

Press Release

Fransabank Economic Bulletin for the First Half 2013

Beirut, August 20, 2013

In the Economic Bulletin of Fransabank for the first half of 2013:

- Severe local and regional conflicts affect negatively the economic growth in Lebanon.
- Expected economic growth is between 0.8% and 2.3% based on the International Institute of Finance (IIF) and the World Bank estimates respectively.

Fransabank has recently conducted its economic bulletin for the first half of 2013, which included a report on Lebanon's macroeconomic performance during this quarter.

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 (7.8%), total tonnage of loaded and unloaded merchandise (17.4%), and the number of containers (22.2%) at the Beirut Port, number of ships via Beirut Port (4.5%), number of cars sold (1.5%), Central Bank's FX reserves (6%), banking sector's assets (8%), deposits (9%) and loans to private sector (19%), market capitalization (1.7%), national exports (6.9%), and capital inflows (5.4%).

But the Lebanese economy has also witnessed a slowdown in some economic indicators in the first half of 2013 as compared to the same period of last year. This is indicated by the decrease in several indicators of the real sector, such as construction permits (15.3%), real-estate sales transactions (7.1%), number of tourists (12.6%), hotel occupancy rate (10%), and the number of SMEs loans (24.4%). The trade deficit volume had also increased by 40% during the first three months of 2013.

The report also pointed out that public finances have slightly decreased in the first three months of 2013, as compared to the same period of last year. The fiscal deficit surged as a result of a decrease in public revenues and a lower decrease in public expenditures. Public expenditures reached USD 2.47 billion, a decrease of 0.8% during the same said period; while public revenues decreased by 6% to reach USD 2.22 billion during the same period. This led to a surge in the fiscal deficit by 40% to USD 385 million.

The report also showed that the gross public debt stood at USD 59.18 billion till the end of May 2013, with an annual increase of 7.3% as compared to the same period of 2012. 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 7.4% to reach USD 50.71 billion at end of May 2013. It should be noted that the growing fiscal and public debt weakens the private investment activity (the Crowding-Out Effect), which might impede the economic growth and reduce employment opportunities, and thereby it would increase the rates of youth migration and brain drain from Lebanon. On the other hand, 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 2013 to reach USD 95.84 billion, with an increase of USD 4.04 billion from the same period of last year.

According to the data released by the Central Administration of Statistics for the first half of 2013, the inflation rate was 8.8% compared to the same period of last year; while the Beirut Traders Association - Fransabank Retail Index stood at 86.88 for the first half of the year 2013. The Central Bank's foreign-currency denominated assets rose by 6% to reach USD 37.2 billion at the end of June 2013, as compared to USD 35.04 billion in the same period of 2012. The dollarization rate of deposits increased by 1% to reach 65.2% during the period under study.

The report indicated that the banking sector continued its growth in the first half of 2013, as compared to the same period of the previous year. Its assets increased by 8% during this period, to reach USD 157.9 billion at the end of June 2013, and private sector's deposits also increased by 9% to reach USD 131.1 billion at the end of June 2013. Total loans to the private sector increased by 19% to USD 44.8 billion at the end of June 2013.

The report showed, based on the statistics of the Beirut Stock Exchange (BSE), that the total trading volume decreased by 29.7% in the first half of 2013, as compared to the corresponding period of 2012, to reach 21 million shares. Market capitalization grew by 1.7% from the same period last year to USD 10.2 billion at the end of June 2013.

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 10.8 billion in the first half of 2013, with a decrease of 0.8% from the same period of last year. On the other hand, the value of exports reached USD 2.3 billion, an increase of 6.9% during the period under discussion. As a result, the trade deficit decreased by 2.7% to USD 8.5 billion in the period under study.

The report also noted that the value of capital inflows to Lebanon reached USD 8.1 billion in the first half of 2013, an increase of 5.4% over the same period of 2012. The balance of payments recorded a deficit of USD 382 million in the first half of 2013, as compared to a larger deficit of USD 1,021 million during the same period of last year.

The report also stated that the Lebanese economy is expected to witness a better performance in 2013 than 2012 with an expected real growth rate between 0.8% and 2.3% based on the International Institute of Finance (IIF) and the World Bank estimates respectively.

End of News

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