

Annual Economic Bulletin

ECONOMIC SUMMARY

The Lebanese economy experienced a challenging first 12 months in 2011. Despite the political developments observed in by June 2011 with the formation of the new government, concerns over the regional politico-security situation is bringing about a slowdown to the Lebanese economy.



REPUBLIC OF LEBANON
MINISTRY OF ECONOMY & TRADE

Institution	2011 Annual Real GDP Growth forecasts by the end of 2010	2011 Annual Real GDP Growth forecasts by the end of Q1 2011	2011 Annual Real GDP Growth forecasts by the end of Q2 2011	2011 Annual Real GDP Growth forecasts by the end of Q3 2011	2011 Annual Real GDP Growth forecasts by the end of 2011
International Monetary Fund	5%	no change	2.5%	1.5%	1.5%
World Bank	7%	no change	4.8%	4%	3%
Economic Intelligence Unit	5.8%	5.3%	4.6%	1.3%	1.5%
IIF	6%	4%	1.1%	1.8%	1.8%
EFG Hermes	5%	no change	3.5%	no change	2.5%
HSBC	6.4%	3.2%	2.7%	1.7%	no change
Merrill Lynch	5.9%	6%	no change	no change	2.5%
Standard Chartered Bank	6.5%	5.5%	3%	1.5%	no change
Barclays Capital	6.5%	5.5%	3%	1.8%	no change
AVERAGE	6.01%	5.17%	3.46%	2.56%	1.98%

The table above displays estimates made by major international institutions in 2011. As it shows, they averaged around 1.98% versus the 2.56%, 3.46%, 5.17% and 6% estimated by the end of Q3, Q2, Q1 2011 and 2010 respectively. For instance, the IMF estimates economic growth in 2011 to reach 1.5% relative to the 5% attained in 2010. This low estimate compared to the average annual rate of 8.2% over the last four years is attributed to the effects of the local and regional political uncertainties on the domestic economy.

Signs of difficulties over 2011 essentially appeared in the real and external sectors. Real sector economic indicators - which include those related to real estate and construction, tourism and transport services- registered overall negative growth rates in 2011 relative to the same period in 2010. Inflation also continued to follow an upward trend over this period.

The external sector also witnessed a decline, as reflected by the deterioration in the balance of payments, which posted a deficit for the first time since 2001. This deficit resulted from a decline in capital inflows such that they were not sufficient to cover the widening trade deficit. Actually, inflation and the local and regional tensions, which have weakened the foreign demand for Lebanese products, have also negatively impacted trade dynamics. Inflows of capital, which soared over the period of the global financial crisis, continued to fall as a result of investor's uncertainty towards Lebanon's political situation as well as due to the regional instability.

Performance on the fiscal front however improved following the inclusion of the expected revenues from the Ministry of Telecommunications that was accumulated over the period. Public debt continued to deteriorate in both absolute and relative terms following the slowdown in 2011 expected growth rates.

The financial sector was the main economic entity that displayed a positive activity growth by the end of 2011, albeit at a slower pace than in the previous years.

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1. The Real Sector contracted in 2011, due to the prevailing political tensions in the country and to the regional turmoil that had a negative impact on investor sentiment at large.. Real estate, construction, tourism and transport of passengers continued to deviate from their sharp upward trend observed since 2007 into 2011. The activity of the performance of these sectors was also affected by rising inflation, most notably in commodities and their derivatives.

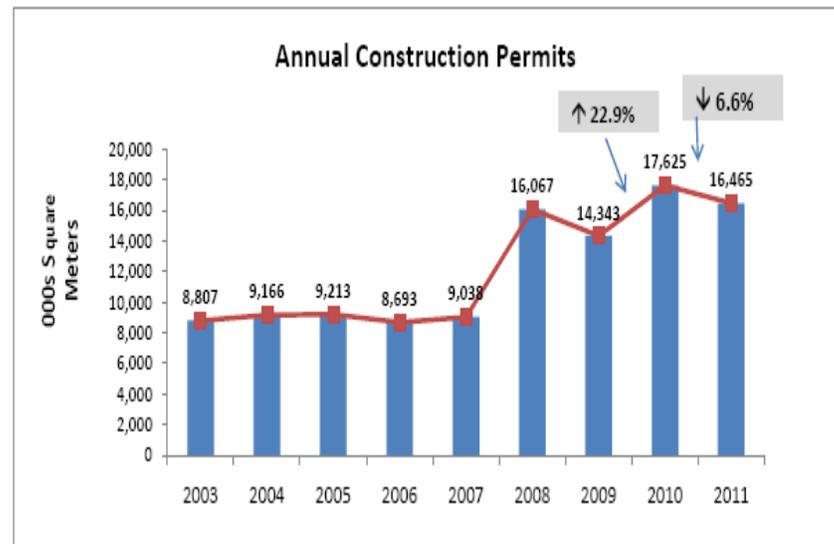
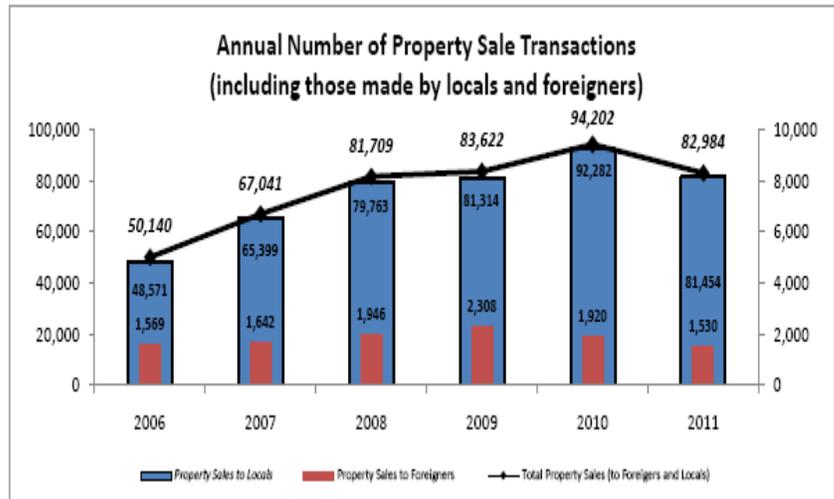
1. Real Estate and Construction

By 2011, the real estate and construction sector recorded a slowdown in activities relative to the same period in 2010. This is noticeable in the year-on-year evolution of the related indicators, but mainly from the demand perspective.

In 2011, the number of **total property sales**, which reflects demand for real estate, decreased by 11.9% to reach 82,984. This was mainly due to the local political disputes in the country that lasted up until the new government was formed in June, which coincided with the regional turmoil that continued to have a negative impact on investor confidence at the domestic level. This is evident through the yearly drop of 20% in **sales transactions to foreigners** over the same period.

The slowdown in the demand for Lebanese property sales was also accompanied by a decline in the **value of real estate sales**, albeit this decline being slightly lower. The latter fell 6.7% relative to the corresponding period in 2010, to reach USD 8,840 Million. As such, the average value of property sales in 2011 reached USD 107,000, up by 6%.

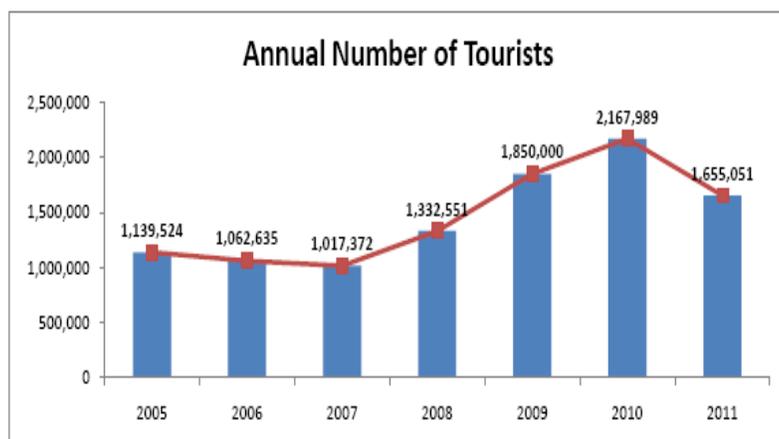
In terms of the supply of new property developments, indicators show that there was a 6.6% fall in 2011 in terms of the number of new **construction permits** and a 2.4% rise in terms of the **number of new transactions**. The former drop compares to a 22.9% growth attained over the same period in 2010. Similarly, the number of new transactions witnessed a slowdown relative to the 16.1% growth attained a year earlier. The deceleration in the level of supply activities could be attributed to the overall fall in the level of demand following the political stalemate and the consequent attitude of contractors to take less risk. **Tons of cement deliveries**, a second supply indicator of building activity, however saw an increase in 2011 of 6.2% relative to the same period in the previous year.



2 Tourism

Tourism activity, which includes number of tourists, tourist spending figures, hotel occupancy rates and revenues per average room (RevPAR)— a function that accounts for room and occupancy rates used for measuring the financial performance of the hospitality sector— all experienced a slowdown in 2011, following a breakdown in Lebanon's local political developments and the regional disturbances.

According to the Ministry of Tourism and as the graph below shows, the **number of incoming tourists** fell in 2011 compared to the same period in the previous year, that is, a fall of 23.7%, which is the first witnessed following 3 years of continuous growth.



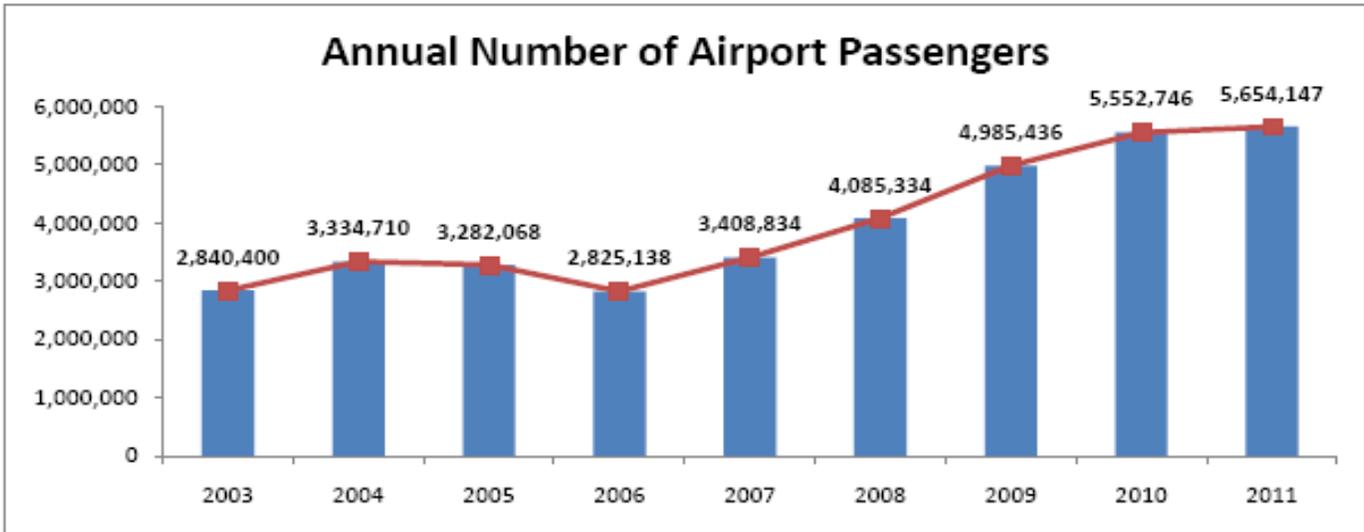
Breakdown of Tourists by Country of Origin

	2006	2007	2008	2009	2010	2011
Arabs	42.20%	39.30%	41.20%	42.50%	41.30%	35.14%
Europe	25.30%	27.30%	26.10%	24.50%	25.30%	29.35%
Asia	14.80%	13.60%	13.60%	14.30%	17.20%	14.83%
America	12.20%	12%	13.30%	12.30%	11.50%	13.45%
Africa	2.20%	4.70%	2.60%	2.30%	1.80%	3.70%
Oceania	3.10%	3.10%	3.20%	3.50%	2.80%	3.41%

According to the figures collected by Global Refund in the above table, Arabs continue to represent the main tourists to Lebanon. Furthermore, figures representing purchases by tourists in Lebanon whose VAT was claimed, otherwise known as **tourism spending**, are also indicative of tourist spending trends. As the table below illustrates, Lebanon's main spending players, which consist of tourists originating from Arab countries such as Saudi Arabia, Syria, UAE, Egypt and Kuwait, saw a deterioration in spending figures for the Year-to-Date December 2011 figures relative to the same period in 2010 and 2009, hence reflecting an overall fall in tourism activity. For instance, Saudi Arabia, which represents approximately 21.5% of total tourists by December 2010-2011, saw a 2% fall in tourism spending in 2011 relative to the same period in 2010.

Countries	Average Ranking (%)	YTD % Change in Tourism Spending for Dec 2011	YTD % Change in Tourism Spending for Dec 2010	YTD % Change in Tourism Spending for Dec 2009
Saudi Arabia	21.5	-2%	27%	33%
United Arab Emirates	10.5	20%	11%	-1%
Kuwait	10	4%	-1%	13%
Syrian Arab Republic	8	8%	47%	58%
Egypt	6.5	-12%	32%	35%
Jordan	...	-3%	15%	5%
Qatar	...	2%	4%	9%
France	...	10%	25%	-12%

Furthermore, a report by Ernst and Young recently shows that Beirut witnessed a significant decline in its hotel indicators since the start of the year. **Hotel room yield (RevPAR) reached USD131 in 2011**, a 26% fall compared to the same period in 2010, reflecting a fall in hotel profitability. This decline was the combined effect of a year to date drop in **hotel occupancy rates** in Beirut- which only reached 58% in 2011, relative to the 68% attained a year earlier- that is a 15% fall in **average room rates**, to reach US\$ 220, over the same period.



3- Passenger Transport

Transport of passengers grew slightly in 2011 relative to the same period in the previous year. The **number of passengers** passing through Rafic Hariri International Airport saw a year on year rise of 1.8%, from 5.55 Million in 2010 to just over 5.65 Million in the same period in 2011, as depicted by the statistics compiled at the Airport.

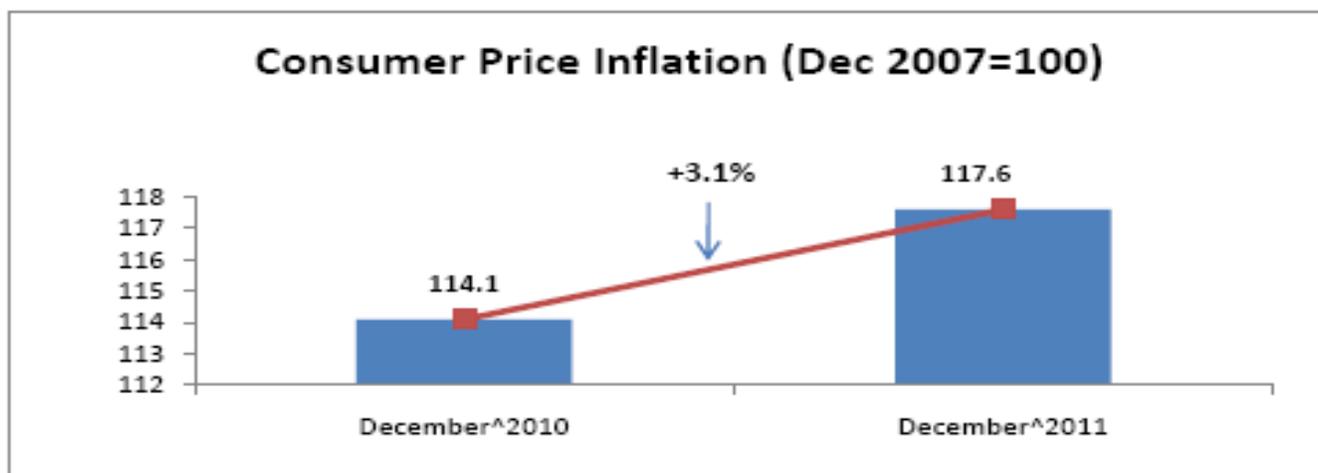
This small increase was the result of a slight improvement in the number of departure and arrival components that make up the number of passengers, which saw a 2.3% and 2% respective increase. The slowdown in the arrival of passengers especially reflects how the political stalemate and the regional turmoil have negatively affected the tourism industry.

4. Inflation

According to official estimations as indicated by the **Consumer Price Index (CPI)** issued by the Central Administration of Statistics (CAS), the CPI figure by the end of December 2011 reached a high of 17.6% since the new basket of goods was introduced in Dec 2007. It also rose by 3.1% relative to the inflation figures observed a year earlier. The CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

The continuous rise witnessed over this period came as a result of the persistent rise in commodity prices. This has consequently led to a year on year increase in inflation in the following categories in Lebanon: 11.4% rise in Alcohol and beverages and Tobacco, a 7.5% rise in Education and a 6% rise in water, electricity, gas and other fuels.

Since most of Lebanon's inflation is either imported inflation in commodities or due to currency fluctuations, the global rise in commodity prices and exchange rates with the USD have had a significant effect on the value of domestic goods and consequently, on the value of imports and exports. This will be analyzed more thoroughly in the next section.



	Weights	% Change in CPI between Dec 2010 and Dec 2011	% Change in CPI between Dec 2011 and Dec 2007
Food and Non-Alcoholic Beverages	19.9	5.9%	32.4%
Alcohol Beverages and Tobacco	2.1	11.4%	21.0%
Clothing and Footwear	6.2	4.3%	18.2%
Housing, Water, Electricity, Gas and other Fuels			
Housing	16.2	0.0%	11.2%
Water, Electricity, Gas and Other Fuels	9.5	6%	13%
Furnishings, Household Equipment and Routine Household maintenance	3.9	2.1%	10.6%
Health	6.8	3.1%	7.2%
Transportation	12.3	-2.7%	21.3%
Communication	4.8	0.0%	-13.7%
Recreation, Amusement and Culture	3.7	5.2%	11.3%
Education	7.7	7.5%	30.9%
Restaurants and Hotels	2.7	3.9%	43.4%
Miscellaneous Goods and Services	4.2	2.4%	9.6%
Consumer Price Index	100	3.1%	17.6%

II. The External Sector continued with its deteriorating performance by the end of 2011 as the Balance of Payments registered a deficit following insufficient inflows of capital to cover the ever growing shortfall in the trade balance. Although aggregate trade activity rose by 9.9% in 2011, imports were the key component driving this expansion, while exports remained almost constant, thus putting a constraint on the performance of the sector, as the goods trade deficit consequently rose by 15.9%.

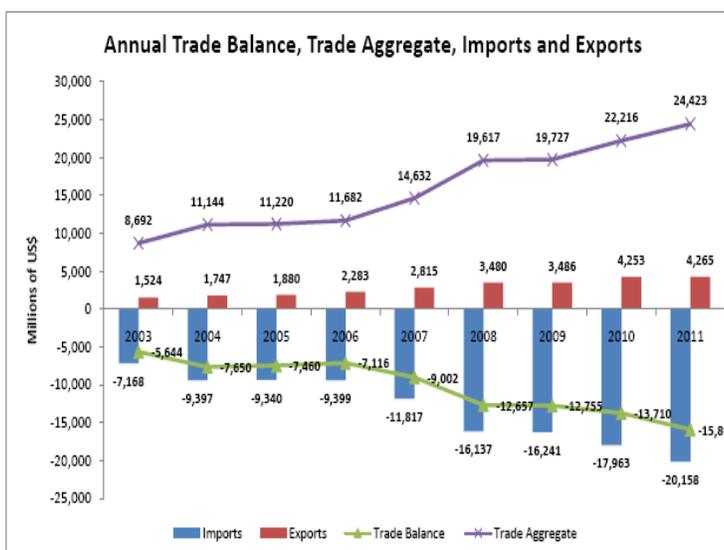
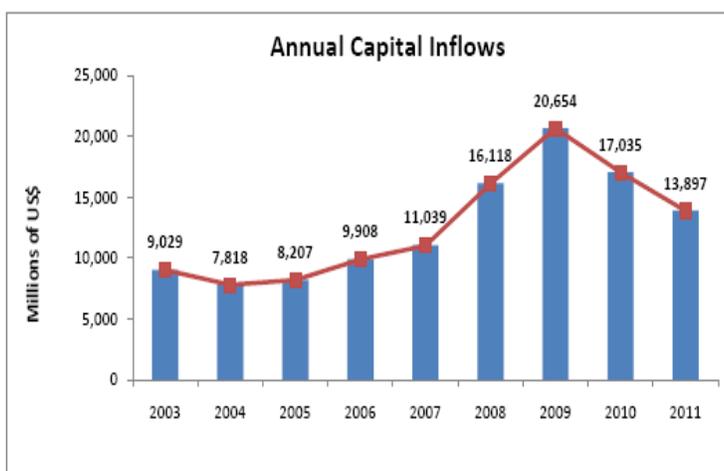
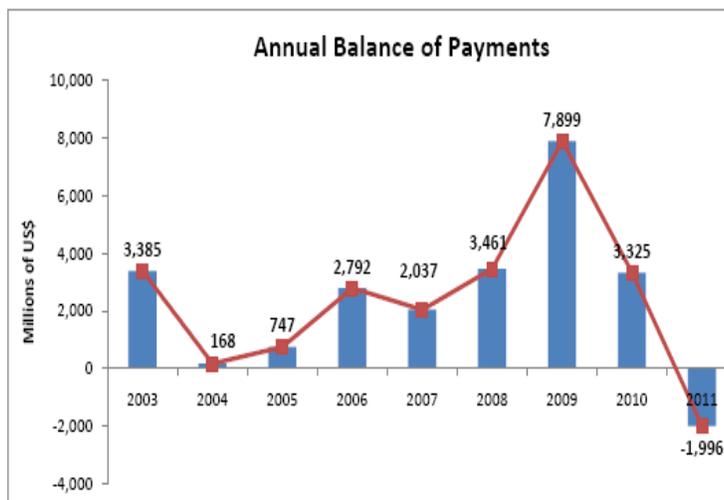
2a- Balance of Payments, Capital Inflows and Trade

The balance of payments continued on a downward path as it registered a deficit by the end of the year, falling from USD 3,325 Million in 2010 to USD -1,996 in 2011, that is, a 160% decline. This comes following the combined effects of a large downturn in capital inflows for the second year running and a rise in the trade deficit.

Despite Lebanon enjoying a continued surplus in capital inflows, which reached USD 13,897 Million by the end of 2011, their level has actually fallen 18.4% relative to the same period a year earlier. In addition, the total level of inflows in 2011 was 33% and 14% lower than the level attained in 2009 and 2008 respectively. The shortfall in inflows is attributed to the regional despairs and the weakening investor confidence in the region as a whole.

The 9.9% yearly increase in the trade deficit, which reached USD 15,893 Million by the end of 2011, also contributed to the BoP deficit. This increase was the result of greater rise in imports relative to exports. Imports rose by 12.2% in 2011 relative to the same period in 2010, to reach USD 20,158 Million. The increase in the value of imports was due to inflationary pressures on the international price of commodities, such as food and oil. For instance, although the volume of oil and mineral fuel imports fell by 7% by the end of 2011 relative to the same period in 2010, its value actually increased by 22%. The decline in the value of the USD - to which the LBP is pegged- with other currencies such as the Euro has also played a part in inflating the value of imports.

Exports, on the other hand, slightly rose by 0.3% over the same period to reach USD 4,265 Million. This small increase was result of the political tensions witnessed at the domestic level in the first half of the year as well as the regional turmoil that persisted throughout the year.



2c- Maritime Transport Services

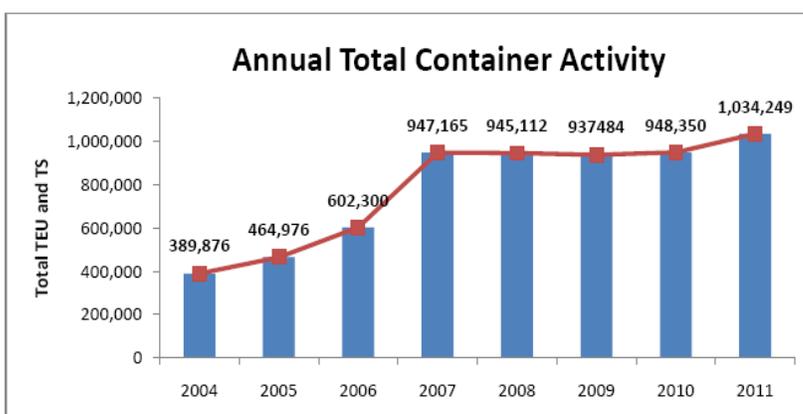
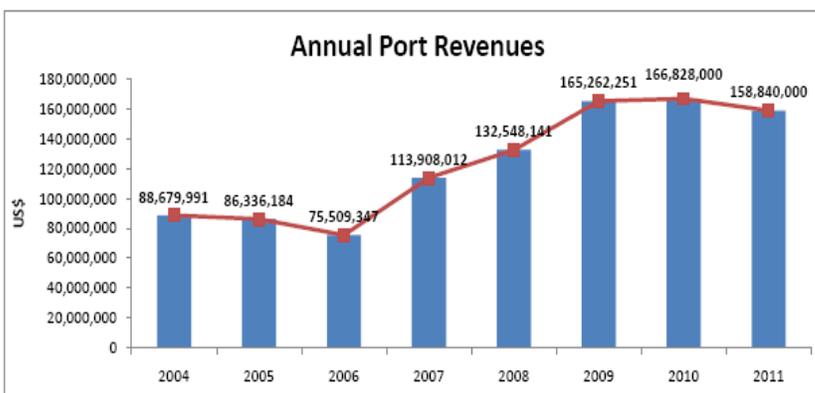
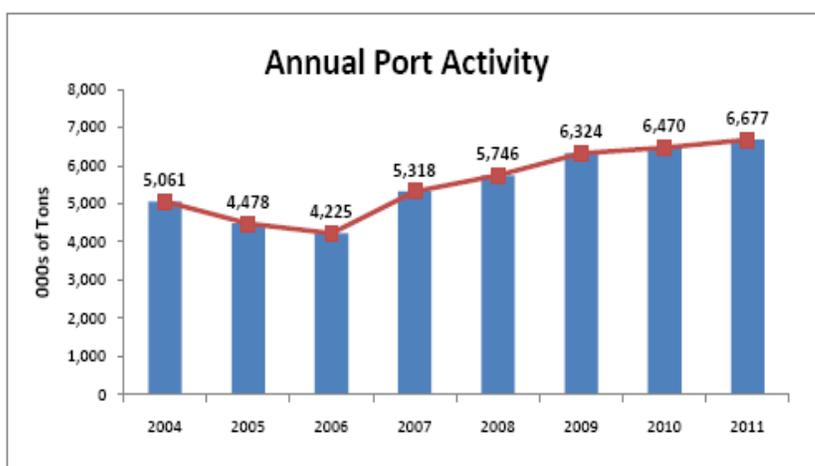
In terms of the main maritime transport services, port activity indicators at the Port of Beirut showed mixed trends by the end of 2011. Figures representing the tons of (incoming and outgoing) goods transported and the total number of (loaded and unloaded) containers (including transshipment) witnessed a slight improvement over this period relative to the same period in the previous year. However, the amount of revenues generated by the Port of Beirut showed that activity has decreased over this period in 2011, most probably due to the regional turmoil that has led to a slowdown in trading activity.

In 2011, port activity- measured in total tons of goods transported- increased by 3.2% relative to the same period in the previous year. The volume of containers quantified in TEU- a measure of capacity in container transportation otherwise known as Twenty Foot Equivalent Unit- and TS, otherwise known as transshipment also witnessed a 9.1% improvement over this period. The total amount of revenues generated by the Port of Beirut however, decreased by 4.8%.

In addition to this, data obtained from Customs shows that the value of goods in transit reached USD 408 Million in 2011 relative to the USD 388 Million attained over the same period in 2010, that is, a 5.2% increase. The weight (in KGs) of the goods in transit also witnessed a 119.1% rise. The higher increase in the volume of transit figures indicates a lower value per KG in transits at the port from USD 1.76/KG by the end of 2010 to USD 0.84/KG in the same period in 2011.

The transport of goods will be evaluated more thoroughly in the next section. However, the main modes of transportation are analyzed at this point. In terms of imports of goods, the most widely used points of entry into Lebanon in 2011 since 2007 are the Port of Beirut and the Beirut Rafic Hariri International Airport, which averaged 66% and 19% respectively in the last 5 years. In terms of exports of goods, the most widely used points of entry into Lebanon in 2011 has shifted from being the Port of Beirut— which averaged 32% in the years 2007 and 2008 relative to the 24.5% average attained by the Beirut Rafic Hariri International Airport— to the Beirut Rafic Hariri International Airport, which averaged 41% since 2008 relative to the 28% average attained by the Port of Beirut for the same period. This shows the importance of both maritime and air transport to the Lebanese economy and that that investment in both sectors should continue to grow in order to continue expanding trade in goods.

BEIRUT PORT ACTIVITY



III- The FISCAL Sector saw mixed results by the end of 2011. Fiscal performance saw an improvement in figures relative to the same period in 2010, although it continued to post a deficit. In terms of the public debt, given the fact that it continued to grow in absolute terms and that the slowdown in Lebanon's economic growth continued to persist throughout 2011, it is likely that Debt-to-GDP ratio may consequently rise to 136% from the 134% attained by the end of 2010.

<i>in Millions of LBP</i>	2010	2011	%
Total Revenues	12,684,323	14,070,421	11%
Total Expenditures	17,052,822	17,600,009	3%
Total Fiscal Deficit	-4,362,562	-3,529,588	-19%
Total Primary Surplus	1,855,076	2,504,628	35%
Budget Revenues	12,018,493	13,352,773	11%
<i>incl. Transfer of Telecom Surplus</i>	957,000	2,261,250	136%
Budget Expenditures	15,186,989	16,022,347	6%
<i>incl. Transfers to EdL</i>	1,797,294	2,625,715	46%
Budget Primary Surplus	3,049,142	3,364,642	10%
Treasury Revenue	665,830	717,648	8%
Treasury Expenditures	1,859,896	1,577,662	-15%

2011 relative to 2010:
VAT revenues rose by 3.3%.
Custom Revenues fell by 22.2%

3a- Fiscal performance

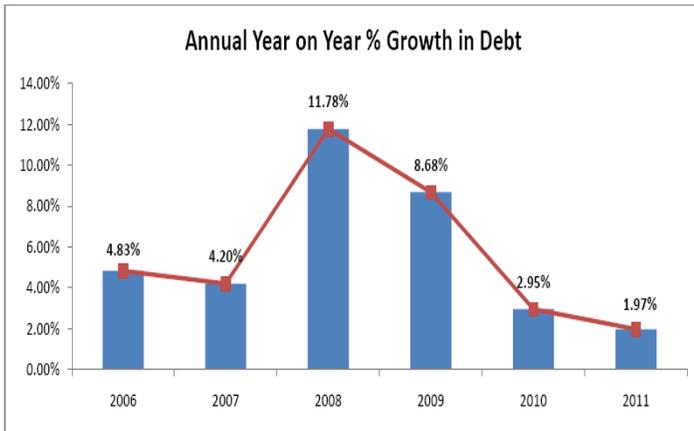
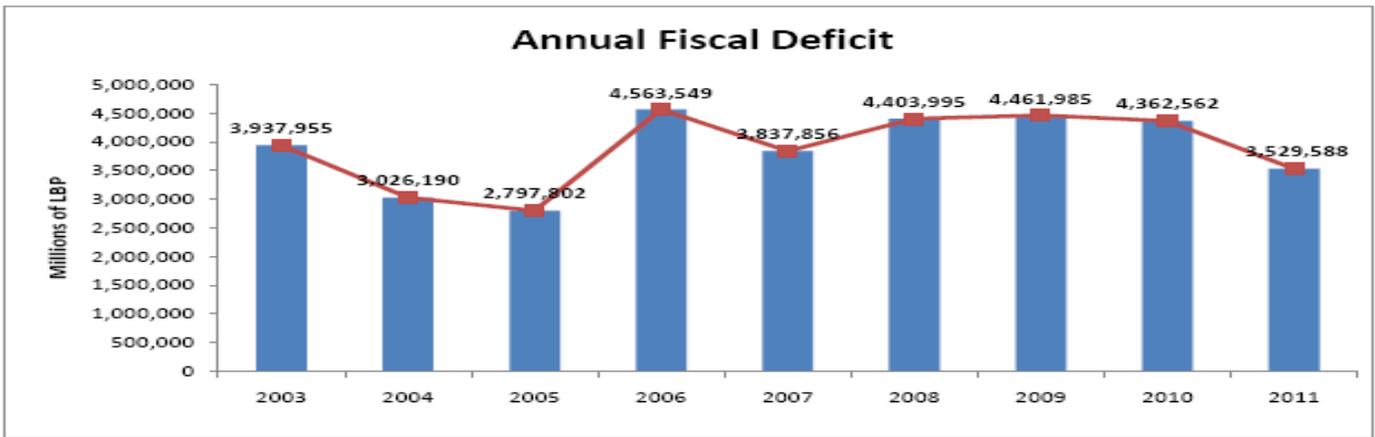
Fiscal performance continued to improve for the second year running as the **Fiscal Deficit** reached LBP 3,529 Billion (USD 2,340 Million) by the end of 2011, a fall of 19% and 2.2% relative to the same period in 2010 and 2009 respectively. Public finances improved following a significantly higher percentage increase in total revenues relative to expenditures.

Total revenues rose by 11% to reach an estimated LBP 14,070 Billion (USD 9,330 Million) in 2011 while **total expenditures** rose by a mere 3%, to reach LBP 17,600 Billion (USD 11,670 Million) in the same period. This led to the ratio of total deficit to expenditures to fall sharply from 26% in 2010 to 20% in 2011.

The improvement in the public finances was a result of an 11.1% rise in **budget revenues** and a 7.8% rise in **treasury receipts**. In terms of the budget revenues, **non-tax revenues** witnessed a significant jump of approximately 69.8%, mainly due to the inclusion of the expected revenues from the Ministry of Telecommunications that were accumulated over the 2011 period. **Tax revenues** on the other hand, fell 0.9%. According to the available data up until November 2011, the breakdown in tax revenues shows that taxes on income, profits and capital gains, taxes on property and taxes on goods and services rose by 18%, 3% and 2% respectively. The latter includes VAT, which saw a 3.3% rise. The 23% fall in taxes on international trade, which includes customs (-4%) and Excises (-30%) however, led to an overall 0.9% fall in tax revenues.

On the spending side, the small rise in total expenditures was a combined result of a 5.5% rise in **budget expenditures** and a 15.2% fall in **treasury withdrawals**. According to the available data up to November 2011, the 7.8% fall in **Capital Expenditures** was mainly due to a 15.4% and a 38.9% fall in construction in progress and expenditures related to fixed capital asset components respectively.

Similarly, the data up to November 2011 show that **Current Expenditures** saw a small rise of 5.5%. This was mainly due to a 4.5% rise in personnel cost and a 46.1% in EdL Transfers. Operation costs and debt repayments however, fell by 4.5% and 2.7% respectively.



In Billions of LBP	Dec-10	Nov/ Dec 2011	YoY % Change	YTD % Change
Gross Public Debt *	79,295	80,857	1.97%	1.97%
Gross Domestic Debt *	48,255	49,334	2.24%	2.24%
Central Bank Debt **	13,130	16,365	na	24.64%
Commercial Bank Debt **	27,214	25,560	na	-6.08%
T-Bills **	7,911	7,807	na	-1.31%
Gross Foreign Debt *	31,043	31,523	1.55%	1.55%
Bilateral, Multilateral and Foreign Private Sector Loans **	2,624	2,577	na	-1.79%
Paris II Related Debt (Eurobonds and Loans) **	4,137	3,713	na	-10.25%
Paris III Related Debt (Eurobonds and loans) **	1,855	1,745	na	-5.93%
Market-Issued Eurobonds **	21,870	23,302	na	6.55%
Accrued Interest on Eurobonds **	483	354	na	-26.71%
Special T-bills in Foreign Currency **	74	80	na	8.11%
Public Sector Debt *	11,419	10,984	-3.81%	-3.81%
Net Debt*	67,879	70,192	3.41%	3.41%
Gross Market Debt **	51,308	50,605	na	-1.37%

* December Figures
** November Figures

3b-Gross Public Debt

Gross Public Debt reached LBP 80,857 Billion (USD 53.6 Billion) by the end of 2011 relative to the LBP 79,298 Billion (USD 52.6 Billion) attained a year earlier, that is an increase of 1.97% over the 1 year period.

The 1.97% increase in **Gross Public Debt** can be broken down into a number of categories. The first, which represents **Local Domestic Debt**, grew by LBP 1,562 Billion (USD 1.04 Billion). Local Debt was mainly financed through an increase in borrowing carried out by the Central Bank (in the form of REPOs, Loans to EdL and through the financing of T-Bills) as well as through commercial banks and T-Bills. According to the 2011 data available up to November, central bank debt grew 24.64% since the beginning of the year while commercial bank debt and T-Bills fell 6.1% and 1.3% respectively.

The second category, which represents **Foreign Currency Debt**, similarly increased by 1.6% over the same period. In this context and according to the available data up to November 2011, Bilateral and Multilateral Debt as well as Paris II and III related loans fell by 1.8%, 10.2% and 5.9% respectively. Similarly, accrued interest on Eurobonds fell 26.7% whilst Market issued Eurobonds however, saw a 6.5% rise over the same period. Taking account of the 37.5% increase in **Public Sector Deposits** for the same period, the **Net Public Debt** becomes LBP 70,192 Billion (USD 45.8 Billion).

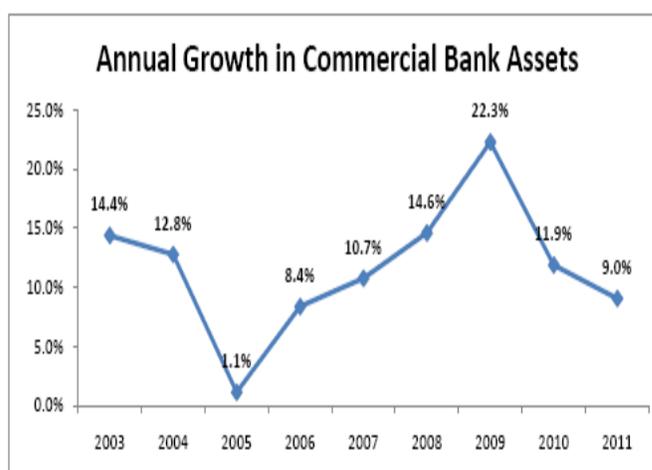
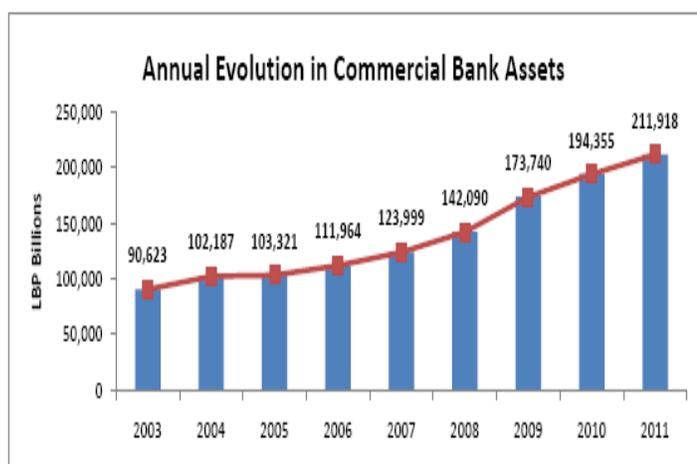
In addition to its deterioration in absolute terms, it is important to also recognize that growth in the **Gross Public Debt** in 2011 saw a rise of LBP 2,661 Billion (USD 1.8 Billion) since the beginning of the year relative to a fall of LBP 360 Billion (USD 239 Million) attained in the same period in 2010. Together with the fact that we use the most recent IMF 2011 forecast of 1.5% since 2011 Official National Account forecasts for Nominal GDP and GDP growth rates are still unavailable, the **Debt-to-GDP Ratio** consequently rises from 134% by the end of 2010 to an expected 136% for the end of 2011, as shown in the table below.

Evolution in Lebanon's Debt-to-GDP								
2003	2004	2005	2006	2007	2008	2009	2010	2011
168%	167%	176%	180%	168%	156%	146%	134%	136%

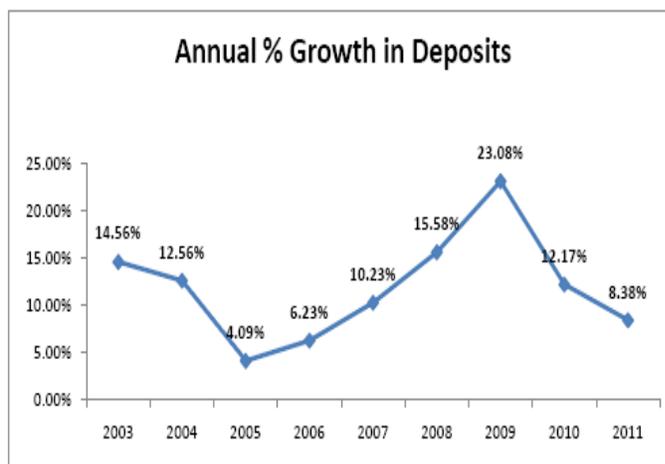
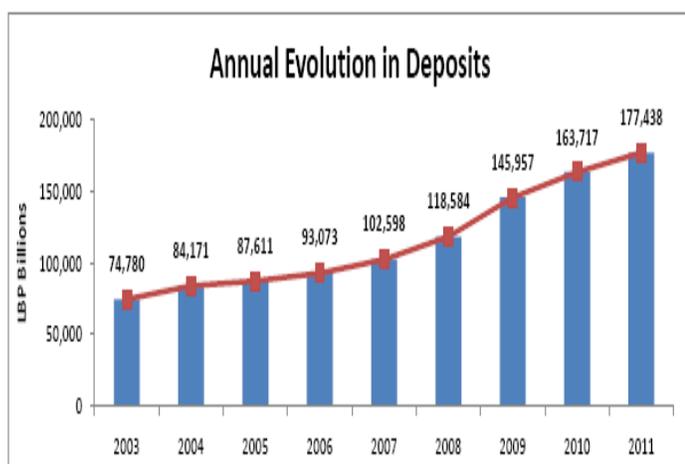
IV- The Financial Sector witnessed a slowdown in its growth performance in 2011. Banking and Financial indicators such as **Commercial Bank Assets**, **Liquidity**- as shown via the inflow in **Deposits**- and the **Money Supply** clearly demonstrate this trend, as growth rates fell despite a positive evolution in absolute numbers. The Beirut stock exchange also saw a slowdown by the end of the year.

4a- Banking and Financial Institutions

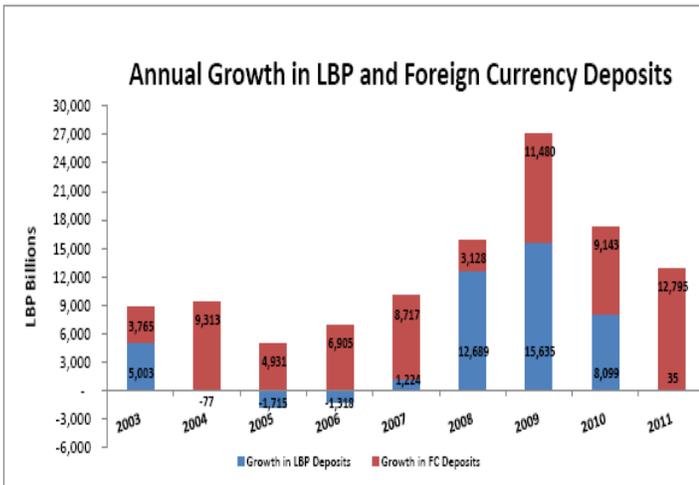
Commercial bank assets continued to grow in 2011, reaching LBP 211,918 Billion (USD 140.6 Billion) by the end of the period, indicating a year on year growth rate of 9%. In 2011, commercial banks assets increased by LBP 17,563 Billion (USD 11.7 Billion) relative to the LBP 20,615 Billion (USD 13.7 Billion) attained in the same period a year earlier. That is, commercial banks witnessed a slowdown in growth in 2011 relative to the same period in 2010, as assets grew by 9% in the former relative to the 11.9% reached in the latter period.



The evolution in **customer deposits** continued to move in an upward direction, reaching LBP 177,438 Billion (USD 117.7 Billion) by the end of 2011. However, deposits witnessed a slowdown in growth following a 8.4% increase in 2011 relative to the 12.2% increase attained in 2010.



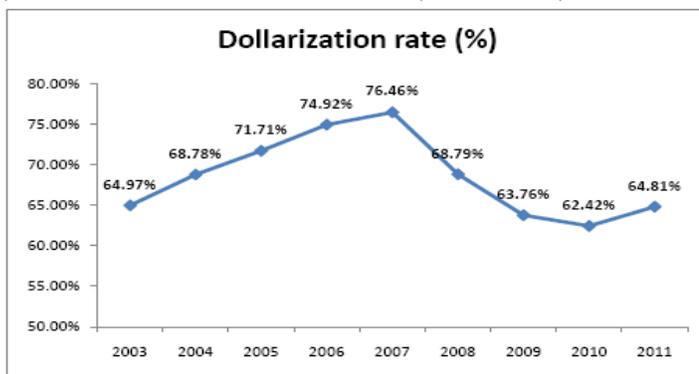
Absolute growth in Bank Deposits was mainly achieved by the **Foreign Currency Deposits**, as they grew 12.5% relative to 2010. **Lebanese Pound Deposits**, on the other hand, only increased by 0.1% relative to the levels achieved in 2010. In this context, Foreign Currency Deposits continue to represent the lion share of bank deposits, totaling 66% of total deposits while Lebanese Pound Deposits make up 34% of deposits.



Lebanese Pound deposits witnessed a fall in their growth relative to the increase observed in the growth of **Foreign Currency Deposits** in 2011 relative to 2010. As the graph aside shows, Lebanese Pound growth fell by LBP 8,064 Billion (USD 5.3 Billion), that is a 100% fall. The latter however rose by LBP 3,652 Billion (USD 2.4 Billion), or 40% over the same period.

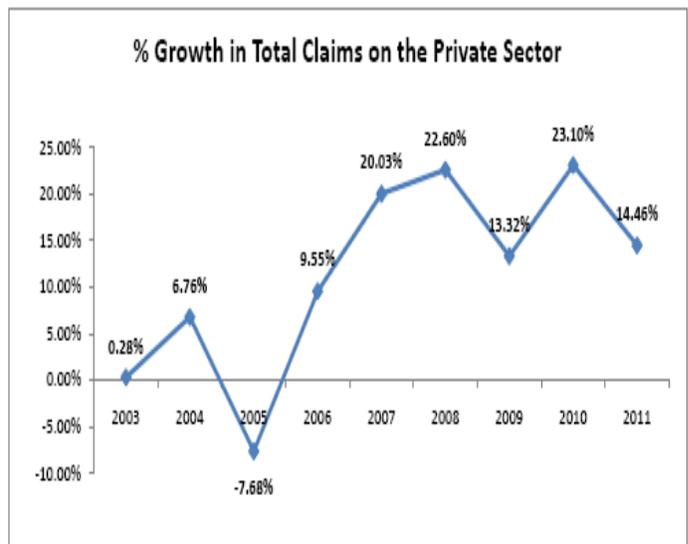
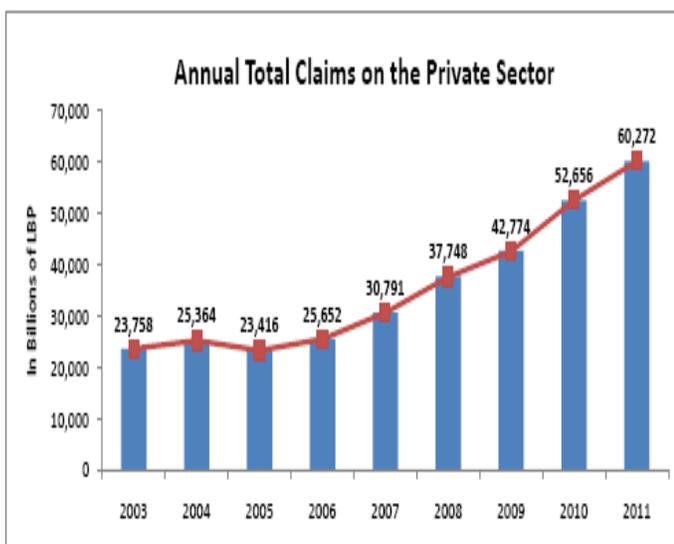
Type of Deposit	Annual 2011 Growth	Annual 2010 Growth
Resident Private (80% of Total Deposits)	6.46%	12.03%
Non Resident Private (18% of Total Deposits)	15.03%	11.54%
Public (2% of Total Deposits)	42.31%	32.55%

Furthermore, over the same period in 2011, the **Public Sector** was the category with the greatest percentage increase in deposits (42.3%), followed by the **Non-Resident Private Sector** deposits (15%) and the **Resident Private Sector** deposits 6.5%).

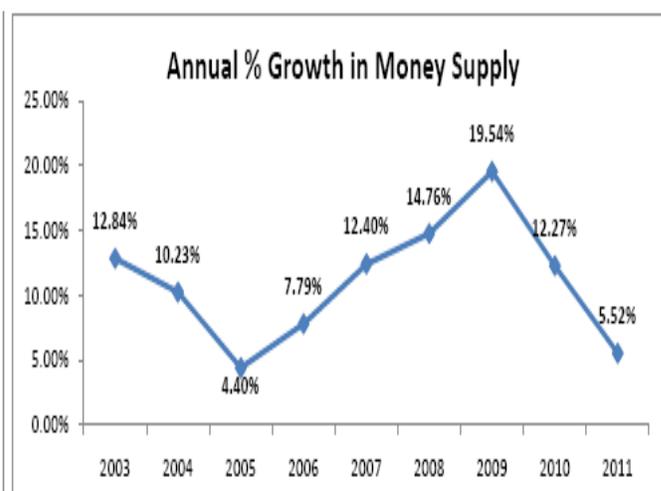
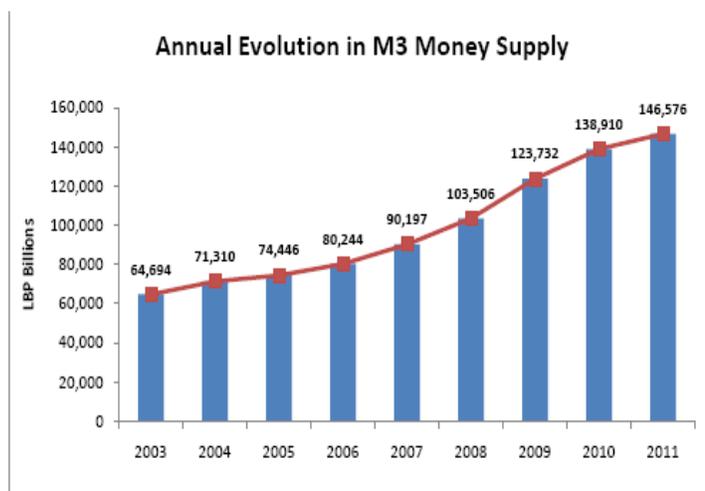


This fall in the growth of LBP deposits relative to the growth of FC deposits in 2011 has consequently led to a rise in dollarization rates in the Lebanese Banking system. According to the total deposits and deposits in LBP obtained from the central bank, **Dollarization Rates** reached 64.8% by the end of 2011.

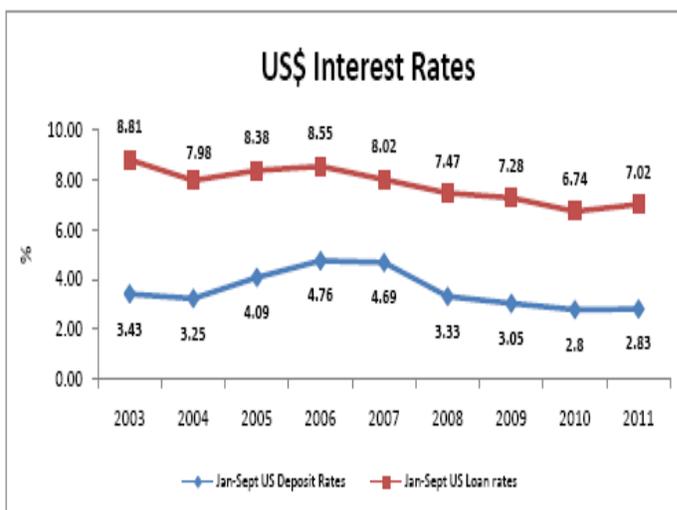
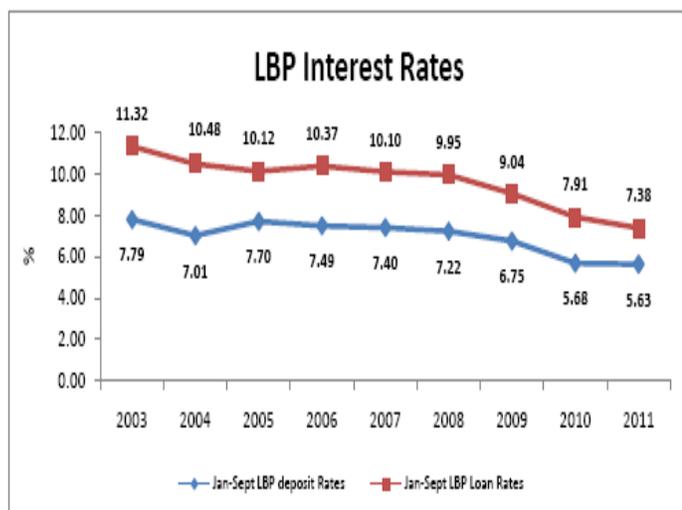
Data compiled by the Association of Banks in Lebanon shows that by the end of 2011, **Claims (lending) to the Private Sector** reached LBP 60,272 Billion (USD 39.9 Billion), representing a year on year rise of 14.5%. Growth in total claims in 2011 reached LBP 7,616 Billion (USD 5.1 Billion) compared to LBP 9,882 Billion (USD 6.5 Billion) attained over the same period in 2010, that is, a Year-To-Date increase of 8.6%.



The stock of money and quasi money (M3) grew to reach LBP 146,576 Billion (USD 97.2 Billion) by the end of 2011. However, growth in M3 attained LBP 7,666 Billion (USD 5.1 Billion) in 2011 relative to the LBP 15,178 Billion (USD 10.1 Billion) attained in the same period in 2010.



Interest rates continued to follow an overall downward trend on both LBP denominated and USD denominated deposits. By the end of 2011, LBP deposit rates decreased to 5.63% from the 5.68% observed by the end of 2010 while USD Deposit rates increased for the first time since 2007 to 2.83% from the 2.8% observed in the same period last year. Interest rates on LBP denominated loans by the end of 2011 fell to 7.38% from the 7.91% observed in the same period a year earlier. Similarly, interest rates on USD denominated loans increased from 6.74% to 7.02%.



Furthermore, interest rates on LBP instruments remained the same by the end of 2011 on both 45 and 60 day certificates of deposits issued by BdL. Interest rates on 45 Day and 60 Day certificated remained unchanged at 3.57% and 3.85% respectively. The yields on T-Bills remained the same by the end of 2011 at the following rates: 3.93% for three month bills, 4.81% for one year bills, 5.41% for two year bills and 6.03% for three year bills. Only yields on 6 month T-Bills fell slightly to 4.5%. As the table on page 13 shows, interest rates have fallen consistently year after year since the beginning of the decade for Certificates of Deposits and Treasury Bills.

	T-Bills						
	45 day CD	60 day CD	3 Months	6 Months	12 Months	24 months	36 months
2000	9.50	10.25	11.18	12.12	13.43	14.64	8.87
2001	9.50	10.25	11.18	12.12	13.43	14.64	8.87
2002	6.75	7.50	7.77	9.15	9.13	9.41	8.85
2003	4.40	4.89	5.48	6.53	6.87	7.99	8.87
2004	4.40	4.89	5.22	6.31	6.69	7.89	8.87
2005	4.40	4.89	5.22	7.24	7.75	8.68	9.56
2006	4.40	4.89	5.22	7.24	7.75	8.68	9.54
2007	4.40	4.89	5.22	7.24	7.75	8.68	9.54
2008	4.40	4.89	5.10	7.10	7.58	8.43	9.20
2009	3.77	4.03	4.55	5.72	5.73	6.42	7.23
2010	3.57	3.85	3.93	4.52	4.81	5.41	6.03
2011	3.57	3.85	3.93	4.50	4.81	5.41	6.03

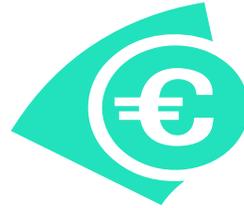
The **total value of checks cleared** in the banking system, an indicator of overall spending patterns in the economy, rose to USD 71,710 Million (LBP and FC combined) by the end of 2011, from the USD 68,629 Million observed in 2010- an increase of 4%. The number of checks cleared witnessed a 2% decrease to reach an approximate 13 million from the 13.4 Million attained in 2010. This has consequently led to a 7% increase in the average value of cleared checks in 2011.

	Annual Value of cleared checks (Millions of US\$)	Number of cleared checks	Annual Average Value of Cleared Checks (US\$)
2006	32,537	9,141,079	3,559
2007	38,342	10,794,030	3,552
2008	52,544	11,486,586	4,574
2009	57,460	12,227,136	4,699
2010	68,629	13,382,549	5,128
2011	71,710	13,065,776	5,488

4b- Beirut Stock Exchange

The performance of the Beirut Stock Exchange (BSE) is measured by looking at its market capitalization. This measures the dollar value of this entity by accounting for the value and volume of the stocks listed. The local political stalemate and regional political turmoil has put downward pressure on the BSE's equity prices. The BSE market capitalization by the end of 2011 was consequently down 19%, reaching USD 10,285 Million relative to the USD 12,676 Million attained a year earlier. This indicates slower rates of activity and hence, economic growth.





The MOET Annual Bulletin hopes to keep its readers up-to-date on Lebanon's economic climate.

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SOURCES:

- **Growth rates:** Estimates based on figures from Various Sources:
 1. IMF Mission Press Release Statement -Press Release No. 11/432, November 23, 2011
 2. World Bank: "Global Economic Prospects: Uncertainties and Vulnerabilities", January 2012
 3. Economic Intelligence Unit: Lebanon Country Report, December 2011
 4. International Institute of Finance: Audi Bank LWM 40 2011
 5. EFG Hermes: Audi Bank LWM 43 2011
 6. HSBC: Audi Bank LWM 41 2011
 7. Standard Chartered Bank: Byblos Bank LTW 246 2012
 8. Barclays Capital: Byblos Bank LTW 243 2011

Economic Highlights:

- **Real Sector**
 - **Area of Construction Permits and Number of Transactions:** Order of Architects and Engineers of Beirut and Tripoli: <http://ordre04.oeanet.org> and www.mouhandess.org.lb
 - **Cement Deliveries:** Banque du Liban: <http://www.bdl.gov.lb/edata/elements.asp?Table=t51-12>
 - **Real estate sales, value of sales and number of properties:** Directorate of Real Estate- Ministry of Finance

- **Inflation:** Estimates based on figures from December 2011
 - The Central Administration for Statistics: www.cas.gov.lb

- **Airport Activity:**
 - Banque du Liban: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=1>
 - Rafic Hariri International Airport statistics

- **Tourism**
 - Ministry of Tourism
 - Ernst and Young: Byblos Bank LTW 249 2012
 - Global Blue Lebanon S.A.L- Insight into Tourism Spending December 2011 YTD

- **External Sector**
 - Trade: <http://www.finance.gov.lb/en-US/finance/EconomicDataStatistics/Pages/TradeStatistics.aspx>
 - Balance of Payments: <http://www.bdl.gov.lb/edata/elements.asp?Table=t54-2>
 - Capital Inflows: Ministry of Economy and Trade DataFile Computations
 - Port of Beirut: <http://www.portdebeyrouth.com/stat.htm>
 - Custom Entry- Exit Points: <http://www.customs.gov.lb/customs/index.htm>

- **Fiscal Sector**
 - December 2011 YoY Fiscal Performance— <http://www.finance.gov.lb/en-US/finance/EconomicDataStatistics/Pages/FiscalPerformance.aspx>
 - December 2011 Economic Letter (Association des Banques du Liban)
ABL: <http://www.abl.org.lb/Library/Files/Files/EXEC%20SUM%20DEC%202011-%20JAN%202012.pdf>

- **Monetary and Banking sector**

- **Monetary survey:** BDL: http://www.bdl.gov.lb/edata/elements.asp?Table=q_BDL_SID2
- **Commercial Bank Assets:** BDL: http://www.bdl.gov.lb/edata/elements.asp?Table=q_BDLa_SID4
- **Commercial Bank Deposits- by type of deposit:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=4>
- **Commercial Bank Deposits- by currency of deposit:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=6>
- **Claims on private sector:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=4>
ABL: <http://www.abl.org.lb/Library/Files/Files/EXEC%20SUM%20DEC%202011-%20JAN%202012.pdf>
- **Interest Rates:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=7>
- **Cleared Checks:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=1>
- **Dollarization Rates:** Ministry of Economy and Trade DataFile Computations
- **Beirut Stock Exchange:** December 2011 Monthly Bulletin—<http://www.bse.com.lb/Market/HistoricalData/MonthlyBulletins/tabid/151/Default.aspx>