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SGBL EcoNews

Page 3
Exports hit 6-year high in August 2019, imports slump

Page 4
Foreign currency deposits rose by 3.2% yoy by September 2019

Page 5
Lebanon can bring in $2.6bn under IMF program, keep the peg - IIF

Page 6
Government targets near-balanced budget in 2020

Page 7
Latest data for Lebanon's key economic sectors

Page 8
Key trends in the Lebanese economy

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REFORMS TAKE CENTER STAGE AFTER NATIONWIDE PROTESTS

- **Outgoing Cabinet approves nearly-balanced 2020 budget proposal**
- **Favorable external monetary conditions offset by domestic turbulence**
- **Remittance inflows, exports rebound in 2019**

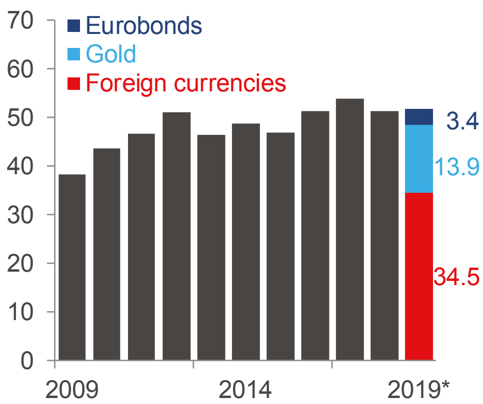
Structural reforms took center stage after nationwide protests led to the resignation of the Cabinet, nine months after it was formed, and re-oriented the government's agenda to focus on policies that would reduce corruption and unlock potential for economic growth and employment. In particular, private sector participation in the management of the country's most valuable assets appeared to gain widespread popular support, adding to pressure on the state to accelerate the restructuring of public administration.

The outgoing Cabinet had unanimously endorsed a series of fiscal reform measures prior to PM Hariri's resignation in late October. Reform measures included the partial privatization of operations and/or ownership of state-owned trophy assets such as the telecom networks, stock market, national airline, tobacco company, Casino du Liban, and the Port of Beirut. In addition, the outgoing Cabinet promised to deliver round-the-clock power by 2020 in cooperation with the private sector and to eliminate electricity subsidies by 2021.

One of the Cabinet's last acts was approving a 2020 budget law proposal that would slash the fiscal deficit from an estimated $4.5bn in 2019 to a two-decade low of $375.7m, equivalent to 0.6% of GDP, and referring it to Parliament for ratification. Street protests had forced the Cabinet to scrap a series of proposed tax measures targeting consumers, employees, and retirees; raising taxes on the financial sector instead to plug the hole in the budget.

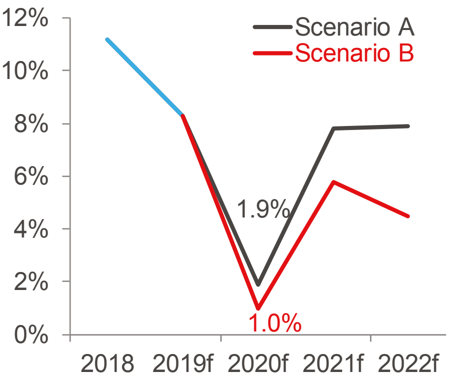
In particular, the budget proposal imposes a one-off tax of 2% on the revenues of banks and targets debt service savings of around $3bn in 2020 through an arrangement, yet to be defined, between the Ministry of Finance and Banque du Liban (BdL). BdL held $51.8bn in international reserves at the end of October 2019, unchanged over the past five years, demonstrating its continued ability to attract foreign deposits under challenging conditions.

BdL foreign assets ($bn)



Note: As of Oct-31.
Source: BdL, Economena, SGBL Research

Fiscal deficit (% of GDP)



Note: A: Partial reforms and limited external financing.
B: Deep reforms and access to CEDRE, IMF, and others.
Source: IIF, Economena, SGBL Research

The banking system remains well capitalized, liquid and profitable, according to the Institute of International Finance (IIF), which argued that the sector's strength should not be exploited by the government to avoid making the hard decisions on fiscal and structural reforms. Tight credit conditions had prompted a sharp improvement in liquidity as banks scaled back their lending to the private sector, stepping up instead their placements with central banks. Vault cash and reserves with BdL and other central banks grew by 22.6% yoy to $154.7bn by the end of September, covering 88.4% of total deposits.

Steep fiscal consolidation would reflect positively on Lebanon's credit worthiness, supported by reduced supply of Eurobonds in light of the resulting limited financing needs, stated Morgan Stanley in October. The US-based investment bank stated that it usually takes over a month for bonds to recoup losses after a mass protest.

Nevertheless, prospects for prompt budget ratification by Parliament diminished following the resignation of PM Hariri and in the aftermath of more than two weeks of ongoing protests and intermittent road closures. Social unrest follows months of worsening economic conditions, especially in construction and real estate, two key drivers of business activity and employment.

IMF program would not necessarily involve de-pegging the exchange rate or devaluation, stated the IIF.

The IIF called on Lebanese authorities to seek an International Monetary Fund (IMF) program, which, depending on financing needs and the strength of the authorities' reform program, may amount to about $2.6bn and spread over three years. The program would not necessarily involve de-pegging the exchange rate or the devaluation of the Lebanese Pound, stated the IIF, citing Jordan's IMF program which maintained the Jordanian Dinar's peg to the US dollar. Deep reforms would also unlock full access to CEDRE concessional loans and additional external financing, leading to a rapid decline in the fiscal deficit to less than 2% of GDP by 2024, according to IIF projections.

Likewise, the IMF called in October for decisive actions to remove growth bottlenecks and enable external adjustment in the context of the currency peg. Growth is projected by the IMF to accelerate to 0.9% in 2020 and to 2.3% in 2021 from 0.2% in 2019, while inflation is seen slowing to 2.6% in 2020 from 3.1% in 2019.

The Fund's proposed fiscal consolidation measures include raising the VAT rate, broadening the tax base and removing exemptions, increasing fuel excises and eliminating electricity subsidies in conjunction with a stronger social safety net to protect the most vulnerable people.

FAVORABLE EXTERNAL CONDITIONS

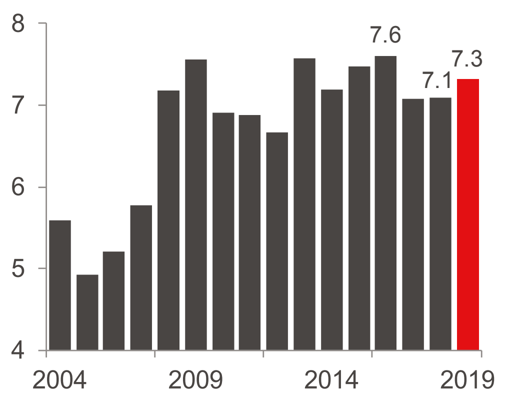
The adverse domestic backdrop contrasts sharply with increasingly favorable external economic and monetary conditions. Remittance inflows, an important source of foreign currency, are poised to increase by $219.2m yoy to a three-year high of $7.3bn in 2019, equivalent to 12.5% of GDP, according to estimates published by the World Bank in October.

Similarly, Lebanon's merchandise exports reached a six-year high of $375m in August 2019 after a pickup in foreign demand led to a meaningful comeback in the sales of machinery, vegetable oils, pearls, and pharmaceutical products, Customs data showed.

Attractive spreads between domestic and global deposit rates have the capacity to drive significant financial inflows.

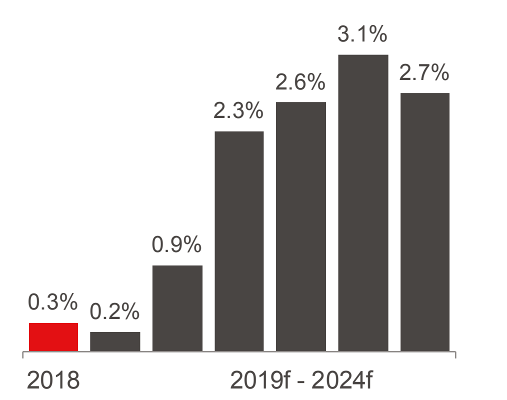
Still, the biggest payoff for the country could come from attractive spreads between domestic and global deposit rates which have the capacity to drive significant financial inflows at lower cost once political conditions normalize. Average US dollar deposit rates in Lebanon rose by 2.2% yoy to a three-decade high of 6.6% by the end of September 2019, while the 12-month LIBOR on US dollar decreased by 0.9% yoy to 2.0% over the same period. In October, the Federal Reserve lowered its policy rate by 25 basis points to a target range of 1.5%-1.75%, its third rate cut this year, likely contributing to further widening in deposit spreads.

Remittance inflows ($bn)



Source: World Bank, Economena, SGBL Research

Real GDP growth (%)



Source: IMF, Economena, SGBL Research

EXPORTS HIT 6-YEAR HIGH IN AUGUST 2019 WHILE IMPORTS SLUMP

- **Trade deficit contracts by $358.3m to $11.4bn by August on import compression**
- **Saudi Arabia, United Arab Emirates top export markets after Switzerland**
- **Exports through Masnaa rose by 78.4% yoy to $152.7m by August**

Lebanon's merchandise exports reached a six-year high of $375m in August 2019 after sales of pearls, machinery, vegetable oils, and pharmaceuticals staged a meaningful comeback in recent months, Customs data showed. On the other hand, a stalling economy led imports to slump by 17.4% yoy to $1.5bn during the month, helping shrink the deficit by 3.1% yoy to $11.4bn in the first eight months of the year.

Exports to Arab countries, particularly the Gulf Cooperation Council (GCC), showed signs of recovery, lifting the value of shipments through the Masnaa customs office, the country's most active border crossing with Syria, by 78.4% yoy to $152.7m through August. Exports to the GCC reached a decade-high of $618.8m during the period, led by growth in sales to Saudi Arabia and the United Arab Emirates, Lebanon's second and third largest export markets respectively in the first eight months of 2019.

The rebound in exports was widespread across merchandise products. Foreign sales of machinery and electrical equipment jumped by 22% yoy to a four-year high of $245m along with a similar increase in exports of animal or vegetable fats and oils to $39.5m.

Exports could get some uplift from the reopening of land transit routes between Syria, Jordan, and Iraq and from recent policies by both fiscal and monetary authorities aimed at driving export activity. The budget proposal introduced a 5% export subsidy that applies to incremental change in industrial exports in 2020 over 2019 for existing products and to all industrial exports of new product lines.

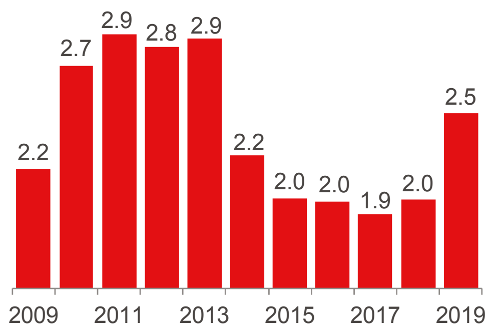
The 2020 budget proposal introduces a 5% export subsidy on additional industrial exports.

However, elevated political uncertainty casts doubt over the outlook for exports. Prospects for prompt budget ratification by Parliament have diminished in recent weeks following the resignation of PM Hariri and in the aftermath of nearly two weeks of protests and intermittent road closures. Social unrest follows months of worsening economic conditions, especially in the construction and real estate sector, a key driver of business activity and employment.

Import compression was most pronounced in non-petroleum products which slid by 15.6% yoy to $9.1bn in the first eight months, a 10-year low for the period. Imports of transport equipment fell by 21.3% yoy to $892.5m reflecting a slowdown in new car sales and stalled credit activity.

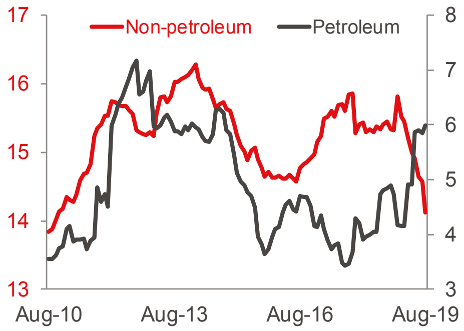
Similarly, rising borrowing rates and a reduction in subsidized housing loans available through the central bank's stimulus program led property sales to plummet, drying up investment in new build and demand for construction materials. Imports of stone, plaster, cement, and glass slipped by 27.1% yoy to a decade-low of $224.1m by August coupled with a drop in demand for iron and steel.

Exports (Jan- Aug, $bn)



Source: Customs, Economena, SGBL Research

Imports (12-month moving sum, $bn)



Source: Customs, Economena, SGBL Research

FOREIGN CURRENCY DEPOSITS ROSE BY 3.2% YOY BY SEPTEMBER 2019

- **Deposit dollarization rate rises to 72.9% by September 2019**
- **Attractive spreads could drive subtantial inflows once political conditions normalize**
- **Higher placements with BdL lift banking sector liquidity**

Private sector deposits in foreign currencies at commercial banks grew by 3.2% yoy to $124.1bn by September 2019, while deposits in Lebanese Pound shrank by 14.0% yoy to $46.2bn, central bank data showed. As a result, the dollarization rate hit 72.9%, up from 70.6% at the start of the year, driven largely by conversions in favor of foreign currencies.

Weekly money supply data showed deposits of residents in foreign currencies were also relatively unchanged between October 3 and October 10, the latest period for which data are available. Meanwhile, M2, which includes local currency in circulation and on deposit, shed $656.2m to $45.7bn during the week amid persistent conversion to foreign currencies.

Deposits may get some uplift in the coming months from ongoing fiscal adjustment, a policy that is likely to resume under the next Cabinet, but face considerable pressure from political uncertainty. Prior to PM Hariri's resignation, the Cabinet had referred to Parliament a budget proposal that targets the smallest deficit in over two decades, at 0.6% of GDP.

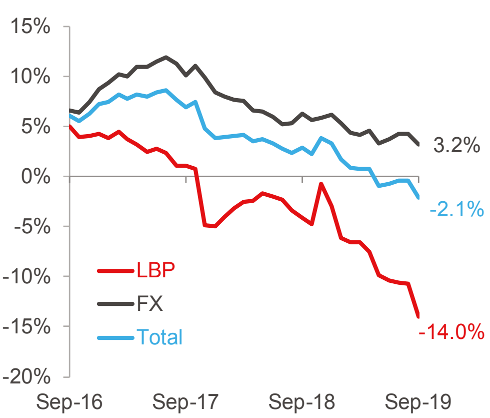
Still, the biggest payoff for the country could come from attractive spreads between domestic and global deposit rates which have the capacity to drive significant financial inflows at lower cost once political conditions normalize. Average US dollar deposit rates in Lebanon rose by 2.2% yoy to a three-decade high of 6.6% by the end of September 2019, while the 12-month LIBOR on US dollar decreased by 0.9% yoy to 2.0% over the same period. In October, the Federal Reserve lowered its policy rate by 25 basis points to a target range of 1.5%-1.75%, its third rate cut this year, likely contributing to further widening in deposit spreads.

The biggest payoff could come from attractive spreads between domestic and global deposits rates.

Meanwhile, shrinking loan portfolios and rising borrowing rates indicate credit conditions remain tight. Claims on the resident private sector fell by 9.1% yoy to $47.4bn by September 2019 after peaking at $53.5bn at the end of 2017, according to BdL. The average interest rate on US dollar discount and loans surged by 2.2% yoy to 10.3% by the end of September, its highest level since May 2002, while the rate on local currency borrowing increased at a more moderate pace of 1.6% yoy to 10.9%.

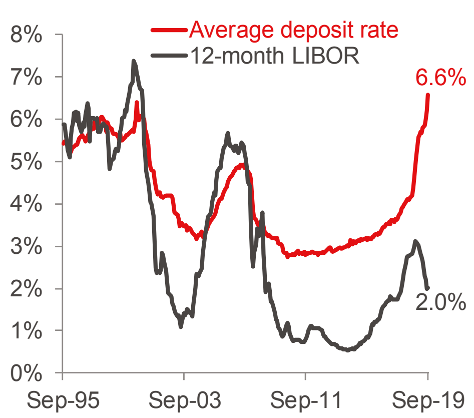
Tighter credit had prompted sharp improvement in liquidity as banks scaled back their lending to the private sector, stepping up instead their placements with central banks. Vault cash and reserves with BdL and other central banks grew by 22.6% yoy to $154.7bn by the end of September, covering 88.4% of total deposits. By contrast, commercial banks reduced their allocations to sovereign debt; total claims on the public sector decreased by 4.7% yoy to $31.7bn by September, of which $22.4bn denominated in foreign currencies.

Private sector deposits (%yoy)



Source: BdL, Economena, SGBL Research

US dollar rates



Source: BdL, Economena, SGBL Research

LEBANON COULD BRING IN $2.6BN UNDER IMF PROGRAM, KEEP THE PEG - IIF

- **Banking system remains well capitalized, liquid and profitable**
- **Fiscal deficit will shrink to 1.9% of GDP in 2020 from 8.3% in 2019**
- **Sustained fiscal reforms needed to restore domestic and foreign investor confidence**

Lebanese authorities should seek an IMF program, which, depending on financing needs and the strength of the authorities' reform program, may amount to about $2.6bn and spread over three years, stated the Institute of International Finance (IIF). The IIF added that the program would not necessarily involve de-pegging the exchange rate or the devaluation of the Pound, citing Jordan's IMF program which maintained the Dinar's peg to the US dollar.

Without meaningful adjustment and external support, Lebanon faces bleak economic prospects, and would remain in a vicious cycle of rising debt, high interest rates and depressed private investment, predicted the IIF.

Without meaningful reforms, Lebanon faces bleak economic prospects, stated the IIF.

An IMF program, however, would bring in additional financing, arrest economic deterioration, help boost the country's liquid foreign currency official reserves, and lower borrowing costs to finance the deficits, according to the Institute.

The banking system remains well capitalized, liquid and profitable, argued the IIF, noting that the sector's strength should not be exploited by the state to avoid making the hard decisions on fiscal and structural reforms. The outgoing Cabinet approved in October a 2020 budget proposal that imposes a 2% one-off tax on bank revenues to help close the fiscal deficit.

Instead, the IIF called for sustained and deep fiscal adjustment that would place the public debt-to-GDP ratio on a downward path. Proposed adjustment measures include a progressive personal income tax system characterized by higher tax rates of up to 30% for upper-income groups, enforcement of fines on illegally built seaside properties, speedy implementation of electricity reforms, and the restructuring of the public administration.

Deep reforms would unlock full access to CEDRE concessional loans and additional external financing and drive down the fiscal deficit and the debt-to-GDP ratio at a rapid pace to less than 2% of GDP and 119% of GDP respectively by 2024, according to IIF projections. As a result, government debt-to-GDP ratio will be placed on a firm down-ward trajectory, declining to 119% by 2024.

Deep reforms would lead to a signficant pick up in non-resident capital flows, according to the IIF.

Substantial reforms would also revive confidence among domestic and foreign investors, leading to a significant pick up in non-resident capital flows and recovery in gross official reserves beyond 2020. Economic growth can be expected to accelerate to 5.2% by 2024 alongside the implementation of major infrastructure projects, helping narrow the country's twin deficits and supporting the peg, stated the IIF.

On the other hand, if reforms are only partial, growth would remain below 1% over the medium term. Local investors would likely hesitate to substantially increase investment, gross official reserves would continue to decline, and the fiscal deficit would widen again beyond 2020 as temporary fiscal adjustment measures expire, noted the IIF.

IIF illustrative scenarios			Scenario A*		Scenario B**	
	2018	2019f	2020f	2024f	2020f	2024f
Real GDP, % change	-0.2	-1.6	0.4	1.0	1.3	5.2
Current account, % of GDP	-22.2	-20.7	-15.7	-15.3	-17.2	-14.1
Non-resident inflows, % of GDP	9.2	8.7	7.0	5.5	8.5	10.5
Gross official reserves, $bn	39.7	33.0	24.8	4.1	27.2	35.5
Overall balance, % of GDP	-11.2	-8.3	-1.9	-7.6	-1.0	-1.5
Primary balance, % of GDP	-1.1	1.7	3.1	3.1	4.0	7.3
Government debt, % of GDP	152.3	151.8	145.1	145.5	143.1	118.8
Total deposits, % change	3.6	-6.5	2.2	1.9	4.5	6.5
Private sector credit, % change	-3.4	-8.1	1.8	3.2	2.9	6.4

*Note: * Partial reforms and limited external financing. ** Deep reforms and access to CEDRE, IMF, and other donors.*

Source: IIF, Economena, SGBL Research

GOVERNMENT TARGETS NEAR-BALANCED BUDGET IN 2020

- **Banks to pay one-off tax of 2% on revenues, equivalent to over $400m**
- **Arrangement with BdL to bring debt service savings of around $3bn in 2020**
- **Electricity subsidy to be slashed to $995m in 2020 from $1.7bn in 2019**

Lebanon's outgoing Cabinet approved in October a 2020 budget law proposal that would slash the fiscal deficit from an estimated $4.5bn in 2019 to a two-decade low of $375.7m, equivalent to 0.6% of GDP, and referred it to Parliament for ratification. The Cabinet also endorsed a series of fiscal reform measures proposed by outgoing PM Hariri amid public uproar over mounting economic woes and corruption.

The approval by the Cabinet marks the first time in several years that a budget proposal is referred on time to Parliament, and represents, along with fiscal reforms and the gradual reduction of the fiscal deficit, a condition by the international donor community to unlock $11bn in concessional loans. The smaller deficit also translates into minimal financing needs, if at all, for the Lebanese government in 2020, reducing pressure on the banking sector to attract and retain deposits through high interest rates.

The 2019 budget law, ratified in late July 2019, had already introduced a combination of administrative spending cuts, salary deductions and higher taxes to reduce the deficit to 7.8% of GDP from 11.1% in 2018. The fiscal deficit shrank by 21.7% yoy to $2.4bn in the first seven months of 2019, according to the Ministry of Finance, an annualized rate of 7.1% of GDP, lending credence to the government's ambitious budget projections.

Street protests, however, had forced the Cabinet to scrap a series of proposed tax measures targeting consumers, employees, and retirees, and to resort instead to raising taxes on the financial sector to plug the hole in the budget for 2020.

In particular, the 2020 budget proposal imposed a one-off tax of 2% on the revenues of banks, financial institutions, and financial intermediation institutions in 2019. The tax is projected to bring in an estimated $411.6m collected over three equal installments due by the end of June, September, and December.

Higher taxes add to an already challenging operating environment for Lebanese lenders, but are not expected to pose a threat to their liquidity in light of resilient profitability in recent years and uplift from foreign operations. Net income of commercial banks operating in Lebanon fell only slightly, by 2.9% to $2.2bn in 2018, after their tax expense doubled to $807.3m.

Alongside the banking sector, the budget proposal targets debt service savings of around $3bn in 2020 through an arrangement, yet to be defined, between the Ministry of Finance and Banque du Liban (BdL).

BdL held $28.6bn in local currency Treasury bills at the end of July 2019, equivalent to 53.4% of outstanding local currency debt, generating an estimated $1.6bn in annual coupon payments. Meanwhile, the government held $3.9bn on deposit with BdL by September 2019 in addition to $4.7bn with commercial banks, a portion of which may be used to settle maturing coupons.

SUBSIDY REFORM FAVORS EXPORTS

The budget proposal introduced a 5% export subsidy that applies to all additional industrial exports in 2020 compared to 2019, while electricity subsidies were slashed to $995m from $1.7bn in 2019. Brent crude prices are projected to fall by 5.4% to an average of $60 per barrel in 2020, according to the US Energy Information Administration, helping reduce the electricity company's energy import bill.

New consolidation measures were also aimed at reining in the state's mounting wage bill. Salaries of current and previous ministers and parliamentarians were cut by 50% along with caps on compensation packages of all senior public officials. Meanwhile, end-of-service indemnities in excess of LBP100m ($66,335) will be disbursed in installments over a three-year period to help reduce the state's near-term borrowing needs.

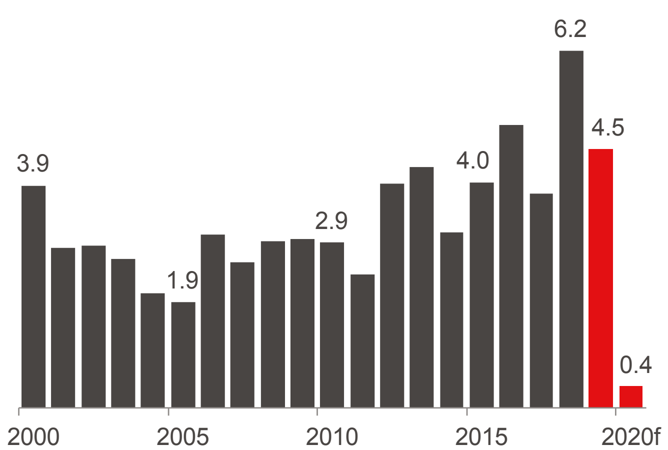
Fiscal performance and budget projections ($m)

	2018	2019f	2020f
Total revenues	11,545.7	14,051.0	14,679.6
Value Added Tax	2,547.8	*2,708.0*	*2,603.3*
Interest income tax	1,195.1	*1,607.2*	*2,073.8*
Telecom surplus	1,070.7	*1,253.2*	*1,128.0*
Customs tax	494.3	*699.8*	*862.6*
*Corporate income tax**	901.1	*1,025.0*	*1,366.9*
Property taxes	755.4	*757.9*	*706.0*
Wages and salaries taxes	577.2	*625.9*	*625.9*
Beirut airport	128.6	*128.5*	*180.8*
Total spending	17,791.6	18,576.8	15,055.3
Transfers to EdL	1,756.1	*1,658.4*	*995.0*
Fiscal balance	-6,245.8	-4,525.8	-375.7
*Percent of GDP***	*-11.1%*	*-7.8%*	*-0.6%*

*Note: *Includes one-off 2% tax on bank revenues. ** Using IMF GDP forecasts.*

Source: MoF, Economena, SGBL Research

Fiscal deficit ($bn)



Source: MoF, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	4.08	5.07	4.84	-11.0	37.41	44.11
Real estate transactions	$bn	8.13	0.29	0.30	0.91	54.9	3.94	5.15
Construction permits	Sqm, m	9.02	0.42	0.63	0.48	-28.5	4.59	6.37
Cement deliveries	Tons, m	4.70	0.28	0.37	0.32	-24.5	2.24	3.20
Tourist arrivals	m	1.96	0.23	0.28	0.24	5.4	1.44	1.34
Airport traffic	m	8.84	0.84	n.a.	n.a.	9.8	3.98	3.82
Balance of payments	$bn	-4.82	-0.20	0.07	0.92	-	-4.40	-1.17
Money supply: M3	$bn	141.29	139.93	140.34	140.40	-0.5	-0.89	2.42
BSE volumes	m	90.01	1.69	1.97	1.09	-29.8	190.55	62.23
Passenger car sales		33,012	2,616	2,948	2,041	-26.4	18,165	23,645
Hotel occupancy (average)	%	65.05	76.7	75.4	n.a.	2.4	70.26	61.03

Indices	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	%YTD
CMA Market Value Weighted Index		113.25	63.91	61.07	54.11	-26.4	-23.6
Consumer Price Index		106.65	109.00	108.50	108.51	1.2	0.5
Purchasing Managers' Index		46.28	46.30	47.70	47.80	4.8	3.5
BdL Coincident Indicator		307.72	293.10	304.30	291.60	-1.7	-3.0

Trade	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	1.38	2.20	1.50	-17.4	13.84	13.72
Exports	$bn	2.95	0.28	0.36	0.37	63.8	2.46	1.99
Trade balance	$bn	-17.03	-1.09	-1.83	-1.13	-29.0	-11.37	-11.73
Port of Beirut volumes	TEUs, m	1.31	0.12	0.12	0.12	9.4	0.86	0.87

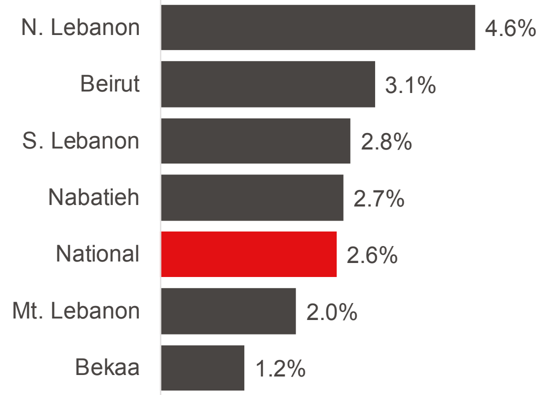
Financial and monetary	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	255.98	259.18	261.90	9.8	12.41	5.0
Claims on the resident private sector	$bn	51.80	48.96	48.40	48.16	-7.8	-3.64	-7.0
Claims on the non-resident private sector	$bn	7.12	6.62	6.49	6.60	-0.7	-0.52	-7.3
Claims on the public sector including securities	$bn	33.60	32.43	32.02	31.81	-5.7	-1.79	-5.3
Resident private sector deposits	$bn	136.56	135.21	135.48	135.52	-0.8	-1.04	-0.8
Dollarization rate (average)	%	63.83	66.72	66.97	67.24	3.4	1.58	1.6
Non-resident private sector deposits	$bn	37.72	36.92	36.87	37.02	0.9	-0.70	-1.9
Dollarization rate (average)	%	87.63	88.96	89.22	89.47	2.2	0.90	0.9
Private sector deposits with commercial banks	$bn	174.28	172.13	172.35	172.54	-0.4	-1.74	-1.0
Private loans / deposits	%	38.48	36.21	35.73	35.54	-2.7	-2.39	-2.4
Public sector deposits	$bn	9.30	9.16	8.84	8.63	-19.4	-0.67	-7.2
BdL foreign assets	$bn	44.28	42.80	44.27	44.68	-0.8	0.40	0.9
BSE market capitalization	$bn	9.68	8.58	8.21	7.87	-21.0	-1.81	-18.7
Gross public debt	$bn	85.14	85.73	86.00	86.29	3.1	1.15	1.4

Public finance	Unit	2018	May-19	Jun-19	Jul-19	%Y/Y	YTD	PYTD
Revenues	$bn	11.55	1.00	1.29	1.22	-6.4	6.98	7.25
Value Added Tax	$bn	2.55	0.21	0.11	0.36	-3.2	1.48	1.61
Telecommunications	$bn	1.07	0.08	0.07	0.10	-39.9	0.46	0.48
Income taxes	$bn	2.99	0.36	0.77	0.33	12.0	2.49	2.13
Customs taxes	$bn	1.34	0.12	0.10	0.12	-0.1	0.75	0.79
Expenditures	$bn	17.79	2.01	1.32	1.21	-10.0	9.38	10.32
Transfers to EdL	$bn	1.76	0.10	0.11	0.12	-43.0	0.84	0.95
Debt service	$bn	5.41	0.91	0.36	0.24	-2.8	2.87	3.03
Primary balance	$bn	-0.64	-0.06	0.35	0.27	20.2	0.58	0.07
Fiscal balance	$bn	-6.25	-1.01	-0.03	0.01	-	-2.41	-3.08

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

Consumer Price Index (Jan-Sep, average %yoy)

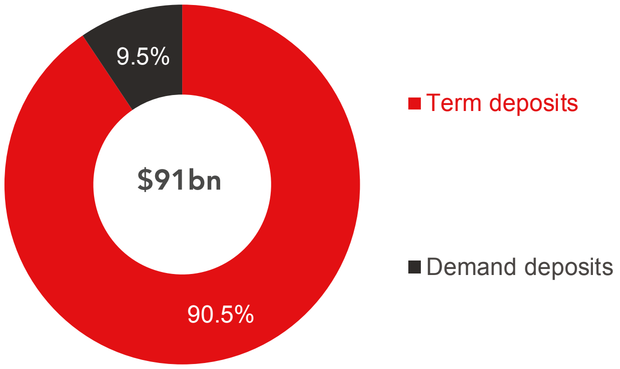
Inflation in Lebanon slowed to 2.6% yoy in the first nine months of 2019 from 6.3% yoy over the same period in 2018, data by the Central Administration of Statistics showed. Consumer prices rose the most in North Lebanon, by 4.6% yoy, and posted the slowest growth in the Bekaa, at 1.2% yoy, while consumers in Beirut saw their prices grow by an average of 3.1% yoy during the period.



Source: CAS, Economena, SGBL Research

Resident customers' FC deposits (Sep-19, $bn)

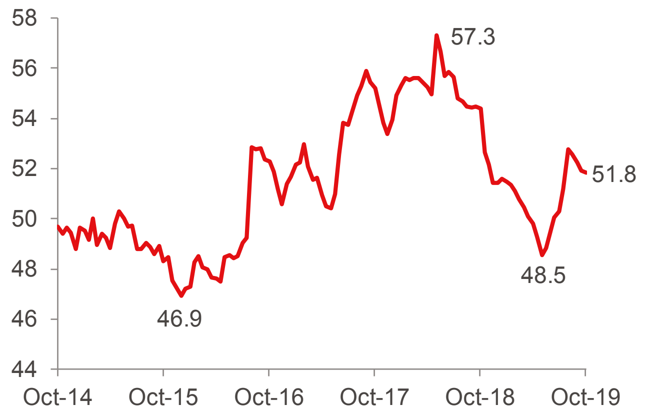
More than 90% of resident customers' deposits in foreign currencies, or $82.4bn, were held in term deposit accounts by the end of September 2019, while just $8.6bn are available on demand, according to data by Banque du Liban. The large proportion of term deposits is likely to contribute to some stability in banks' foreign liabilities following recent unrest.



Source: BdL, Economena, SGBL Research

BdL foreign assets, including gold ($bn)

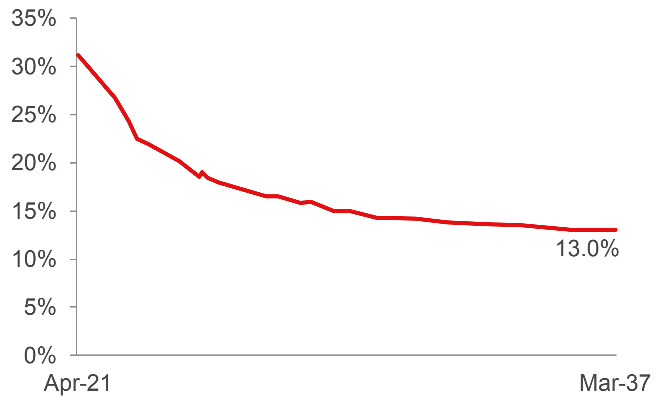
Foreign assets at Lebanon's central bank reached $51.8bn at the end of October 2019, an increase of $388.6m since the start of the year. The decrease in foreign currencies was more than offset by gains in gold holdings resulting from a surge in gold prices during the period.



Source: BdL, Economena, SGBL Research

Lebanon Eurobonds: Yield to maturity, mid

Prices of sovereign Eurobonds showed signs of recovery after Lebanese banks resumed operations on November 1, 2019. The yield to maturity on the Eurobond maturing in March 2037, the country's longest maturity foreign currency bond, closed at 13% by November 4, data via Bloomberg showed.



Note: As of November 4, 2019

Source: Bloomberg, Economena, SGBL Research