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## Lebanon economy largely immune to crises



In this photo taken Jan. 20, 2011, a woman walks in front of the building that houses the Arab Bank, center, in Downtown Beirut, Lebanon. (AP Photo/Bilal Hussein)

BEIRUT: Only major security incidents affect the overall performance of the Lebanese economy, which has demonstrated relative resilience over the past few years, a new report said Friday.

Economist Nesreen Salti, who has authored the report for the Lebanese Center for Policy Studies, said many Lebanese perceive political instability as the single most important factor hindering economic development, but argued that this might be a bit exaggerated.

Salti stressed that her research, which has yet to be published, examines the influence of political and security incidents on various monthly economic indicators gathered from the banking, construction and trade sectors between 2005 and 2010.

According to the study, only major security and political events such as the assassination of the former Prime Minister Rafik Hariri, the July 2006 war with Israel, and the May 2008 clashes had resulted in noteworthy economic shocks.

Other assassinations, bombings, clashes and strikes had fallen short of negatively affecting the performance of the studied sectors.

The banking sector, which was hit by deposit conversion to foreign currencies in 2005, was able to quickly reverse the damage despite prevalent political instability.

Since 2007, the ratio of the local currency to foreign currencies took a positive upward trend, climbing in spite of many political and security incidents.

Customer deposits, both in local and foreign currency, continued to surge despite tense political atmosphere, although the return on equity fell due to the drop in interest rates, the economist said.

Apart from a brief drop in the spring and fall of 2008, non-residents' deposits also grew during the period from July 2007 to December 2010.

Construction also showed high resilience, according to the study.

Although a sharp decline in cement deliveries was registered during the 2006 July war, there was no evidence of any further correlation with political or security incidents, the study said.

The influence of political turmoil on trade was also restricted, it argued.

Exports did not change dramatically during the reporting period, with the exception of imports which surged after May 2008 clashes.

Salti explained that peaks in trade were consistently sharper than troughs, suggesting compensation had been taking place. Both imports and exports continued on an upward trend throughout the studied period.

The analysis, she added, did not include data from additional sectors such as the industrial and agricultural sectors, as monthly statistics on their performance remain lacking.

Salti had based her study on the Byblos Bank-AUB Olayan School of Business consumer confidence index. The index had revealed last December that Lebanese consumers' confidence levels are extremely sensitive to political and security developments.

The sensitivity of consumer confidence did not match in fluctuations of other economic indicators, Salti's study showed. She said further research into understanding the linkages between consumer confidence and the overall economic performance would contribute to uncovering the reasons behind this unusual trend.

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Read more: <http://www.dailystar.com.lb/Business/Lebanon/2012/Feb-25/164566-lebanon-economy-largely-immune-to-crises.ashx#ixzz1oR8zeSd4>

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