

Lebanomics

1st Quarter of
2014

Lebanon's
Dashboard
of Economic
Indicators

Contacts

Head of Research: Nadim Kabbara, CFA

n.kabbara@ffapivatebank.com +961 1 985195

Analyst: Michele Andrea Madi

a.madi@ffapivatebank.com +961 1 985195

Sales and Trading, FFA Private Bank (Beirut)

+961 1 985225

Sales and Trading, FFA Dubai Ltd (DFIC)

+971 4 3230300

Disclaimer

This document has been issued by FFA Private Bank for informational purposes only. This document is not an offer or a solicitation to buy or sell the securities mentioned. This document was prepared by FFA Private Bank from sources it believes to be reliable. FFA Private Bank makes no guarantee or warranty to the accuracy and thoroughness of the information mentioned, and accepts no responsibility or liability for damages incurred as a result of opinions formed and decisions made based on information presented in this document. All opinions expressed herein are subject to change without prior notice.

This page was intentionally left blank.



► General Macroeconomic Indicators

	2009	2010	2011	2012	2013
• Population (Millions)	4.247	4.341	4.383	4.425	4.467
• GDP¹					
- Nominal GDP (Billions LBP)	52,974	57,300	60,419	64,097	66,809
- Nominal GDP (Millions USD)	35,140	38,010	40,079	42,519	44,318
- GDP Deflator ²	129	129	134	140	144
- GDP per capita, PPP (USD)	12,973	13,873	14,291	14,618	14,845
- Real Growth Rate	10.3%	8.0%	2.0%	1.5%	1.0%
- Inflation ³	3.4%	6.7%	5.4%	6.3%	1.3%
• Reserves (Millions USD)					
- Gross Foreign Currency Reserves					
- Gold ⁴	25,660	28,598	30,815	29,972	31,713
- Gold (Thousands Troy Ounces)	10,062	13,010	14,401	15,312	11,104
	9,222	9,222	9,222	9,222	9,222
• Public Finance (Billions LBP)					
- Government Revenues	12,801	12,703	13,769	14,462	14,199
- Government Expenditures	17,122	17,029	17,347	20,058	20,512
- Government Surplus (Deficit)	(4,321)	(4,327)	(3,578)	(5,597)	(6,313)
- Primary Surplus (Deficit) ⁵	1,625	1,855	2,505	(166)	(361)
- Government Surplus (Deficit) as a % of GDP	(8.2%)	(7.6%)	(5.9%)	(8.7%)	(9.4%)
- Primary Surplus (Deficit) as a % of GDP	3.1%	3.2%	4.1%	(0.3%)	(0.5%)
• Foreign Trade					
- Current Account Surplus (Deficit) as a % of GDP	(12.6%)	(13.3%)	(15.7%)	(15.7%)	(16.2%)
- Trade Surplus (Deficit) as % of GDP	(24.1%)	(24.5%)	(26.3%)	(26.2%)	(25.9%)
- Public Debt (Billions LBP)					
- Gross Public Debt					
- Gross Local Currency Debt	77,112	79,298	80,887	86,959	93,319
- Foreign Currency Debt	44,973	48,255	49,340	50,198	56,312
- Gross Debt as % of GDP	32,138	31,042	31,547	36,761	39,384
	146%	138%	134%	136%	140%
• Industry					
- Total Exports (Billions LBP)					
- Electricity Production (Millions Kwh)	5,254	5,912	6,432	6,761	5,935
- Cement Deliveries (Thousands Tons)	11,920	12,458	12,397	10,966	12,096
	4,897	5,227	5,550	5,309	5,830
• Construction					
- Construction Permits Issued (Thousands sqm)	14,340	17,608	16,465	14,681	12,925
• Commerce					
- Port of Beirut Ship Activity (Number of ships)					
- Port of Beirut Activity (Thousands incoming, outgoing, transit tons)	2,395	2,285	2,167	2,125	2,114
- Beirut Airport Activity (Thousands arrivals, departures, transfers)	6,361	5,938	6,292	6,637	7,291
	4,985	5,553	5,654	5,950	6,262
• Remittances (Millions USD)					
- Inflows					7,200
- Outflows	7,558	6,914	6,913	6,918	NA
	5,749	4,390	4,227	4,208	
• FDI Flows (Millions USD)					
- Inward					2,833
- Outward	4,804	4,280	3,485	3,674	
	1,126	487	755	572	690

1. All figures from IMF and World Bank are estimates and may be subject to change.
2. GDP Deflator is defined as $(\text{Nominal GDP} / \text{Real GDP}) * 100$, which has been restated for previous periods.
3. Inflation reflects end of period consumer prices as estimated by the IMF.
4. Gold reserves based on end of period prices and may not reflect current market prices.
5. Surplus or deficit, excluding debt related payments.

Note: Exchange rate of 1,507.5 LBP = 1 USD used to convert between currencies.

The deteriorating investment environment dampens FDI inflows, while remittances hold up well

► Central Bank Balance Sheet

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY	YTD
• Assets						
- Gold	16,728	18,575	16,739	17,997	-19.11%	7.51%
- Foreign Currencies	47,812	48,285	47,808	50,704	10.79%	6.06%
- Claims on Private Sector	393	402	401	400	5.58%	-0.36%
- Loans to Banks and Financial Corporations	2,654	3,149	3,466	4,510	85.50%	30.14%
- Claims on Public Sector	5	0	0	0	-100.00%	NA
- Securities Portfolio	25,857	23,677	23,846	22,825	-11.35%	-4.28%
- Fixed Assets	375	409	379	381	2.75%	0.61%
- Unclassified Assets ¹	22,099	23,998	23,462	24,228	17.57%	3.26%
Total Assets	115,923	118,495	116,100	121,044	2.93%	4.26%
• Liabilities						
- Currency in Circulation outside BDL	3,753	3,891	3,983	3,767	5.86%	-5.43%
- Deposits of Banks and Financial Corporations ²	82,841	81,016	82,033	85,640	5.41%	4.40%
- Liabilities to the Private Sector	55	48	50	45	-31.03%	-9.79%
- Public Sector Accounts	9,530	11,129	11,033	11,623	49.41%	5.35%
- Valuation Adjustment	8,295	10,301	8,426	9,685	-29.47%	14.94%
- Securities Other than Shares ³	2,605	2,605	2,605	2,605	-3.99%	0.00%
- Foreign Liabilities	325	325	328	327	0.52%	-0.16%
- Special Long-term Liabilities	2,051	1,900	1,900	1,749	-14.71%	-7.94%
- Capital Accounts	5,019	5,019	5,134	5,134	1.07%	0.00%
- Unclassified Liabilities ⁴	1,450	2,262	608	468	-55.12%	-23.06%
Total Liabilities	115,923	118,495	116,100	121,044	2.93%	4.26%

Note: Totals may be slightly off due to rounding

1. Unclassified assets include the following items: other debtor accounts, counterparty securities, accounts receivable, a regularization account, inventory and fixed assets.
2. Includes investment banks and financial institutions.
3. Certificates of Deposit issued by BDL.
4. Unclassified liabilities include the following items: notes payable, other creditor accounts and regularization accounts.

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: BDL

Foreign currency reserves at the Central Bank at an all time high of LBP 50,704 billion, ready to defend the LBP when needed

► Public Revenues

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY	TTM
• Total Revenues (a+b)	3,964	3,274	3,609	3,657	9.03%	3.63%
a. Treasury Receipts	208	229	181	308	55.56%	28.79%
b. Budget Revenues (i+ii)	3,755	3,046	3,427	3,349	6.08%	2.25%
i. Tax Revenues	3,036	2,361	2,329	2,496	4.44%	1.77%
- Taxes on Income, Profits & Capital Gains (including Income Tax on Profits, Wages and Salaries, Capital Gains and Dividends; Tax on Interest Income (5%); Penalties on Income Tax)	1,181	387	384	652	18.55%	4.75%
- Taxes on Property (including Built Property Tax, Real Estate Registration Fees)	281	306	344	347	28.52%	12.20%
- Domestic Taxes on Goods & Services (including Value Added Tax and Taxes on Goods and Services, especially Private Car Registration Fees and Passenger Departure Tax)	918	1,001	933	925	-0.54%	2.03%
- Taxes on International Trade (including Customs; Excises on Gasoline, Tobacco and Cars)	532	554	539	454	-14.82%	-7.80%
- Other Tax Revenue (namely fiscal stamp fees)	123	114	129	118	10.28%	4.76%
ii. Non-tax Revenues	719	685	1,098	853	11.21%	3.77%
- Income from Public Institutions and Gov't Prop. (including non-financial public enterprises such as Casino du Liban, Port of Beirut, National Lottery and Telecoms; transfers from BDL; Property Income, namely rent from RHIA; other interests)	526	519	885	653	11.05%	-20.72%
- Administrative Fees & Charges (including fees for notaries, passports, public security, vehicle control, driving licenses and judicial fees; work permit fees; and more)	148	133	183	162	14.08%	9.63%
- Penalties and Confiscations	3	2	2	3	50.00%	11.11%
- Other Non-tax Revenues (mostly retirement deductibles)	44	31	27	35	2.94%	-11.04%

Note: Totals may be slightly off due to rounding

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

TTM figures represent the percent difference in the cumulative amount from the most recent four quarters as compared to the same four quarters a year earlier.

Source: MOF, Directorate General of Finance

► Public Expenditures

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY	TTM
Total Expenditures	5,646	5,371	5,012	4,923	8.58%	4.32%
a. Current Expenditures	4,569	4,585	4,654	4,269	2.67%	0.38%
i. Interest Payments (including local and foreign currency debt)	1,648	1,154	1,789	1,272	13.17%	9.12%
ii. Transfers to Electricite du Liban	558	1,121	515	791	-8.24%	-13.58%
ii. Other Current Expenditures (including personnel costs; foreign debt principal repayment; materials and supplies; and more)	2,363	2,310	2,350	2,206	1.57%	0.52%
b. Capital Expenditures (including equipment and maintenance for ongoing infrastructure construction; and more)	420	215	165	286	52.94%	52.74%
c. Budget Advances	65	128	31	33	266.67%	46.02%
d. Customs Administration	12	10	7	15	36.36%	7.32%
e. Treasury Expenditures	579	430	154	320	90.48%	35.81%
f. Unclassified Expenditures	1	4	0	0	NA	NA

Note: Totals may be slightly off due to rounding
 YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.
 TTM figures represent the percent difference in the cumulative amount from the most recent four quarters as compared to the same four quarters a year earlier.
 Notice that "transfers to EDL" has been reclassified from "other treasury expenditures" to "various transfers".
 Source: MoF; Directorate General of Finance

Lack of fiscal reforms and ongoing political standstill to fund public sector wages to continue to ↑ fiscal burden and debt service

► Government Budget

Cumulative through Q1 14 – Billions LBP	Jan–Mar 13	Jan–Mar 14	% Change
Revenues	3,354	3,657	9.03%
Expenditures	4,534	4,923	8.58%
Government Surplus (Deficit)	-1,180	-1,266	7.29%
Primary Surplus (Deficit)	-7	58	-

Source: MoF

IMF expects fiscal deficit to reach ~11% of GDP in 2014e, partly driven by strains from Syrian refugees which World Bank estimates at USD 2.6 billion between 2012-2014 (~6% of 2013 GDP)

► Public Debt

Billions LBP	2011	2012	2013	Mar 2014	YTD
• Gross Public Debt (a+b)	80,869	86,959	95,669	98,206	2.65%
a. Local Currency Debt	49,340	50,198	56,312	58,441	3.78%
i. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ¹	16,374	15,049	17,171	17,535	2.12%
ii. Commercial Banks	25,177	27,267	29,905	30,738	2.79%
iii. Other Local Currency Debt (T-Bills)	7,789	7,882	9,236	10,168	10.09%
b. Foreign Currency Debt²	31,529	36,761	39,384	39,765	0.97%
i. Bilateral, Multilateral and Foreign Private Sector Loans	2,566	2,584	2,592	2,854	10.11%
ii. Paris II related Debt (Eurobonds and Loans) ³	3,512	2,925	2,338	2,243	-4.06%
iii. Paris III related Debt (Eurobonds and Loans) ⁴	1,723	1,313	1,187	1,165	-1.85%
iv. Market-issued Eurobonds	23,259	29,427	32,688	32,690	0.01%
v. Accrued interest on Eurobonds	407	400	444	692	55.86%
vi. Special T-Bills in Foreign Currency⁵	80	112	136	121	-11.03%
• Public Sector Deposits	10,984	12,916	15,495	16,235	4.78%
• Net Total Debt	69,903	74,043	80,201	81,971	2.21%
• Gross Market Debt⁶	50,192	58,623	65,386	67,216	2.80%
• Gross Market Debt as % of Total Debt	62%	67%	68%	68%	0.00%

Note:

1. The BDL has extended loans to EDL for the equivalent amount of US \$300 million to purchase fuel oil. These loans are listed as public debts as they are government guaranteed.
2. Figures may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.
3. Paris II related debt (Eurobonds and Loans) including Eurobonds originally issued at US \$1,870 billion to BDL in the context of Paris II conference.
4. Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.
5. Special T-Bills in Foreign currency (expropriation bonds).
6. Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

Source: MOF, BDL

With debt levels moving higher and lackluster GDP growth affected by increased uncertainty/security issues, debt /GDP remains on an upward trend (expected to reach 148% in 2014e as per the IMF)

► Domestic Debt by Maturity

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YOY	YTD
• 3 Month T-Bills	159	159	165	321	9.93%	94.55%
• 6 Month T-Bills	581	763	935	984	22.24%	5.24%
• 12 Month T-Bills	892	926	1,009	1,308	40.34%	29.63%
• Long Term Bonds*	49,287	52,266	54,075	55,696	14.02%	3.00%
• Loans	148	136	128	132	-6.38%	3.13%
• Total	51,067	54,250	56,312	58,441	14.55%	3.78%

* includes 24 month bonds and longer maturities

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: MOF, BDL

Issuance of longer term treasury bills to boost banks' appetite for higher yielding paper

► Domestic Debt by Type

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YOY	YTD
• Foreign Currency Debt (Millions USD)	26,140	26,409	26,123	26,376	10.34%	0.97%
• Local Currency Debt	51,067	54,250	56,312	58,441	14.55%	3.78%
• Net Local Currency Debt	37,328	38,808	40,817	42,206	6.92%	3.40%
• Net Total Debt	76,734	78,619	80,197	81,968	8.55%	2.21%

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Note: Exchange rate of 1,507.5 LBP = 1 USD used to convert between currencies

Source: BDL

► Monetary Indicators

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YOY	YTD
• Currency in Circulation	3,156	3,299	3,408	3,186	3.75%	-6.51%
• M1 (Currency in circulation + sight deposits in LBP)	7,350	7,702	7,620	7,519	6.82%	-1.34%
• M2 (M1 + other deposits in LBP)	66,639	67,073	68,749	69,852	5.88%	1.60%
• M3 (M2 + deposits in foreign currencies, other financial liabilities)	161,768	163,553	167,571	169,282	6.09%	1.02%
• M4 (M3 + Treasury bills held by non-banking system)	170,690	172,655	176,807	179,450	6.66%	1.49%

Note: Quarterly figures are averages of monthly levels, averaged over the 3-month period.

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: BDL

► Commercial Banks' Balance Sheet

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY	YTD
• Assets						
a. Reserves	84,715	81,679	82,533	85,659	2.55%	3.79%
i. Vault Cash	598	592	576	581	19.18%	0.98%
ii. Deposits with Central Bank	84,117	81,087	81,957	85,078	2.45%	3.81%
b. Claims on Resident Private Sector	59,373	61,139	62,565	63,670	8.64%	1.77%
i. Claims on Private Sector in LBP	15,485	16,112	16,757	17,280	15.11%	3.12%
ii. Claims on Private Sector in Foreign Currencies	43,888	45,026	45,808	46,390	6.41%	1.27%
c. Claims on Public Sector	49,421	54,515	56,786	57,333	19.27%	0.96%
d. Foreign Assets	38,406	36,318	40,137	37,070	-2.47%	-7.64%
e. Fixed Assets (land, buildings, vehicles, etc)	5,711	5,815	5,921	6,062	8.23%	2.39%
f. Unclassified Assets	476	613	526	759	49.75%	44.36%
Total Assets	238,102	240,079	248,468	250,552	6.92%	0.84%

• Liabilities

a. Total Resident Private Sector Deposits	156,869	158,732	162,396	164,566	6.21%	1.34%
i. Demand Deposits in LBP of Private Sector	4,122	4,333	4,144	4,260	9.41%	2.79%
ii. Time and Saving Deposits in LBP of Private Sector	58,634	58,778	60,328	61,764	5.86%	2.38%
iii. Private Sector Deposits in Foreign Currencies	94,113	95,621	97,924	98,543	6.29%	0.63%
b. Public Sector Deposits	4,209	4,313	4,463	4,612	21.79%	3.34%
c. Non Resident Private Sector Deposits	41,014	39,292	42,934	41,287	8.17%	-3.84%
d. Non Resident Financial Sector Deposits	7,485	7,357	7,555	7,715	-13.97%	2.12%
e. Other Financial Liabilities	424	429	398	399	-1.54%	0.10%
f. Capital Accounts (net result of international investment inflow)	20,397	21,217	21,410	21,888	14.88%	2.23%
g. Unclassified Liabilities	7,704	8,739	9,313	10,086	12.14%	8.30%

Total Liabilities	238,102	240,079	248,468	250,552	6.92%	0.84%
--------------------------	----------------	----------------	----------------	----------------	--------------	--------------

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: BDL

Deposits growth holding up well averaging ~6% per year, to continue feeding CBs f/x reserves and financing the gov't deficits

► Other Economic Indicators

	Q2 13	Q3 13	Q4 13	Q1 14	YoY	TTM
• Consumer Price Index (indexed from 01/01/2008)	NA	128.9	130.9	101.8	NA	-3.75%
• Coincident Indicator	265.5	247.2	267.9	271.8	-0.77%	1.10%
• Real Estate Indicators						
- Construction Permits Issued (sqm)	3,478,986	3,365,940	3,223,309	3,409,837	20.85%	-2.74%
- Cement Deliveries (tons)	1,528,760	1,559,171	1,615,239	1,210,061	7.33%	8.62%
• Beirut Airport Indicators (passengers)						
- Arrivals	794,652	876,789	724,888	592,132	-6.23%	2.28%
- Departures	803,043	967,091	714,194	661,873	-9.96%	0.81%
- Transfers	3,957	3,811	3,584	3,546	-17.09%	-58.27%
• Port of Beirut Indicators (tons)						
- Freight Incoming	1,854,232	1,802,016	1,862,960	1,943,943	13.57%	12.33%
- Freight Outgoing	NA	NA	NA	60,909	12.55%	-91.46%
- Transit and Freezone Freight	3,594	372	NA	NA	-	-96.10%
• Energy Indicators						
- Electricity Production (millions of kWh)	2,857	3,351	3,229	3,155	18.65%	18.09%
- Imports of Petroleum Derivatives (metric tons)	1,719,913	1,332,836	1,468,038	1,689,013	8.73%	1.48%
• Check Indicators						
- Checks Cleared in Foreign Currencies	2,369,355	2,356,893	2,331,665	1,479,346	-34.62%	-9.62%
- Value of Checks Cleared in Foreign Currencies (millions USD)	13,899	13,943	14,010	13,644	1.39%	-0.40%
- Checks Cleared in Lebanese Pounds	981,728	1,016,097	1,018,793	969,562	7.70%	9.66%
- Value of Checks Cleared in Lebanese Pounds (millions LBP)	6,593,710	6,541,085	6,826,115	6,624,801	15.54%	15.65%

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year. TTM figures represent the percent difference in the cumulative amount from the most recent four quarters as compared to the same four quarters a year earlier.

Source: CAS, BDL

► Lebanon's Sovereign Credit Ratings

Credit Rating Agency	Rating
• Fitch	B / Negative
• Moody's	B1 / Negative
• S&P	B - / Stable

Source: Fitch, Moody's, S&P

► Trade Indicators

Billions LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY
• Exports	1,687	1,278	1,173	1,164	-35.24%
• Imports	7,963	7,706	8,032	8,137	-2.13%
• Trade Balance	-6,274	-6,428	-6,859	-6,973	7.00%
• Balance of Payments	-482	-444	-681	454	-
• Customs Revenue	559	580	563	477	-14.70%

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.
TTM figures represent the percent difference in the cumulative amount from the most recent four quarters as compared to the same four quarters a year earlier.

Note: Exchange rate of 1,507.5 LBP = 1 USD used to convert between currencies.

Source: BDL

Lebanon's balance of payments posts BOP surplus, as a result of capital inflows exceeding the structural trade deficit

► Imports by Origin

Special Imports in Billions of LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY
• China	741	1,050	955	1,014	45.66%
• Italy	604	737	703	671	2.62%
• United States	470	412	510	662	-23.81%
• Germany	510	454	445	479	3.42%
• France	602	609	561	412	-24.08%
• Greece	295	140	210	328	20.90%
• Russia	419	137	235	292	-48.48%
• Kuwait	162	12	497	266	3121.25%
• Turkey	274	495	315	263	-57.96%
• Belgium	102	103	163	255	198.17%
• Rest of the World	3,523	3,161	3,586	3,494	12.55%

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: Lebanese Customs

► Exports by Destination

Special Exports in Billions of LBP	Q2 13	Q3 13	Q4 13	Q1 14	YoY
• South Africa	167	301	56	127	-55.51%
• Saudi Arabia	175	130	102	122	-3.71%
• UAE	127	125	116	109	-14.51%
• Iraq	99	96	97	93	10.09%
• Syria	245	150	124	88	-74.43%
• Turkey	81	57	59	38	-49.70%
• Jordan	51	56	51	45	-7.98%
• Qatar	52	33	29	32	-15.61%
• Switzerland	81	239	34	29	-73.18%
• Egypt	29	25	27	25	-15.44%
• Rest of the World	575	810	482	454	-12.56%

YoY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: Lebanese Customs



FFA Private Bank s.a.l.

- One FFA Gate - Marfaa 128 - Foch Street
- Beirut Central District
- PO Box 90-1283 - Beirut - Lebanon
- Tel: +961.1.985 195
- Fax: +961.1.985 193
- <http://www.ffaprivatebank.com>

FFA Dubai Ltd

- Building No 7 - Level 1
- Gate Village
- Dubai International Financial Centre (DIFC)
- PO Box 506567 - Dubai - UAE
- Tel: +971.4.363 74 70
- Fax: +971.4.363 74 71
- <http://www.ffadubai.com>