SGBL EcoNews

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TOURISM AND TRADE PROMISE ECONOMIC RELIEF

- **Tightening in credit conditions takes heavy toll on non-fuel imports**
- **Visitor arrivals, hotel occupancy rates rally after Saudi Arabia lifts travel warning**
- **Wider local spreads over LIBOR could trigger acceleration in deposit growth**

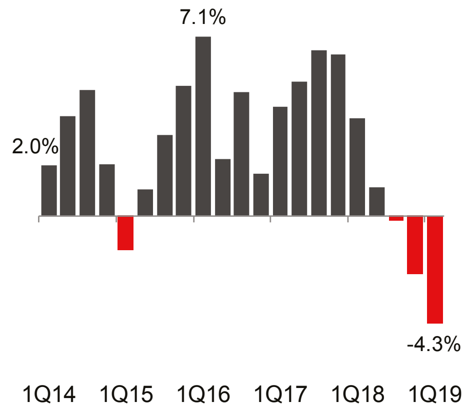
The Lebanese Cabinet approved in May a draft austerity budget that aims to rein in the deficit, one month after Parliament ratified a plan to overhaul the power sector and gradually eliminate electricity subsidies. The draft, which still needs to clear Parliament before its takes effect, includes proposals for a four-year hiring freeze, salary cuts to current and former public officials, lower defense spending, a higher tax rate on interest income, and a broad-based tax on imports.

As a result, the fiscal deficit is expected to shrink from an estimated 11.2% of GDP in 2018 to 8.4% in 2019, and narrow gradually in later years to reach 1.2% by 2023, according to estimates by the Institute of International Finance (IIF). Successful implementation of reforms could also drive down Credit Default Swap spreads, the cost to insure against sovereign default, from 800 bps to about 600 bps by the end of 2019, predicted the IIF.

The breakthroughs in reforming public finances and the power sector signal improvement in policymaking after years of paralysis, raising the prospects of unlocking over $11bn in concessional loans pledged by the international donor community for local infrastructure.

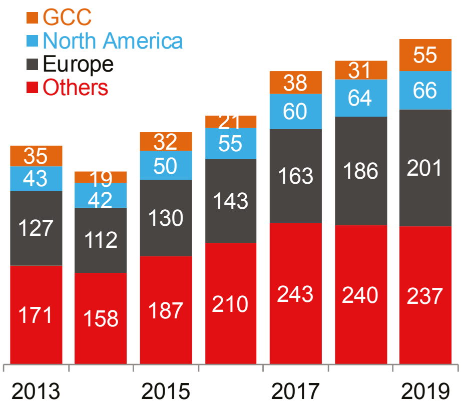
Approval of the electricity plan is in itself a significant achievement and an important step forward in addressing the long-term sustainability of public finances, argued Goldman Sachs (GS), a US-based investment bank. The plan could chop up to 4% of GDP from Lebanon's fiscal deficit by 2022, but it faces high implementation risk and requires considerable political will to carry it through, according to GS. Plans for steep fiscal consolidation in the 2019 budget and widening spreads on the country's bond yields prompted Morgan Stanley, another US-based investment bank, to change its rating on Lebanon's sovereign debt from "dislike" to "neutral."

BdL Coincident Indicator (% yoy)



Source: BdL, Economena, SGBL Research

Visitor arrivals by origin (Jan-Apr, '000)



Source: CAS, MoT, Economena, SGBL Research

The Ministry of Finance is expected to tap markets for up to $3bn in foreign currency after the budget law for 2019 is ratified in Parliament. The government has a $1.5bn Eurobond coming due in November 2019, and has leaned on central bank support to settle two issues worth $1.2bn maturing in April 2019 and May 2019 in addition to coupon payments worth $115m in the first half of May.

SLOWER CONSTRUCTION AND RETAIL ACTIVITY

The draft budget marks the latest in government attempts to restore investor and international donor confidence in a bid to jumpstart the economy. Growth faltered in the first quarter of the year as credit activity stalled in a blow to the construction and real estate industries. Banque du Liban's Coincident Indicator, a composite index of main economic indicators, fell by 4.3% yoy in the first three months of 2019, and cement deliveries shed 35.8% yoy to a 14-year low of 677,629 tons.

Positive household income effects were offset by tighter credit conditions and by speculations over budget austerity measures.

Flagging confidence and heightened economic uncertainty weighed on consumer spending. Consumer confidence levels sank by 12.7% yoy in the first quarter in the lead up to budget deliberations, while the confidence in future income levels retreated to a five-year low during the period. Household income levels had received a boost from the new public sector salary scale which took full effect in 2018, but positive income effects were offset by tighter credit conditions and by speculations over government austerity measures aimed at reining in public spending.

As a result, retail sales in the greater Beirut area fell by an estimated 0.4% yoy, with consumers scaling back their spending at supermarkets and food shops by 8.4%, and by 11.3% on pharmaceutical products, 17.5% on clothing, and 15.6% on household electrical equipment, according to the Beirut Traders Association. Still, restaurants and snacks posted sales growth of 1.4% in the first quarter with a similar positive trend reported by retailers of used cars, sports items and equipment, and medical equipment.

TOURISM AND TRADE OFFER ECONOMIC RELIEF

Robust tourism activity and improvement in trade conditions suggest more upbeat prospects for recovery in economic growth. Visitor arrivals accelerated after Saudi Arabia lifted its travel warning for the country in February, lifting total arrivals by 7.3% yoy to 559,789 visitors by April, including nearly double the number of visitors from the kingdom. Occupancy rates at Beirut's 4- and 5-star hotels surged by 20.6% yoy to 69.8%, including a 9-year high of 79% in March 2019, survey data by Ernst & Young showed.

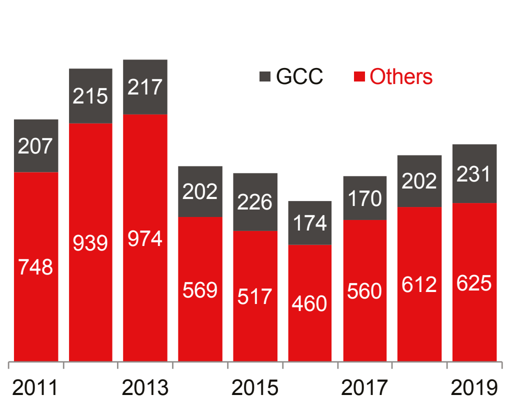
Meanwhile, imports appear to be responding favorably to tighter monetary policy. The trade deficit widened by 2.5% yoy to $4.1bn in the first quarter of 2019, but the non-fuel deficit, which excludes the volatile oil trade, shrank by 20% yoy to $2.5bn, equivalent to a reduction of $629m on the back of a pickup in export activity and a sharp and broad-based downturn in import demand.

Exports to the GCC jumped by 14.5% yoy to a decade-high of $231.2m in the first quarter of 2019.

Exports grew by 5.1% yoy to $814m by March, with shipments to the Gulf Cooperation Council up by 14.5% yoy to a decade-high of $231.2m, Customs data showed. Lebanon's current account deficit is projected to narrow by $1.8bn to $11.8bn in 2019 or 19.9% of GDP, amid dwindling merchandise imports and rising exports of tourism services, according to the IIF.

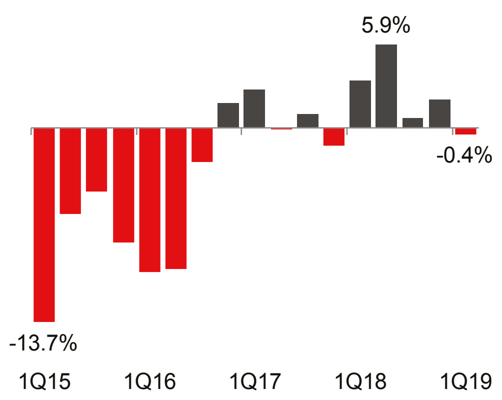
A narrower current account deficit along with momentum in fiscal reforms should reduce external financing needs and ease pressure on deposits and central bank reserves, particularly given attractive interest spreads. The weighted average interest rate on US dollar deposits in Lebanon reached 5.6% in the first quarter of 2019, 2.8% above the 12-month LIBOR, the widest spread in a decade. Private sector deposits had grown by $550.7m to $172.5bn in March 2019 in response to the formation of a national unity Cabinet, but gains during the month fell short of the outflows in the prior two months, Banque du Liban data showed.

Exports by destination (1Q, $m)



Source: Customs, Economena, SGBL Research

Retail trade index (% yoy)



Source: BTA, Economena, SGBL Research

NON-OIL TRADE DEFICIT SHRANK BY 20% YOY TO $2.5BN IN 1Q 2019

- **Imports of vehicles slumped 23.8% yoy as consumers scale back**
- **Exports to the GCC reached a decade-high of $231.2m by March 2019**
- **Current account deficit to narrow by $1.8bn to $11.8bn or 19.9% of GDP in 2019 - IIF**

Lebanon's trade deficit widened by 2.5% yoy to $4.1bn in the first quarter of 2019, driven by greater fuel imports during the period, Customs data showed. However, the non-oil deficit, which excludes the volatile fuel trade, shrank by 20% yoy to $2.5bn, equivalent to a reduction of $629m as a result of a pickup in export activity and a sharp and broad-based downturn in import demand.

Trade in fuel products exhibits a high level of volatility due to wide fluctuations in orders by the state-owned electricity company resulting in part from an inconsistent budgetary process. Oil imports destined for Electricité du Liban reached $810m in the first quarter of 2019, up from just $115m over the same period in 2018, while demand by other sources grew at a more modest pace of 7.1% yoy to $770m.

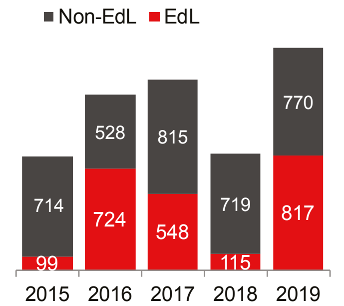
Meanwhile, a slump in non-fuel imports mirrored the downturn in economic activity in the first quarter. Imports fell across 18 of the 21 main products groups as consumers scaled back and distributors grew more cautious. Pharmaceutical products and vehicles, Lebanon's two biggest non-fuel imports, shed 5.9% yoy to $324.1m and 23.8% yoy to $280.2m respectively by March pointing to growing consumer pain even in the defensive healthcare sector. The only two non-fuel groups showing an increase were vegetables and animal and vegetable oils whose imports grew by 6.8% yoy to $308m and 2.3% yoy to $39.1m respectively.

A rebound in goods exports offered additional support in the country's bid to narrow its sizeable goods trade deficit. Higher foreign sales were not limited to pearls and precious stones by March 2019, but extended to machinery and vegetable oils which grew by 82.1% yoy and 74.5% yoy respectively. Exports to the Gulf Cooperation Council jumped by 14.5% yoy to a decade-high of $231.2m, led by improvement in shipments to the United Arab Emirates, Saudi Arabia, and Qatar.

Lebanon's current account deficit is projected to narrow by $1.8bn to $11.8bn in 2019 or 19.9% of GDP, amid dwindling merchandise imports and rising exports of tourism services, stated the Institute of International Finance (IIF).

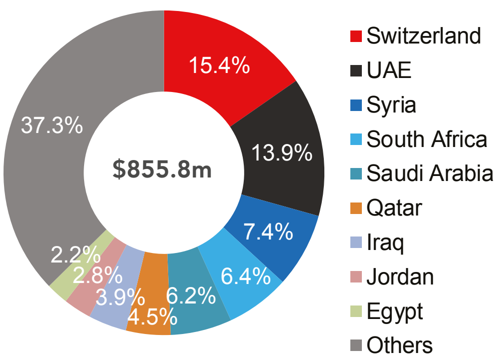
The goods trade deficit is seen shrinking by $818m to an estimated $14.3bn during the year following a slowdown in demand for imports and some pickup in export activity. Exports of tourism services are forecast to bring in an estimated $8.6bn for the country in 2019, 8% more than in 2018, but tourism gains would be partially offset by just over $6bn in spending on foreign travel, according to the IIF.

Imports of fuel (Q1, $m)



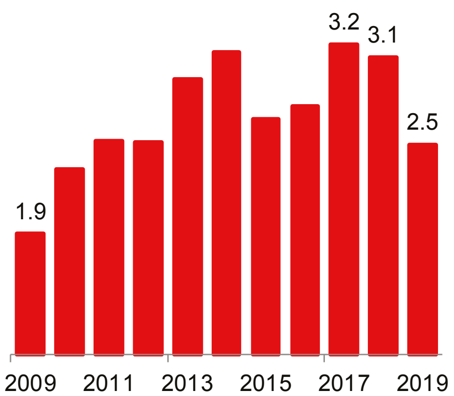
Source: Customs, Economena, SGBL Research

Exports by destination (1Q 2019)



Source: Customs, Economena, SGBL Research

Non-oil trade deficit (1Q, $bn)



Source: Customs, Economena, SGBL Research

PRIVATE DEMAND HOLDING UP DESPITE ECONOMIC HEADWINDS

- **Food import volumes grew by 1.9% yoy to 836,740 tons in the first quarter of 2019**
- **Trips to Turkey and Cyprus posted record highs through March**
- **Headline inflation slowed to 3.6% yoy through April on stable oil prices, food prices surged**

Private consumption is holding up despite being hit by flagging confidence and political uncertainty in recent months. Imports of foodstuffs, vegetables, and animal products slipped by 1.6% yoy to $851.7m in the first quarter of 2019, but their volumes, a proxy for real demand, increased by 1.9% yoy to 836,740 tons, according to Customs data. Lebanese visitors to Turkey and Cyprus grew by 21% yoy to 63,457 visitors in the first quarter, suggesting robust demand for travel services.

Consumption data suggest wide sectoral variations as consumers adapt to tighter lending conditions and greater economic and financial risk. Retail sales in the food and beverages sector surged by an estimated 47% yoy in the fourth quarter of 2018, whereas sales of cosmetics and clothing products slumped by 45.2% yoy and 20.1% yoy respectively, data by the Lebanese Franchise Association showed.

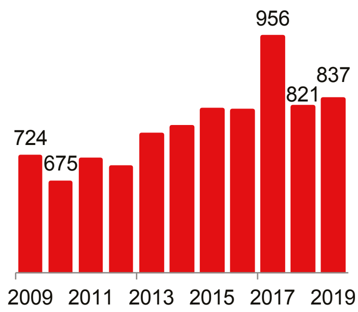
Household income levels received a boost from the new public sector salary scale which took full effect in 2018, and from rising interest rates on deposits. Positive income effects, however, were offset by tighter credit conditions and speculations over the nature of government austerity measures aimed at reining in public spending.

ARA's consumer confidence index sank by 12.7% yoy in the first quarter in the lead up to budget deliberations, offseting gains from the breakthrough in the formation of a new national unity Cabinet. The index measuring confidence in future income levels fell to a five-year low during the period as concerns over stringent budget measures cut into expectations.

Meanwhile, the credit crunch prompted consumers to scale back their purchases of large-ticket items, particularly vehicles. New passenger car sales plummeted by 20.4% yoy to 8,102 vehicles in the first four months of 2019 with Korean and Japanese brands, led by Hyundai, Kia and Toyota, bearing the brunt of the decline. On the other hand, several European and luxury brands including Renault, Audi, BMW, Porsche, and Lamborghini reported robust double-digit growth in their unit sales during the period.

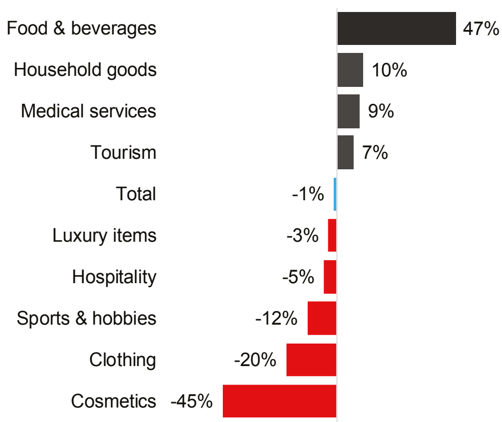
On the bright side, inflation slowed to an average of 3.6% yoy by April 2019, according to the Central Administration of Statistics, reflecting stability in fuel prices compared to the same period of 2018. However, prices of food and non-alcoholic beverages jumped by 6.7% yoy, their fastest pace for the period since 2011, on the back of a rally of 27.3% yoy in the prices of vegetables. The draft 2019 budget proposes a broad-based tax of 2% on all but a limited group of imports including pharmaceuticals, potentially raising inflationary pressures.

Total food imports (Q1, '000 tons)



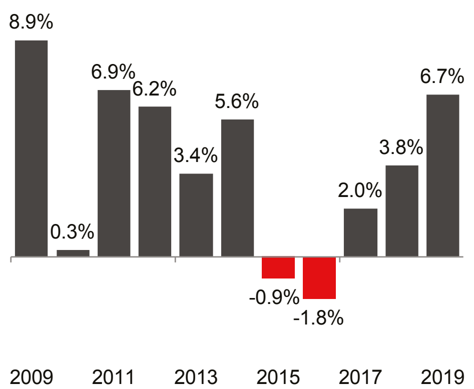
Source: Customs, Economena, SGBL Research

Retail sales (Q4 2018, % yoy)



Source: LFA, Economena, SGBL Research

CPI: food and beverages (Jan-Apr, %yoy)



Note: Non-alcohlic
Source: CAS, Economena, SGBL Research

CAPITAL INFLOWS POISED TO REBOUND AS SPREADS HIT DECADE HIGH

- **Private sector deposits rose by $550.7m in March 2019, their first increase this year**
- **Spread between US dollar deposits and LIBOR reached 2.8% by March, a decade high**
- **Fiscal adjustment would lead to a gradual decline in interest rates - IIF**

Private sector deposits grew by $550.7m to $172.5bn in March 2019 after the formation of a national unity Cabinet raised hopes for long-awaited reforms, but gains during the month were insufficient to fully reverse outflows that took place in the first two months of the year, Banque du Liban data showed. The deposit dollarization rate stabilized at 70.6% at the end of March with pressures easing on the dollarization rates of both residents and non-residents.

Residents and non-residents both posted slower growth in their deposits, although the latter's remained relatively more robust. Non-resident private sector deposits grew by 2.4% yoy to $36.9bn by March, while those of residents inched by just 0.4% yoy to $135.6bn during the period.

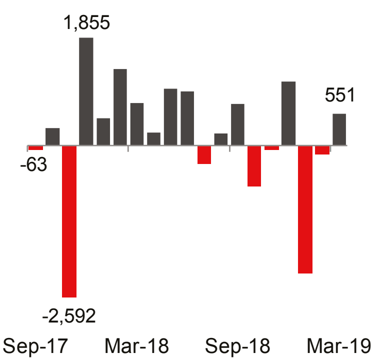
Growth in deposits, however, is likely to pick up by the end of the year amid widening in interest spreads. Current spreads between local interest rates and the London Interbank Offered Rate (LIBOR) are sufficiently large to attract adequate non-resident deposits, especially from the Diaspora, argued the Institute of International Finance (IIF) in a May report. The weighted average interest rate on US dollar deposits in Lebanon reached 5.6% in the first quarter of 2019, 2.8% over the 12-month LIBOR, the most attractive spread in a decade.

Higher oil prices in recent months will also bring greater liquidity to regional exporters with positive spillover effects on capital inflows to Lebanon. Brent crude oil prices hovered around $70 a barrel at the end of May, up by nearly 30% since the start of the year, US EIA data showed. In addition, fiscal reforms and a smaller trade deficit should support confidence in financial markets in coming months.

The Cabinet approved in late May a draft budget involving spending and revenues measures aimed at narrowing the fiscal deficit to levels consistent with the country's commitments to CEDRE donors, which may contribute to unlocking over $11bn in concessional loans and restore confidence.

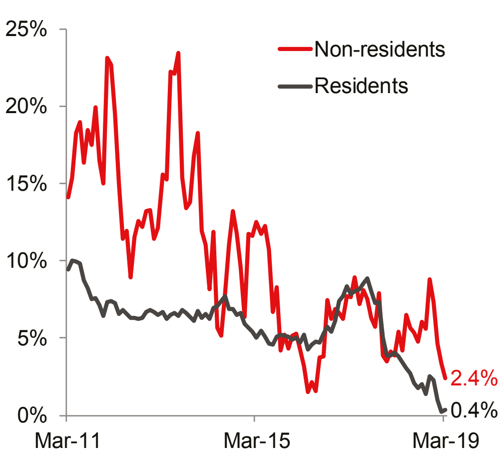
If successful, fiscal adjustment would also send a positive signal to foreign investors and lead to acceleration in deposit growth, offering an opportunity for the central bank to strengthen its balance sheet and for interest rates to gradually decline, stated the IIF. Non-resident capital inflows are projected by the IIF to rise by $1.3bn to $8.3bn in 2019, and the central bank's non-gold official reserves would stabilize in 2020 and steadily expand starting 2021.

Deposits (change, $m)



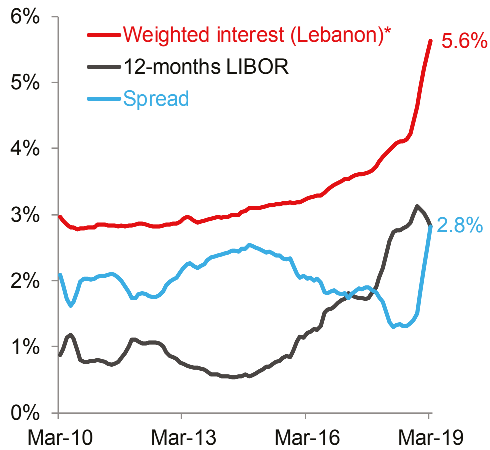
Note: Private sector
Source: BdL, Economena, SGBL Research

Private sector deposits (%yoy)



Source: BdL, Economena, SGBL Research

US dollar deposit rates



Note: Average of the last three months of new deposits.
Source: FRED, ABL, Economena, SGBL Research

FISCAL DEFICIT MAY NARROW TO 1.2% OF GDP BY 2023 - IIF

- **Real GDP to accelerate to 2.2% in 2020 as investment and exports rebound**
- **CDS spreads could tighten to 600 basis points by end of 2019**
- **Interest spreads large enough to attract adequate non-resident deposits**

The Lebanese government's fiscal reform agenda, including the draft 2019 budget, is likely to lay out a promising path toward reducing the country's large debt overhang and financial vulnerabilities, stated the Institute of International Finance (IIF) in a May 17, 2019 report.

Revenue and expenditure measures already agreed by the Cabinet in addition to others under consideration should be enough to reduce the debt-to-GDP ratio significantly over the medium term, according to the IIF. The fiscal deficit is expected to shrink from an estimated 11.2% of GDP in 2018 to 8.4% in 2019, and narrow gradually in later years to reach 1.2% by 2023. This would place the debt-to-GDP ratio on a downward trajectory from 151.5% in 2019 to 130% by 2023, IIF forecasts showed.

DEEP FISCAL AND STRUCTURAL REFORMS

The 2019 budget law is projected to lead to a narrowing in the fiscal deficit from an estimated $6.3bn in 2018 to $5bn in 2019 and to $4bn by 2020, predicted the IIF. Spending measures are expected to include a four-year hiring freeze, salary cuts to current and former public officials, reduction in retirement benefits, lower defense and administrative spending.

At least 16% of public sector employees will retire over the next four years, according to the IIF, an opportunity to revitalize the public sector, reduce its size, and enhance its efficiency without resorting to layoffs.

Meanwhile, an electricity reform plan approved by Parliament in early 2019 would reduce budgetary support to the loss-making state-owned electricity company by tapping into CEDRE concessional loans and private sector financing for the construction of new power plants. Transfers to Electricité du Liban should drop by 12.3% to $1.6bn in 2019 and be completely eliminated by 2023 through a combination of higher tariffs and lower technical and non-technical losses, per IIF projections.

Revenue measures are expected to help bring in an estimated $13.5bn in total revenues by 2019 and $15bn in 2020, according to IIF estimates. Measures include raising the tax rate on interest income and the top personal income tax rate, slashing customs exemptions, and imposing a broad-based tax on imports.

EASING IN ECONOMIC AND MONETARY PRESSURES

BdL's Coincident Indicator, a composite index of main economic indicators, fell by 4.3% yoy in the first quarter of 2019 as credit and construction activity stalled. Real GDP growth is projected to remain modest at 0.7% in 2019, according to the IIF, but activity will likely begin to pick up in the second half of the year and into 2020 as political stability, reforms, and access to $11.2bn in CEDRE concessional loans lead to gradual improvement in investment and net exports of goods and services.

In particular, exports of tourism services are likely to increase by 8% to a decade-high of $8.6bn in 2019, while imports of travel services would rise at a more modest pace of 0.9% to just over $6bn, stated the IIF.

Successful implementation of fiscal and structural reforms should hand the Central Bank an opportunity to beef up its reserves by sending a positive signal to foreign investors and accelerating deposit growth. It would facilitate a drop in Credit Default Swap spreads on Lebanese Eurobonds, the cost to insure against sovereign default, from 800 bps to about 600 bps by end-2019, predicted the IIF.

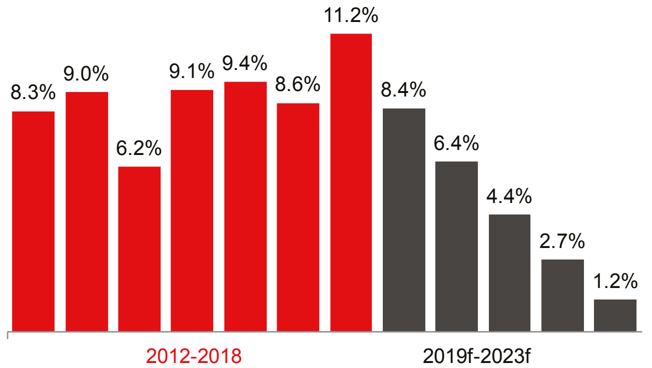
Current spreads between local and foreign interest rates are sufficiently large to attract adequate non-resident deposits, particularly from the Diaspora, argued the IIF. Non-resident capital inflows are projected to jump by $1.3bn to $8.3bn in 2019 and to reach $11.3bn by 2023.

Select economic indicators (IIF)

	2017	2018e	2019f	2020f	2023f
Real GDP, % change	0.6	0.4	0.7	2.2	4.0
Private cosumption	4.1	0.2	-0.6	1.3	3.3
Public consumption	6.3	10.1	-4.7	-0.5	-0.5
Investment	0.4	-2.1	-2.2	4.9	7.1
Exports of goods & services	-3.3	-0.3	4.7	5.0	6.3
Imports of goods & services	6.3	-3.5	-2.0	2.5	4.3
Consumer prices, %, average	4.5	6.2	3.0	3.0	3.0
Current account, % of GDP	-23.2	-24.2	-19.9	-18.7	-16.8
Non-gold official reserves, $bn	42.0	39.7	38.1	38.0	41.2
Public revenue, % of GDP	21.8	21.3	22.7	23.9	25.1
Public spending, % of GDP	30.4	32.6	31.0	30.2	26.3
Primary balance, % of GDP	0.8	-1.3	2.0	4.0	8.4
Fiscal balance, % of GDP	-8.6	-11.2	-8.4	-6.4	-1.2
Government debt, % of GDP	148.9	151.5	151.7	149.8	130.3
Non-resident capital flows, $bn	8.3	7.0	8.3	9.2	11.3
Private sector credit, % change	7.3	-3.4	-1.4	3.0	7.1

Source: IIF, Economena, SGBL Research

Fiscal deficit (% of GDP)



Source: IIF, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Jan-19	Feb-19	Mar-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	4.90	4.85	5.07	-11.7	14.83	16.82
Real estate transactions	$bn	8.13	0.50	0.55	0.57	-18.2	1.63	2.01
Construction permits	Sqm, m	9.02	0.50	0.85	0.60	-34.5	1.95	2.69
Cement deliveries	Tons, m	4.70	0.22	0.20	0.26	-41.8	0.68	1.05
Tourist arrivals	m	1.96	0.11	0.12	0.14	2.9	0.38	0.36
Airport traffic	m	8.84	0.61	0.53	0.62	-1.2	1.75	1.73
Balance of payments	$bn	-4.82	-1.38	-0.55	-0.08	-	-2.00	-0.20
Money supply: M3	$bn	141.29	139.59	139.86	140.20	0.4	-1.09	1.02
BSE volumes	m	90.01	50.96	121.96	10.08	-70.9	183.00	45.62
Passenger car sales		33,012	1,838	1,906	2,190	-24.5	5,934	7,645
Hotel occupancy (average)	%	65.05	59.8	70.7	79.0	15.5	69.83	57.97

Indices	Unit	2018	Jan-19	Feb-19	Mar-19	%Y/Y	%YTD
Consumer Confidence Index - ARA		113.25	108.00	122.00	107.00	-9.3	-1.8
Consumer Price Index		106.65	107.23	107.42	109.28	4.1	1.2
Purchasing Managers' Index		46.28	46.50	46.90	46.30	-0.4	0.2
BdL Coincident Indicator		307.72	295.90	297.90	309.70	-3.6	3.0

Trade	Unit	2018	Jan-19	Feb-19	Mar-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	1.40	1.36	2.18	30.6	4.95	4.81
Exports	$bn	2.95	0.24	0.30	0.32	13.2	0.86	0.81
Trade balance	$bn	-17.03	-1.17	-1.06	-1.86	34.2	-4.09	-4.00
Port of Beirut volumes	TEUs, m	1.31	0.09	0.11	0.10	-7.2	0.29	0.32

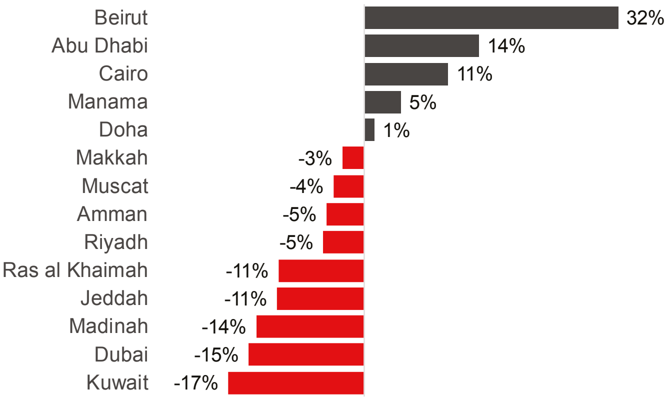
Financial and monetary	Unit	2018	Jan-19	Feb-19	Mar-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	248.88	250.24	252.75	12.5	3.27	1.3
Claims on the resident private sector	$bn	51.80	50.75	50.46	50.04	-4.3	-1.76	-3.4
Claims on the non-resident private sector	$bn	7.12	6.96	6.49	6.85	8.8	-0.26	-3.7
Claims on the public sector including securities	$bn	33.60	33.45	33.54	33.30	8.3	-0.30	-0.9
Resident private sector deposits	$bn	136.56	135.09	135.30	135.60	0.3	-0.95	-0.7
Dollarization rate (average)	%	63.83	65.99	65.72	65.71	2.6	0.05	0.1
Non-resident private sector deposits	$bn	37.72	37.02	36.67	36.92	2.4	-0.80	-2.1
Dollarization rate (average)	%	87.63	88.69	88.60	88.57	0.9	0.00	0.0
Private sector deposits with commercial banks	$bn	174.28	172.11	171.97	172.52	0.8	-1.76	-1.0
Private loans / deposits	%	38.48	37.57	37.30	36.90	-1.8	-1.03	-1.0
Public sector deposits	$bn	9.30	9.27	8.60	8.95	-15.9	-0.35	-3.8
BdL foreign assets	$bn	44.28	44.14	43.50	42.99	-7.6	-1.29	-2.9
BSE market capitalization	$bn	9.68	9.38	9.34	9.63	-18.8	-0.05	-0.5
Gross public debt	$bn	85.14	85.32	85.25	86.22	5.3	1.08	1.3

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

Revenue per available room (1Q 2019, % yoy)

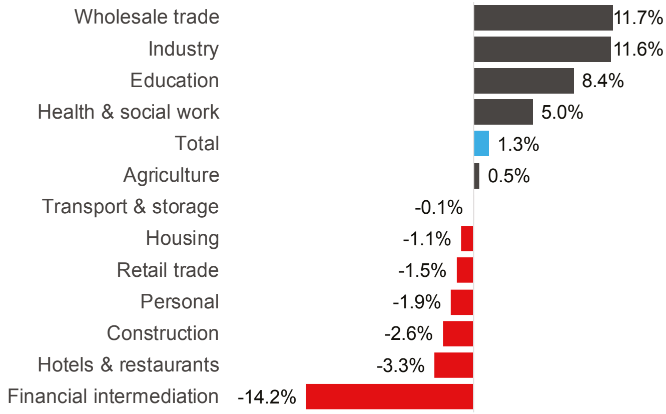
A rebound in tourism, particularly from Gulf countries, lifted occupancy rates at Beirut's 4- and 5-star hotels in the first quarter of 2019, bucking a downtrend in the rest of the economy. Revenue per available room rose by 32% yoy to $132, the fastest among key regional cities, and the second highest in the region after Dubai, Ernst & Young data showed.



Source: EY, Economena, SGBL Research

Utilized credit (2018, % change)

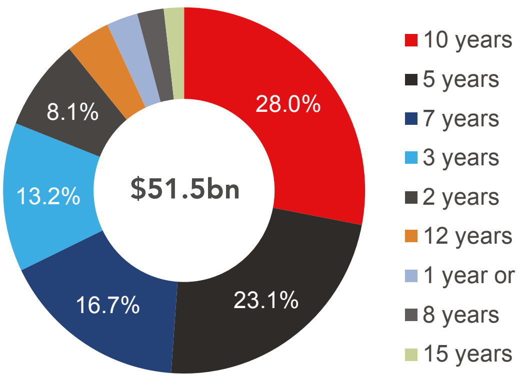
The financial sector scaled back its lending for construction, housing, and hospitality in 2018, but expanded wholesale trade credit and credit to the industrial sector which continued to benefit from central bank incentives. Total utilized credit grew by 1.3% in 2018, almost entirely coming from production in the first half of the year.



Source: BdL, Economena, SGBL Research

Outstanding T-bills (March 2019)

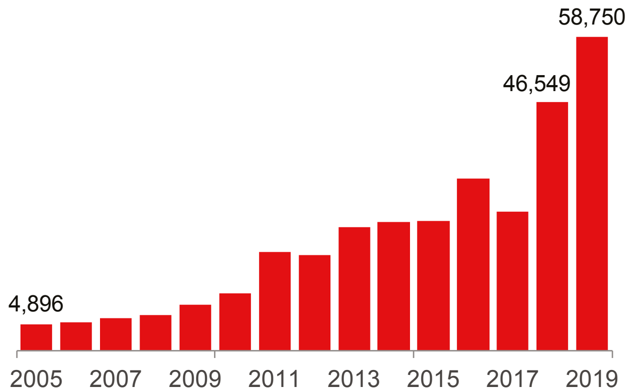
An estimated 76% of outstanding Treasury bills in local currency have a maturity of five or more years which typically carry higher coupon rates. However, recurrent subscriptions by Banque du Liban to long-term issues at a favorable rate of 1% has kept the weighted coupon rate on total outstanding T-bills in check at 6.24% by March 2019.



Source: BdL, ABL, Economena, SGBL Research

Lebanese arrivals in Turkey (Q1)

Depreciation in the Turkish Lira and a fixed exchange rate in Lebanon are fueling growth in the number of visits to Turkey. Close to 59,000 Lebanese visitors entered Turkey in the first quarter of 2019, 26.2% more than in the same period of 2018 and a 10-year compound annual growth rate of 21.3%, TurkStat data showed.



Source: TurkStat, Economena, SGBL Research