SGBL EcoNews

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For any enquiry please contact us at:

Societe Generale de Banque au Liban

sgbl.research@socgen.com

+961-1-483001 ext.11210

GROWTH PROSPECTS BRIGHTEN AS RECOVERY IN TOURISM TAKES HOLD

- **Real GDP growth to rebound to 1.3% in 2019 and 2% in 2020 - IMF**
- **Higher oil prices should support export demand and remittances from the GCC**
- **Cabinet approves second gas licensing round, drilling in block 4 to start in late 2019**

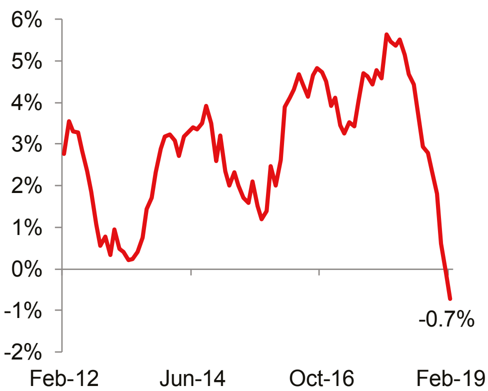
Economic activity stalled at the start of 2019, but is expected to rebound during the rest of the year and into 2020 driven mainly by resurgence in tourism activity and the revival in policymaking following the formation of a new national unity Cabinet in February.

BdL's Coincident Indicator, a composite index of main economic indicators, slipped by 0.7% yoy in the 12-month period through February 2019, including a drop of 4.6% yoy in the first two months of the year. A slump in construction and business activity more than offset gains in tourism and airport traffic during the period. Economic growth, however, is projected to bounce back from just 0.25% in 2018 to reach 1.3% in 2019 and accelerate further in the following five years, according to the IMF's April 2019 World Economic Outlook.

The biggest boost is likely to come from travel and tourism, the traditional drivers of economic activity and employment in Lebanon. The sector is projected to grow by 5.2% per annum through 2028 and contribute to 23.7% of GDP, according to the World Travel and Tourism Council. Tourist activity extended gains in the first quarter of 2019 after Saudi Arabia lifted in February its travel warning for the country following the formation of a new Cabinet. Visitor arrivals increased by 3.7% yoy to 375,815 in the first three months, including 79.9% more visitors from Saudi Arabia, the highest for the period in seven years, data by the Central Administration of Statistics showed.

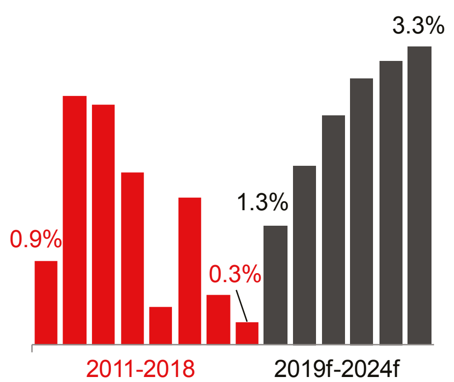
As a result, occupancy rates at Beirut's 4- and 5-star hotels climbed by 10.1% yoy to an average of 65.3% in the first two months, and revenues per available room (RevPAR) surged by 30.2% yoy to $125, the second highest in the region after Dubai, according to Ernst & Young. Tax refund claims by visitors, a proxy for tourist spending, grew by an estimated 12.2% yoy in the first quarter, their fastest pace in seven years, according to Global Blue, a tax refund company.

Coincident Indicator (12-month average, %yoy)



Source: BdL, Economena, SGBL Research

Lebanon real GDP growth



Source: IMF, Economena, SGBL Research

Export growth may also add to economic momentum following the re-opening of trade routes through Syria and stronger demand from the Gulf Cooperation Council. Goods exports to the GCC jumped by 23.5% yoy to a decade-high of $152.2m in the first two months of 2019, helping shrink the country's trade deficit by 14.4% yoy to a four-year low of $2.2bn during the period.

The rise in oil prices in recent months should contribute to growth in demand from the GCC for Lebanese exports and raise remittances from oil-exporting countries, particularly Saudi Arabia, Nigeria, United Arab Emirates, and Kuwait where large Lebanese expatriate populations reside. Remittance inflows to Lebanon grew by 1.8% to $7.2bn in 2018, still below their peak of $7.6bn in 2016, according to the World Bank.

REVIVAL IN POLICYMAKING PROMISES FISCAL REFORMS, GAS DRILLING

The revival in policymaking since the formation of a new Cabinet promises to unlock considerable returns from fiscal reforms and offshore oil and gas exploration. The government approved in April plans for a second offshore oil and gas licensing round, inviting companies to submit bids for blocks 1, 2, 5, 8 and 10 by the end of January 2020. In 2018, Lebanon awarded Total, Eni, and Novatek exploration rights in blocks 9 and 4 where the first well is expected to be drilled by late 2019.

The development of offshore oil and gas fields may take several years, but Total and Eni are considered among the fastest at bringing fields online given their large size, network, and cash. Eni began production from Egypt's Zohr field in late 2017, just two years after its discovery.

Gas reserves would stem the drain from energy imports on Lebanon's economy and budget deficit. The country's electricity sector policy, which received Parliament's green light in April, involves the addition of several new natural gas power plants by tapping into private sector funding and concessional loans pledged by the international donor community at the Paris-held CEDRE conference. It aims to source more temporary power to deliver round-the-clock supply while raising tariffs to eliminate the budget deficit at Electricité du Liban (EdL) by 2020.

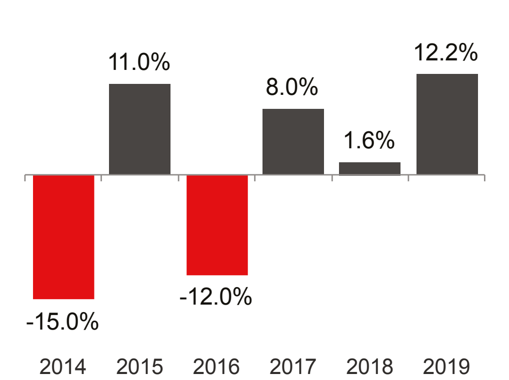
In addition to eliminating the deficit at EdL and opening up the sector to private investment, the government is considering a combination of tax increases and spending cuts aimed at reining in the deficit-to-GDP ratio, a condition for accessing $11bn in concessional loans pledged by donors at the CEDRE conference. To that end, the Cabinet is reviewing a draft budget for 2019 that would cut the fiscal deficit to an estimated 9.5% of GDP from an estimated 11% of GDP in 2018. The draft projects a deficit of $5.5bn during the year, including an advance of $1.1bn to help EdL pay for fuel.

The Cabinet is expected to tap debt markets for $2.5bn-$3bn after the budget for 2019 is approved.

Approval of the electricity plan helped assuage some fears among bond investors, but uncertainty over budget reforms continued to weigh on confidence. Five-year Credit Default Swap spreads, the cost to insure against sovereign default, fell by 44 basis points to 797 basis points in April, but remain 284 bps above their level in April 2018, which may push up primary yields on new bond issues. The Cabinet is expected to tap markets for $2.5bn-$3bn following the approval of a national budget, the Ministry of Finance told media. The country last issued foreign currency debt in May 2018 with 10-year and 16-year bonds carrying coupons of 8% and 8.25% respectively. Lebanon has $2.7bn in Eurobonds maturing in 2019, and an additional $2.1bn in interest coming due during the year.

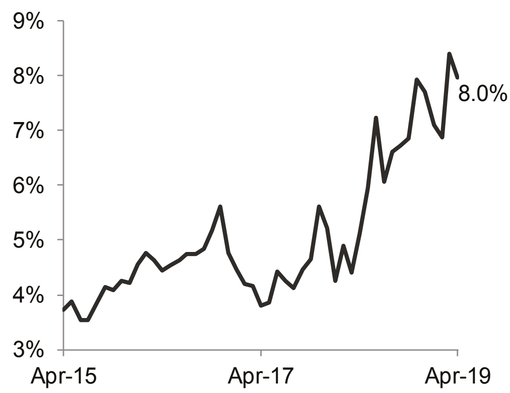
The cost of foreign debt has decreased in recent years even as credit ratings deteriorated and US benchmark rates increased. Interest payments on foreign debt decreased to an estimated 4% of GDP in 2018 from 4.8% in 2008, while the stock of debt denominated in foreign currencies grew by 58.2% to $33.5bn over the same period, according to MoF and IMF data. Foreign currency debt also reached 59.4% of GDP in 2018, well below its 20-year average of 63.4% of GDP, driven by the repayment of $4.9bn in Paris II and Paris III concessional loans over the past decade.

Estimated visitor spending (Q1, % yoy)



Source: Global Blue, Economena, SGBL Research

Lebanon CDS spreads (5-yr, mid)



Source: Bloomberg, Economena, SGBL Research

TOURISM ACTIVITY EXTENDS GAINS AFTER KSA LIFTS TRAVEL WARNING

- **Arrivals from Saudi Arabia jumped by 80% yoy to a seven-year high in Q1 2019**
- **Regional reconstruction opportunities draw record visitors from China**
- **Room rates suggest greater pricing power, visitor spending continues winning streak**

Tourism activity in Lebanon extended gains in the first quarter of 2019 after Saudi Arabia lifted its travel warning for the country and the formation of a new Cabinet eased fears of political instability. Total arrivals increased by 3.7% yoy to 375,815 in the first three months, including 79.9% more visitors from Saudi Arabia, the highest for the period in seven years, data by the Central Administration of Statistics showed. Visitors from the rest of the Gulf Cooperation Council countries also staged a substantial rebound during the quarter, led by Kuwaiti and Qatari citizens.

Meanwhile, the country drew record numbers of visitors from non-Arab countries. In particular, arrivals from China jumped by 49.5% yoy to a 30-year high of 2,785 visitors, driven by growing interest among Chinese investors in using Lebanon as a launching pad for the reconstruction of Syria and Iraq.

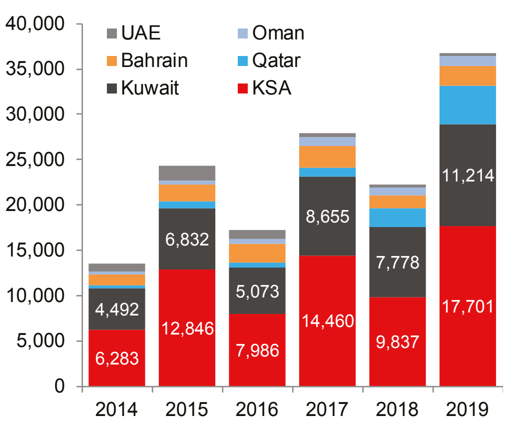
Robust visitor traffic in the first quarter added momentum to a multi-year winning streak in the hospitality sector. Occupancy rates at Beirut's 4- and 5-star hotels increased by 10.1% yoy to an average of 65.3% in the first two months of 2019, and revenues per available room (RevPAR) surged by 30.2% yoy to $125, the region's second highest after Dubai, survey data by Ernst & Young showed.

Growing numbers of visitors from the Gulf lifted tourist expenditures and promise to bring substantial foreign currency liquidity during the rest of the year. The value of tax refunds, a proxy for tourist spending, grew by an estimated 12.2% yoy through March, its fastest pace in seven years, according to Global Blue, a tax refund company.

Spending by GCC residents contributed to at least 42% of aggregate spending during the period, up from an estimated 34% of total in Q1 2018. Aggregate tourism receipts are projected to increase by around $500m to an estimated $8.5bn in 2019, and by a similar amount in 2020, stated the Institute of International Finance in a February report.

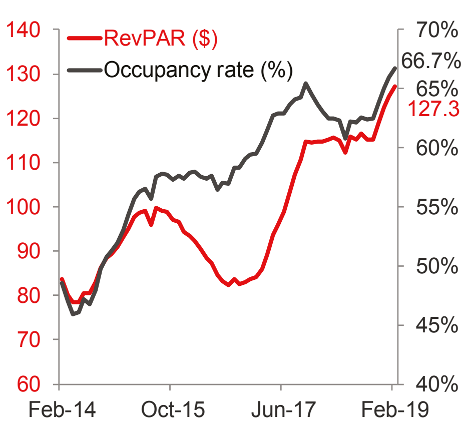
The travel and tourism sector is also expected to grow at an annual rate of 5.2%, reaching $16.2bn in 2028 and contributing to 23.7% of GDP, up from an estimated contribution of 18.4% in 2017, according to the World Travel and Tourism Council (WTTC). Moreover, the sector will generate an estimated 181,000 direct jobs by 2028, up from 131,500 jobs in 2017, stated the WTTC. Direct jobs include work at hotels, travel agencies, airlines, passenger transportation services, and activities of the restaurant and leisure industries directly supported by tourists.

Visitor arrivals to Lebanon (Q1)



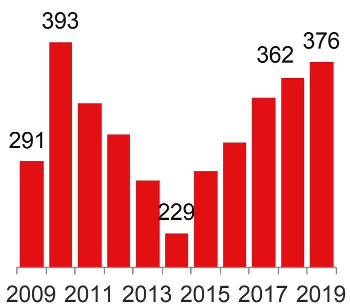
Source: CAS, Economena, SGBL Research

Hospitality indicators (12-month average)



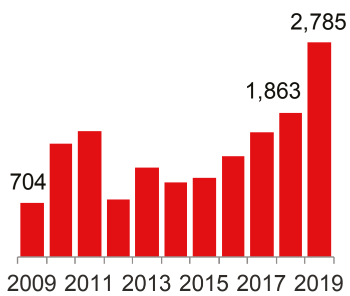
Note: Beirut 4- and 5-star hotels.
Source: EY, Economena, SGBL Research

Arrivals to Lebanon (Q1, '000)



Source: MoT, Economena, SGBL Research

Visitor arrivals from China (Q1)



Source: MoT, Economena, SGBL Research

ELECTRICITY PLAN TO ELIMINATE DEFICIT BY 2020, PRIVATIZE PRODUCTION

- **Plan involves adding temporary supply between 2020 and 2025 and raising tariffs**
- **Private sector to build and operate new natural gas, solar, and wind power plants**
- **400MW of solar and wind power are expected to come online in 2020**

Lebanon's Parliament approved in April a multi-year electricity plan that would deliver 24-hour power supply to the country and eliminate by 2020 the budget deficit at Electricité du Liban (EdL), the state-owned electricity company. The plan, prepared by the Ministry of Energy and Water (MoEW) in collaboration with the World Bank, aims to make an additional 1,450MW in temporary supply available between 2020 and 2025, alongside the construction of several new natural gas, solar, and wind power plants by tapping into private sector funding and concessional loans pledged by the international donor community at the CEDRE conference.

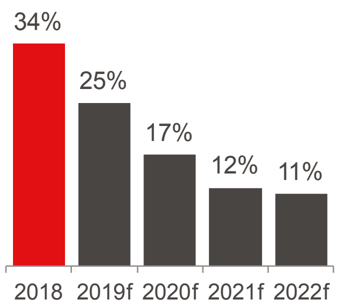
EdL's power prices have remained unchanged for two decades despite higher fuel prices, resulting in government subsidies of $16bn between 2009 and 2018, an estimated 41.8% of cumulative fiscal deficits over the period, according to the Ministry of Finance. The Cabinet is considering a draft budget for 2019 that would allocate an additional $1.1bn in advances to cover the deficit at EdL for the year.

The drain on the budget posed by fuel subsidies constrained investment in new power plants, causing chronic power outages and prompting consumers to rely on more expensive private providers using diesel-powered generators to cover the shortfall. Meanwhile, the influx of over a million registered Syrian refugees since 2012 raised power demand by close to 500MW, further straining supply, according to MoEW.

However, under the new policy, tariffs would be raised to cost recovery levels as additional supply by EdL gradually displaces power from private generators. The plan also involves clamping down on power theft, installing smart meters, and optimizing distribution networks to slash technical and non-technical losses to 17% by 2020 from an estimated 34% in 2018. It aims to improve collections by switching to monthly billing and by demanding settlement of arrears by Palestinian camps and public entities. To reduce energy production costs, the new policy calls for converting oil-fired plants into natural gas sourced from a Floating Storage Regasification Unit to be built by the private sector in 2021.

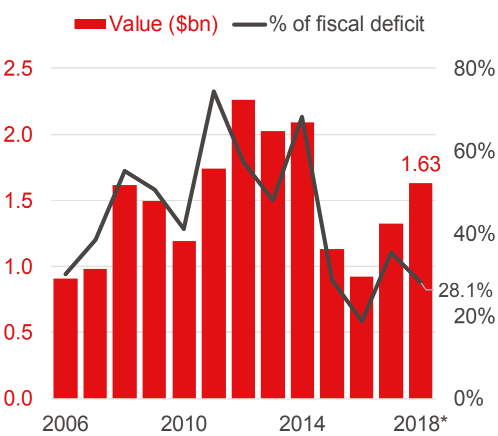
Renewable energy would account for 30% of energy consumption by 2030, according to the plan. The government has already signed long-term power purchase agreements with three wind power companies and launched tenders for 12 solar farms to bring a total of 400MW of additional renewable energy online by 2020. Another 300MW of solar power and 400MW of wind power would be added to the network in 2022 and 2023 respectively.

Technical/distribution losses (%)



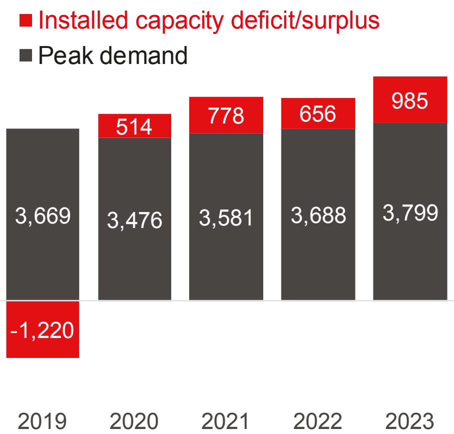
Source: MoEW, Economena, SGBL Research

Government transfers to EdL



Note: Through November 2018.
Source: MoF, Economena, SGBL Research

Electricity policy projections (MW)



Source: MoEW, Economena, SGBL Research

FOREIGN DEBT-TO-GDP AT 59.4% IN 2018, BELOW HISTORICAL NORMS

- **Lebanon repaid $4.9bn in Paris II and Paris III loans between 2008 and 2018**
- **Government to tap debt markets for $2.5bn-$3bn following budget approval**
- **Eurobonds maturing in 2019 were issued in 2011 and 2015 at attractive rates**

Lebanon's foreign currency debt-to-GDP ratio reached 59.4% in 2018, well below its 20-year average of 63.4%, driven by the repayment of $4.9bn in Paris II and Paris III concessional loans between 2008 and 2018. Interest payments on foreign debt also decreased to an estimated 4% of GDP in 2018 from 4.8% in 2008, even as the total stock of outstanding debt denominated in foreign currencies grew by 58.2% to $33.5bn over the same period, according to data by the Ministry of Finance (MoF) and International Monetary Fund.

The foreign currency debt burden, however, is expected to grow more painful in the near-term as Eurobonds carrying the lowest coupon rates mature in 2019, and elevated risks and a higher US policy rate push up primary yields. The Cabinet secured in February Parliament's approval for up to $4.8bn in new foreign currency debt and is looking to tap markets for $2.5bn-$3bn following the approval of a national budget for 2019, MoF told media.

Eurobonds worth $2.7bn are due in 2019 in addition to $2.1bn in interest.

Eurobonds totaling $2.7bn mature in 2019, including a $500m bond at 5.5% that came due in late April, $650m with a coupon of 6% maturing on May 20, and $1.5bn at 5.45% due on November 28. An additional $2.1bn in interest payments are due during the year.

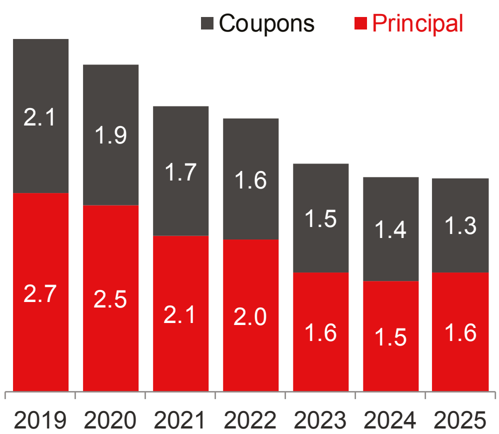
Eurobonds maturing in 2019 were issued in 2011 and 2015, a period of near-zero US rates and stable sovereign credit ratings. Since then, however, the Federal Funds Rate has increased to close to 2.5% alongside deterioration in the country's credit profile, suggesting higher primary rates on future issues. Lebanon last issued foreign currency debt in May 2018 with its 10-year and 16-year bonds carrying coupons of 8% and 8.25% respectively.

Nevertheless, average borrowing costs are still lower since the outbreak of the Syrian conflict as a result of support by the Central Bank through incentives and financial engineering operations. The weighted yield on outstanding Eurobonds fell to 6.81% in March 2019 from 7.31% in 2010 even as the weighted life increased to 7.6 years from 5.1 years.

Ten-year foreign currency bond yields have widened to 10.1% by April 2019 from 5.9% in April 2015.

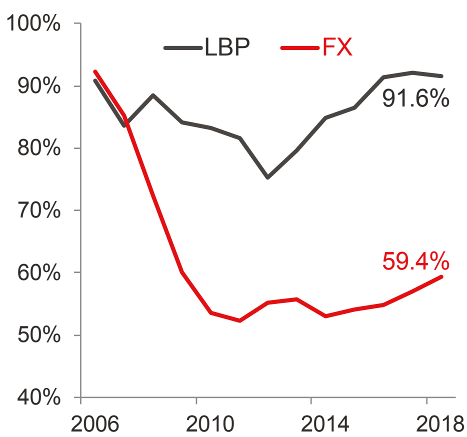
Approval of the electricity plan helped assuage some fears among bond investors in April, but uncertainty over budget reforms continued to weigh on confidence, leaving yields in secondary markets markedly higher. Ten-year foreign currency bond yields widened to 10.1% by April 2019 from 5.9% in April 2015, and 5-year Credit Default Swap spreads, the cost to insure against sovereign default, doubled to 770 basis points over the same period, data via Bloomberg showed.

Eurobond maturities as of Dec-2018 ($bn)



Source: MoF, Economena, SGBL Research

Government debt/GDP ratio



Source: MoF, IMF, Economena, SGBL Research

DRAFT BUDGET PROJECTS FISCAL DEFICIT AT 9.5% OF GDP IN 2019

- **Fiscal deficit to reach $5.5bn, including an advance of $1.1bn to Electricité du Liban**
- **Interest income tax may rise to 10% from 7%, Eurobonds exempted**
- **Lebanese Army to defer $237.6m in spending on equipment until 2021**

Lebanon's Cabinet started in late April its deliberations over a draft budget that aims to cut the fiscal deficit to an estimated 9.5% of GDP in 2019 from an estimated 11% of GDP in 2018. After clearing the Cabinet, the draft budget would still need to be examined by Parliament before it can be ratified, a process that may last several weeks.

The draft projects a deficit of $5.5bn during the year, including an advance of $1.1bn to help Electricité du Liban, the state-owned electricity company, pay for fuel. Meanwhile, nominal GDP is forecast to grow at a slower pace of 3.3% to $58.3bn in 2019, according to the International Monetary Fund, amid some easing in inflationary pressures and widening in the trade deficit.

The draft budget contains a combination of tax increases and spending cuts aimed at reining in the deficit-to-GDP ratio, a condition for accessing $11bn in concessional loans pledged by international donors at the Paris-held CEDRE conference in 2018. Revenues, including Treasury receipts, are expected to reach $12.9bn, with the Value Added Tax, the largest source of income, bringing in 21% of the total or $2.7bn during the year. VAT collections had increased by 11.1% yoy to $2.4bn in the first 11 months of 2018 after the government raised the rate to 11% from 10% in 2017.

The draft budget under consideration by the Cabinet projects $1.7bn in revenue from the tax on interest income following a proposed increase in the tax rate to 10% from 7%. The new rate would apply to interest from deposit accounts, certificates of deposit, and Treasury bills denominated in local currency, but not to Eurobonds or interbank deposits. Rising country risk premiums and higher US benchmark rates drove up average deposit rates in Lebanon to an estimated 6.7% by February 2019 from 4.7% at the end of 2017, offering significant revenue potential for the state.

The government is also looking to raise a series of income taxes and administrative fees and terminate most exemptions from customs taxes and vehicle registration fees. In particular, personal income over LBP225 million ($149,254) would be taxable at a rate of 25% starting July 1, up from 20% under the current law. Reforms are projected to help generate $574.2m in administrative fees and $621.2m in taxes on salaries and wages.

SPENDING TO RISE DESPITE REFORMS

The draft budget also features reductions in salaries, retirement benefits, administrative costs, and infrastructure spending in addition to a multi-year hiring freeze. Total authorized spending would reach $18.4bn, including Treasury payments, up from $17.2bn under the 2018 budget law and $16.6bn in actual cash payments in the first 11 months of 2018.

One of the largest cuts would come from deferring by two years an estimated $237.6m in spending on equipment and construction works by the Lebanese Armed Forces (LAF), equivalent to 0.4% of GDP. The draft budget further proposes a 3% deduction to the incomes of retirees from the Lebanese armed forces, considered as contributions to medical and social benefits. In addition, any public sector retirees receiving retirement income would be banned from working and receiving any kind of pay from government entities.

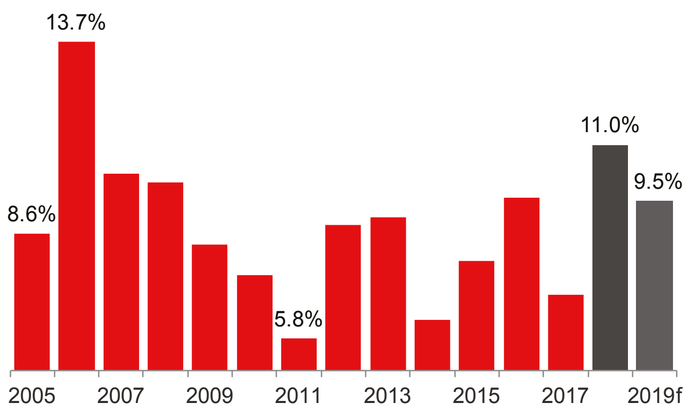
Meanwhile, the draft law introduces upper limits on compensation packages for public sector personnel and cuts up to 50% of the salaries of senior public officials. It terminates extra pay, bonuses, and grants for employees at government-related entities and regulatory authorities such as Banque du Liban, Customs Administration, National Social Security Fund, Ogero, Port of Beirut, and others. Additional reforms target annual paid leaves which would be slashed to 15 days from 20 days during the first five years of service.

Draft budget indicators as of April 2019 ($m)

	2019 (Draft)	2018 (Jan-Nov)	2018 Budget
Total revenues	12,854	10,745	13,048
Value Added Tax	2,708	2,422	2,626
Interest tax	1,670	1,070	864
Telecom	1,155	921	1,374
Corporate income	982	891	991
Tax on salaries	621	571	518
Administrative fees	574	479	542
Customs tax	531	456	573
Real estate fees	517	439	588
Total spending	18,400	16,554	17,241
Transfers to EdL	1,132	1,626	1,393
Fiscal balance	**-5,546**	**-5,809**	**-4,193**
Percent of GDP*	**-9.5%**	**-10.3%**	**-7.4%**

Note: Using IMF GDP estimates and forecasts.
Source: MoF, IMF, Economena, SGBL Research

Fiscal deficit (% of GDP)



Note: IIF estimate for 2018. Value for 2019 is based on the draft budget and IMF GDP.
Source: MoF, IIF, IMF, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Dec-18	Jan-19	Feb-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	5.48	4.90	4.85	-13.0	9.76	11.08
Real estate transactions	$bn	8.13	0.82	0.50	0.55	-12.6	1.06	1.32
Construction permits	Sqm, m	9.02	0.60	0.50	0.84	-12.0	1.35	1.78
Cement deliveries	Tons, m	4.70	0.23	0.22	0.20	-39.8	0.42	0.61
Tourist arrivals	m	1.96	0.16	0.11	0.12	3.0	0.23	0.22
Airport traffic	m	8.84	0.68	0.61	n.a.	1.5	0.61	0.60
Balance of payments	$bn	-4.82	-0.75	-1.38	-0.55	-	-1.93	0.17
Money supply: M3	$bn	141.29	141.29	139.59	139.86	0.4	-1.43	0.72
BSE volumes	m	90.01	5.41	50.96	121.96	2,125.3	172.92	10.99
Passenger car sales		33,012	2,227	1,837	1,906	-15.5	3,743	4,745
Hotel occupancy (average)	%	65.05	69.7	59.8	70.7	9.4	130.50	110.40

Indices	Unit	2018	Dec-18	Jan-19	Feb-19	%Y/Y	%YTD
Consumer Confidence Index - ARA		113.25	109.00	108.00	122.00	0.0	11.9
Consumer Price Index		106.65	108.02	107.23	107.42	3.1	-0.6
Purchasing Managers' Index		46.28	46.20	46.50	46.90	-0.8	1.5
BdL Coincident Indicator		307.72	300.70	295.90	297.90	-4.8	-0.9

Trade	Unit	2018	Dec-18	Jan-19	Feb-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	1.57	1.40	1.36	-4.9	2.77	3.14
Exports	$bn	2.95	0.25	0.24	0.30	20.9	0.54	0.53
Trade balance	$bn	-17.03	-1.32	-1.17	-1.06	-10.3	-2.23	-2.61
Port of Beirut volumes	TEUs, m	1.31	0.10	0.09	0.11	0.2	0.20	0.21

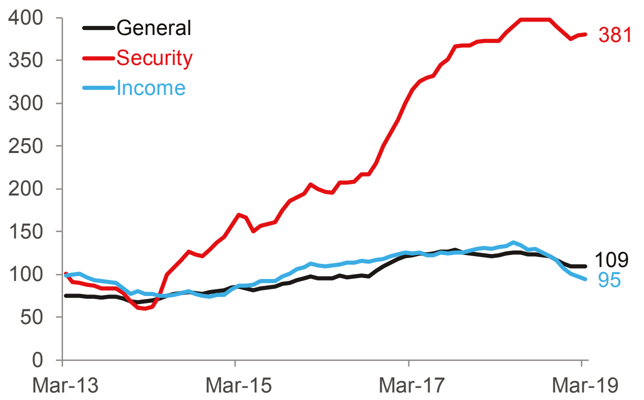
Financial and monetary	Unit	2018	Dec-18	Jan-19	Feb-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	249.48	248.88	250.24	12.2	0.76	0.3
Claims on the resident private sector	$bn	51.80	51.80	50.75	50.46	-3.6	-1.34	-2.6
Claims on the non-resident private sector	$bn	7.12	7.12	6.96	6.49	4.4	-0.62	-8.8
Claims on the public sector including securities	$bn	33.60	33.60	33.45	33.54	7.5	-0.06	-0.2
Resident private sector deposits	$bn	136.56	136.56	135.09	135.30	0.2	-1.25	-0.9
Dollarization rate (average)	%	63.83	65.66	65.99	65.72	2.6	0.06	0.1
Non-resident private sector deposits	$bn	37.72	37.72	37.02	36.67	3.4	-1.06	-2.8
Dollarization rate (average)	%	87.63	88.57	88.69	88.60	0.9	0.03	0.0
Private sector deposits with commercial banks	$bn	174.28	174.28	172.11	171.97	0.9	-2.31	-1.3
Private loans / deposits	%	38.48	37.93	37.57	37.30	-1.5	-0.64	-0.6
Public sector deposits	$bn	9.30	9.30	9.27	8.60	-22.8	-0.70	-7.6
BdL foreign assets	$bn	44.28	44.28	44.14	44.14	-5.2	-0.15	-0.3
BSE market capitalization	$bn	9.68	9.68	9.38	9.34	-19.8	-0.34	-3.5
Gross public debt	$bn	85.14	85.14	85.32	85.25	4.6	0.11	0.1

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

Consumer confidence (12-month average, index points)

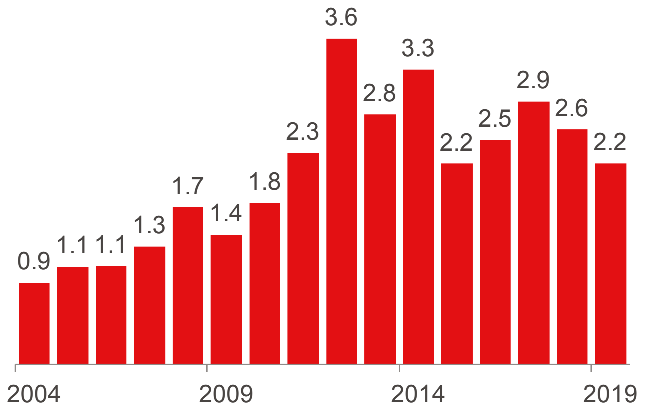
Consumer optimism waned at the start of 2019 after worries over salary cuts and economic uncertainty weighed on the short-term outlook. The general confidence index fell to 109.2 points in the 12-months through March 2019, its lowest level since November 2016, according to data by ARA Marketing Research and Consultancy. Confidence in the security environment, however, remained near multi-year highs.



Source: ARA, Economena, SGBL Research

Goods trade deficit (Jan-Feb, $bn)

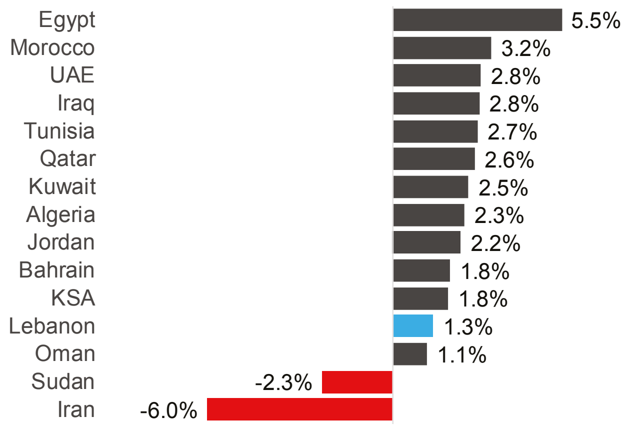
The goods trade deficit shrank by 14.4% yoy to a four-year low of $2.2bn in the first two months of 2019 after imports collapsed and exports clawed their way back to a five-year high, Customs data showed. Imports fell across the board, with the exception of vegetable products, amid slowdown in domestic activity at the start of 2019.



Source: Customs, Economena, SGBL Research

Real GDP growth (IMF forecasts for 2019)

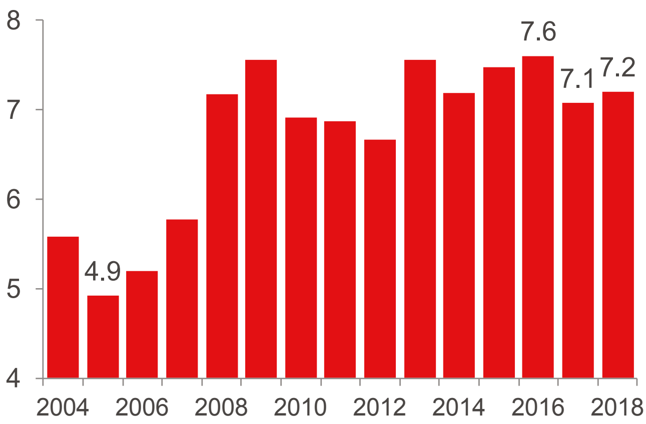
Real GDP growth is projected to slow across the Middle East in 2019 amid moderating global growth, higher oil price volatility, and rising trade and geopolitical tensions, stated the IMF in its April 2019 World Economic Outlook. Growth in Lebanon is projected to trail behind at 1.3%, while Egypt's economy could grow by 5.5% during the year.



Source: IMF April 2019 WEO, Economena, SGBL Research

Remittance inflows to Lebanon ($bn)

Remittance inflows to Lebanon grew by 1.8% to $7.2bn in 2018, still behind their peak of $7.6bn in 2016, according to the World Bank. Lower oil prices held back remittance inflows from oil exporting countries, particularly Saudi Arabia, Nigeria, United Arab Emirates, and Kuwait where large Lebanese expatriate populations reside.



Source: World Bank, Economena, SGBL Research

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