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SGBL Eco News

April 1, 2019

LEBANESE ECONOMY OFF TO A LACKLUSTER START IN 2019

- **BdL's Coincident Indicator fell by 4.4% yoy in January as construction activity slumps**
- **Primary market yields on public debt are lower since 2011 despite growing risk**
- **RevPARs climbed by 35.6% yoy in January as hotels gain greater pricing power**

The Lebanese economy got off to a lackluster start in 2019 amid a sharp downturn in construction activity and tightening credit conditions. Banque du Liban's Coincident Indicator, a proxy for GDP growth, dropped by 4.4% yoy in January, pulling down the index by an average of 0.1% in the 12-months through January, its first negative reading for the period in 12 years. In particular, cement deliveries and cleared cheques, two components of the Coincident Indicator, plummeted by 20.9% yoy to 217,379 tons and by 10.9% yoy to $4.9bn respectively, offsetting robust growth in tourism during the month.

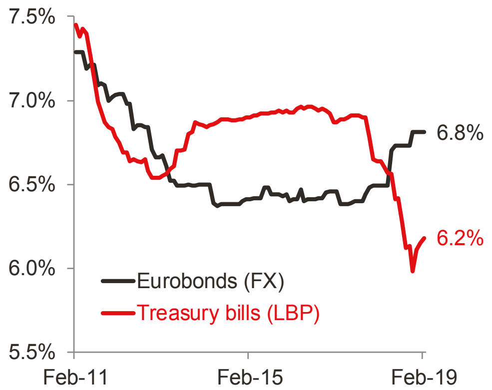
The real estate and construction sectors were severely hit by the scaling back of subsidized housing loans and by higher borrowing rates. Real estate sales registrations resumed their downward trend at the start of 2019, falling by 19.7% yoy to $1.1bn in the first two months.

The slowdown in construction activity triggered a decline of 55.5% yoy to $36.4m in the imports of iron and steel in January 2019, contributing to a reduction in the country's trade deficit. Imports fell across most other segments too, including cars, food products, and pharmaceuticals as tighter credit conditions and the high unemployment rate took a heavy toll on consumer demand, especially for big-ticket items.

As a result, Lebanon's trade deficit shrank by $253.2m yoy to a 17-month low of $1.2bn in January, and is projected to contract by up to 1.1% for the full year, according to the Institute of International Finance's bullish scenario of deep reforms. The smaller deficit would ease pressure on the central bank's foreign currency reserves and on the country's balance of payments which posted a deficit of $1.4bn in January.

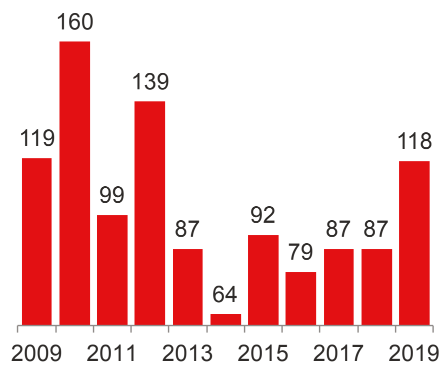
The balance of payments is also expected to benefit from continued international donor support for Lebanon's response to the Syrian crisis. Donors meeting at a Brussels conference

Weighted primary market rates on public debt



Source: BdL, ABL, Economena, SGBL Research

RevPAR, Beirut 4-& 5-star hotels (January, $)



Source: EY, Economena, SGBL Research

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in March pledged $7bn in humanitarian aid for vulnerable households inside Syria and for refugees and host communities in neighboring countries in 2019.

Lebanon's share of international pledges has yet to be specified, but the country had appealed for $2.6bn to fund its crisis response plan which aims to support an estimated 2.7 million people in need, including 1.5 million displaced Syrians, 1 million vulnerable Lebanese, and 208,800 Palestinian refugees. An estimated 946,291 Syrian refugees in Lebanon were registered with the United Nations High Commissioner for Refugees (UNHCR) by the end of February 2019, a decrease of 199,420 from their peak at the end of 2014.

International aid for Lebanon's Syrian crisis response reached $7.2bn between 2011 and 2018.

International humanitarian support for Lebanon reached $7.2bn between 2011 and 2018, but has consistently fallen short of the funding required to cope with the massive influx of refugees. In 2018, Lebanon appealed for $2.7bn to fund its crisis response plan, but received only $1.1bn, in addition to $312m that was carried over from 2017, leaving a funding gap of $1.3bn or 48% of total needs, according to UNHCR.

PARLIAMENT AUTHORIZES $4.8BN IN EUROBONDS

In the meantime, Parliament authorized the issuance of up to $4.8bn in new Eurobonds, including the possibility of exchanging them for local currency debt, as the government looks to meet an estimated $4.7bn in maturing foreign currency debt and interest obligations in 2019.

Primary market yields on government debt in local and foreign currencies have decreased since 2011, and remain well below secondary market rates even as credit rating agencies have lowered the country's sovereign debt ratings. The weighted interest rate on outstanding Eurobonds is down by 50 basis points to 6.81% in February 2019, and the average coupon rate on local currency debt is down by 138 basis points to 6.18% over the same period.

While interest rates remained contained, the stock of debt has grown unabated, weighing heavily on the state's debt service costs. Higher interest payments, along with rising energy subsidies and a new public sector salary scale offset robust growth in tax revenues in the first 11 months of 2018. Public revenues grew by 4.7% yoy to $10.7bn driven by higher sales and interest income taxes, but the fiscal deficit still swelled by 72.1% to $5.8bn during the period, Ministry of Finance data showed.

The new Cabinet is debating a draft electricity reform plan that would gradually raise supply and reduce subsidies.

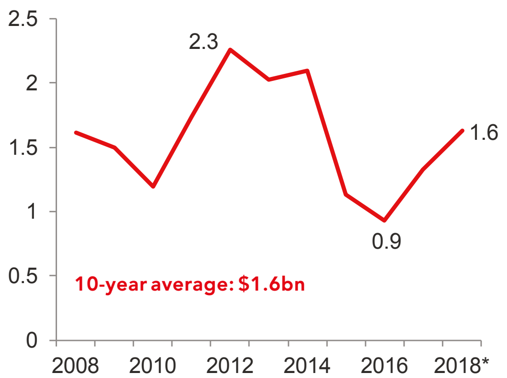
The government spent an additional $476.6m in electricity subsidies through November 2018, raising its advances to Electricité du Liban by 41.4% yoy to $1.6bn following an increase in global crude oil prices. The new Cabinet is debating a draft reform plan that would gradually increase electricity supply and reduce subsidies by raising prices and clamping down on illegal usage.

CONSTRUCTIVE OUTLOOK FOR BANKING AND TOURISM

Record taxes in Lebanon and exposure to Turkey led net profits of Alpha Group banks, the 16 lenders with over $2bn in deposits, down 5.5% to $2.3bn in 2018, data compiled by Bankdata Financial Services showed. Nevertheless, the outlook for Lebanon's banking system remains stable thanks to expectations of deposit inflows and slightly increased economic growth, stated Moody's Investors Service, a ratings agency, in a March report. However, operating conditions are expected to remain challenging over the coming 12 to 18 months and dependent on the government's ability to implement highly anticipated fiscal and economic reforms, according to Moody's.

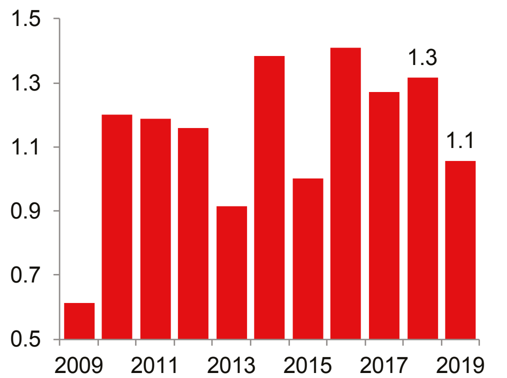
The outlook is even brighter for the tourism sector, with renewed momentum from Saudi Arabia's February decision to lift its travel warning for Lebanon. The hospitality sector has already scored big gains in 2018 in both occupancy rates and room yields at the start of the year. Revenue per available room (RevPAR) kicked off the year with an increase of 35.6% yoy to $118 in January, the second highest among 14 major Arab cities surveyed by Ernst & Young.

Government transfers to EdL ($bn)



**Note: Through November. Source: MoF, Economena, SGBL Research*

Real estate sales (Jan-Feb, $bn)



Source: DLR, Economena, SGBL Research

TRADE DEFICIT SHRANK TO 17-MONTH LOW IN JANUARY 2019

- **Credit crunch and high unemployment bite into demand for big-ticket items**
- **Transit costs impeding recovery in exports despite reopening of routes through Syria**
- **Lebanon reported deficits with 120 countries in January, surpluses with 42 countries**

Lebanon's trade deficit shrank by $253.2m yoy to a 17-month low of $1.2bn in January 2019 after the economic slump took a heavy toll on virtually every import segment, namely cars, food products, pharmaceuticals, and construction materials, Customs data showed.

Lebanon reported trade deficits with 120 countries in January led by China, Italy, and Greece, and surpluses with just 42 countries, led by South Africa, Syria, and Qatar, reflecting the breadth of imbalances in the country's trade sector.

Good imports plunged by 17.6% yoy to $1.4bn in January, their biggest drop in over three years, helping offset a slowdown in exports during the month. Imports of vehicles and transport equipment fell to a four-year low of $109m as the credit crunch and high unemployment rate bite into both consumer and business demand for big-ticket items. New car sales decreased by 21.9% yoy to a decade-low of 3,966 vehicles in the first two months of 2019, on top of a drop of 11.4% in 2018, weighing on import orders by distributors.

Goods imports plunged by 17.6% yoy to $1.4bn, their biggest drop in over three years.

Real estate and construction activities were also severely hit by the scaling back of subsidized housing loans and by higher borrowing rates, causing a precipitous decline in the imports of construction material as reflected by a drop of 55.5% yoy to $36.4m in the imports of iron and steel in January 2019. Cement deliveries, a proxy for construction works, had plummeted to a 12-year low of 217,379 tons during the month while real estate sales registrations plunged by 26.3% yoy to $504.7m.

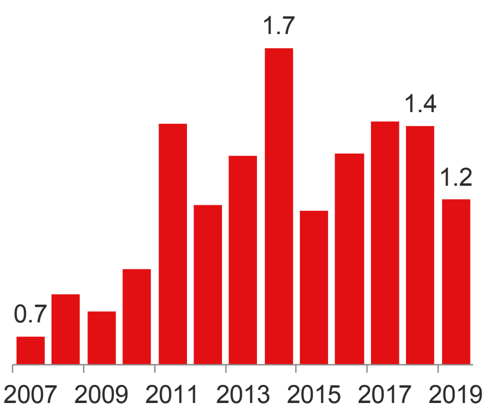
Meanwhile, export activity registered declines in machinery, prepared foods, textiles, and vegetable products in January. As a result, total merchandise exports fell by 16.7% yoy to $235.7m, with the United Arab Emirates and Switzerland topping the list of destinations with 17% and 12% of the total respectively.

The reopening of trade routes through Syria in 2018 is expected to gradually improve shipments by land to Arab countries, but higher transit costs are still a key impediment to a robust recovery in exports in the near term.

The merchandise trade deficit is projected to contract by 1.1% in 2019 and by 1.6% in 2020 under the Institute of International Finance's bullish scenario of deep reforms in Lebanon, driven by a rebound in exports of up to 3.9% in 2019 and up to 7% in 2020, and by stagnant imports. The smaller deficit would ease pressures on the country's balance of payments which posted a deficit of $1.4bn in January 2019.

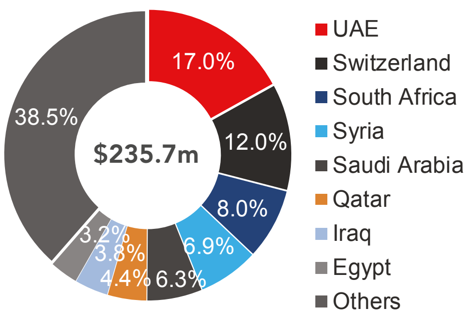
The trade deficit is projected by the IIF to contract by 1.1% in 2019 and by 1.6% in 2020 under the bullish scenario.

Trade deficit (January, $bn)



Source: Customs, Economena, SGBL Research

Exports by destination (Jan 2019)



Source: Customs, Economena, SGBL Research

PUBLIC SPENDING SPREE OFFSETS STRONG REVENUE GAINS

- **Revenues from VAT, airport, telecom, and interest tax are bright spots**
- **Deficit widened by 72.1% to $5.8bn by November 2018**
- **Cabinet debating electricity reform plan as subsidies bite**

Lebanon's public revenues grew by 4.7% yoy to $10.7bn in the first 11 months of 2018 buoyed by higher taxes introduced in late 2017, data by the Ministry of Finance showed. Robust revenues, however, were more than offset by a spending spree resulting from the passage of a new public sector salary scale and higher electricity subsidies. As a result, the fiscal deficit swelled by 72.1% to $5.8bn and the primary deficit, which excludes debt service, swung to a record deficit of $490.7m from a surplus of $1.4bn over the same period in 2017.

Income from the Value Added Tax jumped by 11.1% yoy to a record $2.4bn after the government raised the VAT rate to 11% from 10% at the start of 2018. The state also hiked the tax on interest income to 7% from 5% and revoked the deductibility from corporate taxes of the banking sector's interest earned on Treasury bills and deposits at the central bank. The measures brought in an additional $524.3m in revenues as income from the interest tax soared by 96.1% yoy to $1.1bn.

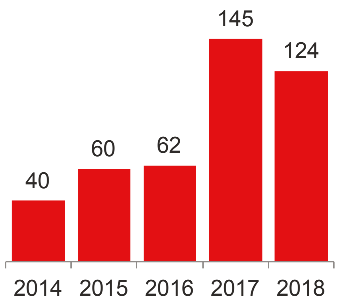
Revenues from taxes on personal income climbed by 14% yoy to $571.2m through November, and those from capital gains taxes soared by 21.2% yoy to $269.7m, together bringing in $117.3m more for the government compared to the same period in 2017.

Similarly, income from the state-owned telecommunications networks poured in at a faster rate in 2018, generating $921m in revenues for the government in the first 11 months, up from $713.8m through November 2017. Revenues from telecommunications services were projected by the 2018 budget law to increase by 6.7% to $1.4bn during the full year.

Revenue gains were dwarfed by a spending spree triggered by higher public sector salaries and rising fuel costs. Total cash expenditures surged by 21.4% yoy to $16.6bn in the first 11 months of 2018, a massive increase of $2.9bn. The government spent an additional $476.6m in electricity subsidies during the period, raising its advances to Electricité du Liban (EdL) by 41.4% yoy to $1.6bn to plug the deficit in the state-owned company's budget after crude oil prices rose by 31.2% to an average of $71.2 in 2018.

The new Cabinet is debating a reform plan that would gradually increase electricity supply and reduce subsidies by raising prices and clamping down on illegal usage. Still, a meaningful reduction in EdL's shortfall is unlikely in 2019. The government authorized in the first three months of 2019 an estimated $792m in advances to EdL as stop gap measures until the electricity plan is ready and a 2019 budget law is ratified.

Public revenues: Beirut airport (Jan-Nov, $m)



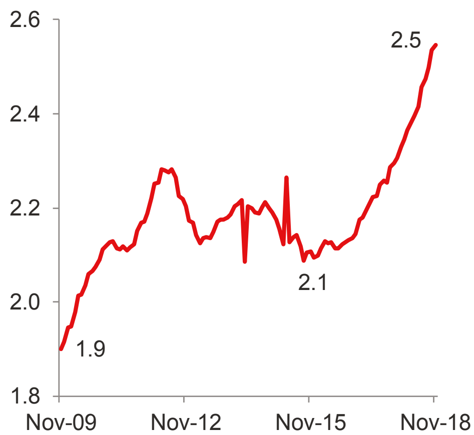
Source: MoF, Economena, SGBL Research

Public finances in the first 11 months ($m)

	2018	2017	% change
Total revenues	10,745	10,259	4.7%
Value Added Tax	2,422	2,181	11.1%
Customs tax	1,244	1,312	-5.2%
Interest tax	1,070	545	96.1%
Telecom	921	714	29.0%
Municipalities	219	276	-20.8%
Total spending	16,554	13,634	21.4%
Debt service	5,132	4,632	10.8%
Domestic	2,937	2,947	-0.4%
Foreign	2,195	1,685	30.3%
Transfers to EdL	1,626	1,150	41.4%
Municipalities	551	373	47.9%
Primary balance	-491	1,442	-
Fiscal balance	**-5,809**	**-3,376**	**72.1%**

Source: MoF, Economena, SGBL Research

VAT revenues (12-month moving sum, $bn)



Source: MoF, Economena, SGBL Research

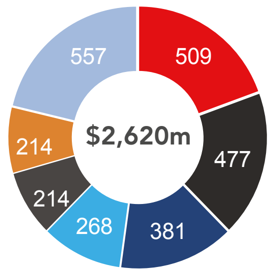
LEBANON APPEALS FOR $2.6BN FOR SYRIAN CRISIS RESPONSE PLAN IN 2019

- **Donors at Brussels conference pledge $7bn in Syrian crisis response aid in 2019**
- **Lebanon has received $7.2bn in Syrian crisis response funding since 2011**
- **Number of registered refugees in Lebanon fell by close to 200,000 since 2014**

International donors pledged at a Brussels conference in March to provide $7bn in funding to support the response to the Syrian crisis in 2019, including direct aid for refugees and host communities in neighboring countries. The United Nations had appealed for $8.8bn at the conference, including $5.5bn for neighboring countries and $3.3bn for the response inside Syria. The international community also committed to $2.4bn in aid for 2020 and beyond, while multilateral development banks and bilateral donors pledged up to $20.7bn in loans.

Lebanon's share of the humanitarian aid package has yet to be specified, but the country appealed for $2.6bn to fund its crisis response plan which is designed to support an estimated 2.7 million people in need, including 1.5 million displaced Syrians, 1 million vulnerable Lebanese, and 208,800 Palestinian refugees. An estimated 946,291 Syrian refugees were registered with the United Nations High Commissioner for Refugees (UNHCR) by the end of February 2019, a decrease of 199,420 from their peak at the end of 2014.

2019 appeal by sector ($m)



Source: UNHCR, Economena, SGBL Research

The plan aims to provide an estimated $508.6m for improving food access and availability through cash-based and in-kind food assistance as well as sustainable agricultural livelihoods. An additional $476.8m would be allocated to the provision of basis survival needs and to support populations affected by seasonal hazards and emergencies. Lebanon is also appealing for $381m to improve access to education, and for $267.5m for comprehensive primary care, emergency hospitalization, and disease control.

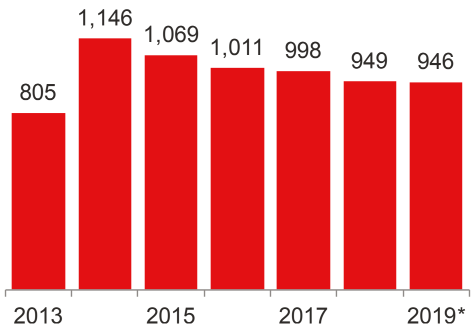
The Syrian conflict inflicted tremendous damage to Lebanon's social and economic growth, exacerbating pre-existing development constraints and causing deepening poverty and humanitarian needs, according to the World Bank. The crisis cost the Lebanese economy an estimated US$18.2 billion by 2015, or $3.6bn per year, due to slower growth, lower government revenues, and additional pressure on public services and infrastructure.

The impact on the agricultural sector and on vulnerable host communities in rural areas has been particularly significant. Large numbers of Syrian refugees in main agricultural areas in North Lebanon and the Bekaa are putting tremendous pressure on the country's farmlands, rangelands, groundwater, and forest resources, according to the Food and Agriculture Organization of the United Nations (FAO). Compounding the troubles of farmers is the disruption of trade routes to the lucrative Gulf Cooperation Council markets and Iraq, leaving a drastic impact on the exports of fresh produce, stated the FAO.

The impact on the agricultural sector and on vulnerable communities has been significant, stated the FAO.

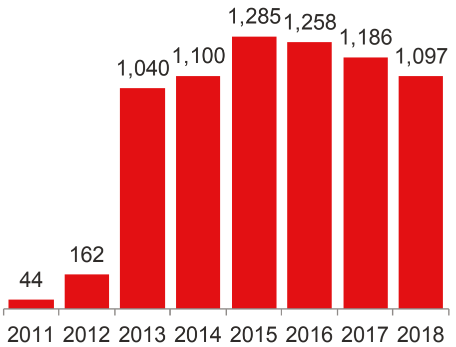
International humanitarian support for Lebanon reached $7.2bn between 2011 and 2018, but it has consistently fallen short of the funding required to cope with the massive influx of refugees. In 2018, Lebanon appealed for $2.7bn to fund its crisis response plan, but received only $1.1bn, in addition to $312m that was carried over from 2017, leaving a funding gap of $1.3bn or 48% of total needs, according to UNHCR.

Registered Syrian refugees (thousands)



**Note: Through February 28. Source: UNHCR, SGBL Research*

Funds received for crisis response ($m)



Source: LCRP, Economena, SGBL Research

BANK PROFITS BRUISED BY RECORD TAXES, FOREIGN EXPOSURE IN 2018

- **Exposure to Turkey weighs on profits, domestic profits stable**
- **Interest and corporate income taxes surged by 84.4% to $1.1bn in 2018**
- **Sector outlook stable on deposit inflows and economic growth – Moody's**

Net profits at Lebanon's Alpha Group banks, the 16 lenders with over $2bn in deposits, dropped by 5.5% to $2.3bn in 2018 amid turbulence in key foreign markets, particularly Turkey, data compiled by Bankdata Financial Services showed. Profits from operations and subsidiaries outside Lebanon plummeted by 31.3% to $223.1m, with the bulk of the decline concentrated in two banks with sizeable presence in Turkey, while domestic profits fell at a more moderate pace of 1.5% to $2bn.

Aggregate deposits of Alpha banks grew at a tepid pace of 2.1% to $188.4bn, but performance diverged widely between individual banks as conditions favored those with larger domestic activities and limited exposure to riskier regional markets. In particular, Société Générale de Banque au Liban (SGBL) expanded its balance sheet by 20.4% yoy to $26bn, moving up to third place by assets and deposits. SGBL drew $2.2bn more in customer deposits to reach $18.7bn, the fastest growth among Lebanese banks in 2018, and contributed to 56.4% of the combined increase in deposits of Alpha banks during the year.

Robust core banking activities helped soften the blow from a higher tax burden and deteriorating asset quality. Net interest income grew by 10.5% to $4.5bn even after the 7% interest tax shaved $603.9m off interest income during the year, up from $60.8m in 2017 and none in 2016. Corporate income taxes decreased by 10.2% to $467.1m in 2018, but banks paid an additional $603.9m in interest taxes after the government widened the scope of its interest tax to include the banking sector's interest income from deposits at the Central Bank and from interbank loans. As a result, aggregate accrued taxes surged by 84.4% to $1.1bn in 2018.

Alpha Group's unaudited results, 2018

	Assets ($bn)	Net profit ($m)
Bank Audi	47.2	500.6
BLOM Bank	36.7	510.4
SGBL	26.0	198.0
Byblos Bank	25.0	164.5
Fransabank	23.7	174.2
BankMed	19.1	31.8
Bank of Beirut	18.9	210.2
BLF	15.3	121.4
Credit Libanais	12.5	83.4
BBAC	8.1	51.7
IBL Bank	8.1	110.3
LGB Bank	5.6	26.7
First National Bank	5.2	36.2
Creditbank	4.2	23.4
Saradar Bank	3.2	1.6
Lebanese Swiss Bank	2.7	21.0
Alpha Group	**261.5**	**2,265.5**

Source: Bankdata Financial Services, Economena, SGBL Research

Asset quality deteriorated further in 2018 following political deadlock and mounting economic troubles. Gross non-performing loans swelled by 12.6% to $6.1bn, equivalent to 8.9% of gross loans, but more aggressive provisioning helped raise loan loss reserves on NPLs to 62.14% of NPLs by the end of the year, up from 60.8% in 2017.

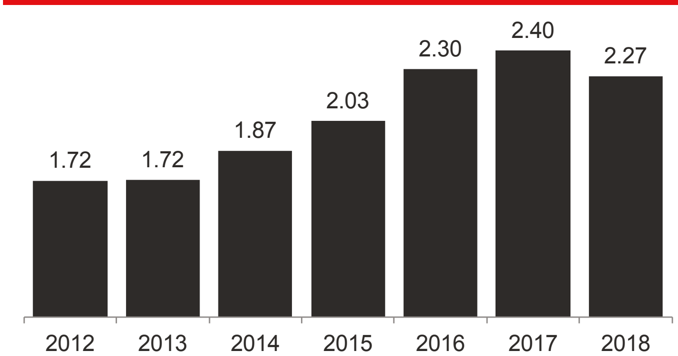
The challenging operating environment also prompted banks to trim their loan portfolios by 4.6% to $63.9bn and to shift instead to safer and more liquid placements with the Central Bank and to Treasury bills. The 16 Alpha banks' combined cash and balances with central banks swelled by 34.4% to $103.5bn and their aggregate holdings of Banque du Liban Certificates of Deposit and sovereign debt grew by 3% to $57.9bn. In particular, banks raised their exposure to sovereign Eurobonds by discounting their holdings of BdL US dollar CDs and resumed their local currency T-bill subscriptions in late 2018 following an agreement with the Ministry of Finance to raise coupon rates.

OUTLOOK STABLE - MOODY'S

The outlook for Lebanon's banking system is still stable thanks to expectations of deposit inflows and slightly increased economic growth, stated Moody's Investors Service, a ratings agency, in a March report. The agency pointed to investor and depositor respite following the formation of a new government in January, but added that any negative political developments affecting the pace of economic reform and depositor confidence would present a key risk for Lebanese banks. "We believe that despite a recent slowdown in deposit growth, inflows will be sufficient to allow banks to finance the government and the economy, provided that the new government implements reforms to bolster confidence," stated Moody's.

Meanwhile, operating conditions are expected to remain challenging over the coming 12 to 18 months and dependent on the government's ability to implement highly anticipated fiscal and economic reforms, according to Moody's. Higher funding costs and subdued new domestic business will pressure profitability over the period, prompting banks to focus on cost controls and to look abroad for growth opportunities.

Net profits at Alpha Group banks ($bn)



Source: Bankdata Financial Services, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Nov-18	Dec-18	Jan-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	5.36	5.48	4.90	-10.9	4.90	5.50
Real estate transactions	$bn	8.13	0.70	0.82	0.50	-26.3	0.50	0.68
Construction permits	Sqm, m	9.02	0.66	0.60	0.50	-38.8	0.50	0.82
Cement deliveries	Tons, m	4.70	0.38	0.23	0.22	-20.9	0.22	0.27
Tourist arrivals	m	1.96	0.13	0.16	0.11	5.5	0.11	0.11
Airport traffic	m	8.84	0.63	0.68	0.61	1.5	0.61	0.60
Balance of payments	$bn	-4.82	-0.95	-0.75	-1.38	-	-1.38	0.24
Money supply: M3	$bn	141.29	140.32	141.29	139.59	0.7	-1.70	0.00
BSE volumes	m	90.01	14.32	5.41	50.96	825.0	50.96	5.51
Passenger car sales		33,012	2,195	2,227	1,837	-26.2	1,837	2,489
Hotel occupancy (average)	%	65.05	68.5	69.7	59.8	10.7	59.80	49.10

Indices	Unit	2018	Nov-18	Dec-18	Jan-19	%Y/Y	%YTD
Consumer Confidence Index - ARA		113.25	94.00	109.00	n.a	-29.7	-29.7
Consumer Price Index		106.65	109.04	108.02	107.23	3.2	-0.7
Purchasing Managers' Index		46.28	46.70	46.20	46.50	-1.3	0.6
BdL Coincident Indicator		307.72	316.50	300.70	295.90	-4.4	-1.6

Trade	Unit	2018	Nov-18	Dec-18	Jan-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	1.54	1.57	1.40	-17.6	1.40	1.71
Exports	$bn	2.95	0.24	0.25	0.24	-16.7	0.24	0.28
Trade balance	$bn	-17.03	-1.29	-1.32	-1.17	-17.8	-1.17	-1.42
Port of Beirut volumes	TEUs, m	1.31	0.11	0.10	0.09	-14.8	0.09	0.11

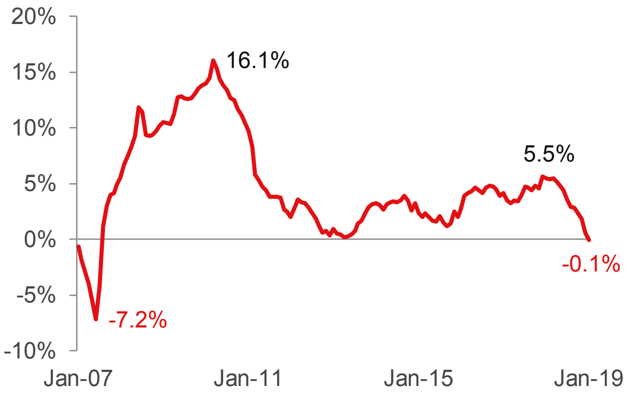
Financial and monetary	Unit	2018	Nov-18	Dec-18	Jan-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	246.51	249.48	248.88	11.8	-0.60	-0.2
Claims on the resident private sector	$bn	51.80	51.93	51.80	50.75	-4.3	-1.05	-2.0
Claims on the non-resident private sector	$bn	7.12	6.83	7.12	6.96	20.3	-0.16	-2.3
Claims on the public sector including securities	$bn	33.60	32.55	33.60	33.45	8.3	-0.15	-0.4
Resident private sector deposits	$bn	136.56	135.81	136.56	135.09	1.0	-1.47	-1.1
Dollarization rate (average)	%	63.83	64.86	65.66	65.99	2.4	0.33	0.3
Non-resident private sector deposits	$bn	37.72	37.38	37.72	37.02	4.7	-0.71	-1.9
Dollarization rate (average)	%	87.63	88.18	88.57	88.69	0.8	0.12	0.1
Private sector deposits with commercial banks	$bn	174.28	173.19	174.28	172.11	1.8	-2.18	-1.2
Private loans / deposits	%	38.48	38.23	37.93	37.57	-2.1	-0.36	-0.4
Public sector deposits	$bn	9.30	8.53	9.30	9.27	-14.2	-0.03	-0.4
BdL foreign assets	$bn	44.28	44.84	44.28	44.14	-7.3	-0.15	-0.3
BSE market capitalization	$bn	9.68	9.72	9.68	9.38	-20.3	-0.29	-3.0
Gross public debt	$bn	85.14	83.66	85.14	85.32	6.1	0.18	0.2

Public finance	Unit	2017	Sep-18	Oct-18	Nov-18	%Y/Y	YTD	PYTD
Revenues	$bn	11.62	0.61	1.25	0.82	28.5	10.75	10.26
Value Added Tax	$bn	2.31	0.13	0.40	0.13	9.3	2.42	2.18
Telecommunications	$bn	1.28	0.00	0.15	0.12	-	0.92	0.71
Income taxes	$bn	2.79	0.14	0.27	0.13	41.6	2.84	2.69
Customs taxes	$bn	1.43	0.12	0.12	0.11	-8.8	1.24	1.31
Expenditures	$bn	15.38	1.73	1.48	1.90	24.9	16.55	13.63
Transfers to EdL	$bn	1.33	0.15	0.14	0.25	251.3	1.63	1.15
Debt service	$bn	4.99	0.46	0.40	0.94	34.5	5.13	4.63
Primary balance	$bn	1.43	-0.67	0.19	-0.09	-33.8	-0.49	1.44
Fiscal balance	$bn	-3.76	-1.13	-0.23	-1.08	22.2	-5.81	-3.38

YTD: year-to-date, PYTD: previous year-to-date. Source: MoF, BdL, BSE, ARA, Customs, Markit, EY, RHIA, CAS, Economena, SGBL Research

BdL Coincident Indicator (12-month average, %yoy)

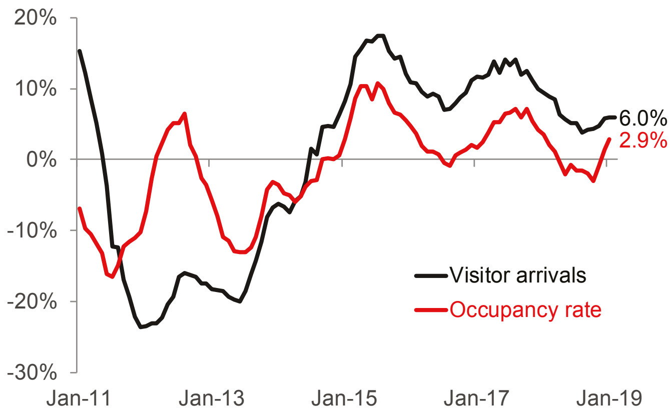
Banque du Liban's Coincident Indicator (CI), a composite index of main economic measures and a proxy for GDP growth, dropped by 0.1% in the 12-months through January 2019, its first negative reading for the period in 12 years. In particular, cement deliveries and cleared cheques, two components of the CI, plummeted by 9.2% yoy and 3.1% yoy respectively, offsetting growth in tourism and money supply.



Source: BdL, Economena, SGBL Research

Tourism indicators (12-month moving average, %yoy)

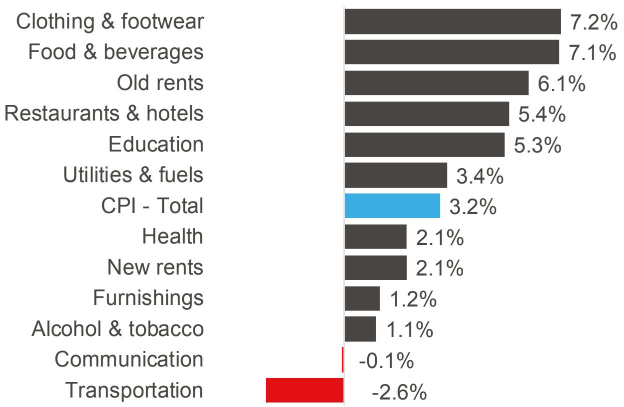
A higher number of foreign visitors is driving up occupancy rates at Beirut's 4-and 5-star hotels and handing them more pricing power. Visitor arrivals to Lebanon increased by 6% yoy to 2 million visitors in the 12-months through January 2019, lifting occupancy rates by 2.9% yoy to an average of 66% over the same period, data by Ernst & Young showed.



Source: CAS, EY, Economena, SGBL Research

Consumer price index (Jan-Feb 2019, average %yoy)

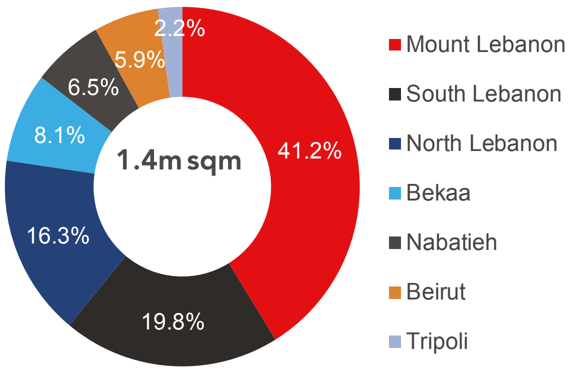
Lebanon's inflation slowed to 3.2% yoy in the first two months of 2019 after transportation costs tracked gasoline prices down during the period, data by the Central Administration of Statistics showed. Healthcare and new rental prices grew at a moderate pace of 2.1% yoy by February, while prices of food and beverages, which contribute to 20% of household spending, jumped by 7.1% yoy.



Source: CAS, Economena, SGBL Research

Construction permits area (Jan-Feb 2019)

Construction permits fell by 24.4% yoy to 1.4 million sqm in the first two months of 2019, as investment appetite remained subdued at the start of the year, according to aggregate data by Lebanon's two orders of engineers and architects. The biggest demand originated from Mount Lebanon which contributed to 41.2% of permits areas during the period followed by South Lebanon with 19.8% of the total.



Source: OEAB, OEAT, Economena, SGBL Research