

ECONOMY

Prices of clothing and footwear registered the highest year-on-year growth of **18.5%** in November 2014.

Communication prices registered the largest yearly decline of **24%** in November 2014

Consumer Price Index increases by a yearly 0.9% in November 2014

Inflation recorded a yearly rate of 0.9% increase in November 2014 from November 2013 as indicated by the Central Administration of Statistics' Consumer Price Index (CPI). Prices of clothing and footwear registered the highest year-on-year growth of 18.5%, followed by alcoholic beverages and tobacco (8.6%), and education (4.6%). On the other hand, communication registered the highest y-o-y price decline of 24% in November 2014 followed by transportation prices with a drop of 3.9%.

On a month-on-month basis, inflation recorded a 0.44% decrease in November 2014 from October 2014, with transportation prices recording the largest monthly drop of 3.1% followed by water; electricity and gas recording a 2.8% decrease. On a geographical basis, Bekaa witnessed the largest month-on-month contraction in CPI by 0.94%, followed by Nabatieh 0.69%, South Lebanon 0.49%, Beirut 0.40%, and Mount Lebanon recorded a monthly drop of 0.39%.

YoY Inflation	Weights	Annual (November 2014 -November 2013)
Food and Non-Alcoholic Beverages	20.6	3.3%
Alcoholic Beverages and Tobacco	1.6	8.6%
Clothing and Footwear	5.4	18.5%
Housing	16.6	3.9%
Water, Electricity, Gas	11.9	-3.9%
Furnishings, Household Equipment	3.7	1.8%
Health	7.8	1.2%
Transportation	13.1	-3.9%
Communication	4.6	-24.0%
Recreation and Culture	2.3	2.3%
Education	5.9	4.6%
Restaurants and Hotels	2.6	3.4%
Miscellaneous Goods & Services	4.0	1.7%
CPI	100	0.9%

Source: Central Administration of Statistics, BankMed Research

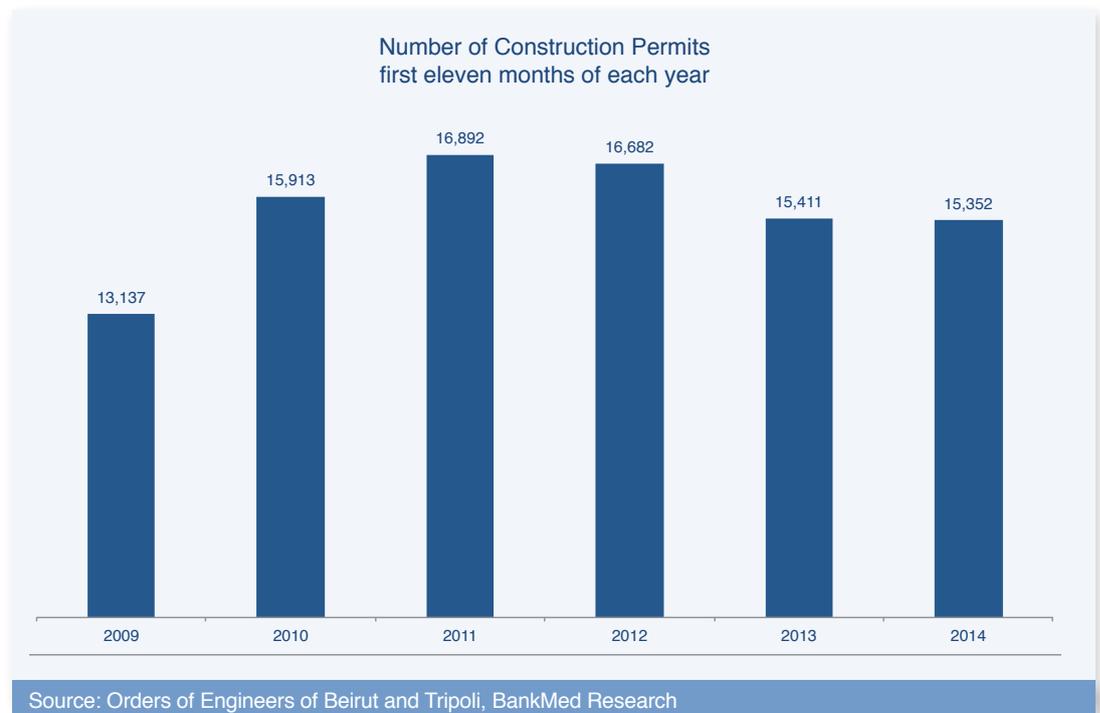
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Mount Lebanon captured the largest share of construction activity, with **43%** of the total number of permits issued in January-November 2014.

Construction area records a 7% yearly increase in the first eleven months of 2014

Figures released by the Orders of Engineers of Beirut and Tripoli revealed that the construction area authorized by permits increased by 7% in the first eleven months of 2014 to reach 12,540,572 square meters (sqm), rising up from 11,726,886 sqm recorded in January-November 2013. The number of authorized permits reached 15,352 in the same aforementioned period of 2014, recording a 0.4% annual decrease from the permits registered in the same months last year.

With respect to geographical distribution, Mount Lebanon captured the largest share of construction activity, obtaining 43% of the total number of permits issued in January-November 2014. South Lebanon accounted for around 17% of permits, followed by Nabatieh (13%), North Lebanon (12%), Bekaa (10%), and Beirut (5%).

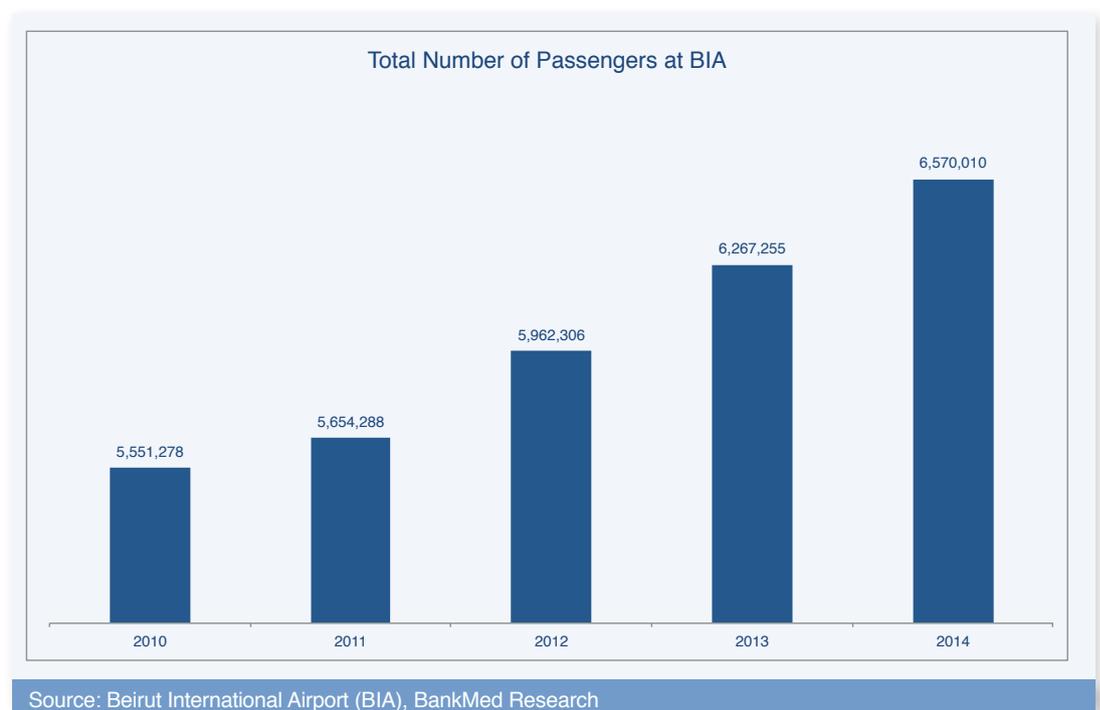


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The number of arriving passengers increased by **11.4%** in December 2014 when compared to the same month of 2013.

The number of airport passengers increases by 4.8% in 2014

The total number of passengers (including transfers) at Beirut International Airport (BIA) reached 6,570,010 in 2014, recording a 4.8% increase when compared with 2013. The number of arriving passengers totaled 3,222,694 up to December of 2014 (+6.3% y-o-y), and the number of departures reached 3,332,916 (+3.5% y-o-y), while the number of those in transit dropped to 14,400 (-8% y-o-y). In December 2014 alone, the total number of passengers (including transfers) increased by 12.3% on a y-o-y basis to reach 573,229. In details, the number of arrivals increased by 11.4% y-o-y in December (to 299,509), while transit passengers decreased by 21% y-o-y (to 1,333), and departures increased by 13.6% y-o-y to reach 272,387.



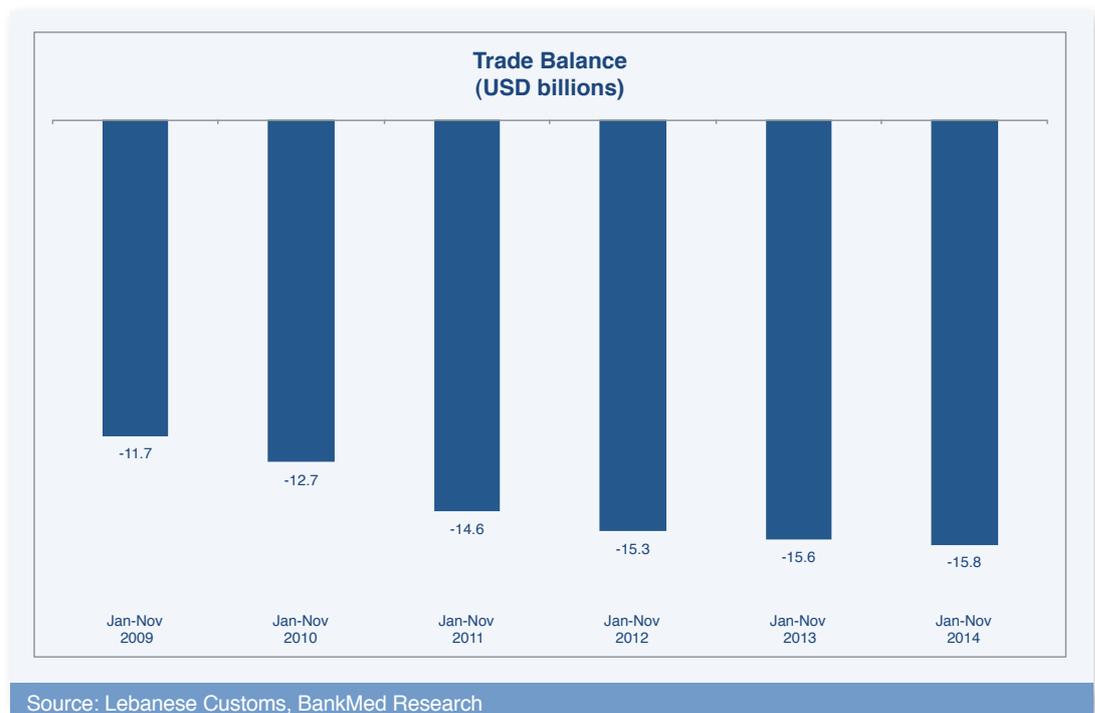
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Total imports decreased by a yearly **3%** to reach **USD 18,845** million in the first eleven months of 2014, while total exports dropped by **20.3%** to reach **USD 3,040** million.

Trade deficit widens by a yearly 1.2% in the first eleven months of 2014

Lebanon's foreign trade deficit reached USD 15,805 million in January-November 2014, a widening of 1.2% y-o-y when compared to USD 15,616 million recorded in January-November 2013. This is attributed to an annual decrease in imports by 3%, reaching USD 18,845 million along with a wider 20.3% drop in exports to reach USD 3,040 million.

In terms of country of origin, imports from China accounted for the largest share (12%) of Lebanon's total imports in the first eleven months of 2014, with value of USD 2,273 million, followed by Italy and France with shares of 8% and 6% respectively. Imports of mineral products topped the list of Lebanese imports accounting for 24% of the total, followed by machinery & electrical instruments (11%), products of the chemical (10%), and base metals & articles of base metals (7%). As for country of destination, Saudi Arabia took the largest share of exports from Lebanon over the same period, accounting for 11% of the total (USD 345 million), followed by South Africa with a 10% share (USD 291 million), and UAE with a 9% share (USD 290 million). Pearls, precious or semiprecious stones topped Lebanese exports accounting for 17% of the total, followed by prepared foodstuffs, beverages and tobacco (15%), and machinery & electrical instruments (13%).



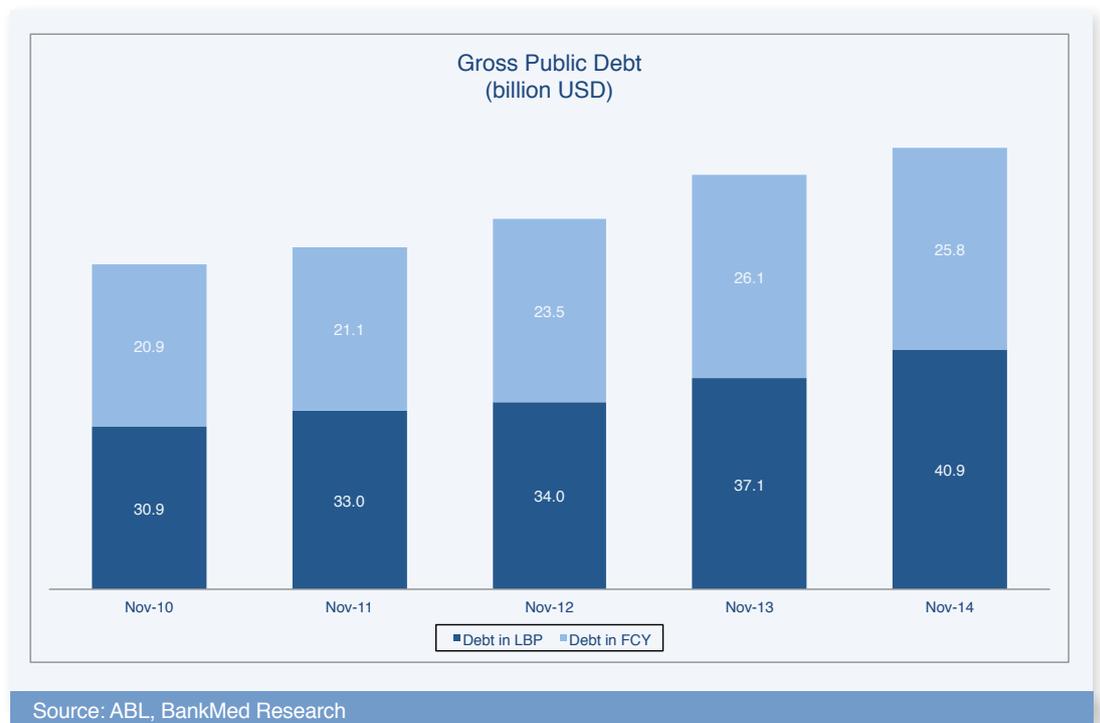
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Gross public debt increased by a yearly **5.3%** in November 2014 to reach **USD 66.6** billion of which **61.4%** in LBP and **38.6%** in foreign currency.

Net public debt reaches USD 56.7 billion at end of November 2014

Lebanon's gross public debt stood at USD 66.7 billion at end of November 2014 registering a rise of 5% from year-end 2013 (USD 63.5 billion) and an increase of 5.3% from end-November 2013 (USD 63.2 billion). Debt in local currency stood at USD 40.9 billion at end of November 2014, accounting for 61.4% of the gross public debt. Debt in foreign currency amounted to USD 25.8 billion in the mentioned period, constituting 38.6% of the total.

Moreover, public sector deposits at the Central Bank and commercial banks reached USD 9.9 billion at the end of November. As such, the net public debt, which excludes these deposits from the total debt figure, stood at USD 56.7 billion recording a rise of 7.5% from end November 2013 (USD 52.5 billion).



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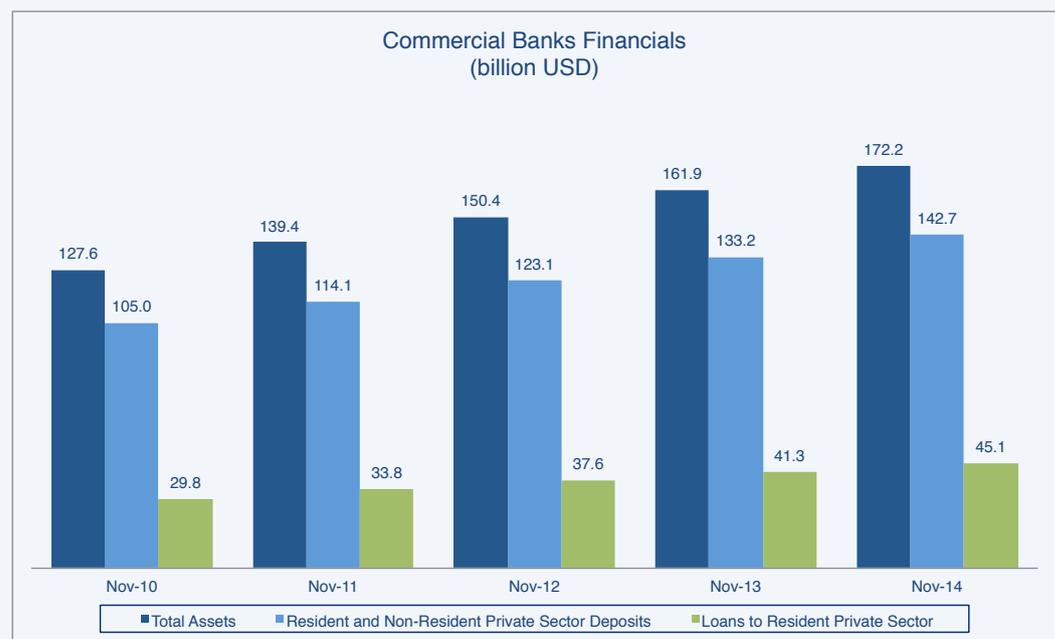
Loans to the resident private sector increased by a yearly **9.1%** in November 2014 to **USD 45.1** billion, while total private sector deposits jumped by **7.2%** to reach **USD 142.7** billion.

Commercial banks' total assets record a yearly 6.3% rise in November 2014

The consolidated balance sheet of Lebanese commercial banks for the month of November 2014 recorded a yearly 6.3% increase in assets to reach USD 172.2 billion. Deposits with the Central Bank increased by 15.4% y-o-y and reached USD 62.2 billion in November 2014. Total claims on resident private sector, which accounted for around 26% of total assets, jumped by 9.1% y-o-y to reach USD 45.1 billion over the same period; this was attributed to a 12% rise of claims in Lebanese pounds and an 8% increase of those in foreign currencies.

On the liabilities side, total resident and non-resident private sector deposits grew by 7.2% to reach USD 142.7 billion in November 2014. The dollarization rate of deposits reached 65.7% in November 2014, recording the same rate as in November 2013 but still below its peak of 77.3% in December 2007.

On a month-on-month basis, the consolidated balance sheet of commercial banks went up by USD 943 million in November 2014 from a total of USD 171.3 billion recorded in October 2014. It is worth noting that the non-resident deposits dropped by USD 68 million on a month-on-month basis in November 2014, while the overall private sector deposits remained stable in the same reporting period.



Source: ABL, BankMed Research

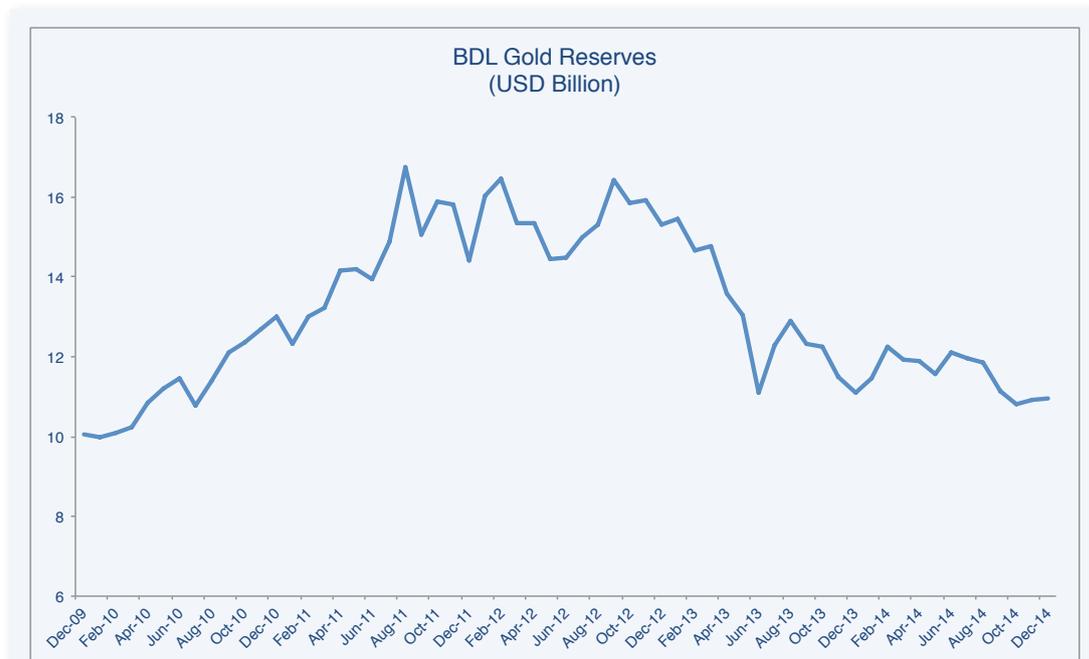
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BDL's gold reserves went down by **1.4%** yearly, while foreign assets jumped by **7.3%** at end - December 2014.

The Central Bank's assets reach USD 85.7 billion at year-end 2014 with USD 11 billion in gold reserves

Banque du Liban (BDL)'s bi-monthly balance sheet as of end-2014 reported total assets of USD 85.7 billion, indicating an increase of 11.3% from end-2013 (USD 77.7 billion) but going down by USD 1.2 billion from mid-December 2014.

Gold stood at USD 11 billion as of end-2014 dropping down by a yearly 1.4%, while foreign assets increased by 7.3% to reach USD 37.9 billion in the same period. Loans to the local financial sector increased by 83.5% from end-December 2013 to reach USD 4.2 billion in the same period. With respect to liabilities, BDL reported an increase of 17.7% in financial sector deposits to reach USD 67.5 billion at end-2014, accounting for around 78% of total liabilities. On the other hand, public sector deposits dropped by a yearly 17.3%, hence amounting to USD 6.1 billion in the same period.



Source: BDL, BankMed Research

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Term and saving deposits in LBP expanded by **USD 161** million during the fiftieth week of the year.

Deposits denominated in foreign currencies progress by USD 44 million during the week of December 12-18, 2014

On the monetary front, the overall money supply "M4" increased by 0.1% during the week of December 12-18, 2014 to around USD 123.6 billion while the non-banking sector treasury bills portfolio went down by USD 93 million over the preceding week.

Lebanese Pound denominated deposits and currency in circulation "M1" decreased by 1% (or USD 52 million) during the aforementioned week to USD 5.1 billion. This is mainly due to decreases in money in circulation and in demand deposits by USD 47 million and USD 5 million respectively. Moreover, local currency term deposits "M2" increased by USD 109 million during the same week and registered a twelve-month increase of 6.11% to stand at USD 48.1 billion.

The private sector term and saving deposits denominated in LBP (M2 - M1) went up by USD 161 million during the mentioned week to USD 43.1 billion, while deposits denominated in foreign currencies (M3 - M2) expanded by USD 44 million during the week to reach USD 68.5 billion.

Money Supply Week of December 12 - 18, 2014			
(billion USD)	11-Dec-14	18-Dec-14	Absolute change over week
M1	5.120	5.068	-0.052
M2	48.036	48.145	0.109
M3	116.548	116.700	0.153
M4	123.544	123.604	0.060
M2-M1	42.916	43.077	0.161
M3-M2	68.511	68.555	0.044
M1 = Currency in Circulation + Demand Deposits in LBP			
M2 = M1 + Other deposits in LBP			
M3 = M2 + Deposits in FX			
M4 = M3 + TBs held by non banking system including accrued interests			

Source: BDL, BankMed Research

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