

## Press Release

### Fransabank Economic Bulletin for the First Quarter 2012

Beirut, May 30, 2012

In the Economic Bulletin of Fransabank for the first quarter of 2012:

- Regional turmoil in some Arab countries and domestic conflicts affect Lebanon's growth.
- Economic growth is forecasted at 3.00 to 4.00% in 2012 and inflation rates at 7.00%, as per the International Monetary fund (IMF) and the Institute of International Finance (IIF) estimates.

Fransabank has recently launched its Economic Bulletin for the first quarter of 2012, which included a report on Lebanon's macroeconomic performance during this quarter, and a study on "Lebanon's Prospects Amidst the Current Turmoil: How to Foster Economic Growth".

The report noted that the Lebanese economy recorded a better performance in some economic indicators, where it witnessed an increase in the number of passengers (21.40%), total tonnage of loaded and unloaded merchandise (5.40%) and the number of containers (4.70%) at the Beirut Port, the value of cleared checks (2.47%), hotel occupancy rate (19.00%), number of cars sold (14.02%), Central Bank of Lebanon's FX reserves (6.58%), banking sector's assets (9.20%) and deposits (9.30%), national exports (25.00%), and capital inflows (37.50%). The fiscal deficit volume had also retreated (-34.07%).

The Lebanese economy has also witnessed a slowdown in some economic indicators in the first quarter of 2012 as compared to the same period of last year. This is indicated by the realized decline in several indicators of the real sector, such as construction permits (-3.87%), number of tourists (-7.87%), number of ships via Beirut Port (-6.90%), and SMEs loans (-21.50%).

The report also pointed out that public finances have slightly enhanced in the first two months of 2012, as compared with the same period of last year, where the fiscal deficit declined as a result of higher rise in public revenues than public expenditures, and the primary balance also grew to register a cumulative surplus of USD 410.70 million. Public expenditures reached USD 2.00 billion, an increase of 9.89% during the same said period. While public revenues grew by 28.12% to reach USD 1.64 billion during the same period. This led to a retreat in the fiscal deficit by 34.07% to USD 356 million.

The report also showed that the gross public debt stood at USD 54.10 billion till the end of March 2012, with an annual increase of 2.81% as compared to the same period of 2011. After excluding the public sector's deposits at the Central Bank of Lebanon and at commercial banks from overall debt figures, the net public debt registered an increase of 2.85% to reach USD 46.90 billion.

Further, the report emphasized that the monetary situation remained stable, due to the stabilization policy adopted by the Central Bank of Lebanon, and the increased demand for the Lebanese pound. Thus money supply (M4) expanded in the first quarter of 2012 to reach USD 94.93 billion, with an increase of USD 2.18 billion from the same period of last year.

According to the data published by the Central Administration of Statistics for the first three months of 2011, the inflation rate was 4.00% compared to the same period of last year. The Central Bank of Lebanon's foreign-currency denominated assets rose by 6.58% to reach USD 32.40 billion at the end of March 2012, as compared to USD 30.40 billion in the same period of 2011. The dollarization rate of deposits decreased by 0.50% to reach 65.40% during the period under study.



The report pointed out that the banking sector continued its strong growth in the first three months of 2012, as compared to the same period of the previous year. Its assets increased by 9.20% during this period, to reach USD 144.70 billion at the end of March 2012, and private sector's deposits also increased by 9.30% to reach USD 118.20 billion. Total loans to the private sector increased by 12.57% to USD 41.00 billion during the period under consideration.

The report showed, based on the statistics of Beirut Stock Exchange (BSE), that the total trading volume decreased by 46.82% in the first quarter of 2012, as compared to the corresponding period of 2011, to reach 13.40 million shares. Market capitalization fell by 10.74% from the same period last year to USD 10.80 billion at the end of March 2012.

As for the external sector, the report presented, based on the data issued by the Higher Council of Customs, that the value of imports reached USD 6.00 billion in the first three months of 2012, with an increase of 30.43% from the same period of last year. On the other hand, the value of exports reached USD 1.20 billion, up by 25.00% during the period under discussion. As a result, the trade deficit increased by 31.50% to USD 4.80 billion in the period under study.

The report also noted that the value of capital inflows to Lebanon reached USD 4.40 billion in the first three months of 2012, up by 37.50% over the same period of 2011. As a result, the balance of payments recorded a deficit of USD 373.20 million in the first quarter of 2012, as compared to a deficit of USD 399.20 million during the same period of last year.

The report also stated that the Lebanese economy is expected to witness a better performance in 2012 than 2011 with an expected real growth rate between 3.00% to 4.00% based on IMF estimates at 3.80% and the Institute of International Finance (IIF) estimates at 3.00%, and the inflation rate is expected to attain 7.00% in 2012.

#### **End of News**

For Further Information, Kindly Contact:

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Marketing Research Department

Tel: 01-340180 ext. 1876

Fax: 01-344251

Email: [economic.bulletin@fransabank.com](mailto:economic.bulletin@fransabank.com)

[www.fransabank.com](http://www.fransabank.com)