

Lebanese Economic Outlook

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Survey participants

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***The survey was conducted by E-mail between January 15 and January 27, 2016.

The views expressed represent the personal opinions of individual survey respondents, and not necessarily those of their institutions or employers. If you are interested in participating in the next issue of the Lebanese Economic Outlook survey or for any feedback, please contact Ms. Amani Kandil at Amani@economena.com or at 01.985.618.



No budget or oil decrees expected in 2016, survey of economists shows

A state budget is not expected to be ratified by Parliament in 2016, nor will two critical oil decrees be approved by Cabinet, according to the Lebanese Economic Outlook, a survey of 18 leading Lebanese economists conducted between January 15 and 27, 2016 by Economena Analytics, an independent economic data provider.

Economists forecast growth of 0.72% in 2016

Contrary to the IMF's forecast of a slight pickup in economic activity to 2.5% in 2016, the consensus among Lebanese economists was for a slowdown in output growth to around 0.72%. Seven of the 18 surveyed economists also forecast negative or no growth in 2016, up from 1 in 17 economists in the May 2015 survey.

The grim outlook didn't spread to the whole economy. In fact, most sectors are expected to produce positive growth during the year, led by Information Technology, manufacturing, transport, and retail. Even government spending is slated to increase despite forecasts of lower public revenues.

Several manufacturing industries have already successfully overcome domestic and regional risks in 2015. Exports of pharmaceutical products surged by 45.2% to a record \$55.5m in 2015.

The general trend in exports, however, is likely to remain negative, along with real estate and construction which are seen lagging behind in 2016.

Tourist arrivals and new car sales will also buck the downward trend in the economy, according to consensus forecasts, while growth in bank loans and deposits will remain high despite an expected decline in remittances.

Twelve of 18 surveyed economists said a budget and the oil decrees are unlikely to be passed this year, and none saw a chance for a new salary scale bill to be ratified. Parliament has not passed a budget since 2005, a key demand by donor countries, while the oil decrees have been in limbo for over three years. The majority of economists had correctly predicted lack of progress on all three issues in the 2015 survey.

A President may be elected in 2016

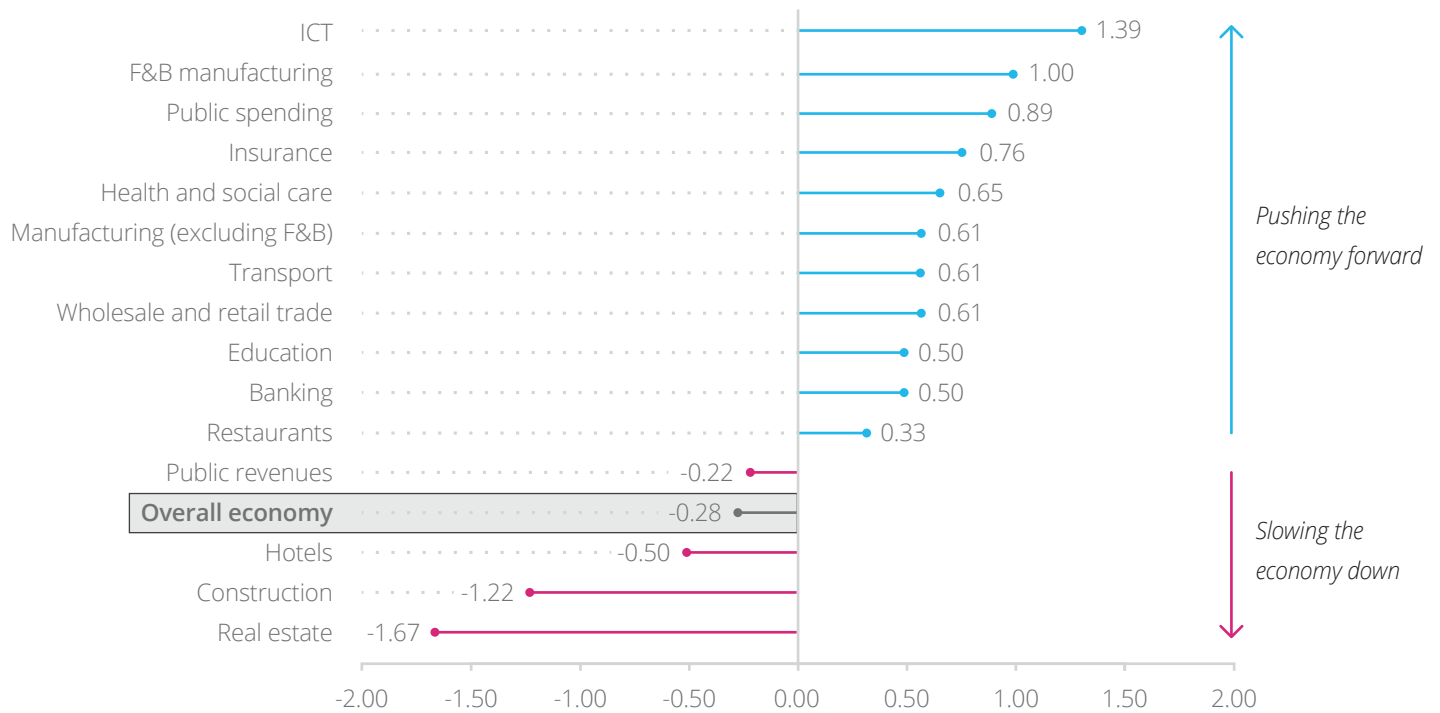
Economists are optimistic about the election of a President in 2016, with eight of 18 economists expect the country's top post to be filled this year. Lebanon has been without a head of state since May 2014. The election of a President also appears to be the most likely positive catalyst for 2016, given pessimism over the approval of oil decrees, a state budget, and the prospects for a political agreement in Syria.

Sovereign credit ratings may be downgraded

Eight of 18 surveyed economists predict a downgrade in Lebanon's sovereign credit ratings in 2016, amid further widening in the fiscal deficit and an increasing public debt. Only 5 economists said a downgrade is unlikely, and another 5 expressed uncertainty. Standard & Poor's last cut Lebanon's long-term sovereign credit ratings by one notch to B- with a negative outlook in September 2013.

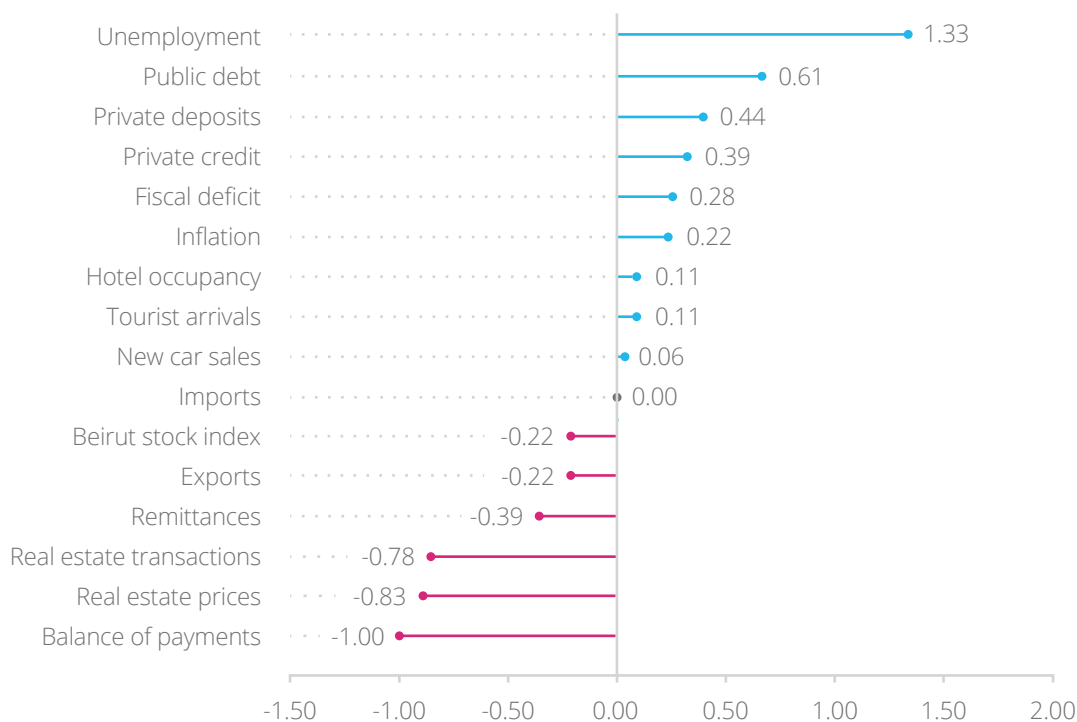
2016 consensus outlook for the next 12 months

On a scale of -5 (significant decrease) to 5 (significant increase), what is your outlook for output in the following sectors in the next 12 months relative to the past 12 months?



2016 consensus outlook for the next 12 months

On a scale of -5 (significant decrease) to 5 (significant increase), what is your outlook for the following indicators in the next 12 months relative to the past 12 months?



FULL RESULTS ARE AVAILABLE ONLINE AT: <http://www.economena.com/data-catalog/view16097/>
