

Press Release

Fransabank Economic Bulletin for the First Half of 2016

In the Economic Bulletin of Fransabank for the first half of 2016:

- Local and regional conflicts affect negatively the economic growth in Lebanon.
- Expected economic growth is at 1% in 2016 based on the IMF estimates.

Fransabank conducted its economic bulletin for the first half of 2016, which included a report on Lebanon's macroeconomic performance and a study on "The Possible Implications of the Brexit Referendum".

The report noted that the Lebanese economy recorded a relatively better performance in some economic indicators, where it witnessed an increase in construction permits (7.5%), the number of sales transactions (4.4%), the number of tourists (7.7%), the number of passengers (5.1%), total tonnage of loaded and unloaded merchandise (12.93%), number of ships (23.47%) at the Beirut Port, banking sector's assets (5.7%) and deposits (4%), and capital inflows (5.59%).

But the Lebanese economy has also witnessed a slowdown in some economic indicators in the first half of 2016 as compared to the same period of last year. This is indicated by the decline in some indicators of the real sector, such as the hotel occupancy rate (-3%), in addition to the Central Bank of Lebanon's FX reserves (-2.2%), market capitalization (-4.5%), and national exports (-11.1%). The trade deficit volume had also increased 10.8% during the first half of 2016.

The report also pointed out that public finances deteriorated in the first 4 months of 2016, as compared with the same period of last year. The fiscal deficit increased as a result of an increase in public revenues and a higher increase in public expenditures. Public expenditures reached USD 4.96 billion, an increase of 7% during the same said period; while public revenues increased by 5.3% to reach USD 3.32 billion during the same period. This led to an increase of 9.3% in the fiscal deficit to reach USD 1.64 billion.

The report also showed that the gross public debt stood at USD 72.88 billion at the end of June 2016, with an annual increase of 5.63% as compared to the same period of 2015. 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 6.23% reaching USD 63.13 billion; It is divided as USD 38.06 billion or LBP 57,359 billion as local debt (equivalent to 60.3% of net public debt) and USD 25.07 billion of foreign debt (equivalent to 39.7% of net public debt). It should be noted that the growing fiscal deficit weakens the size of the primary surplus in the budget, which reflects negatively on the public finances of Lebanon.

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 half of 2016 to reach USD 107.74 billion, with an increase of USD 2.88 billion from the same period of last year.

According to the data released by the Central Administration of Statistics for the first half of 2016, the inflation rate registered -2.6% compared to the same period of last year; while the Beirut Traders Association - Fransabank Retail Index stood at 48.93 for the first half of the year 2016 while it registered 49.15 in the first quarter of the year 2015, and 53.82 for the second quarter of the year 2015. The Central Bank's foreign-currency denominated assets declined by 2.2% to reach USD 36.3 billion at the end of June 2016, as compared to USD 37.1 billion in the same period of 2015. The dollarization rate of deposits decreased by 0.7% to reach 65.3% during the period under study.

The report indicated that the banking sector continued its growth but at a slower pace than the years 2015 and 2014. Its assets increased by 5.7% at the end of June 2016 as compared to end of June 2015; reaching USD 190.4 billion, and private sector's deposits also increased by 4% to reach USD 154.7 billion at the end of June 2016. Total loans to the private sector increased by 6.8% to USD 53.51 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 1.2% in the first half of 2016, as compared to the corresponding period of 2015, to reach 44.3 million shares. Market capitalization declined by 4.5% from the same period last year to USD 11.03 billion at the end of June 2016.

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 9.4 billion in the first half of 2016, with an increase of 7% from the same period of last year. On the other hand, the value of exports reached USD 1.4 billion, down by 11.1% during the period under discussion. As a result, the trade deficit increased by 10.8% to USD 8 billion in the period under study.

The report also noted that the value of capital inflows which represent the remittances incoming to Lebanon, reached USD 6.23 billion in the first half of 2016, up by 5.59% over the same period of 2015. As a result, the balance of payments recorded a deficit of USD 1.77 billion in the first half of 2016, as compared to a deficit of USD 1.32 billion during the same period of last year.

The report also stated that the Lebanese economy is expected to witness a relatively better performance in 2016 than 2015 with an expected real growth rate of 1% based on the International Monetary Fund (IMF) estimates.

End of News

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