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S&P drops Lebanon outlook to negative

Standard & Poor's revised its outlook for Lebanon's credit rating to negative from stable on Monday, citing the ongoing unrest in neighboring Syria and the increased risk of domestic instability.

But S&P affirmed its 'B/B' long- and short-term foreign and local currency sovereign credit ratings for the country.

"The outlook revision reflects our view that the balance of risks to the ratings on Lebanon has shifted to the downside as the Syrian conflict shows no sign of abating," the international ratings agency said.

"Heightened domestic tensions in Lebanon -- as pro- and anti-Assad sectarian factions skirmish in the Tripoli region as well as in Beirut--indicate to us that Lebanon's domestic stability has become increasingly more vulnerable to events in Syria," it added.

"That said, our affirmation of the ratings reflects our view of Lebanon's political and macroeconomic resilience," S&P said.

The agency emphasized the resilience, in particular, of the country's banking sector, where deposits grew 2.6 percent in the first quarter of 2012, which provided balance of payment support and sources for additional government financing.

But it warned that risks remained, and that the fiscal deficit was likely to widen this year to 8 percent of GDP, with the unrest in Syria continuing to hit key sectors of the economy, notably transit trade, tourism and foreign inflows.

-AFP/NOW Lebanon

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