

ECONOMIC SUMMARY

The Lebanese economy saw mixed results in the first quarter of 2012 despite concerns over the regional political situation.



REPUBLIC OF LEBANON
MINISTRY OF ECONOMY & TRADE

Institution	2012 Annual Real GDP Growth forecasts as released by the end of 2011	2012 Annual Real GDP Growth forecasts as released by the end of Q1 2012	2012 Annual Real GDP Growth forecasts as released most recently
International Monetary Fund	3-4%	3.5%	3.0%
World Bank	5.0%	3.8%	no change
Economic Intelligence Unit	3.4%	3.2%	no change
Institute of International Finance	3.0%	no change	no change
EFG Hermes	4.4%	2.5%	no change
HSBC	3.2%	2.3%	no change
Merrill Lynch	3.8%	no change	no change
Standard Chartered Bank	3.8%	no change	3.5%
Barclays Capital	3.6%	no change	no change
AVERAGE	3.74%	3.51%	3.42%

The table above displays growth estimates made by major international institutions for the year 2012. As shown, rates averaged around 3.51%, a slight decline relative to the 3.74% estimate made for the year 2011. However, despite this slight reduction in estimated rates of growth, many economic indicators have seen a positive turnaround in their figures.

Real sector economic indicators - which include those related to real estate and construction, tourism and transport services- saw mixed results in Q1 2012 relative to the same period in 2011. Inflation also continued to follow an upward trend over this period.

The external sector continued to post a deficit but witnessed an improvement in figures, as reflected by the upturn in the balance of payments. This slight improvement resulted from a recovery in capital inflows in Q1 2012. However, they were not sufficient to cover the widening trade deficit.

Performance on the fiscal front also improved following the inclusion of the expected revenues from the Ministry of Telecommunications that was accumulated over the period, a growth in tax revenues and a fall in debt servicing, helping to boost the increase in total revenues relative to total expenditures. Public debt remained at around 136% of GDP.

The banking sector was the main economic entity that displayed positive activity growth by the end of Q1 2012 in absolute and in relative terms. The financial sector however saw a slight turnaround in performance.

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1. The Real Sector

contracted in 2012, due to the prevailing political tensions in the country and the regional turmoil that had a negative impact on investor and consumer sentiments at large. Real estate, construction, tourism and transport of passengers continued to deviate from their sharp upward trend observed from 2007-2010. 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

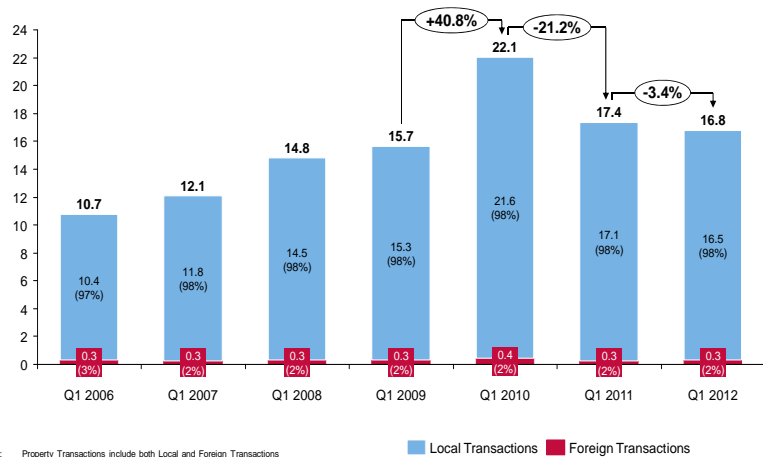
In the first quarter of 2012, the real estate and construction sector recorded a slight slowdown in activities relative to the same period in 2011. This is noticeable in both the year-on-year evolutions of the related demand and supply indicators.

The number of **total property sales**, which reflects demand for real estate, decreased by 3.4% to reach 16,784. This was mainly due to the wait and see attitude of investors of initiating new projects given the unstable regional environment. This is mainly evident with regards to the sale transactions made by locals, as they fell by 3.7%. **Sales transactions** to foreigners however, saw a rise in 15.7% over the same period.

The slowdown in the demand for Lebanese property sales was also accompanied by a rise in the **value of real estate sales**. The latter rose by 8% relative to the corresponding period in 2011, to reach USD 1,953 Million. As such, the average value of property sales in Q1 2012 reached USD 175,000, up by 11.8%.

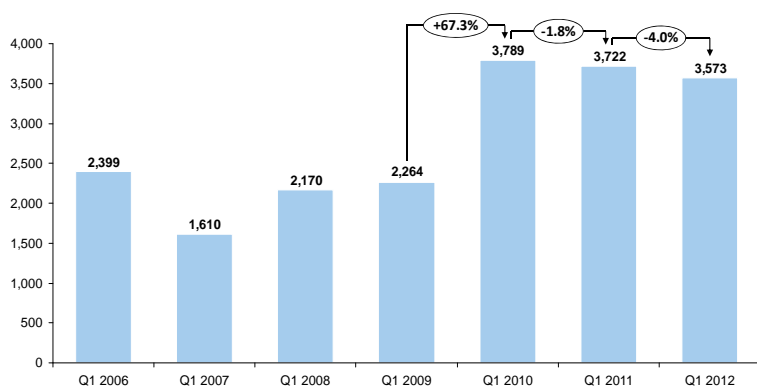
In terms of the supply of new property developments, indicators show that there was a 4% fall in Q1 2012 in terms of the number of new **construction permits** as well as a 40% fall in terms of the **number of new transactions**. The former drop compares to a 1.8% decline and a 67.3% rise witnessed over the same period in 2011. Similarly, the number of new transactions witnessed a sharp slowdown relative to the 20.4% growth attained between 2010 and 2011. The deterioration in the level of supply activities could be attributed to the overall fall in the level of demand following the regional instability and the consequent attitude of contractors to take less risk. **Tons of cement deliveries**, a second supply indicator of building activity furthermore, saw an decrease in Q1 2012 of 4.2% relative to the same period in the previous year.

Evolution in the Number of Property Transactions
(in Thousands of Transactions; 2006-2012)



Note: Property Transactions include both Local and Foreign Transactions
Source: Real Estate Directorate at the Ministry of Finance

Evolution in the Surface Area of Construction Permits
(in Thousands of Square Meters; 2006-2012)



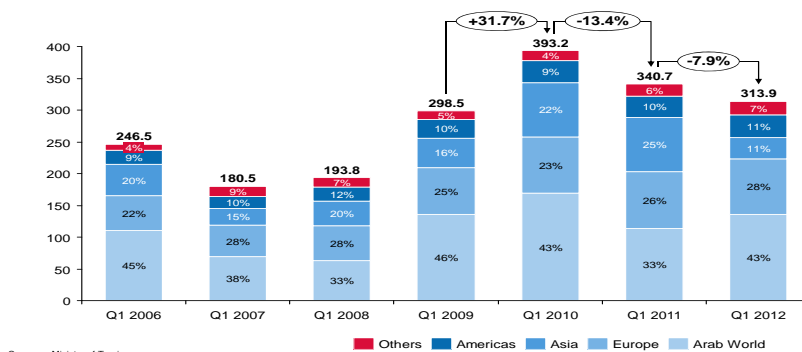
Source: Order of Engineers and Architects of Beirut and Tripoli

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— experienced mixed results by the end of Q1 2012.

According to the Ministry of Tourism and as the graph below shows, the **number of incoming tourists** fell in Q1 2012 by of 7.9% relative to the same period in the previous year. However, this fall is less than the decline witnessed a year earlier. According to the figures collected by Global Refund in the above table, Arabs also continue to represent the main tourists to Lebanon.

Evolution in the Number of Tourists (by Region)
(in Thousands of Tourists and in Percentages; 2006-2012)



Source: Ministry of Tourism

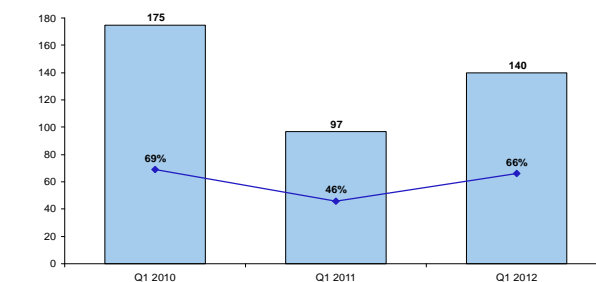
On the other hand, Tourism Spending figures - defined as purchases by tourists in Lebanon whose VAT was claimed- are also indicative of tourist spending trends. As the table below illustrates, Lebanon's main spending players, which consist of tourists originating from Arab countries such as Saudi Arabia, Syria, UAE, Egypt and Kuwait, saw a strong rebound in spending figures for the Year-to-Date March 2012 figures relative to the same period in 2011, 2010 and 2009. This reflects an overall improvement in tourism activity. For instance, Saudi Arabia, which represents approximately 20% of total tourists by December 2011-2012, saw a 36% rise in tourism spending in 2012 relative to the same period in 2011.

Evolution in YTD Tourism Spending (by Country)
(in Percentage; 2009-2012)

Countries	Average Ranking - March 2011/12	YTD % Change in Tourism Spending between March 2008/09	YTD % Change in Tourism Spending between March 2009/10	YTD % Change in Tourism Spending between March 2010/11	YTD % Change in Tourism Spending between March 2011/12
Saudi Arabia	20.0%	29%	23%	0%	36%
United Arab Emirates	12.0%	63%	31%	-15%	63%
Kuwait	8.5%	16%	12%	3%	40%
Syrian Arab Republic	6.5%	67%	-5%	-12%	45%
Egypt	6.5%	125%	57%	6%	-15%
Jordan	-	79%	38%	-31%	54%
Qatar	-	23%	25%	-18%	24%
France	-	74%	21%	-24%	61%
Other	46.5%	-	-	-	-

Source: Global Blue Lebanon SAL

Hotel Occupancy and Revenue per Average Room (RevPAR) Rates
(in Percentage and USD; 2009-2012)

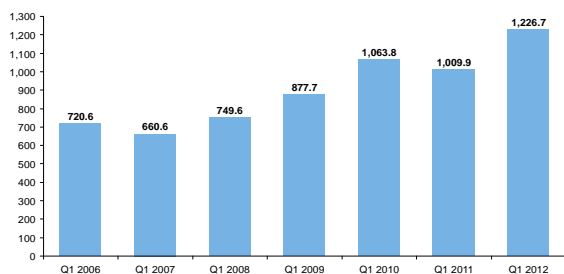


Note: Hotel Occupancy Rate is the percentage of all hotel rooms occupied at a given point in time. RevPAR is a performance metric in the hotel industry, which is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.
Source: Ernst and Young

Furthermore, a report by Ernst and Young recently shows that Beirut witnessed a significant upturn in its hotel indicators since the start of the year. **Hotel room yield (RevPAR) reached USD140 in Q1 2012**, a 44% rise compared to the same period in 2011, reflecting improvements in hotel profitability. This rise follows the combined effect of a Year-to-Date increase in **hotel occupancy rates** in Beirut- which reached 66% in 2012, relative to the 46% attained a year earlier- and **average room rates**, which maintained their rates at USD 220, over the same period.

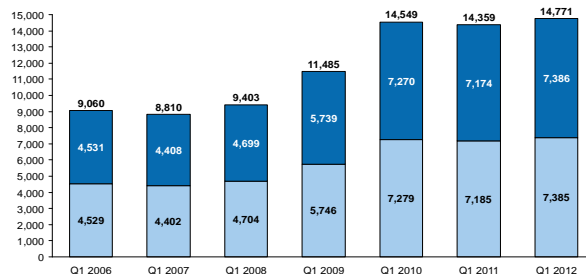
3- Airport Traffic

Evolution in the Number of Airport Passengers
(in Thousands of Passengers; 2006-2012)



Source: Beirut Rafic Hariri International Airport

Evolution in Flight Movements
(in Number of Flights; 2006-2012)



Source: Beirut Rafic Hariri International Airport

■ Landing Movements
■ Take Off Movements

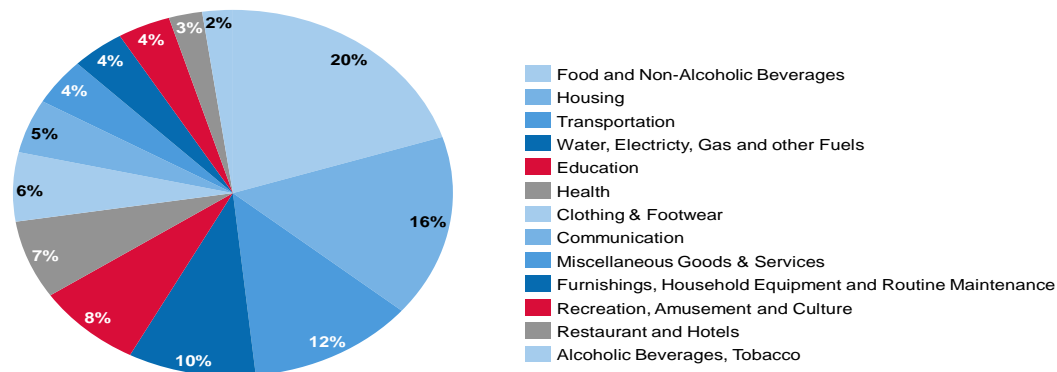
Transport of passengers, an indicator of airport traffic and tourism, grew in Q1 2012 relative to the same period in the previous year. The **number of passengers** passing through Rafic Hariri International Airport saw a year on year rise of 21%, from approximately 1 Million in Q1 2010 to 1.23 Million in the same period in 2011, as depicted by the statistics compiled at the Airport. This upturn was the result of an improvement in the number of departure and arrival components that make up the number of passengers, which saw a 21.47% and 21.5% respective increase in Q1 2012.

Furthermore, another indicator of airport traffic- the **number of flights**— rose by approximately 3%, which also reflects a resurgence in tourism.

4. Inflation

The **Consumer Price Index (CPI)**, which is issued by the Central Administration of Statistics (CAS) in Lebanon, 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. As such, the following weights for each category of basket of goods are given in the below chart:

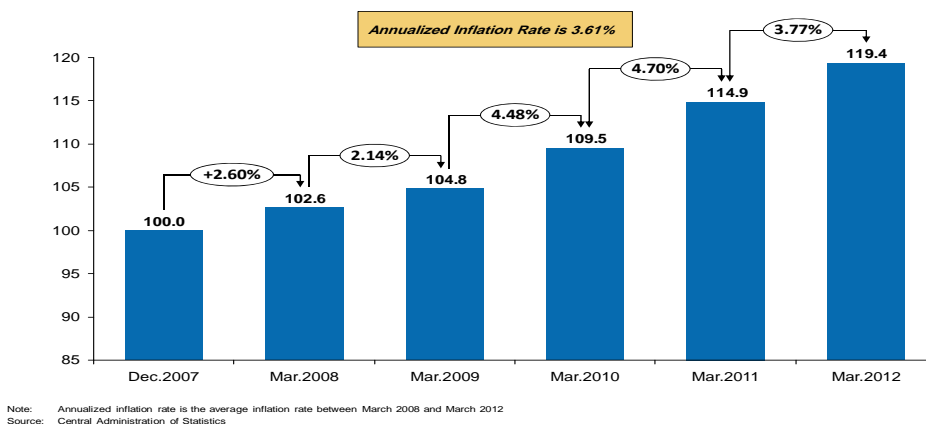
Weights of All Expenditure Categories
(as a % Percentage of Total)



Source: Central Administration of Statistics

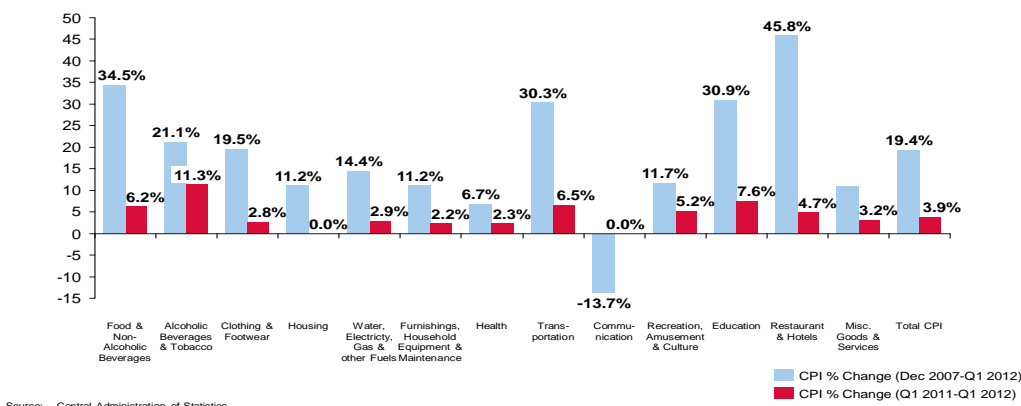
By the end of March 2012, the CPI reached a high of 19.4% since the new basket of goods was introduced in December 2007. It also rose by 3.9% relative to the inflation figures observed a year earlier.

Evolution in Consumer Price Index (Dec 2007=100)



The CPI figure for each category for the period between December 2007 and March 2012, as well as March 2011 and March 2012, are shown in the figure below:

Evolution in the Indexes of All Expenditure Categories (in Percentage; 2008-2012)



The continuous rise witnessed over the last year period comes 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: 11.3% rise in alcohol, beverages and tobacco, a 7.6% rise in education and a 6.5% rise in health figures.

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. Furthermore, the increase in wages that ensued some months ago, has also had an effect on the price of goods and services.

II. The External Sector showed mixed performance by the end of Q1 2012. The Balance of Payments continued to register a deficit following insufficient inflows of capital to cover the ever growing shortfall in the trade balance. Although aggregate trade activity rose by 28.9% in Q1 2012, growth in imports surpassed that of exports, thereby driving this expansion and putting a constraint on the performance of the sector. The goods trade deficit consequently rose by 33%.

2a- Balance of Payments, Capital Inflows and Trade

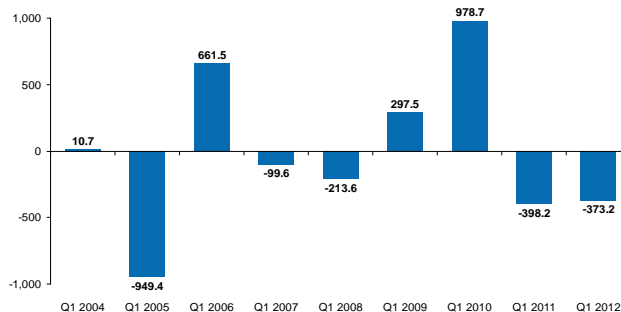
The balance of payments deficit saw a slight improvement in its figures as it fell from USD -398 Million in Q1 2011 to USD -373 Million in Q1 2012, that is, a 6% decline. This comes following a vast increase in capital inflows despite an even greater shortfall in the trade balance.

Lebanon continued to enjoy a surplus in capital inflows, which reached USD 4,449 Million by the end of Q1 2012, a 36.4% increase relative to Q1 2011. The improvement in inflows can firstly be attributed to the relatively low base attained in the same period of the previous year. Second, it is important to determine the key components of capital inflows, which range from non resident deposit inflows, to inward remittances and cash flows from tourists. Non resident inflows alone rose by 31%.

The 33.1% yearly increase in the trade deficit, which reached USD 4,822 Million by the end of Q1 2012, also contributed to the negative BoP balance. This increase was the result of greater rise in imports relative to exports. Imports rose by 30.5% in Q1 2012 relative to the same period in 2011, to reach USD 5,976 Million. The increase in the value of imports was due to inflationary pressures on the international price of commodities, such especially oil. For instance, although the volume of oil and mineral fuel imports rose by 88% by the end of Q1 2012 relative to the same period in 2011, its value also increased by a greater 119%. Furthermore, 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.

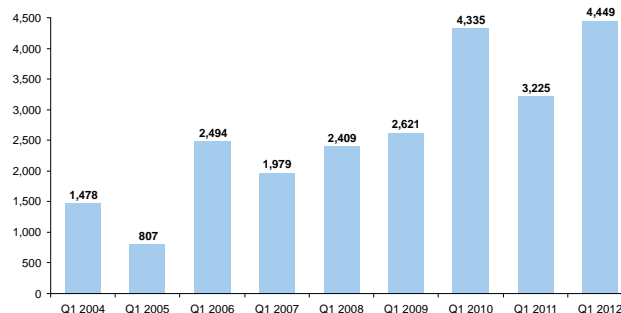
Exports, on the other hand, rose by 20.8% over the same period to reach USD 1,154 Million. This rise in the demand for exports comes despite the continued turmoil at the regional level.

Evolution in the Balance of Payments
(in Millions of USD; 2004-2012)



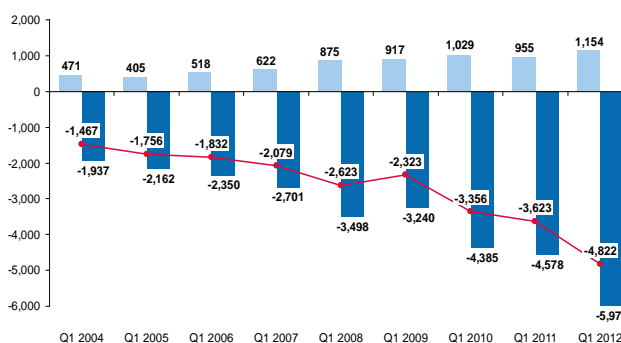
Source: Banque du Liban

Evolution in the Inflows of Capital
(in Millions of USD; 2004-2012)



Source: Ministry of Economy and Trade Own Calculations

Evolution in Exports, Imports and in the Trade Balance
(in Millions of USD; 2004-2012)



Source: Ministry of Finance

Exports Imports Trade Balance

2c- Maritime Transport Services

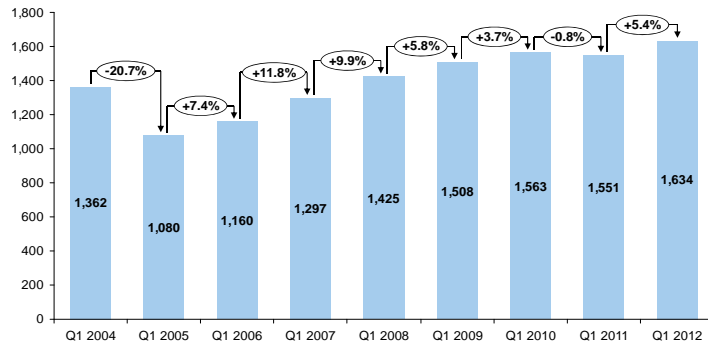
In terms of the main maritime transport services, port activity indicators at the Port of Beirut, including the tons of (incoming and outgoing) goods transported, the total number of (loaded and unloaded) containers (including transshipment) and port revenues, showed a slight improvement by the end of Q1 2012.

Port activity- measured in total tons of goods transported- increased by 5.4% 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 1.2% improvement over this period. The total amount of revenues generated by the Port of Beirut similarly rose by 6%.

In addition to this, data obtained from Customs shows that the value of goods in transit reached USD 94.26 Million in Q1 2012 relative to the USD 91.15 Million attained over the same period in 2011, that is, a 3.4% increase. The weight (in KGs) of the goods in transit also witnessed a 77.4% rise. The higher increase in the volume of transit figures indicates a lower value per KG in transits at the port from USD 1.19/KG by the end of Q1 2012 to USD 0.69/KG in the same period in 2011.

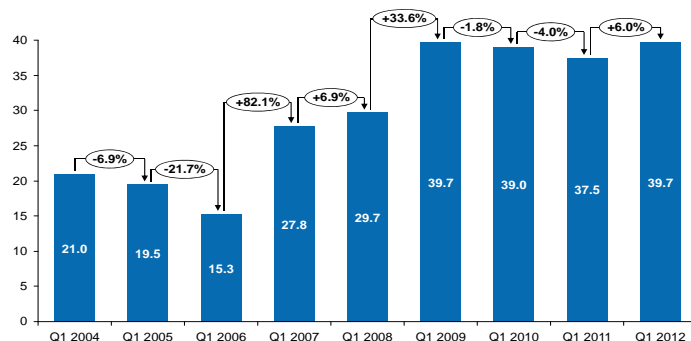
In terms of imports of goods, the most widely used points of entry into Lebanon in Q1 2012 since 2007 are the Port of Beirut and the Beirut Rafic Hariri International Airport, which averaged 67% and 19% respectively in the last 6 years. In terms of exports of goods, the most widely used points of entry into Lebanon in 2011 has shifted from being the Port of Beirut— which averaged 36% in the years 2007 and 2008 relative to the 30% average attained by the Beirut Rafic Hariri International Airport— to the Beirut Rafic Hariri International Airport, which averaged 44% 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.

Evolution in Activity at Beirut Port
(in Thousands of Tons, 2004-2012)



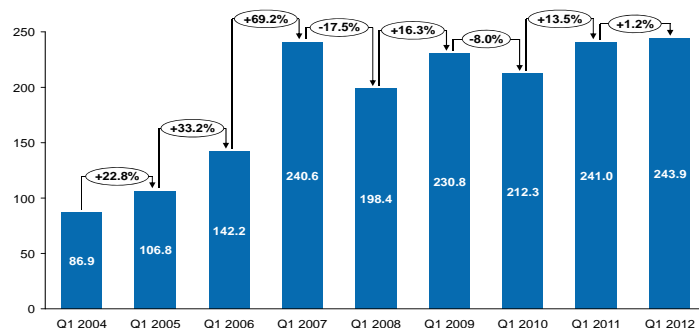
Note: Define Activity xxx
Source: Port of Beirut

Evolution in Beirut Port Revenues
(in Millions USD; 2004-2012)



Source: Port of Beirut

Evolution in the Number of Containers at Beirut Port
(in Thousands of Containers; 2004-2012)



Note: Number of Containers includes activity of Twenty Foot Equivalent Unit containers and Transshipments
Source: Port of Beirut

III- The FISCAL Sector saw mixed results by the end of Q1 2012. Fiscal performance saw an improvement in figures relative to the same period in 2011, 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 estimated economic growth for 2012 is expected to persist, it is likely that Debt-to-GDP ratio may consequently rise to % from the % attained by the end of 2011.

Indicator and Period	Q1 2011	Q1 2012	% Change
Total Revenues	2,727,975	3,521,979	29.1%
Total Expenditures	4,382,840	4,530,647	3.4%
Total Fiscal Balance	-1,654,865	-1,008,668	-39.0%
Total Debt Servicing	1,436,642	671,442	53.0%
Total Primary Balance	-218,223	266,784	223.3%
Budget Revenues	2,549,565	3,352,107	31.5%
Budget Expenditures	4,153,610	3,765,895	-9.3%
Budget Balance	-1,604,045	-413,788	-74.2%
Budget Primary Balance	-167,403	861,664	-614.7%
Treasury Revenues	178,410	169,872	-4.8%
Treasury Expenditures	229,230	764,752	233.6%

2012 relative to 2011:
 VAT revenues rose by 12.6%
 Custom Revenues fell by 1.4%

3a- Fiscal performance

Fiscal performance continued to improve as the **Fiscal Deficit** reached LBP 1,009 Billion (USD 2,340 Million) by the end of Q1 2012, a fall of 39% and 17.1% relative to the same period in 2011 and 2010 respectively. Public finances improved following a significantly higher percentage increase in total revenues relative to expenditures.

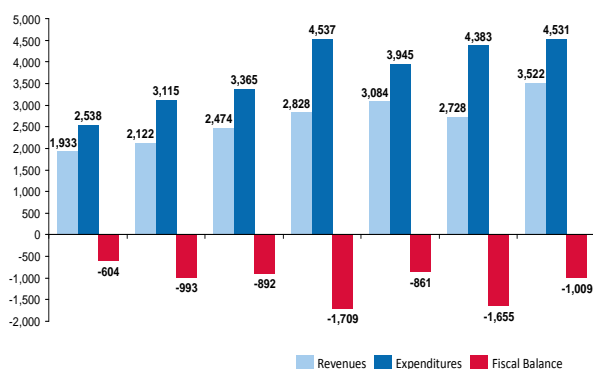
Total revenues rose by 29.1% to reach an estimated LBP 3,521 Billion (USD 2,340 Million) in Q1 2012 while **total expenditures** rose by a mere 3.4%, to reach LBP 4,531 Billion (USD 3,010 Million) in the same period. This led to the ratio of total deficit to expenditures to fall sharply from 38% in Q1 2011 to 22% in Q1 2012.

The improvement in the public finances was a result of an 31.5% rise in **budget revenues** despite a 4.8% fall in **treasury receipts**. In terms of the budget revenues, **non-tax revenues** witnessed a significant jump of approximately 44.6%, mainly due to the inclusion of the expected revenues from the Ministry of Telecommunications that were accumulated over the Q1 2012 period. **Tax revenues** also rose 13%. **According to the available data up until March 2012**, the breakdown in tax revenues shows that taxes on income, profits and capital gains and taxes on goods and services rose by 26% and 15% respectively. The latter includes VAT, which saw a 12.7% rise. The 1.4% fall in taxes on international trade, which includes customs (8.4%) and Excises (-6.2%) however, could not offset to rise in tax revenues.

On the spending side, the small rise in total expenditures was a combined result of a 1.8% rise in **budget expenditures** and a 156.7% rise in **treasury withdrawals**. According to the available data, the 5.3% rise in **Capital Expenditures** was mainly due to a 87.4% rise in spending on construction in progress. Maintenance costs however, fell 48%.

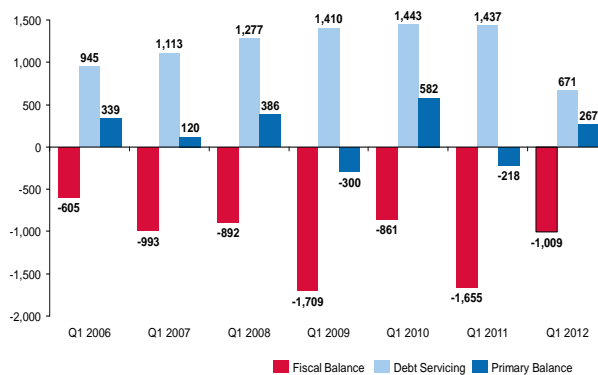
Similarly, the data shows that **Current Expenditures** saw a small fall of 1.5%. This was mainly due to a 12% fall in interest payments and a 100% fall in the transfers to NSSF. Transfers to EdL however increased by 62%.

Evolution in Total Revenues, Expenditures and Fiscal Balance (in Millions LBP; 2006-2012)



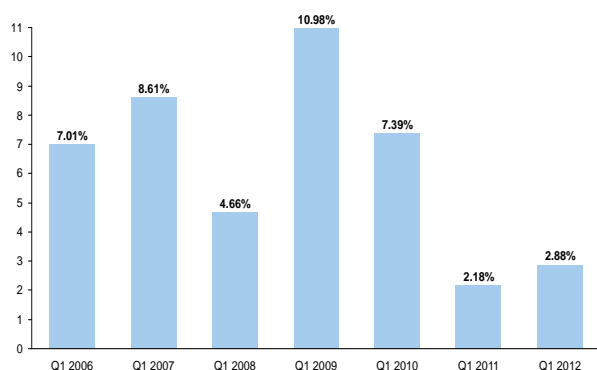
Source: Ministry of Finance

Evolution in the Primary Balance, Debt Servicing and Fiscal Balance (in Millions LBP; 2006-2012)



Source: Ministry of Finance

Evolution in the Year on Year Growth in Gross Public Debt (in Percentage; 2006-2012)



Source: Ministry of Finance

Evolution in the Breakdown of Public Debt Figures (in Millions LBP; 2006-2012)

Indicator and Period	Q1 2011	Q1 2012	% Change Q1 2011/ Q1 2012
Gross Public Debt	79,278	81,564	2.88%
G. Public Debt (USD)	52.6	54.1	2.85%
Local Currency Debt	47,841	50,491	5.54%
Central Bank	14,585	18,006	23.46%
Commercial Banks	25,356	24,618	-3.05%
T-Bills of which:	7,863	7867	0.05%
Public Entities	6,481	6,638	2.42%
Interest Expense	857	756	-11.79%
Foreign Currency Debt	31,438	31,073	-1.16%
Bi-Multilateral & Foreign Private Sector Loans	2,669	2,635	-1.27%
Paris II related Debt (Eurobonds etc.)	4,052	3,430	-15.35%
Paris III related Debt	1,848	1,547	-16.29%
Market Issued Eurobonds	22,346	22,852	2.26%
Interest on Eurobonds	448	503	12.28%
T-Bills in Foreign currency	74	106	43.24%
Public Sector deposits	10,506	10,807	2.87%
Net Debt	68,773	70,757	2.88%
Gross Market Debt	49,669	49,326	-0.69%

Source: Ministry of Finance

3b-Gross Public Debt

Gross Public Debt reached LBP 81,556 Billion (USD 54.1 Billion) by the end of Q1 2012 relative to the LBP 79,279 Billion (USD 52.6 Billion) attained a year earlier, that is a year on year increase of 2.88%.

The 2.88% increase in Gross Public Debt can be broken down into a number of categories. The first, which represents **Local Domestic Debt**, grew by LBP 2,650 Billion (USD 1.5 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 Q1 2012 data, central bank debt and T-Bills grew 23.4% and 0.1% year on year respectively while commercial bank debt fell 3.1%.

The second category, which represents **Foreign Currency Debt** however, fell by 1.2% over the same period. In this context and according to the available data, Bilateral and Multilateral Debt as well as Paris II and III related loans fell by 1.3%, 15.4% and 16.3% respectively. Market issued Eurobonds and the accrued interest on them however, rose by a respective 2.3% and 12.3%. Taking account of the 2.9% increase in **Public Sector Deposits** for the same period, the **Net Public Debt** becomes LBP 70,757 Billion (USD 46.9 Billion).

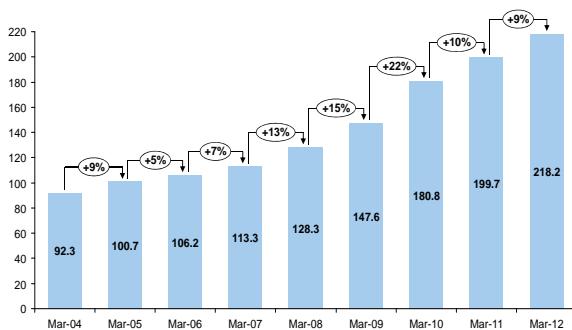
In addition to its deterioration in absolute terms, it is important to also recognize that growth in the Gross Public Debt in Q1 2012 saw a rise of LBP 707 Billion (USD 470 Million) since the beginning of the year relative to a fall of LBP 16 Billion (USD 10.6 Million) attained in the same period in 2011. Together with the fact that we use the most recent IMF 2012 forecast of 3% since 2012 Official National Account forecasts for Nominal GDP and GDP growth rates are still unavailable, the **Debt-to-GDP Ratio** consequently becomes 136% of GDP.

IV- The Banking and Financial Sectors witnessed an improvement in its growth performance in Q1 2012. Banking and financial indicators such as Commercial Bank Assets, Liquidity- as shown via the inflow in Deposits- Money Supply, Interest Rates and Cleared Check activity clearly demonstrate this trend, as growth rates portrayed a positive evolution. However, the Beirut stock exchange saw a slowdown by the end of the quarter.

4a- Banking and Financial Institutions

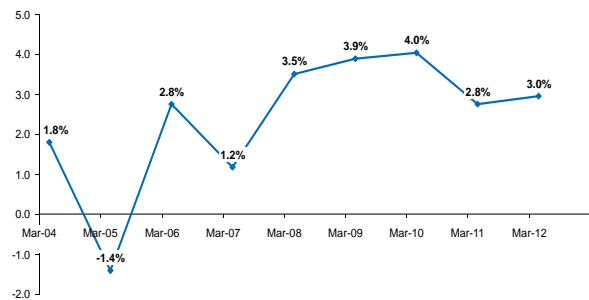
Commercial bank assets continued to grow in Q1 2012, reaching LBP 218,176 Billion (USD 144.7 Billion) by the end of the period, indicating a year on year growth rate of 3%. In Q1 2012, commercial banks assets increased by LBP 7,345 Billion (USD 4.87 Billion) relative to the LBP 5,370 Billion (USD 3.56 Billion) attained in the same period a year earlier. That is, commercial banks witnessed a slowdown in growth in Q1 2012 relative to the same period in 2011, as assets grew by 9.2% in the former relative to the 10.5% reached in the latter period

Value of Commercial Bank Assets
(in Thousand Billion LBP; 2004-2012)



Source: Banque du Liban

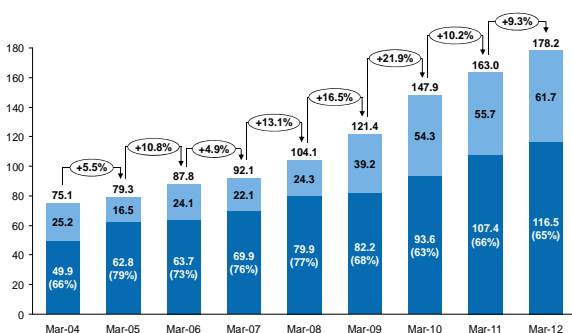
YTD Growth in Value of Commercial Bank Assets
(in Percentage; 2004-2012)



Source: Banque du Liban

The evolution in **customer deposits** continued to move in an upward direction, reaching LBP 181,323 Billion (USD 120.28 Billion) by the end of Q1 2012. Moreover, deposits witnessed an improvement in growth following a 3.64% increase in 2012 relative to the 1.02% increase attained in the same period in 2011.

Value of Bank Deposits (Lebanese and Foreign Currency)
(in Thousand Billions LBP; 2004-2012)

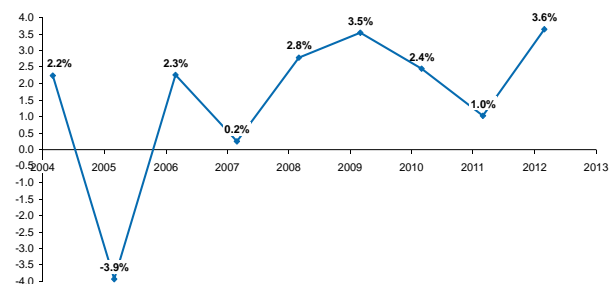


Note: Bank Deposits defined as Resident Private Sector Deposits (excluding Public Sector)

Legend:
■ Lebanese Deposits
■ Foreign Currency Deposits (with Dollarization Rate in %)

Source: Banque du Liban

YTD Growth in Bank Deposits
(in Percentage; 2004-2012)

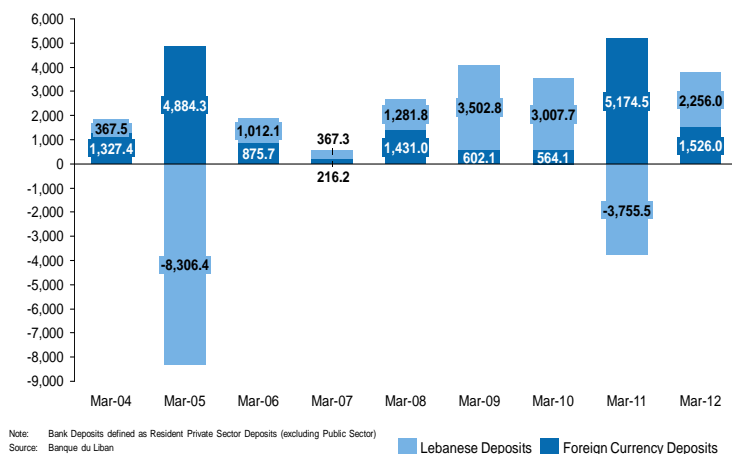


Note: Bank Deposits defined as Resident Private Sector Deposits (excluding Public Sector)

Source: Banque du Liban

Absolute growth in Bank Deposits was mainly achieved by the **Foreign Currency Deposits**, as they grew 8.5% relative to 2011. **Lebanese Pound Deposits**, on the other hand, only increased by 10.9% relative to the 2.5% achieved in 2011. In this context, Foreign Currency Deposits continue to represent the lion share of bank deposits, totaling 64% of total deposits while Lebanese Pound Deposits make up 34% of deposits.

Growth in Lebanese versus Foreign Currency Deposits (in Billions LBP; 2004-2012)



Lebanese Pound deposits witnessed an improvement in their growth which exceeded the increase observed in the growth of **Foreign Currency Deposits** in Q1 2012 relative to the same period in 2011. As the graph aside shows, Lebanese Pound growth grew by LBP 2,256 Billion (USD 1.5 Billion) whereas the latter rose by LBP 1,526 Billion (USD 1.01 Billion).

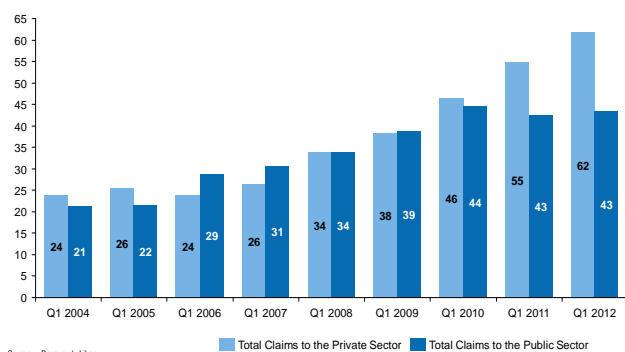
Type of Deposit	Q1 2012 Growth	Q1 2011 Growth
Resident Private (80%)	31%	50%
Non Resident Private (18% of Total Deposits)	19%	14%
Public (2% of Total Deposits)	7%	9%

Furthermore, over the same period in 2012, the **Public Sector** was the category with the greatest percentage increase in deposits (31%), followed by the **Non-Resident Private Sector** deposits (19%) and the **Resident Private Sector** deposits (7%).

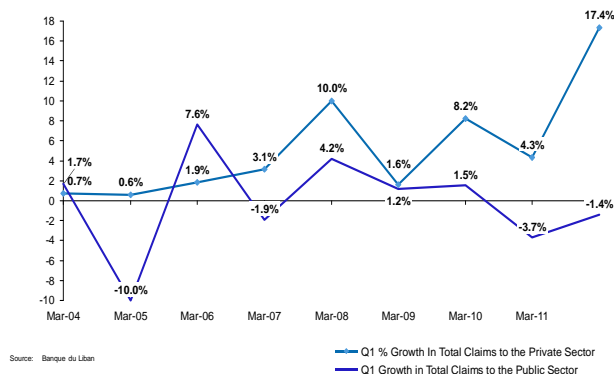
This improvement in the growth of LBP deposits that exceeded the growth of FC deposits in Q1 2012 has consequently led to a fall in dollarization rates in the Lebanese Banking system. According to the total deposits and deposits in LBP obtained from the central bank, **Dollarization Rates** reached 64.3% by the end of Q1 2012.

Data compiled by the Association of Banks in Lebanon shows that by the end of Q1 2012, **Claims (lending) to the Private Sector** reached LBP 61,803 Billion (USD 41 Billion), representing a year on year rise of 17.37%. Growth in total claims in Q1 2012 reached LBP 9,147 Billion (USD 6.07 Billion) compared to LBP 2,268 Billion (USD 1.5 Billion) attained over the same period in 2011, that is, a Year-To-Date increase of 3.03%.

Value of Total Claims to the Private (Resident and Non Resident) and Public Sectors (in Thousand Billion LBP; 2004-2012)

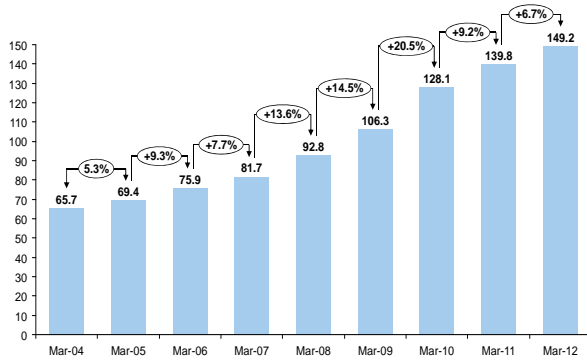


YTD Growth in Total Claims (Resident and Non-Resident) to the Private Sector (in Percentage; 2004-2012)



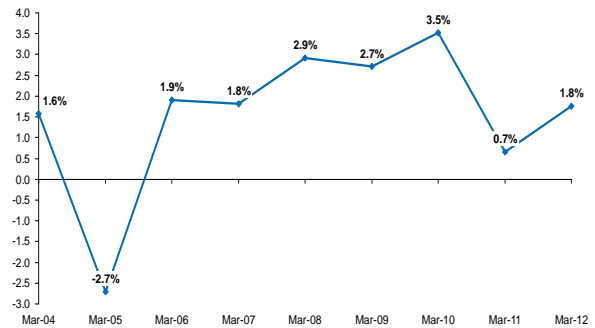
The stock of money and quasi money (M3) grew to reach LBP 149,519 Billion (USD 99.2 Billion) by the end of Q1 2012. However, growth in M3 attained LBP 2,583 Billion (USD 1.7 Billion) in Q1 2012 relative to the LBP 920 Billion (USD 0.6 Billion) attained in the same period in 2011.

Value of M3 Money Supply
(in Thousand Billion LBP; 2004-2012)



Source: Banque du Liban

YTD Growth in M3 Money Supply
(in Percentage; 2004-2012)

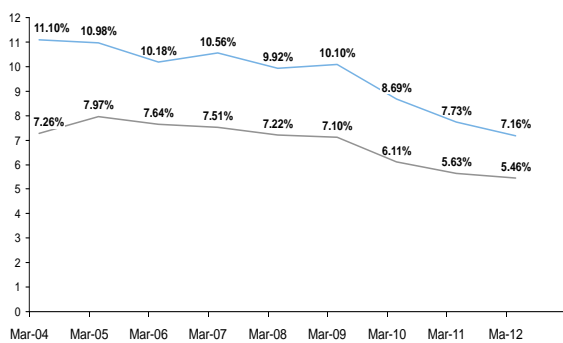


Source: Banque du Liban

Interest rates continued to follow an overall downward trend on both LBP denominated and USD denominated deposits. By the end of Q1 2012, LBP deposit rates decreased to 5.46% from the 5.63% observed by the end of Q1 2011 while USD Deposit rates increased for the first time since 2007 to 2.83% from the 2.82% observed in the same period last year. Interest rates on LBP denominated loans by the end of Q1 2012 fell to 7.16% from the 7.73% observed in the same period a year earlier.

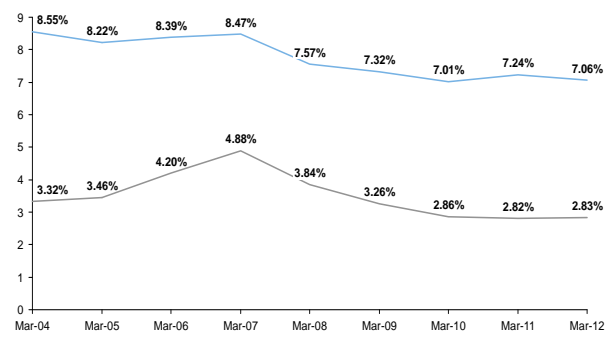
Similarly, interest rates on USD denominated loans decreased from 7.24% to 7.06%.

LBP Interest Rates
(in Percentage; 2004-2012)



Source: Banque du Liban

USD Interest Rates
(in Percentage; 2004-2012)



Source: Banque du Liban

Furthermore, interest rates on LBP instruments remained the same by the end of Q1 2012 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 increased by the end of Q1 2012 at the following rates: 4.43% for three month bills, 4.99% for six month bills, 5.33% for one year bills, 5.9% for two year bills and 6.58% for three year bills.

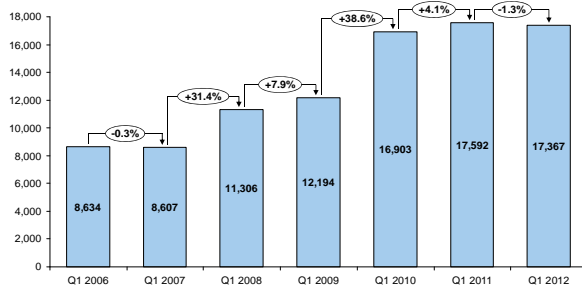
T-Bill and Commercial Deposits Rates (in Percentage, 2004-2012)

	Certificates of Deposits		T-Bills				
	45 Day CD	60 Day CD	3 Months	6 Months	12 Months	24 Months	36 Months
2004	4.40	4.89	5.29	6.40	6.76	7.95	8.85
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	5.22	7.24	7.75	8.68	9.54
2009	4.40	4.89	5.07	6.96	7.27	8.12	9.04
2010	3.57	3.85	4.44	5.50	5.58	6.13	6.98
2011	3.57	3.85	3.93	4.50	4.79	5.41	6.03
2012	3.57	3.85	4.43	4.99	5.33	5.90	6.58

Source: Banque du Liban

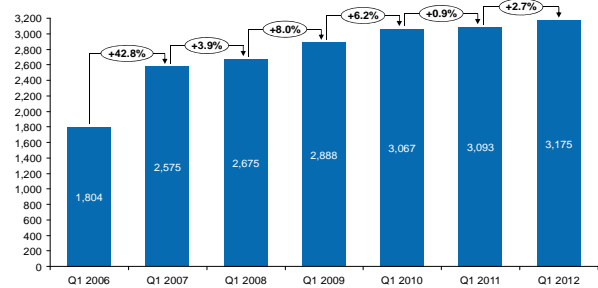
The **total value of checks cleared** in the banking system, an indicator of overall spending patterns in the economy, decreased to USD 17,367 Million (LBP and FC combined) by the end of Q1 2012, from the USD 17,592 Million observed in 2011- a decrease of 1%. The number of checks cleared witnessed a slight increase of 3% to reach an approximate 3.1 million from the 3 Million attained in the same period in 2011. This has consequently led to a 4% decrease in the average value of cleared checks in the end of Q1 2012.

Evolution in the Value of Cleared Checks
(in Millions USD; 2006-2012)



Source: Banque du Liban

Evolution in the Number of Cleared Checks
(in Thousands of Cleared Checks; 2006-2012)

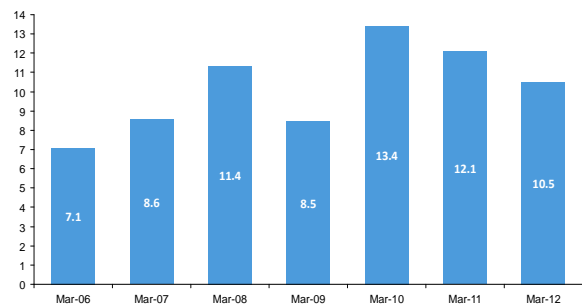


Source: Banque du Liban

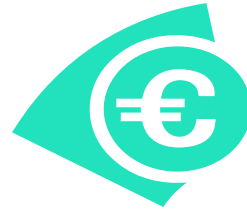
4b- Beirut Stock Exchange

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 Q1 2012 was consequently down 13%, reaching USD 10.5 Million relative to the USD 12.1 Million attained in the same period a year earlier. This indicates slower rates of activity and hence, economic growth.

Value of Market Capitalization
(in Millions USD; 2006-2012)



Source: Beirut Stock Exchange



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. 12/40, February 2012
 2. World Bank: "Global Economic Prospects: Uncertainties and Vulnerabilities", Volume 4, January 2012
 3. Economic Intelligence Unit: Lebanon Country Report, EIU December 2011
 4. International Institute of Finance: Daily Star—"IIF: Government investments needed for higher growth", 9th March 2012
 5. EFG Hermes: Audi Bank LWM 11 2011
 6. HSBC: Byblos Bank LTW 4 2012
 7. Standard Chartered Bank: Byblos Bank LTW 246 2012
 8. Barclays Capital: Byblos Bank LTW 249 2012

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 March 2012
 - 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: Daily Star, "Hotel Occupancy Rate rises to 74%", 28th April 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**
 - March 2012 YoY Fiscal Performance— <http://www.finance.gov.lb/en-US/finance/EconomicDataStatistics/Pages/FiscalPerformance.aspx>
 - March 2012 Economic Letter (Association des Banques du Liban)

- **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>