

Lebanomics

2nd 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 (DIFC)

+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	64,752	68,119
- Nominal GDP (Millions USD)	35,140	38,010	40,079	42,900	45,187
- GDP Deflator ²	129	129	134	140	144
- GDP per capita, PPP (Current International Dollar)	14,900	15,935	16,431	16,981	17,326
- Real Growth Rate	10.3%	8.0%	2.0%	2.5%	1.5%
- Inflation ³	3.4%	6.7%	5.4%	6.3%	1.7%
• Reserves (Millions USD)					
- Gross Foreign Currency Reserves	25,660	28,598	30,815	29,972	31,713
- Gold ⁴	10,062	13,010	14,401	15,312	11,104
- Gold (Thousands Troy Ounces)	9,222	9,222	9,222	9,222	9,222
• Public Finance (Billions LBP)					
- Government Revenues	12,705	12,684	14,070	14,164	14,201
- Government Expenditures	17,167	17,047	17,600	20,081	20,563
- Government Surplus (Deficit)	(4,462)	(4,363)	(3,530)	(5,917)	(6,362)
- Primary Surplus (Deficit) ⁵	1,625	1,855	2,505	(166)	(361)
- Government Surplus (Deficit) as a % of GDP	(8.4%)	(7.6%)	(5.8%)	(9.1%)	(9.3%)
- 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%)	(12.8%)	(12.7%)	(12.9%)
- Trade Surplus (Deficit) as % of GDP	(24.1%)	(24.5%)	(26.3%)	(25.9%)	(25.4%)
- Public Debt (Billions LBP)					
- Gross Public Debt	77,112	79,298	80,887	86,959	95,696
- Gross Local Currency Debt	44,973	48,255	49,340	50,198	56,312
- Foreign Currency Debt	32,139	31,043	31,547	36,761	39,384
- Gross Debt as % of GDP	146%	138%	134%	134%	140%
• Industry					
- Total Exports (Billions LBP)	5,254	5,912	6,432	6,761	5,935
- Electricity Production (Millions Kwh)	11,920	12,458	12,397	10,966	11,004
- Cement Deliveries (Thousands Tons)	4,897	5,227	5,550	5,309	5,455
• Construction					
- Construction Permits Issued (Thousands sqm)	14,340	17,608	16,465	14,681	11,727
• Commerce					
- Port of Beirut Ship Activity (Number of ships)	2,395	2,285	2,167	2,125	2,114
- Port of Beirut Activity (Thousands incoming, outgoing, transit tons)	6,361	5,938	6,292	6,637	7,291
- Beirut Airport Activity (Thousands arrivals, departures, transfers)	4,985	5,553	5,654	5,950	6,263
• Remittances (Millions USD)					
- Inflows	7,558	6,914	6,913	6,918	7,551
- Outflows	5,749	4,390	4,227	4,208	NA
• FDI Flows (Millions USD)					
- Inward	4,804	4,280	3,485	3,674	2,833
- Outward	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 (Nominal GDP / 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.

► Central Bank Balance Sheet

Billions LBP	Q3 13	Q4 13	Q1 14	Q2 14	YoY	YTD
• Assets						
- Gold	18,575	16,739	17,997	18,260	9.16%	9.09%
- Foreign Currencies	48,285	47,808	50,704	51,026	6.72%	6.73%
- Claims on Private Sector	402	401	400	420	6.73%	4.60%
- Loans to Banks and Financial Corporations	3,149	3,466	4,510	5,089	91.75%	46.84%
- Claims on Public Sector	0	0	0	0	NA	NA
- Securities Portfolio	23,677	23,846	22,825	23,961	-7.33%	0.49%
- Fixed Assets	409	379	381	388	3.40%	2.33%
- Unclassified Assets ¹	23,998	23,462	24,228	25,571	15.71%	8.99%
Total Assets	118,495	116,100	121,044	124,715	7.58%	7.42%
• Liabilities						
- Currency in Circulation outside BDL	3,891	3,983	3,767	3,965	5.64%	-0.45%
- Deposits of Banks and Financial Corporations ²	81,016	82,033	85,640	89,246	7.73%	8.79%
- Liabilities to the Private Sector	48	50	45	50	-7.86%	0.30%
- Public Sector Accounts	11,129	11,033	11,623	11,681	22.57%	5.88%
- Valuation Adjustment	10,301	8,426	9,685	9,872	19.02%	17.17%
- Securities Other than Shares ³	2,605	2,605	2,605	1,867	-28.34%	-28.34%
- Foreign Liabilities	325	328	327	327	0.80%	-0.23%
- Special Long-term Liabilities	1,900	1,900	1,749	1,749	-14.71%	-7.94%
- Capital Accounts	5,019	5,134	5,134	5,066	0.95%	-1.32%
- Unclassified Liabilities ⁴	2,262	608	468	891	-38.55%	46.49%
Total Liabilities	118,495	116,100	121,044	124,715	7.58%	7.42%

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

BDL's initiatives to help stimulate domestic economy includes loans to banks at subsidized levels

► Public Revenues

Billions LBP	Q3 13	Q4 13	Q1 14	Q2 14	YoY	TTM
• Total Revenues (a+b)	3,274	3,609	3,657	4,240	6.96%	6.80%
a. Treasury Receipts	229	181	308	201	-3.37%	16.77%
b. Budget Revenues (i+ii)	3,046	3,427	3,349	4,039	7.56%	6.19%
i. Tax Revenues	2,361	2,329	2,496	3,240	6.72%	4.61%
- 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)	387	384	652	1,310	10.92%	11.41%
- Taxes on Property (including Built Property Tax, Real Estate Registration Fees)	306	344	347	302	7.47%	14.15%
- Domestic Taxes on Goods & Services (including Value Added Tax and Taxes on Goods and Services, especially Private Car Registration Fees and Passenger Departure Tax)	1,001	933	925	999	8.82%	4.69%
- Taxes on International Trade (including Customs; Excises on Gasoline, Tobacco and Cars)	554	539	454	508	-4.51%	-7.56%
- Other Tax Revenue (namely fiscal stamp fees)	114	129	118	121	-1.63%	3.21%
ii. Non-tax Revenues	685	1,098	853	799	11.13%	11.35%
- 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)	519	885	653	599	13.88%	-14.35%
- Administrative Fees & Charges (including fees for notaries, passports, public security, vehicle control, driving licenses and judicial fees; work permit fees; and more)	133	183	162	149	0.68%	9.23%
- Penalties and Confiscations	2	2	3	3	0.00%	11.11%
- Other Non-tax Revenues (mostly retirement deductibles)	31	27	35	49	11.36%	-11.80%

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

Includes ↑ of LBP 129 billion
in income tax collections for
previous periods

► Public Expenditures

Billions LBP	Q3 13	Q4 13	Q1 14	Q2 14	YoY	TTM
• Total Expenditures	5,371	5,012	4,923	5,351	-5.22%	-1.21%
a. Current Expenditures	4,585	4,654	4,269	4,550	-0.42%	-1.68%
i. Interest Payments (including local and foreign currency debt)	1,154	1,789	1,272	1,857	12.75%	10.58%
ii. Transfers to Electricite du Liban	1,121	515	791	774	38.71%	-4.42%
ii. Other Current Expenditures (including personnel costs; foreign debt principal repayment; materials and supplies; and more)	2,310	2,350	2,206	1,919	-18.82%	-7.79%
b. Capital Expenditures (including equipment and maintenance for ongoing infrastructure construction; and more)	215	165	286	230	-45.24%	-14.50%
c. Budget Advances	128	31	33	84	29.23%	57.71%
d. Customs Administration	10	7	15	7	-41.67%	-9.30%
e. Treasury Expenditures	430	154	320	480	-17.10%	8.98%
f. Unclassified Expenditures	4	0	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

► Government Budget

Cumulative through Q2 14 – Billions LBP	Jan–Jun 13	Jan–Jun 14	% Change
• Revenues	7,318	7,897	7.91%
• Expenditures	10,180	10,274	0.92%
• Government Surplus (Deficit)	-2,862	-2,377	-16.95%
• Primary Surplus (Deficit)	25	874	3396.00%

Source: MoF

Primary surplus grows on revenues > expenditures although increasing debt burden drives debt servicing to capture a sizeable portion of the benefit towards improving the fiscal deficit

► Public Debt

Billions LBP	2011	2012	2013	Jun 2014	YTD
• Gross Public Debt (a+b)	80,869	86,959	95,696	99,052	3.51%
a. Local Currency Debt	49,340	50,198	56,312	59,736	6.08%
i. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ¹	16,374	15,049	17,171	17,851	3.96%
ii. Commercial Banks	25,177	27,267	29,905	31,514	5.38%
iii. Other Local Currency Debt (T-Bills)	7,789	7,882	9,236	10,371	12.29%
b. Foreign Currency Debt²	31,529	36,761	39,384	39,316	-0.17%
i. Bilateral, Multilateral and Foreign Private Sector Loans	2,566	2,584	2,592	2,910	12.27%
ii. Paris II related Debt (Eurobonds and Loans) ³	3,512	2,925	2,338	2,036	-12.92%
iii. Paris III related Debt (Eurobonds and Loans) ⁴	1,723	1,313	1,187	1,079	-9.10%
iv. Market-issued Eurobonds	23,259	29,427	32,688	32,694	0.02%
v. Accrued interest on Eurobonds	407	400	444	476	7.21%
vi. Special T-Bills in Foreign Currency⁵	80	112	136	121	-11.03%
• Public Sector Deposits	10,984	12,916	15,495	16,257	4.92%
• Net Total Debt	69,903	74,043	80,201	82,795	3.23%
• Gross Market Debt⁶	50,192	58,623	65,386	67,761	3.63%
• 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

Gross public debt continues to grow driven by LBP 968 billion 10 YR T-Bond in LBP with coupon @ 7.98% issued in June '14 largely subscribed by banks and BDL

► Domestic Debt by Maturity

Billions LBP	Q3 13	Q4 13	Q1 14	Q2 14	YOY	YTD
• 3 Month T-Bills	159	165	321	153	-3.77%	-7.27%
• 6 Month T-Bills	763	935	984	800	37.69%	-14.44%
• 12 Month T-Bills	926	1,009	1,308	1,260	41.26%	24.88%
• Long Term Bonds*	52,266	54,075	55,696	57,377	16.41%	6.11%
• Loans	136	128	132	146	-1.35%	14.06%
• Total	54,250	56,312	58,441	59,736	16.98%	6.08%

* 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

► Domestic Debt by Type

Billions LBP	Q3 13	Q4 13	Q1 14	Q2 14	YOY	YTD
• Foreign Currency Debt (Millions USD)	26,415	26,137	26,127	26,081	-0.24%	-0.21%
• Local Currency Debt	54,250	56,312	58,441	59,736	16.98%	6.08%
• Net Local Currency Debt	38,808	40,817	42,206	43,479	15.53%	6.52%
• Net Total Debt	78,628	80,201	81,971	82,796	7.89%	3.24%

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	Q3 13	Q4 13	Q1 14	Q2 14	YOY	YTD
• Currency in Circulation	3,299	3,408	3,186	3,313	4.97%	-2.78%
• M1 (Currency in circulation + sight deposits in LBP)	7,702	7,620	7,519	7,664	4.27%	0.57%
• M2 (M1 + other deposits in LBP)	67,073	68,749	69,852	70,692	6.08%	2.82%
• M3 (M2 + deposits in foreign currencies, other financial liabilities)	163,553	167,571	169,282	173,314	7.14%	3.43%
• M4 (M3 + Treasury bills held by non-banking system)	172,655	176,807	179,450	183,685	7.61%	3.89%

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	Q3 13	Q4 13	Q1 14	Q2 14	YoY	YTD
• Assets						
a. Reserves	81,679	82,533	85,659	88,549	4.53%	7.29%
i. Vault Cash	592	576	581	652	9.19%	13.33%
ii. Deposits with Central Bank	81,087	81,957	85,078	87,897	4.49%	7.25%
b. Claims on Resident Private Sector	61,139	62,565	63,670	65,854	10.92%	5.26%
i. Claims on Private Sector in LBP	16,112	16,757	17,280	17,761	14.70%	5.99%
ii. Claims on Private Sector in Foreign Currencies	45,026	45,808	46,390	48,093	9.58%	4.99%
c. Claims on Public Sector	54,515	56,786	57,333	57,258	15.86%	0.83%
d. Foreign Assets	36,318	40,137	37,070	36,918	-3.87%	-8.02%
e. Fixed Assets (land, buildings, vehicles, etc)	5,815	5,921	6,062	6,230	9.09%	5.23%
f. Unclassified Assets	613	526	759	818	71.85%	55.60%
Total Assets	240,079	248,468	250,552	255,627	7.36%	2.88%

• Liabilities						
a. Total Resident Private Sector Deposits	158,732	162,396	164,566	168,439	7.38%	3.72%
i. Demand Deposits in LBP of Private Sector	4,333	4,144	4,260	4,284	3.93%	3.37%
ii. Time and Saving Deposits in LBP of Private Sector	58,778	60,328	61,764	62,316	6.28%	3.29%
iii. Private Sector Deposits in Foreign Currencies	95,621	97,924	98,543	101,839	8.21%	4.00%
b. Public Sector Deposits	4,313	4,463	4,612	4,576	8.73%	2.54%
c. Non Resident Private Sector Deposits	39,292	42,934	41,287	43,136	5.17%	0.47%
d. Non Resident Financial Sector Deposits	7,357	7,555	7,715	8,308	11.00%	9.97%
e. Other Financial Liabilities	429	398	399	349	-17.51%	-12.30%
f. Capital Accounts (net result of international investment inflow)	21,217	21,410	21,888	22,899	12.26%	6.95%
g. Unclassified Liabilities	8,739	9,313	10,086	7,920	2.79%	-14.96%

Total Liabilities	240,079	248,468	250,552	255,627	7.36%	2.88%
--------------------------	----------------	----------------	----------------	----------------	--------------	--------------

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

Source: BDL

Lebanese banks' lending activity remains healthy, bolstered by the BDL's interest rate subsidies on loans to productive sectors including tourism, agriculture, industry, IT, education and environment

► Other Economic Indicators

	Q3 13	Q4 13	Q1 14	Q2 14	YoY	TTM
• Consumer Price Index (indexed from 01/01/2008)	128.9	130.9	101.8	100.6	NA	NA
• Coincident Indicator	247.2	267.9	271.8	273.4	2.98%	1.43%
• Real Estate Indicators						
- Construction Permits Issued (sqm)	3,365,940	3,223,309	3,409,837	3,914,973	12.53%	4.07%
- Cement Deliveries (tons)	1,559,171	1,615,239	1,210,061	1,585,388	3.70%	11.01%
• Beirut Airport Indicators (passengers)						
- Arrivals	876,789	724,888	592,132	855,147	7.61%	4.61%
- Departures	967,091	714,194	661,873	804,594	0.19%	-2.35%
- Transfers	3,811	3,584	3,546	4,529	14.46%	-40.52%
• Port of Beirut Indicators (tons)						
- Freight Incoming	1,802,016	1,862,960	1,943,943	1,858,594	0.24%	8.83%
- Freight Outgoing	NA	NA	60,909	NA	NA	NA
- Transit and Freezone Freight	372	NA	NA	NA	NA	NA
• Energy Indicators						
- Electricity Production (millions of kWh)	3,351	3,229	3,155	3,097	8.40%	17.81%
- Imports of Petroleum Derivatives (metric tons)	1,332,836	1,468,038	1,689,013	1,508,059	-12.32%	-9.42%
• Check Indicators						
- Checks Cleared in Foreign Currencies	2,356,893	2,331,665	1,479,346	2,318,438	-2.15%	-2.22%
- Value of Checks Cleared in Foreign Currencies (millions USD)	13,943	14,010	13,644	14,421	3.76%	0.35%
- Checks Cleared in Lebanese Pounds	1,016,097	1,018,793	969,562	1,006,314	2.50%	7.40%
- Value of Checks Cleared in Lebanese Pounds (millions LBP)	6,541,085	6,826,115	6,624,801	6,914,015	4.86%	12.05%

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

Real estate supply indicators trend favorably despite still sluggish real estate market particularly in higher end segment

► Lebanon's Sovereign Credit

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	Q3 13	Q4 13	Q1 14	Q2 14	YoY
• Exports	1,278	1,173	1,164	1,337	-20.77%
• Imports	7,706	8,032	8,137	7,366	-7.50%
• Trade Balance	-6,428	-6,859	-6,973	-6,029	-3.90%
• Balance of Payments	-444	-681	454	-129	-73.21%
• Customs Revenue	580	563	476	513	-8.23%

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

Expect weaker tourism & remittances to have unfavorably impacted BoP

► Imports by Origin

Special Imports in Billions of LBP	Q3 13	Q4 13	Q1 14	Q2 14	YoY
• China	1,050	955	1,014	898	21.21%
• Italy	737	703	671	735	21.71%
• France	412	510	662	628	4.32%
• Germany	454	445	479	464	-9.07%
• United States	609	561	412	410	-12.69%
• Russia	140	210	328	261	-37.70%
• Turkey	137	235	292	254	-7.19%
• Romania	12	497	266	204	127.29%
• Greece	495	315	263	193	-34.67%
• Egypt	103	163	255	180	-29.777%
• Rest of the World	3,161	3,586	3,494	3,140	-10.88%

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	Q3 13	Q4 13	Q1 14	Q2 14	YoY
• Saudi Arabia	301	56	127	157	-10.18%
• South Africa	130	102	122	155	-7.03%
• UAE	125	116	109	121	-5.26%
• Iraq	96	97	93	98	-1.63%
• Syria	150	124	88	91	-62.90%
• Turkey	57	59	38	75	-8.35%
• Jordan	56	51	45	53	3.20%
• Qatar	33	29	32	40	-2.41%
• Switzerland	239	34	29	32	-60.50%
• Kuwait	25	27	25	30	-7.52%
• Rest of the World	810	482	454	486	-15.49%

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>