plays a material role in steering macroeconomic and financial policy and assists in financing the budget deficit. However, the financial engineering operations have substantially increased BdL's domestic FX liabilities, albeit with long tenors. BdL does not publish its net FX position. Given the high levels of current account payments and short-term and maturing long-term external debt, we expect Lebanon will face rising pressure to maintain sufficient levels of FX reserves if it is to preserve confidence in the currency peg.

We currently believe that BdL will utilize all available tools to support the banking system and ensure financial stability in the event of sudden market distress or stress on banks' capital position.

Key Statistics

Table 1

Lebanon Selected Indicators

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Economic indicators (%)										
Nominal GDP (bil. LC)	70,651.4	72,806.4	75,335.6	77,242.9	80,491.2	85,036.6	86,910.8	89,712.8	93,245.1	97,393.0

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Table 1

Lebanon Selected Indicators (cont.)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nominal GDP (bil. $)	46.9	48.3	50.0	51.2	53.4	56.4	57.7	59.5	61.9	64.6
GDP per capita (000s $)	8.9	8.6	8.5	8.5	8.8	9.2	9.2	9.4	9.7	10.0
Real GDP growth	2.6	1.9	0.4	1.6	0.6	0.3	0.2	1.2	1.7	2.2
Real GDP per capita growth	(4.4)	(4.1)	(3.8)	(1.0)	(0.7)	(0.9)	(1.0)	(0.1)	0.4	0.9
Real investment growth	11.3	(6.9)	(4.3)	7.0	0.4	3.4	0.5	3.0	3.7	3.4
Investment/GDP	27.2	24.0	21.1	20.9	19.8	19.1	19.2	19.4	19.6	19.8
Savings/GDP	1.7	(2.2)	4.1	0.5	(2.9)	(2.9)	(3.6)	(2.1)	(1.4)	(0.5)
Exports/GDP	31.8	27.8	27.3	25.3	23.9	23.5	24.2	24.7	25.1	25.8
Real exports growth	2.0	(9.6)	7.5	(3.5)	(3.3)	3.0	2.4	3.0	3.0	3.0
Unemployment rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
External indicators (%)										
Current account balance/GDP	(25.5)	(26.1)	(17.1)	(20.4)	(22.7)	(22.1)	(22.8)	(21.5)	(21.0)	(20.3)
Current account balance/CARs	(38.3)	(40.1)	(27.5)	(34.3)	(40.3)	(40.7)	(41.0)	(38.1)	(36.9)	(35.3)
CARs/GDP	66.5	65.1	62.2	59.6	56.4	54.2	55.5	56.4	56.8	57.4
Trade balance/GDP	(34.3)	(32.9)	(27.2)	(27.3)	(27.0)	(26.9)	(28.1)	(27.9)	(27.8)	(27.8)
Net FDI/GDP	1.5	3.4	3.0	3.1	2.3	2.4	2.4	3.8	4.0	4.0
Net portfolio equity inflow/GDP	(0.1)	(0.1)	(0.3)	0	(0.9)	0.3	0	0	0	0
Gross external financing needs/CARs plus usable reserves	117.7	129.5	122.8	134.7	134.5	138.0	161.0	180.6	191.3	200.3
Narrow net external debt/CARs	(78.3)	(71.0)	(59.3)	(65.9)	(61.1)	(36.6)	0.4	15.3	27.8	38.1
Narrow net external debt/CAPs	(56.6)	(50.7)	(46.5)	(49.1)	(43.6)	(26.0)	0.3	11.1	20.3	28.2
Net external liabilities/CARs	51.4	61.8	80.5	80.9	88.4	110.5	142.8	160.5	173.5	183.2
Net external liabilities/CAPs	37.1	44.1	63.2	60.2	63.0	78.5	101.2	116.2	126.7	135.4
Short-term external debt by remaining maturity/CARs	104.0	112.1	121.7	128.8	137.0	143.7	148.1	145.5	145.4	144.0

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Table 1

Lebanon Selected Indicators (cont.)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Usable reserves/CAPs (months)	9.2	8.1	9.7	8.5	9.1	9.1	6.8	5.0	4.2	3.5
Usable reserves (mil. $)	29,801.4	31,980.0	29,101.5	31,962.0	32,465.0	25,467.3	19,151.2	16,728.3	14,641.4	12,611.4
Fiscal indicators (general government; %)										
Balance/GDP	(9.0)	(6.4)	(7.9)	(9.6)	(7.0)	(11.1)	(10.0)	(9.5)	(9.2)	(9.0)
Change in net debt/GDP	7.8	7.7	7.5	7.2	7.0	10.3	10.0	9.5	9.2	9.0
Primary balance/GDP	(0.9)	2.3	1.0	(0.3)	2.3	(1.5)	0.7	1.8	1.8	1.9
Revenue/GDP	20.1	22.5	19.2	19.4	21.8	20.5	20.6	20.8	20.8	20.5
Expenditures/GDP	29.1	28.9	27.1	29.0	28.8	31.5	30.6	30.3	30.0	29.5
Interest/revenues	40.2	38.5	46.6	48.0	42.9	46.9	52.2	54.4	52.8	53.0
Debt/GDP	125.4	127.3	129.5	134.9	137.8	139.2	146.0	150.9	154.4	156.8
Debt/revenues	623.9	565.0	675.9	696.5	633.1	680.2	708.6	725.6	742.3	765.0
Net debt/GDP	103.5	108.1	112.0	116.4	118.7	122.7	130.1	135.5	139.6	142.6
Liquid assets/GDP	21.9	19.2	17.6	18.5	19.1	16.5	15.9	15.4	14.8	14.2
Monetary indicators (%)										
CPI growth	7.6	0.8	(3.7)	(0.8)	4.4	6.1	3.5	2.5	2.5	2.5
GDP deflator growth	3.3	1.1	3.0	0.9	3.6	5.3	2.0	2.0	2.2	2.2
Exchange rate, year-end (LC/$)	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5	1,507.5
Banks' claims on resident non-gov't sector growth	9.7	9.3	5.9	6.2	4.7	(3.1)	(5.0)	2.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	88.6	93.9	96.1	99.6	100.1	91.8	85.4	84.3	84.4	84.0
Foreign currency share of claims by banks on residents	22.7	22.5	21.9	20.2	19.0	17.9	17.9	17.9	17.4	17.0
Foreign currency share of residents' bank deposits	62.5	61.8	60.9	61.9	64.5	66.1	67.0	66.0	65.0	65.0

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Table 1

Lebanon Selected Indicators (cont.)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Real effective exchange rate growth	3.0	1.7	9.0	(0.7)	3.1	1.2	0	0	0	0

Sources: Central Administration of Statistics (Economic Indicators); Banque Du Liban, International Monetary Fund (Monetary Indicators); Ministry of Finance, Banque du Liban (Fiscal and Debt indicators); Banque Du Liban, Bank for International Settlements (External Indicators).
Adjustments: General government debt adjusted by excluding public entities' holdings of government debt. BDL holds on its balance sheet some portion of Lebanese Eurobonds since end-2017, which we deduct from reported international reserves. Usable reserves adjusted by subtracting monetary base and required bank reserves on resident foreign-currency deposits from gross international reserves.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. e--Estimate. f--Forecast. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Rating Score Snapshot

Table 2

Lebanon Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	6	Weak governance and confession-based political system result in an uncertain policy environment, which have severely weakened public finances and the economic environment.
		The sovereign faces external security risks from the ongoing conflict in Syria and rising tensions between Iran, Hizbullah and the U.S., Israel, and GCC countries.
Economic assessment	6	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1.
		Weighted average real GDP per capita trend growth over a 10-year period is at -0.7%, which is well below sovereigns in the same GDP category.
		We see material gaps in the dissemination of macroeconomic data and reporting delays.
External assessment	6	Based on narrow net external debt and gross external financing needs/(CAR + useable reserves) as per Selected Indicators in Table 1.
		There is a risk of marked deterioration in access to external financing due to a potential shift of deposit flows.
		Official external data availability is limited and quality is weak as reflected by large errors and omissions.
Fiscal assessment: flexibility and performance	6	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
		The sovereign faces significant shortfalls in basic services and infrastructure including availability of electricity and waste management. This, in part, reflects the heavy burden imposed on Lebanon by the influx of refugees from the Syrian civil war, estimated at about 1.5 million, or close to 25% of Lebanon's population.

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Table 2

Lebanon Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Fiscal assessment: debt burden	6	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1.
		Over 40% of gross government debt is denominated in foreign currency.
		Banks contingent liabilities are high, with a BICRA score of '10' and banks' assets to GDP of more than 440%.
Monetary assessment	6	Lebanese pound falls under the category “stabilized arrangement”.
		The central bank, BdL, has a track record of operating independently. However, the BdL has significant exposure to the sovereign and assists the government in financing the budget deficit. CPI as per Selected Indicators in Table 1.
		Customer deposit dollarization stood at above 70% at end-Jun 2019.
Indicative rating	b-	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	Fiscal debt burden is significantly weaker than the benchmark for the weakest level defined in Table 6 of the Sovereign Rating Methodology, as per Selected Indicators in Table 1 above.
Foreign currency	B-	
Notches of uplift	0	We do not believe that default risks apply differently to foreign- and local-currency debt.
Local currency	B-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, Aug. 7, 2019
- Sovereign Ratings History, Aug. 7, 2019
- Sovereign Ratings Score Snapshot, Aug.7, 2019

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- Global Sovereign Rating Trends: Midyear 2019, July 25, 2019
- EMEA Emerging Markets Sovereign Rating Trends Midyear 2019, July 26, 2019
- Sovereign Risk Indicators, July 11, 2019. An interactive version is also available at httpp://www.spratings.com/sri
- Default, Transition, and Recovery: 2018 Annual Sovereign Default And Rating Transition Study, March 15, 2019

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Lebanon	
Sovereign Credit Rating	B-/Negative/B
Transfer & Convertibility Assessment	B+
Senior Unsecured	B-
Short-Term Debt	B

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