

Press Release
Fransabank Economic Bulletin for the Year 2011

Beirut, February 21, 2012

In the Fransabank Economic Bulletin for 2011:

- Lebanese macroeconomic activity has been negatively affected by the regional turmoil in several Arab countries and domestic political tensions.
- Growth at 2.50% in 2011, and 4.50% in 2012 according to ESCWA estimates.
- Growth at 2.00% in 2011, and 3.50% in 2012 according to the International Monetary Fund (IMF) estimates.

Fransabank completed its economic bulletin for 2011, which included a report on the performance of the Lebanese economy in this period, and a study on the "Implications of the Arab Spring on the Arab Region".

The report noted that the Lebanese economy recorded a slowdown in its general activity in 2011, as compared to 2010. This was reflected by the significant decline in most indicators of the real sector, such as number of property sales (-11.91%), the number of tourists (-24.00%), the number of ships in the Port of Beirut (-5.20%), customs receipts (-21.05%), the hotel occupancy rate (-11.00%), and loans to small and medium enterprises (-2.60%).

The report indicated that public finances have enhanced in the first eleven months of 2011, as compared to the same period of last year, where the fiscal deficit decreased due to an increase in the public expenditures but to a lesser extent as compared to the increase in the public revenues. In addition, the overall primary surplus has also increased. Total expenditures reached USD 10.40 billion, an annual increase of 1.17% from the same period of 2010, due to the rise in budgetary and treasury spending. While public revenues increased by 13.88% to reach USD 8.45 billion during the same period, as well as the increase in public revenues was higher for the period ranging between 2009 and 2010. As a result, the fiscal deficit decreased by 31.81% to reach USD 1.95 billion.

The report also indicated that gross public debt reached USD 53.60 billion at the end of 2011, an annual increase of 2.01% from 2010. Excluding the public sector's deposits at the Central Bank of Lebanon and commercial banks from the total public debt, the net public debt has increased by 3.02% to USD 46.40 billion. It is also noted the retreat in the ratio of gross public debt to GDP from 180% in 2006 to 134% in 2010 and 132% in 2011.

The report emphasized that the monetary situation remained relatively stable, in light of the monetary stabilization policy adopted by the Central Bank of Lebanon. The money supply (M4) expanded in 2011 to reach USD 102.47 billion, an increase of USD 5.08 billion from last year. Based on the data issued by the Central Administration of Statistics, the inflation rate reached 4.77% in 2011. The Central Bank's FX assets increased by 5.36% to reach USD 32.24 billion at the end of 2011, as compared with USD 30.60 billion in 2010.

The report explained that the banking sector continued its growth at a slower pace in 2011, as compared to the previous year. The banking assets reached USD 140.60 billion at the end of 2011, an increase of 9.07% as compared to 2010,. The private sector's deposits reached USD 115.70 billion at the end of 2011, an increase of 7.90% as compared to 2010. Total loans to the private sector reached USD 39.40 billion at the end of 2011, an increase of 12.70% as compared to 2010.

The report pointed out that according to statistics of the Beirut Stock Exchange, its overall activity declined as the total trading volume reached 77.50 million shares in 2011 against 515.30 million shares in the last year, a decrease of 72.40%. The market capitalization reached USD 10.30 billion at the end of 2011, a decrease of 72.80% from the last year.

As for the external sector, the report showed that based on the data of the Higher Council of Customs, the value of imports amounted to USD 20.20 billion in 2011, an annual increase of 12.22% from the last year. On the other hand, the value of exports amounted to USD 4.30

billion, an increase of 0.47% during the period under discussion. As a result, the trade deficit increased by 16.06 % to reach USD 15.90 billion in the period under review, which reflects the increasing imbalance in the Lebanese trade balance.

The report also noted that the value of net capital inflows to Lebanon amounted to USD 13.90 billion in 2011, a decrease of 18.23% from 2010, as a result of the current regional crisis, which affected negatively the Lebanese tourism specifically and the financial sector in general, as the tourists' spending form a large part of financial inflows. As a result, the balance of payments recorded a deficit of USD 2 billion in 2011, as compared to a surplus of USD 3.30 billion during the previous year. This increase reflects the growing imbalance in the internal and external balances of Lebanon.

The report pointed out that the Lebanese economy is expected to achieve a real growth rate of around 4.50% in 2012, against nearly 2.50% in 2011, as per the ESCWA estimates and a real growth rate of around 3.50% in 2012, against nearly 2.00% in 2011, as per the International Monetary Fund (IMF) estimates.

End of News