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EXTERNAL SECTOR

I- EXTERNAL SECTOR STATISTICS: COMPILATION METHODOLOGY

1- APPLIED METHODOLOGY

The External Sector Section (ESS) of the Department of Statistics and Economic Research (DSER) at the Banque du Liban (BDL) has started, as of 2003, to expand the application scope of the methodology and principles set out in the fifth edition of the International Monetary Fund's (IMF) Balance of Payments Manual (BPM5), with a view to produce detailed statistics. In 2004 and 2005, the focus was on implementing the transition from the structure of the Manual's fourth edition to that of the fifth. The new structure was applied back on the time series of statistics from the year 2002 and onwards.

It must be noted that some items in the balance of payments (BOP), and in particular in the current account, such as transportation services, tourism, insurance services and workers' remittances, as well as some items in the capital and financial account such as direct investment, that necessitate the conduction of surveys, are the responsibility of the Central Administration of Statistics by virtue of article 3 of decree #1793 dated January 22, 1979. However, awaiting the carrying out of such surveys, the ESS uses the data resulting from the International Transactions Reporting System¹ (ITRS) as well as other estimation methods to produce preliminary data for these BOP components.

Following are the main sources of statistics used in compiling BOP data:

- The Higher Council of Customs.
- Transfers of the various ministries and public administrations, carried out through the BDL Department of Foreign Exchange and International Operations.
- The BDL Department of Financial Operations.
- The Ministry of Labor and the Directorate-General of General Security.
- The BDL Department of Statistics and Economic Research.
- Data transmitted through the International Transactions Reporting System (Circular No. 90 of February 4, 2002).
- Data obtained through the Coordinated Portfolio Investment Survey (CPIS) (Circular No. 91 of February 13, 2002).
- Data compiled pursuant to Intermediate Circular No. 24 of August 26, 2002, on "Credit and Debit Cards and Automated Teller Machines (ATM)".

Since early 1998, external sector data have been compiled on a monthly basis in millions of US dollars by converting transactions that are denominated in other currencies into US dollars, at the prevailing rate. Detailed BOP data are published on a yearly basis and transmitted to both the IMF and the Arab Monetary Fund. The trade balance data are disseminated periodically in BDL publications. However, the BOP results (foreign assets minus foreign liabilities of the BDL and of the banking and financial sectors) are shown in the BDL monthly and quarterly bulletins, and are transmitted to the IMF Statistics Department every month.

The terminology and structure set out in the BPM5 have been used to explain the modified methodology as of the year 2002, knowing that most analytical data became available in early 2003 only, following the adoption of the ITRS.

1- Refer to the External Sector Annual Report 2003.

2- BALANCE OF PAYMENTS COMPONENTS

A- CURRENT ACCOUNT

The current account consists of all current transactions that are carried out between resident and nonresident economies, except transfer operations included in the financial account. It covers submitted and received entries concerning goods, services, income, and current transfers.

A-1- GOODS

A-1-1- General Merchandise

This item comprises general merchandise exported and imported by Lebanon, resulting in property change, as well as goods that are to be processed in Lebanon or abroad and that cross the borders for this purpose on condition that they are re-exported or re-imported. Goods for processing are computed in gross value, before and after processing. They are the only exception to the change of ownership principle for recording goods.

Estimated values of goods are prepared according to data compiled by the Lebanese Customs Administration, the agency responsible for external trade statistics, which are transmitted to the BDL on a monthly basis. They cover: a) special and general imports, c.i.f.²; b) special and general exports, f.o.b.³; c) re-exports and transit trade; d) imported and exported goods to be processed in Lebanon and abroad. The data are broken down according to customs tariff sections and Lebanon's trading partners. The trade balance is computed in US dollars on a monthly basis, using an average exchange rate estimated by the BDL at the start of each month and adopted by the Customs Administration⁴. For BOP purposes, adjustments are made on the c.i.f. value of imports. In this regard, given the lack of information about the cost of transportation and insurance, it was agreed with the IMF to obtain the f.o.b. value of imports by deducting 7.5% from their c.i.f. value. Public sector imports recorded by the Foreign Exchange and International Operations Department at BDL and not recorded in the Customs data are also added to the imports figure. Moreover, the goods item includes all exports and imports of non-monetary gold, that is, gold not held as reserves by monetary authorities and treated as any other commodity.

A-2- SERVICES

A-2-1- Transportation

Until 2002, statistics of transportation services were only those of the public sector, because no other statistical source was available. However, statistics of private transportation services started to be included in 2003, following the adoption of the ITRS. This item also comprises freight transactions, estimated by applying a 7.5% average rate on the value of imports c.i.f. The obtained figure is subdivided among the Sea, Air and Other transport items according to the weights obtained from the records of goods passing through the different ports of entry.

A-2-2- Travel

In this item, estimates are based on monthly statistics issued by the Directorate-General of General Security pertaining to the number, by nationality, of incoming and outgoing passengers crossing the various ports of entry, together with an estimated average of individual spending. In order to improve estimates of tourism revenues and expenditures, statistics required by Basic

2- CIF: Cost, Insurance and Freight.

3- FOB: Free on Board.

4- Pursuant to Decision No. 883 of 3/28/1973, issued by the Minister of Finance.

Circular No. 63⁵ are added, namely transactions carried out through automated teller machines, credit and debit cards, thus allowing the monitoring of payments and withdrawals by nonresidents in Lebanon, as well as payments carried out abroad by residents. Since 2003, ITRS statistics have also been included in this item, giving it a wider statistical coverage.

A-2-3- Other Services

• Insurance

Until 2002, this item has included statistics pertaining to the public sector, with estimates of private sector data. However, since 2003, private sector data are being compiled in accordance with the ITRS Circular.

Regarding insurance operations of the private and household sectors, the BDL provides the Ministry of Economy and Trade, which supervises the insurance sector, with the necessary elements for compiling data related to insurance and reinsurance operations, in accordance with the principles of the BPM5. Consequently, the Ministry of Economy and Trade transmits to the BDL, on a yearly basis, the consolidated profit and loss account of insurance companies operating in Lebanon. Premiums paid by resident insurance companies to nonresident reinsurance companies are extracted from this account, in addition to claims paid by nonresident reinsurance companies to resident insurance companies.

Other services

Data are compiled about all other public sector services, such as communication, construction, financial services, computer and information, royalties and license fees, other business services, personal, cultural and recreational services, and government services paid for or received by public sector agencies. This is done by coding the related transactions as they pass through the BDL, in accordance with the BPM5.

Government services comprise all transactions undertaken by Lebanese embassies, consulates and representative offices abroad with nonresidents, mainly expenditure on equipments and furniture, vehicle and building maintenance, electricity and water costs, personal expenses of the ambassadors and other Lebanese diplomats, and revenues from services provided by the embassies.

As for the data about private sector services, and services related to foreign embassies and international organizations residing in Lebanon (which account for the majority of transactions), they became available since 2003, pursuant to the ITRS Circular.

A-3- INCOME

A-3-1- Compensation of Employees

Prior to 2003, only public sector data on compensation of employees are recorded. From 2003 and onwards, data derived from the ITRS are also included.

A-3-2- Investment Income

Direct investment

Data on dividends from direct investment are obtained from the ITRS as of 2003 and are recorded at the date of payment or receipt.

Portfolio investment

This item covers interest payments to nonresidents who subscribed to Lebanese Treasury bills

5- Decision No. 7299, issued on 6/10/1999 (repealing Circular No. 1564 of 10/3/1997, Decision No. 6754), and amended for the last time, as notified by Intermediary Circular No. 24 of 8/26/2002, Decision No. 8216 on the ATMs, credit and debit cards.

on the primary and secondary markets. The Bills are classified by maturity: short-term bills with maturities below or equal to one year, and long-term bills with maturities exceeding one year. It also includes interest payments to nonresidents who subscribed in Eurobonds (Lebanese Treasury bonds issued in foreign currencies). Credit and debit income from private portfolio investments are extracted from the ITRS data.

Other investment

This section comprises income received on BDL's deposits abroad as well as the payments made on deposits of nonresidents at BDL, in addition to interest payments made on loans contracted by the public sector with nonresident entities.

Are also included interest payments⁶ on debtor and creditor accounts of nonresidents (banks and nonbanks) at commercial banks, in Lebanese pounds and in US dollars, calculated on the basis of the consolidated balance sheet of commercial banks. The estimation of these debit and credit interest payments is done monthly and is based on weighted average debtor and creditor interest rates set by the banking sector in Lebanon, as well as on the average one-month Libor for deposits abroad. This estimation is then corrected annually upon publication by the BDL of the consolidated profit and loss statement of the banking and financial sector. Interest payments on debtor and creditor accounts of resident commercial banks abroad are also included in this section, the data being obtained from the ITRS. On the other hand, the statistics of the Bank for International Settlements on foreign deposits abroad held by the non-banking sector, classified according to depositors' countries of residence, are a basis for estimating revenues and liabilities of residents vis-à-vis nonresident banks.

A-4- CURRENT TRANSFERS

Current transfers are classified by sector in two major categories: general government and other sectors.

A-4-1- General Government

This category includes all monetary transfers, such as payments by foreign governments or international organizations to Lebanon for settling wages and expenses of technical assistance staff, as well as regular contributions paid by the Lebanese Government to international organizations. It also covers grants extended in the form of consumer goods. Statistics on current transfers related to the general government sector are extracted from coded transactions at the BDL Department of Foreign Exchange and International Operations. Donations in kind received by the Lebanese Government are compiled on a monthly basis, by using customs declarations.

A-4-2- Other Sectors

Current transfers between other economic sectors and nonresidents include transfers between individuals, institutions or non-governmental organizations. They basically include the same transactions as in the General Government section, as well as workers' remittances.

6- Basic Circular No. 18 of 16/2/1995, Decision No. 5803 on "Interest Rates and Size of Interbank Loans".

Workers' Remittances

This item includes all current transfers carried out between migrants working in their new economy _ where they are considered as residents, according to the methodology of the BPM5 _ and their country of origin, provided the residence period in the new economy is one year at least. If it is less than one year, they are not considered residents in the economy in which they work. Rather, transfers to them are classified as compensation of employees.

The estimation of this item is based on the classification of foreigners entering Lebanon, according to the data of the Directorate-General of General Security and to work permits delivered by the Ministry of Labor, classified by nationality and type of work. On the other hand, the number of Lebanese working abroad is estimated by computing the net difference between incoming and outgoing individuals, based on the statistics of the Directorate-General of General Security. This figure is added to the estimated Lebanese migrant labor force.

Private transfers from and into Lebanon (transfers by foreigners working in Lebanon and by Lebanese residing abroad) are estimated by adopting an average monthly salary and a saving ratio related to the type of work (workers or managerial staff). This concept is applied to the net number of foreign workers on the Lebanese soil, in addition to foreign newcomers. The same method is applied to estimate the funds transferred by Lebanese emigrants, in order to obtain the net amount of saved inflows. Given the need to have accurate statistics and avoid exaggeration, the BDL External Sector Section is applying a conservative concept, which considers that half of the net number of foreign workers in Lebanon, and, in parallel, half of the Lebanese residing abroad, do work on a full time basis and transfer their savings to their country of origin. This concept is also applied to all new workers coming to Lebanon.

Starting from 2003, the ITRS data are added without the risk of a double counting, because the ITRS is applied for banking transactions equal or above USD 10,000 whereas the above scenario is an estimation of remittances below this threshold.

Other transfers

Other current transfers include what all non-governmental organizations or bodies receive or grant in the form of assistance or contribution.

This item includes amounts received or extended as aid or donation by sectors other than the public sector. Relevant data are obtained from ITRS.

B- CAPITAL AND FINANCIAL ACCOUNT

Changes in assets and liabilities are included in the capital and financial account. Claims on nonresidents are considered as assets, and commitments towards nonresidents as liabilities.

B-1- CAPITAL ACCOUNT

The capital account includes capital transfers and holdings of non-produced assets. Two main items are computed in this account:

- First: cash donations to the general government sector, granted for investment purposes and compiled according to their publication date in the Official Gazette, owing to the difficult monitoring of relevant entries in the various accounting periods.
- Second: “acquisition or disposal of nonproduced, nonfinancial assets”, exclusively computed for the public sector from the Foreign Exchange and International Operations Department.

B-2- FINANCIAL ACCOUNT

The main components of the financial account are classified according to the type of investment, such as direct investment, portfolio investment, other investment, and reserve assets.

B-2-1- Direct Investment

Direct investment, a category of international investment, implies a long-term relationship between the investor and the direct investment enterprise, with a certain degree of influence by the investor over the management of the concerned institution. It includes three subcategories: equity capital, reinvested earnings, and other capital. It is mainly classified according to its destination: direct investment abroad and direct investment in Lebanon.

Direct investment abroad includes public sector statistics that are extracted on a monthly basis from the data compiled by the BDL Department of Foreign Exchange and International Operations, in addition to the statistics obtained from the ITRS declarations, which account for all economic sectors' operations carried out through the resident banking sector. Data on direct investment in Lebanon are derived from three sources: (1) public sector statistics; (2) a scenario based on the estimation of nonresident real estate investment in Lebanon, and which is estimated on the basis of an annual average of various indicators such as the number of licensed construction permits, cement deliveries, the change in the value of construction credits given to nonresidents by resident commercial banks and the volume of resident investments (resident own capital stocks); (3) and, starting from 2003, the statistics of the resident banking sector, obtained from the ITRS.

B-2-2- Portfolio Investment

Portfolio investment includes investment in equity securities, long-term debt securities, money-market instruments (including short-term debt securities), and negotiable financial derivatives, except those included in direct investment and reserve assets, provided it does not account for more than 10.0% of total capital, in accordance with the methodology of the BPM5. These investments are classified as follows:

1. Assets and liabilities.
2. Type of investment instrument.
3. Nature of the resident sector, namely the monetary authorities (the Central Bank in the case of Lebanon), the general government sector (including all ministries and public administrations), banks (deposit-receiving institutions only), and other sectors (including all institutions not listed in any of the above-mentioned classifications, such as the household sector, financial institutions and others).

It is noteworthy that this classification is applied to the Lebanese BOP, except for the statistics of net foreign assets and those of transactions carried out according to the ITRS circular, whereby banking and financial transactions are being consolidated. Nevertheless, an amendment to the ITRS circular is under study with the aim of creating a separate group for the financial sector.

Equity Securities

Statistics about investments through equity securities are extracted from the data submitted under Circular No. 91 of 2/13/2002 about investments by residents in securities issued by nonresidents. Statistics as at December 31, 2001 were transmitted to the BDL by the banking, financial and insurance sectors for the first time in March 2002, and, subsequently, on a quarterly basis. The quarterly variations in portfolio investment in securities held by residents and issued by nonresidents are then extracted to be recorded in the BOP as financial flows from and into the Lebanese economy, knowing that some of these changes stem from market price fluctuations. However, starting from 2007, it will be possible, following the amendment of Circular No. 91, to extract the fluctuations of market prices in order to record, in the BOP, only the changes resulting from the sale and purchase of equity securities. Regarding the liabilities item, the statistics of the resident banking sector have been compiled according to the ITRS since early 2003.

Debt Securities

Nonresident transactions in Lebanese Treasury Bills are subdivided into two categories: primary and secondary market transactions. Subscriptions by nonresidents are computed monthly as inflows of capital, while amounts due are considered as outflows of capital.

This item also includes data on disbursements and repayments relating to Eurobonds. Since 2002, the method of computing these flows has been reconsidered and based on changes in nonresidents' subscriptions. On the other hand, changes in special long-term liabilities of the BDL are being recorded as well. Investments of the banking, financial and insurance sectors in debt securities issued by nonresidents are obtained from Circular No. 91 as of the beginning of 2002 and, since 2003, data compiled from the ITRS have been used on the liabilities side. As previously mentioned, flows extracted from the data submitted in accordance with Circular No. 91 may include changes resulting from the fluctuations of market prices. However, it will be possible, starting from 2007, and following the amendment of Circular No. 91, to extract these fluctuations, in order to record, in the BOP, only those flows resulting from the sale or purchase of debt securities.

B-2-3- Other Investment

This item includes the assets and liabilities of the resident economy against the rest of the world, with respect to loans, currencies and deposits. Statistics are collected from several sources: a) public sector operations; b) loans contracted by the Lebanese State; c) data submitted in accordance with Circular No. 90; d) statistics published by the Bank for International Settlements about deposits by residents at nonresident banks and loans extended to them by these banks. This item also includes the assets and liabilities (currencies and deposits) of the banking and financial sector, as extracted from the monetary situation of commercial banks, specialized banks and financial institutions.

B-2-4- Reserve Assets

Following the adoption of the structure set out in the BPM5, the reserve assets items related to the BDL (assets and liabilities) are being compiled in a detailed manner that reveals variations in monetary gold, special drawing rights, the reserve position at the IMF, and foreign-currency assets, except for changes due to market price fluctuations. These data are extracted from the monetary situation of the BDL.

C- NET ERRORS AND OMISSIONS

Imbalance between accounts is mostly due to the fact that statistical data are extracted from different sources, and that some items are underestimated or even not recorded at all. Given the lack of statistics available about some economic sectors, and since adopted estimates are not comprehensive, the item "net errors and omissions" reflects estimation errors or omissions of transactions to be recorded. Total errors and omissions are then equivalent to the negative total of "the current account" and "the capital and financial account". This item may include partial changes in the following transfers: foreign trade payments according to maturities; insurance services; migrants' transfers; transportation and travel services; manual exchange operations; direct investment (especially, real estate investment); portfolio investment; and time differences in computation.

3- SUMMARY OF BDL CIRCULARS ON THE BALANCE OF PAYMENTS⁷

A- Definition of Residence

On May 17, 1996, the BDL issued Basic Circular No. 24⁸ (Decision No. 6170) on defining the concepts of "resident" and "nonresident" in Lebanon, and on implementing accordingly the classification of accounts, operations and statistics. The concept of residence has been defined in accordance with the international standards set out in the BPM5.

B- Credit Cards, Debit Cards and ATMs

On October 3, 1997, the BDL issued Circular No. 1564 on "Credit and Debit cards and ATMs", which was amended by Intermediary Circular No. 24 of 8/26/2002.

C- International Transactions Reporting System

On February 4, 2002, the BDL issued Basic Circular No. 90 on recording and coding foreign operations and transfers carried out through banks between residents and nonresidents, in accordance with the ITRS as recommended by the IMF. The coding system follows the economic purpose of the transaction, in parallel with the BOP items, without mentioning the identity of the transaction parties. Declarations submitted to the BDL in accordance with this circular date back to the first quarter of 2003.

D- Investments by Residents in Securities issued by Nonresidents

On February 13, 2002, the BDL issued Basic Circular No. 91, in which commercial banks, medium- and long-term credit banks, financial institutions, financial intermediaries and leasing companies are requested to notify the BDL about the position of their investments and those of their resident clients in securities issued by nonresidents. This position should be closed for the first time at the end of 2001, and later at the end of each quarter. It is noteworthy that this survey covers resident insurance companies from which the necessary information is obtained in cooperation and coordination with the Ministry of Economy and Trade _ Insurance Control Commission, which, in turn, issued a similar circular (Circular No. 1).

4- ONGOING PROJECTS

In order to improve the statistics of the BOP, the External Sector Section of the Department of Statistics and Economic Research is seeking to develop the statistical base and provide detailed statistics, in conformity with international standards. Following are some of the main ongoing projects:

A- Amendment of the ITRS Circular

Basic Circular No. 90 of 2/4/2002 is being amended, with a view to expand the list of codes in a manner that contributes to the accuracy of declarations and the distinction between the transactions of the banking sector and those of the financial sector, in accordance with the structure set out in the BPM5.

⁷- Refer to the official site of the Banque du Liban for all issued Circulars (www.bdl.gov.lb).

⁸- Amended by virtue of Decision No. 7919 of 9/7/2001.

B- Amendment of the Investments by Residents in Securities issued by Nonresidents Circular

This Circular is being amended, with a view to include in the reports the number of securities in addition to their market value, in order to exclude changes resulting from market price fluctuations that should not be part of BOP transactions.

C- Coordinated Direct Investment Survey (CDIS)

By implementing this survey, geographically distributed, accurate and reliable statistics will be compiled on direct investments carried out by nonresidents in Lebanon. This survey will also allow, by exchanging statistical data through the IMF, the estimation of direct investments abroad by residents in Lebanon. It will, therefore, play an important role in developing the statistical structure adopted in the computation of BOP items, mainly those of the financial account. The BDL has already notified the IMF about its willingness to participate in this coordinated survey, according to the timetable set by the IMF. This project is part of the activities jointly undertaken by the ESS and the Central Administration of Statistics.

D- Publication of detailed BOP statistics on the BDL website

Since 2003, external sector reports including BOP statistics are being published on the website of the BDL www.bdl.gov.lb. And, since 2006, detailed external sector statistics are being published in the quarterly bulletins of the BDL.

II- THE BALANCE OF PAYMENTS

The BOP result consists of the net foreign assets of the Banque du Liban plus those of banks and financial institutions. It is different from the result of reserve assets, which, according to the BPM5, includes only the changes in BDL's foreign assets – monetary gold, special drawing rights, the reserve position at the IMF, and foreign currencies.

Until 2004, BDL's net foreign assets were recorded in the financial account, in the item "reserve assets/foreign exchange/currency and deposits". Since 2005, however, BDL's foreign assets are being recorded in this item, while its foreign liabilities are recorded in the financial account in the item "other investment/liabilities/currency and deposits/monetary authorities".

Similarly, net foreign assets of the banking and financial sector used to be recorded in the financial account under the item "other investment/assets/currency and deposits/banks". Since 2005, foreign assets of this sector are being recorded in the financial account, in the item "other investment/assets/currency and deposits/banks", whereas liabilities are recorded in the item "other investment/liabilities/currency and deposits/banks".

The balance of payments recorded a positive result for the fourth consecutive year, with lower but normal levels. Following the Paris-II Conference, a significant surplus was recorded in 2003 for an amount of USD 3,386 million. The surplus recorded in 2004 and 2005 reached USD 169 million and USD 747 million, respectively. This is mainly due to a significant drop in net foreign assets of the BDL, from (+) 5,037 million US dollars in 2003 to (-) 780 million in 2004. In 2005, the slight improvement in the BOP result is due to the fact that BDL net foreign assets rose by USD 478 million, compared with a 71.7% drop in those of the banking and financial sector, leading to a surplus of USD 268 million (Table 1). This improvement results from a drop in the BOP current account deficit, which narrowed by 50.3% in 2005, from USD 4,117 million in 2004 to USD 2,045 million in 2005 (Table 2).

Table 1: Net Foreign Assets
(in millions of USD)

	Banque du Liban		Net	Banking and Financial Sector		Net	Grand Total
	Assets	Liabilities		Assets	Liabilities		
2002			663			901	1,564
2003			5,037			(1,651)	3,386
2004			(781)			949	169
2005	456	(22)	478	(184)	(453)	268	747
Jan	268	(1)	269	(951)	(689)	(262)	7
Feb	(1,013)	(10)	(1,003)	190	(28)	218	(785)
Mar	(1,134)	(1)	(1,134)	154	(808)	961	(173)
Apr	400	0	400	(1,237)	(362)	(875)	(475)
May	(73)	(1)	(72)	(230)	(121)	(109)	(181)
Jun	555	(5)	560	614	676	(62)	498
Jul	202	19	182	34	(143)	177	359
Aug	256	0	256	13	(135)	148	405
Sep	(366)	(10)	(356)	1,311	803	508	152
Oct	1,017	10	1,007	(463)	490	(953)	54
Nov	(24)	(1)	(23)	(1,024)	(1,333)	309	287
Dec	368	(24)	392	1,404	1,198	207	598

Table 2: Balance of Payments (main items)
(in millions of USD)

	2002	2003	2004	2005
Current Account	(4,415)	(4,929)	(4,079)	(2,270)
Goods	(4,700)	(4,794)	(6,452)	(6,118)
Credit	1,210	1,733	2,050	2,278
Debit	(5,910)	(6,528)	(8,502)	(8,397)
Services	1,075	2,974	1,474	2,963
Credit	4,429	9,462	9,704	10,858
Debit	(3,354)	(6,488)	(8,230)	(7,895)
Income	(868)	(3,437)	(817)	(177)
Credit	395	1,399	1,060	1,733
Debit	(1,263)	(4,835)	(1,877)	(1,910)
Current transfers	78	328	1,716	1,063
Credit	2,591	4,079	5,325	4,399
Debit	(2,513)	(3,751)	(3,609)	(3,337)
Capital and Financial Account	(302)	4,959	6,983	6,445
Capital account	13	29	50	27
Credit	13	30	54	27
Debit	0	(1)	(3)	0
Financial account	(315)	4,930	6,932	6,417
Direct investment				
Abroad	0	(40)	(213)	(122)
In reporting economy	1,336	2,977	1,993	2,751
Portfolio investment				
Assets	101	(559)	(614)	(110)
Liabilities	749	644	(93)	648
Other investment				
Assets	(1,744)	5,015	3,864	3,658
Liabilities	(94)	1,928	1,214	48
Reserve assets	(662)	(5,036)	782	(455)
Net Errors and Omissions	4,717	(30)	(2,904)	(4,175)

Figures revised regularly.

1- MONTHLY DEVELOPMENTS OF THE BOP BALANCE

In 2005, public security issues had an impact on the monthly variation of the overall BOP result. A surplus of USD 7 million at the start of the year was followed by a deficit of USD 785 million in February, after the assassination of former Prime Minister Rafik Hariri, and that was the biggest monthly deficit of the year. As a result of the security issues during the first half of the year, the deficit continued for four months in a row. But the situation reversed in late April, and the overall balance recorded a surplus of USD 498 million in June. Despite the continuing security problems, no deficit was recorded in the overall balance during the remaining months, thanks to sustained efforts to revive tourism and commerce. As the deficit was restricted to the trade balance, the monetary flows recorded in the capital and financial account and in the “net services” item _ which doubled from a year earlier _ led to a positive BOP result, with a surplus of USD 747 million for the whole year.

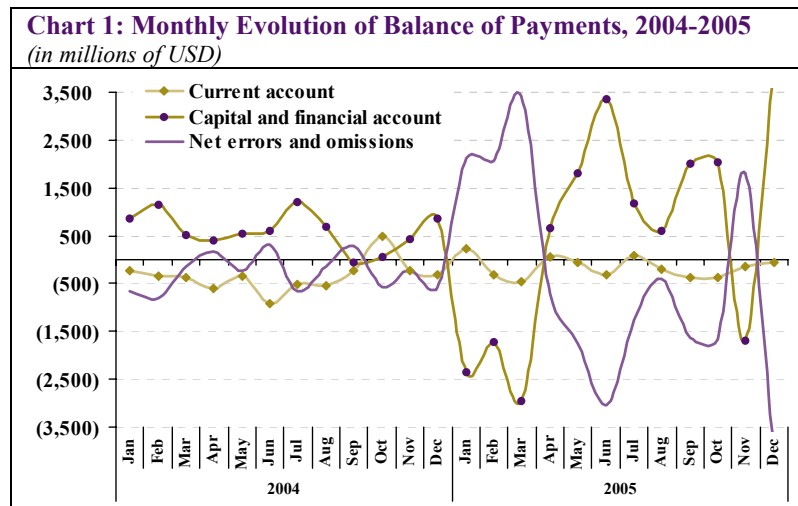


Table 3: Goods
(in millions of USD)

	2002	2003	2004	2005
Goods	(4,700)	(4,794)	(6,452)	(6,118)
Credit	1,210	1,733	2,050	2,278
Debit	(5,910)	(6,528)	(8,502)	(8,397)
General merchandise	(4,721)	(5,089)	(6,507)	(6,043)
Exports (FOB)	1,018	1,273	1,661	2,018
Exports of goods in trade statistics	916	1,169	1,565	1,759
Adjustments	102	104	96	258
For coverage	(91)	(185)	(355)	(199)
For classification	192	289	452	457
Imports (FOB)	(5,739)	(6,362)	(8,168)	(8,061)
Imports of goods in trade statistics	(6,279)	(7,005)	(9,065)	(9,006)
Adjustments	540	643	897	945
For coverage	(59)	(42)	(20)	(49)
For classification	599	685	917	994
Goods for processing	63	105	207	140
Credit	63	105	207	140
Debit	0	0	0	0
Processing abroad	0	0	0	0
Credit	0	0	0	0
Debit	0	0	0	0
Processing in the compiling economy	63	105	207	140
Credit	63	105	207	140
Debit	0	0	0	0
Repairs on goods	(5)	(2)	(2)	(2)
Credit	0	0	0	0
Debit	(5)	(2)	(2)	(2)
Nonmonetary gold	(37)	192	(150)	(214)
Credit	129	355	182	120
Debit	(166)	(164)	(332)	(334)

Figures revised regularly.

Table 4: Foreign Trade
(in millions of USD)

	2000	2001	2002	2003	2004	2005	Annual Changes (%)				
							00/01	01/02	02/03	03/04	04/05
Exports (FOB)*	712	880	1,018	1,444	1,598	1,821	23.6	15.6	41.9	10.7	13.9
Imports (FOB)**	5,761	6,744	5,961	6,631	8,692	8,639	17.1	(11.6)	11.2	31.1	(0.6)
Primary Trade Deficit	5,049	5,864	4,944	5,186	7,094	6,818	16.2	(15.7)	4.9	36.8	(3.9)
Transit	60	69	91	185	355	199	14.6	31.3	103.7	92.5	(44.1)
Re-Exports	58	60	63	105	207	140	3.2	4.9	67.0	96.9	(32.1)

* In primary trade deficit: Exports (FOB) include re-exports and exclude transit.

** Imports (FOB) is calculated by deducting 7.5% of imports (CIF).

2- CURRENT ACCOUNT BALANCE

A- TRADE BALANCE

A-1- FOREIGN TRADE

Starting with this report, the trade balance included in the BOP⁹ covers the statistics of special and general foreign trade in accordance with the methodology set out in the BPM5. Figures are adjusted to comprise goods for processing in Lebanon and abroad. In 2004, the trade balance recorded a deficit of USD 6,452 million, which narrowed to USD 6,118 million in 2005, following an 11.1% rise in the credit goods item and a 1.2% drop in the debit goods item (Table 3).

Following is an analysis of foreign trade, based on special trade reports according to the primary concept of foreign trade balance.

In 2005, the trade balance deficit (the primary deficit in special trade) reached USD 6,818 million, compared with USD 7,094 million in 2004 and USD 5,186 million in 2003. It declined annually by 3.9%, following a significant annual increase of 36.8% in 2004, in comparison with 2003, due to a 31.1% increase in imports, although exports increased by 10.7%. It must be noted that, in the trade balance, the broad concept of exports is adopted, whereby re-exported goods are added to special exports and transit merchandise are deducted (Table 4).

It is noteworthy that, in this year, exports in the narrow sense (special exports, f.o.b.) have witnessed a growth of 7.6%, while re-exported merchandise have decreased by 32.1%, compared with a year earlier. As for transit trade, which has a positive impact on the government's revenues, it dropped by 44.1% in comparison with 2004, thus limiting the growth of exports in the broad sense, which rose by 13.9% in comparison with 2004.

In 2005, the f.o.b. value of imports reached USD 8,639 million, compared with USD 8,692 million in 2004, resulting mainly from a contraction of domestic demand and a significant decline in imports of oil and mineral products, from 6.2 million tons in 2004 to 4.7 million in 2005, meaning that the consumption of these products has decreased by 24.2%. Thus, despite the persistent rise in the prices of oil and its derivatives, the value of Lebanese imports of these products reached USD 2,094 million in 2005, compared with USD 1,937 million in 2004. It is noteworthy that the prices of crude oil recorded a significant increase despite the lack of stability in several oil-producing countries, such as Iraq, Venezuela and Nigeria. The average price of a barrel of oil rose to USD 31 in 2003, and reached a record level of USD 39.9 during the Iraqi war. The year 2004 witnessed a notable increase as well, whereby the volume of consumption (in tons) and the cost of oil registered a rise in comparison with 2003, by 58.9% and 78.4%, respectively (Table 4).

On the other hand, the exports/imports coverage ratio fell from 21.3% in 2003 to 18.6% in 2004, but rose again to 20.1% in 2005.

A-2- FOREIGN TRADE: MONTHLY VARIATION

The monthly average value of imports c.i.f. reached USD 778 million in 2005, compared with USD 783 million in 2004 and USD 597 million in 2003. In 2005, the monthly average value of exports reached a record USD 157 million, compared against USD 146 million in 2004 and USD 127 million in 2003.

In July 2005, imports reached a peak of USD 884 million whereas exports reached a peak of USD 217 million in December (Table 5).

9- Refer to Section 2-A-1 (External Sector Statistics: Compilation Methodology).

Table 5: Monthly Developments of Foreign Trade
(in millions of USD)

Month	Exports							Imports (CIF)						
	2000	2001	2002	2003	2004	2005	04/05 %	2000	2001	2002	2003	2004	2005	04/05 %
Jan	42	64	62	152	184	126	(31.9)	450	573	703	624	607	690	13.7
Feb	62	59	76	111	131	121	(7.5)	463	508	405	469	620	645	4.1
Mar	59	62	80	87	156	159	2.2	516	612	478	559	710	826	16.3
Apr	62	62	85	91	135	165	21.6	495	550	568	487	785	664	(15.4)
May	71	81	97	146	123	140	13.7	524	604	517	564	777	750	(3.4)
Jun	50	73	94	107	145	164	12.9	513	553	473	525	744	740	(0.6)
Jul	64	89	78	116	138	130	(5.7)	538	625	551	619	834	884	6.0
Aug	63	85	97	100	139	160	15.3	564	659	531	618	921	834	(9.4)
Sep	58	72	99	142	145	175	20.6	539	550	527	603	815	836	2.6
Oct	63	86	90	147	155	176	13.8	558	635	603	698	972	820	(15.6)
Nov	66	65	95	132	121	148	22.3	482	829	550	679	752	778	3.5
Dec	54	91	92	193	176	217	23.7	584	592	538	723	860	872	1.4
Total	714	889	1,045	1,524	1,747	1,880	7.6	6,228	7,291	6,445	7,168	9,397	9,340	(0.6)

Month	Transit							Re-Exports						
	2000	2001	2002	2003	2004	2005	04/05 %	2000	2001	2002	2003	2004	2005	04/05 %
Jan	6	5	5	12	34	19	(44.7)	3	8	4	8	6	13	111.4
Feb	8	7	5	6	25	20	(20.1)	4	5	3	6	10	9	(9.0)
Mar	4	5	6	7	33	19	(42.6)	5	4	5	5	17	12	(29.3)
Apr	5	5	6	4	32	18	(43.1)	4	4	4	5	16	12	(29.9)
May	3	6	8	6	40	19	(52.8)	4	4	6	7	15	11	(28.0)
Jun	4	5	6	21	38	18	(52.2)	4	5	4	8	17	9	(45.5)
Jul	4	6	10	15	43	14	(68.1)	5	4	4	9	25	13	(49.0)
Aug	5	4	8	13	19	17	(5.9)	9	5	8	12	22	13	(40.0)
Sep	5	6	7	21	23	12	(47.3)	5	8	6	17	27	15	(46.1)
Oct	6	6	10	21	24	15	(39.5)	4	5	5	12	22	13	(42.3)
Nov	6	8	12	22	18	13	(27.4)	4	4	5	8	15	9	(40.8)
Dec	4	6	8	36	26	14	(44.3)	5	5	9	7	14	12	(11.7)
Total	60	69	91	185	355	199	(44.1)	58	60	63	105	207	140	(32.1)

Source: Lebanese Customs Administration

Chart 2: Exports by Destination, 2005
(in percent)

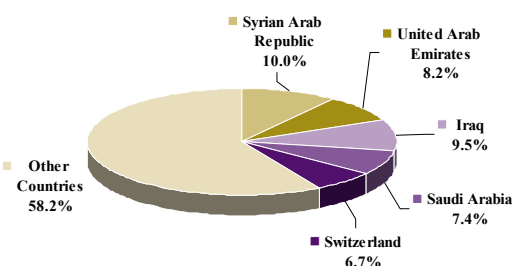
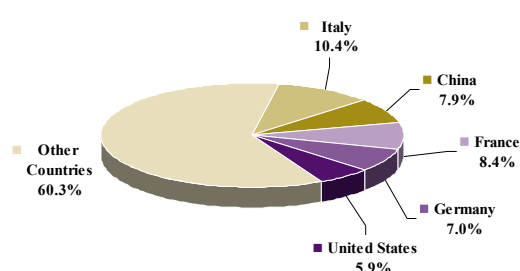


Chart 3: Imports by Source, 2005
(in percent)



A-3- FOREIGN TRADE: DISTRIBUTION BY GOODS

A-3-1- EXPORTS

Exports of pearls, precious stones and metals were leading in the previous years. In 2005, however, they declined to the third rank, accounting for 11.9% of total annual exports. This resulted from the fact that, on March 30, 2004, Lebanon was stricken off the list of countries participating in the Kimberley Process, an agreement that allows raw diamond to be imported and exported or to cross in transit only through member countries. Since Lebanon did not promulgate a law on this matter, the forty four countries of the Kimberley Process refrained from importing or exporting diamonds from and to Lebanon, until further notice. However, on 1/10/2005, following the promulgation of Law No. 645 of 11/24/2004 on raw diamond import, export and transit operations, Lebanon requested again to be part of the Kimberly Process and was admitted on 9/20/2005.

Exports of machinery and electrical equipment, which ranked second during the period 2001-2004, ranked first in 2005, accounting for 16.7% of total exports. In the second rank were exports of base metals and base metal products, accounting for 14.7% of the total, after ranking fourth in 2003 and third in 2004. They were followed by food processing products with 10.2%, and chemical products, with 8.7%.

It is noteworthy that, in 2004, some exports rose significantly compared with 2003, such as, for instance, base metals and base metal products (97.5%), animal and vegetable fats and oils (70.3%), mineral products (67.5%), and optical and photographic instruments and equipments (57.1%). In 2005, exports continued to rise but at a lower rate, while exports of pearls, precious stones and metals dropped by 22.1% compared with 2004 (Table 6).

A-3-2- IMPORTS

The year 2004 witnessed a leap in the imports of all goods. Imports of mineral products, which accounted for 22% of the total, increased by 73.7% compared with a year earlier. Among the various tariff categories, imports of pearls, precious stones and metals increased at the highest rate of 74.3%, and those of works of art and antiques rose by 64.3%. Compared with previous years, most imports declined in 2005, but with no significant change in their ranking. During the year, imports of mineral products remained in the first rank, accounting for 23.8% of total c.i.f. imports, while those of machinery and electrical equipment remained in the second rank, with 11.4% of the total. On the other hand, chemical products and transportation equipment switched positions. The former ranked third with 8.8%, while the latter ranked fourth with 8.7% (Table 6).

Table 6: Distribution of Lebanese Exports and Imports by Product
(in millions of USD)

Exports						
Section	2000	2001	2002	2003	2004	2005
Mineral products	33	32	40	64	108	126
Electrical equipments	75	114	120	179	274	314
Products of the chemical or allied industries	88	88	108	115	149	163
Vehicles, aircraft and transport equipment	13	12	13	18	22	22
Base metals and articles of base metal	63	65	79	115	228	276
Prepared foodstuffs and beverages	72	100	102	150	148	191
Pearls, precious or semi-precious stones, metal	127	141	215	464	287	224
Textiles and textile articles	42	77	61	65	78	82
Live animals; animal products	4	6	8	12	9	9
Vegetable products	48	50	57	65	82	77
Plastics, rubber and articles thereof	18	26	34	37	59	78
Paper and paperboard and articles	53	60	98	89	100	116
Miscellaneous manufactured articles	19	24	27	46	55	58
Stone, plaster, cement, asbestos, ceramic prod.	19	22	26	38	55	52
Optical, photographic, cinematographic prod.	4	7	11	9	14	17
Wood and articles of wood	4	9	12	18	21	22
Animal or vegetable fats and oils	10	9	7	9	16	14
Footwear, headgear, umbrellas, feathers	8	15	8	10	15	18
Raw hides and skins, leather, fur skins articles	13	30	14	14	15	14
Works of art, collectors' pieces and antiques	1	1	4	7	12	9
Arms and ammunition; parts and accessories	0	0	0	0	0	0
Total	714	889	1,045	1,524	1,747	1,880
Imports						
Section	2000	2001	2002	2003	2004	2005
Mineral products	1,096	1,341	974	1,190	2,068	2,226
Electrical equipments	800	999	863	873	1,109	1,061
Products of the chemical or allied industries	525	595	633	716	828	820
Vehicles, aircraft and transport equipment	555	713	572	696	843	809
Base metals and articles of base metal	382	427	380	471	596	651
Prepared foodstuffs and beverages	415	503	475	477	527	530
Pearls, precious or semi-precious stones, metal	423	364	300	302	527	491
Textiles and textile articles	352	465	424	434	508	486
Live animals; animal products	336	359	382	419	453	428
Vegetable products	329	362	336	383	441	384
Plastics, rubber and articles thereof	222	258	239	259	349	357
Paper and paperboard and articles	186	195	190	233	272	264
Miscellaneous manufactured articles	142	163	153	146	185	171
Stone, plaster, cement, asbestos, ceramic prod.	128	145	130	135	168	163
Optical, photographic, cinematographic prod.	108	141	132	157	175	160
Wood and articles of wood	90	105	100	109	139	136
Animal or vegetable fats and oils	51	44	45	53	74	83
Footwear, headgear, umbrellas, feathers	54	69	73	72	83	66
Raw hides and skins, leather, fur skins articles	25	31	34	34	40	42
Works of art, collectors' pieces and antiques	3	3	2	3	5	7
Arms and ammunition; parts and accessories	6	10	9	8	7	6
Total	6,228	7,291	6,445	7,168	9,397	9,340

Source: Lebanese Customs Administration



A-4- FOREIGN TRADE: DISTRIBUTION BY COUNTRY

A-4-1- EXPORTS

By country of destination, the share of Switzerland fell from the first rank in 2003 to the second rank in 2004 and the fifth in 2005, accounting for 6.7% of the total. In contrast, the share of Syria shifted from the fifth rank in 2003 to the third in 2004, then to the first in 2005, standing at 10.0% of the total, as a result of implementing the Agreement on the Liberalization of Trade in National Goods. It is noteworthy that machinery and electrical equipment, mineral products and foodstuffs are the main Lebanese exports to Syria. As for Iraq, it continued to open its markets to Lebanese products, ranking second with a 9.5% share of the total. Following was the United Arab Emirates with 8.2%, Saudi Arabia with 7.4%, Switzerland with 6.7% and Turkey with 6.5%. It should also be noted that all customs duties on goods of Arab origin were repealed since the beginning of 2005, as a result of completing the implementation of the “Executive Program for the Establishment of the Pan-Arab Free Trade Area” (Table 7).

A-4-2- IMPORTS

Italy has been the leading country of origin of imports since the Lebanese Customs Administration resumed the publication of statistics on foreign trade in 1993. Its aggregate share reached 10.4% of total imports in 2005, compared with 9.9% in 2004 and 9.4% in 2003. It is noteworthy that machinery and electrical equipment, mineral products as well as textiles and textile articles are the main Lebanese imports from Italy. France remained in the second rank in 2004 and 2005 (accounting for 8.4% of total imports in 2005), while Germany shifted from the third rank in 2003 and 2004 to the fourth in 2005 (7.0% of the total). As an alternative import market, due to the major changes in the Euro exchange rate, China continued to reinforce its position, ranking third with a 7.9% share of total imports (Table 8).

Table 7: Geographical Distribution of Lebanese Exports by Destination
(in percent)

2000	2001	2002	2003	2004	2005
SaudiArabia 10.9	SaudiArabia 9.6	Switzerland 12.6	Switzerland 24.9	Iraq 14.6	Syria 10.0
U.A.E. 10.5	U.A.E. 8.2	SaudiArabia 9.2	Iraq 8.0	Switzerland 10.7	Iraq 9.5
Switzerland 7.1	Iraq 7.6	U.A.E. 9.1	U.A.E. 6.8	Syria 8.3	U.A.E. 8.2
U.S.A. 6.5	Switzerland 7.1	Syria 7.2	SaudiArabia 6.8	U.A.E. 7.7	SaudiArabia 7.4
France 5.2	U.S.A. 6.8	Iraq 6.8	Syria 6.5	Turkey 7.3	Switzerland 6.7
Jordan 4.4	France 4.3	U.S.A. 5.1	U.S.A. 4.3	SaudiArabia 6.5	Turkey 6.5
Iraq 4.0	Syria 4.0	Jordan 3.4	Turkey 4.2	Kuwait 3.9	Kuwait 4.3
Kuwait 3.7	Jordan 3.5	Kuwait 3.1	Kuwait 3.3	Jordan 3.6	Jordan 4.0
Syria 3.6	Kuwait 3.1	Turkey 3.1	Jordan 3.2	U.S.A. 2.8	U.S.A. 3.1
Egypt 3.3	Italy 2.9	Egypt 2.6	Italy 1.9	Egypt 2.3	Egypt 2.9
Turkey 3.2	Turkey 2.8	Italy 2.2	Egypt 1.8	France 2.0	Qatar 1.9
Spain 2.7	Egypt 2.7	Belgium 2.1	Algeria 1.8	Qatar 1.7	France 1.7
Italy 2.5	Canada 2.4	U.K. 2.0	France 1.6	India 1.6	U.K. 1.5
Germany 2.5	Malta 2.3	France 1.9	Germany 1.3	Germany 1.3	Nigeria 1.4
Netherlands 2.0	Spain 2.0	Malta 1.7	Nigeria 1.2	U.K. 1.2	China 1.4
India 1.9	Germany 1.9	Algeria 1.7	Spain 1.1	Iran 1.2	Iran 1.4
Belgium 1.8	Netherlands 1.8	Spain 1.6	U.K. 1.1	Italy 1.1	Belgium 1.2
Malta 1.5	Greece 1.6	Tunisia 1.5	Qatar 1.0	Algeria 1.0	Bahrain 1.1
U.K. 1.5	U.K. 1.6	Netherlands 1.5	Malta 0.9	Nigeria 1.0	India 1.1
Cyprus 1.4	India 1.6	Qatar 1.4	India 0.9	Belgium 0.9	Germany 1.0
Others 19.8	Others 22.1	Others 20.2	Others 17.4	Others 19.4	Others 23.7
TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100

Table 8: Geographical Distribution of Lebanese Imports (CIF) by Source
(in percent)

2000	2001	2002	2003	2004	2005
Italy 10.9	Italy 9.7	Italy 10.8	Italy 9.4	Italy 9.9	Italy 10.4
France 8.5	France 8.5	Germany 9.0	France 8.1	France 7.8	France 8.4
Germany 8.3	Germany 8.4	France 8.0	Germany 8.1	Germany 7.8	China 7.9
U.S.A 7.3	U.S.A 7.1	U.S.A 7.2	China 7.4	China 7.6	Germany 7.0
Switzerland 6.9	China 5.6	China 6.7	U.S.A 6.0	U.S.A 5.9	U.S.A 5.9
China 4.6	Russia 5.6	Switzerland 4.1	Russia 4.5	Russia 5.8	Russia 5.5
Syria 4.5	Switzerland 4.6	Turkey 4.0	U.K. 4.4	SaudiArabia 4.4	Switzerland 4.5
U.K. 3.9	Syria 4.5	U.K. 3.9	Japan 3.8	Switzerland 4.2	SaudiArabia 3.5
Russia 3.5	U.K. 3.9	Russia 3.8	Syria 3.6	U.K. 4.1	U.K. 3.5
Japan 3.4	SaudiArabia 3.6	Japan 3.4	Turkey 3.3	Japan 3.7	Japan 3.3
SaudiArabia 2.6	Turkey 3.3	Syria 3.2	Netherlands 3.2	Egypt 3.1	Egypt 3.2
Greece 2.5	Japan 3.2	Spain 2.7	SaudiArabia 3.1	Turkey 2.7	Turkey 2.1
Turkey 2.2	Spain 2.5	Netherlands 2.3	Switzerland 3.0	Syria 2.6	Syria 2.1
Spain 2.2	Greece 1.9	SaudiArabia 2.2	Spain 2.8	Spain 2.0	Belgium 1.9
Netherlands 2.0	Belgium 1.9	Belgium 2.1	Egypt 2.4	Netherlands 1.8	Romania 1.9
Belgium 1.7	Netherlands 1.8	Egypt 2.1	Ukraine 2.3	Belgium 1.8	Spain 1.8
Ukraine 1.4	Ukraine 1.7	Ukraine 1.6	Belgium 2.2	U.A.E. 1.6	Brazil 1.7
Egypt 1.4	Egypt 1.5	South Korea 1.2	U.A.E. 1.3	Ukraine 1.6	Netherlands 1.6
Ireland 1.3	South Korea 1.4	Greece 1.1	India 1.2	India 1.2	India 1.5
South Korea 1.2	Taiwan 1.1	India 1.1	Greece 1.2	Romania 1.1	U.A.E. 1.5
Others 19.5	Others 18.2	Others 19.4	Others 18.8	Others 19.3	Others 20.8
TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100	TOTAL 100

A-5- TRADE BALANCE WITH MAJOR PARTNERS AND COUNTRY GROUPS

In 2005, Arab countries continued to be the leading group in importing Lebanese products, with an aggregate share of 53.5% of total exports, or USD 1,006 million. This group included mainly Syria, Iraq and the United Arab Emirates, and the main Lebanese exports were those of machinery and electrical equipment, mineral products and foodstuffs.

Second in rank was the group of European countries other than those of the European Union, the aggregate share of which represented 15.9% of total exports, or USD 299 million. Precious metals and pearls, base metals and base metal products, as well as chemical products, were the main exports to this group of countries, particularly to Switzerland, Turkey and Cyprus.

Following was the group of European Union countries, particularly France, the United Kingdom and Belgium, with exports of base metals and base metal products, foodstuffs and chemical products, accounting for a 9.5% share of total Lebanese exports, or USD 178 million.

The respective shares of other groups were as follows: Africa 8%; the group of Asian countries (excluding China and Japan) 5.1%; the group of the United States, China and Japan 4.7%; the group of Latin American countries 0.5%; other countries 2.9% (Table 9-A).

As for countries exporting to Lebanon, the group of the European Union countries, mainly Italy, France and Germany, was still leading, with an aggregate share of 38.5% of total imports (USD 3,597 million), including mainly mineral products, chemical products and machinery and electrical equipment. They were followed by the group of European countries other than those of the European Union, with an aggregate share of 18.4% of total imports, or USD 1,718 million, mainly mineral products, precious metals and pearls and base metals and base metal products. Ranking third, imports from the group of the United States, China and Japan accounted for 17.0% of the total (USD 1,589 million), including mainly machinery and electrical equipment, transportation equipment, textiles and textile articles. They were followed by the group of Arab countries with 14.1% (USD 1,322 million), the group of Asian countries (excluding China and Japan) with 7.3%, the group of Latin American countries with 2.7%, the group of African countries with 0.3%, and other countries with 1.6% (Table 9-B).

By group of countries, the trade balance deficit has been mainly with the group of European Union countries, reaching USD 3,419 million, or 45.1% of the deficit registered in 2005. The deficit reached 19.8% with the group of the United States, China and Japan, and 18.7% with the group of European countries other than those of the European Union. It should be noted, however, that a surplus was recorded with the group of African countries for an amount of USD 122 million. Thus, the primary deficit of the trade balance in the narrow sense (exports minus imports) reached USD 7,460 million (Table 9-C).

Table 9-A: Exports with Major Groups of Countries during 2005*
(in millions of USD)

Region	Value	% of Total	Major Exports**	Major Countries
Arab Countries	1,006	53.5%	Electrical equipment, Mineral products, Prepared foodstuffs and beverages	Syria, Iraq, U.A.E.
European Union	178	9.5%	Base metals and articles of base metal, Prepared foodstuffs and beverages, Products of the chemical or allied industries	France, United Kingdom, Belgium
Other Europe	299	15.9%	Pearls, precious or semi-precious stones, precious metals, Base metals & articles of base metal, Products of the chemical or allied industries	Switzerland, Turkey, Cyprus
Asia, excluding China & Japan	95	5.1%	Base metals & articles of base metal, Products of the chemical or allied industries, Raw hides and skins, leather, furskins & articles thereof	Iran, India, South Korea
Latin America	9	0.5%	Products of the chemical or allied industries, Prepared foodstuffs and beverages, Base metals and articles of base metal	Brazil, Venezuela, Panama
United States, China & Japan	88	4.7%	Base metals and articles of base metal, Prepared foodstuffs and beverages, Miscellaneous manufactured articles	United States, China
Africa	150	8.0%	Electrical equipment, Base metals and articles of base metal, Paper & paperboard & articles thereof	Nigeria, Angola, Liberia
Other Countries	54	2.9%	Electrical equipment, Mineral products	Canada, Australia

Table 9-B: Imports with Major Groups of Countries during 2005*
(in millions of USD)

Region	Value	% of Total	Major Imports**	Major Countries
Arab Countries	1,322	14.1%	Mineral products, Base metals and articles of base metal, Products of the chemical or allied industries	Saudi Arabia, Egypt, Syria
European Union	3,597	38.5%	Mineral products, Products of the chemical or allied industries, electrical equipment	Italy, France, Germany
Other Europe	1,718	18.4%	Mineral products, Pearls, precious or semi-precious stones, precious metals., Base metals and articles of base metal	Russia, Switzerland, Turkey
Asia, excluding China & Japan	683	7.3%	Electrical equipment, Textiles & textile articles, Pearls, precious or semi-precious stones, precious metals.	India, South Korea, Thailand
Latin America	248	2.7%	Live animals; animal products, Vegetable products, Mineral products	Brazil, Venezuela, Paraguay
United States, China & Japan	1,589	17.0%	Electrical equipment, Vehicles, aircraft & transport equipment, Textiles & textile articles	U.S.A., China, Japan
Africa	28	0.3%	Wood and articles of wood, Vegetable products, Pearls, precious or semi-precious stones, precious metals.	South Africa, Ghana, Ivory Coast
Other Countries	154	1.6%	Animal or vegetable fats and oils, Base metals and articles of base metal, Live animals; animal products	Canada, Australia, New Zealand

Table 9-C: Trade Balance with Major Groups of Countries during 2005*
(in millions of USD)

Region	Trade Balance	% of Total	Region	Trade Balance	% of Total
Arab Countries	(315)	4.2%	Latin America	(240)	3.2%
European Union	(3,419)	45.1%	United States, China & Japan	(1,501)	19.8%
Other Europe	(1,419)	18.7%	Africa	122	
Asia, excluding China & Japan	(588)	7.8%	Other Countries	(100)	1.3%

* Countries are grouped according to Arab Monetary Fund Classification.

** in descending order.

A-6- CUSTOMS REVENUES AND TRADE FLOWS THROUGH VARIOUS PORTS AND BORDERS

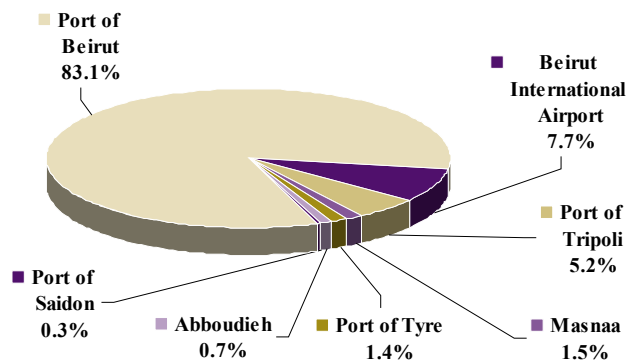
In 2005, two thirds of Lebanese imports, or 69.0% of the total, were received through the Port of Beirut, compared with 68.6% in 2004 and 64.6% in 2003. Likewise, the Beirut International Airport¹⁰ remained in the second rank, despite a slight drop in received imports, accounting for 17.3% of the total in 2005, compared with 18.2% in 2004 and 19.6% in 2003. In the third rank was the Port of Tripoli, with 5.0% of total imports. However, the share of imports by oil offices slumped to 1.4% in 2005, from 13.8% in 2000 (Table 10-A).

Regarding exports, the Port of Beirut was leading again, with a 35.4% share of total exports in 2005, compared with 29.6% in 2004 and 26.8% in 2003. In the second rank was the Beirut International Airport, with 22.0% of the total, down from 26.1% in 2004 and 38.8% in 2003, a year in which it was leading. They were followed by the Masnaa land border, with 17.2%, and that of Abboudia, with 15.8% (Table 10-B).

Concerning customs duties collected in 2005, the Port of Beirut ranked first, with 83.1% of the total, followed by the Beirut International Airport, with 7.7%, and the Port of Tripoli with 5.2% (Table 11).

Custom duties collected as value added tax (VAT) increased from LBP 730 billion in 2002 to LBP 894 billion in 2003 and LBP 1,249 billions in 2004. However, in 2005, as imports dropped and economic activity slowed down, they reached LBP 1,176 billion declining by 5.9% (Table 12).

Chart 4: Customs Revenues by Port during 2005
 (in percent)



10- Currently: the "Rafik Hariri International Airport".

11- Date of the first survey: end-year 2001 (circular No. 91).

Table 10-A: Distribution of Imports according to Customs Offices
(in percent)

	2000	2001	2002	2003	2004	2005
Port of Beirut & Travellers Zone	54.9	63.1	62.1	64.6	68.6	69.0
Beirut International Airport	18.4	18.2	19.5	19.6	18.2	17.3
Oil Offices	13.8	5.9	2.1	1.0	1.1	1.4
Port of Tripoli	4.9	4.2	6.5	6.0	4.9	5.0
Port of Jounieh	1.7	1.7	2.5	1.0	0.0	0.0
Port of Saidon	0.4	0.4	0.4	0.5	0.4	0.6
Port of Tyre	1.0	1.1	0.9	0.7	0.5	0.5
Masnaa	3.2	4.0	4.5	4.2	4.7	4.8
Abboudieh	1.4	1.4	1.3	2.0	1.5	1.2
Arida	0.2	0.1	0.2	0.2	0.0	0.1
Kaa	0.0	0.0	0.0	0.0	0.0	0.1
Other Bureau	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	100	100	100	100	100	100

Source: Lebanese Customs Administration

Table 10-B: Distribution of Exports according to Customs Offices
(in percent)

	2000	2001	2002	2003	2004	2005
Port of Beirut & Travellers Zone	34.2	33.4	31.6	26.8	29.6	35.4
Beirut International Airport	27.7	28.2	29.3	38.8	26.1	22.0
Oil Offices	0.0	0.0	0.0	0.0	0.0	0.0
Port of Tripoli	9.1	8.0	7.8	7.5	10.1	8.0
Port of Jounieh	0.0	0.0	0.0	0.0	0.0	0.0
Port of Saidon	0.1	0.1	0.2	0.1	0.2	0.1
Port of Tyre	0.0	0.0	0.0	0.0	0.0	0.0
Masnaa	11.5	13.3	14.9	12.7	15.3	17.2
Abboudieh	12.9	13.8	13.0	12.2	17.4	15.8
Arida	0.6	0.3	0.4	0.5	1.3	1.1
Kaa	0.1	0.0	0.0	0.0	0.0	0.0
Other Bureau	3.8	2.8	2.8	1.4	0.1	0.3
TOTAL	100	100	100	100	100	100

Source: Lebanese Customs Administration

Table 11: Custom Revenues
(in billions of LBP)

	2000	%	2001	%	2002	%	2003	%	2004	%	2005	%
Port of Beirut	1,474	78.3	1,459	83.9	1,400	82.4	1,388	81.4	1,405	83.1	1,108	83.1
Beirut International Airport	189	10.0	116	6.7	106	6.2	104	6.1	114	6.8	102	7.7
Port of Tripoli	130	6.9	77	4.4	130	7.6	156	9.1	110	6.5	70	5.2
Port of Jounieh	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Port of Saidon	13	0.7	12	0.7	5	0.3	6	0.3	4	0.2	4	0.3
Port of Tyre	35	1.9	38	2.2	25	1.5	22	1.3	19	1.1	19	1.4
Masnaa	28	1.5	26	1.5	24	1.4	20	1.2	26	1.5	20	1.5
Abboudieh	13	0.7	10	0.6	10	0.6	9	0.5	11	0.6	10	0.7
Arida	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Kaa	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL	1,882	100	1,739	100	1,700	100	1,704	100	1,690	100	1,333	100

Source: Lebanese Customs Administration

Table 12: Custom Revenues from the Value Added Tax
(in millions of LBP)

	2002	%	2003	%	2004	%	2005	%
Port of Beirut	521,845	71	647,205	72	969,457	78	903,740	77
Beirut International Airport	97,522	13	122,400	14	128,991	10	119,249	10
Port of Tripoli	55,121	8	60,835	7	63,111	5	58,539	5
Port of Jounieh	0	0	0	0	0	0	0	0
Port of Saidon	14,521	2	14,717	2	18,246	1	24,316	2
Port of Tyre	10,164	1	10,025	1	8,436	1	8,527	1
Masnaa	30,048	4	35,782	4	57,065	5	57,859	5
Abboudieh	1,054	0	2,776	0	3,607	0	2,474	0
Arida	145	0	142	0	223	0	805	0
Kaa	15	0	6	0	3	0	8	0
TOTAL	730,435	100	893,887	100	1,249,139	100	1,175,515	100

Source: Lebanese Customs Administration

B- SERVICES

Following a drop of 50.4% in 2003, the services account improved in 2004, and this improvement doubled in 2005, leading to a surplus of USD 2,963 million. This was caused, in comparison with 2004, by a rise in the balance of credit services by 11.9%, while debit transactions dropped by 4.1% during the same period, mainly in services related to travel, communications, financial services and other business services. It is noteworthy that, following the adoption of the ITRS in 2003, statistics started to include both private and public sector data (Table 13), and that the ITRS implementation has improved, yielding, in 2004 and 2005, more accurate statistics than in 2003, the year the ITRS started to become operational.

B-1- TRANSPORTATION

With a drop in transfers related to credit transactions and a rise in those of debit transactions, the transportation account continued to record a deficit, which reached USD 709 million in 2004 and USD 894 million in 2005. This deficit was mainly concentrated in the goods transportation services, that includes the cost of freight, as it increased by 29.4% in 2004 compared with the previous year, and remained unchanged in 2005. This is due to the method of computing flows related to goods transportation, since the rise in the c.i.f. imports account in 2004, or its drop in 2005, is accompanied, during the year, by a similar change in freight services, which represent 7.5% of this account (Table 14).

B-2- TRAVEL

Following a decline of 34.7% in 2004, compared with the previous year, the travel balance improved by 17.1% in 2005, reaching USD 2,624 million. This improvement was concentrated in the item “business travel/credit”, which recorded a six fold increase in comparison with 2004, while “personal travel/credit” fell by 6.0%. These results are considered a great achievement, in view of the turmoil witnessed in 2005. In addition to the estimates based on the statistics of the Directorate-General of General Security (refer to section A-2-2 External Sector Statistics: Compilation Methodology), travel data include payments done through credit and debit cards and ATM withdrawals (Circular No. 1564). These transfers are considered as part of the tourism bill, included in the tourism consumption item; this bill shows that residents’ payments at points of sale abroad continue to rise (from USD 262 million in 2004 to USD 314 million in 2005), as well as nonresidents’ payments in Lebanon, which went up from USD 995 million in 2004 to USD 1,071 million in 2005 (Table 15). This positive development started in April, following the call to revive the commercial downtown, the exemption of visitors from entrance fees at archaeological sites, tempting discounts on travel tickets and round-trip flights during the month by the national airline company, and easing the entry visa process for Arab visitors (Table 16).

B-3- COMMUNICATIONS

The balance of communication services witnessed a significant improvement in 2005, with a fourfold increase compared to a year earlier, that is USD 102 million, against USD 26 million. This resulted from a 4.8% rise in the credit item and a 31.9% drop in the debit item (Table 17).

B-4- INSURANCE

Insurance premiums paid to residents remained on the rise, reaching USD 209 million in 2005, with an increase of 48.7%, while claims paid to nonresidents rose by 40.9%. Consequently, the deficit in the insurance services item increased from USD 35 million to USD 39 million (Table 18).

Table 13: Services
(in millions of USD)

	2002	2003	2004	2005
Services	1,075	2,974	1,474	2,963
Credit	4,429	9,462	9,704	10,858
Debit	(3,354)	(6,488)	(8,230)	(7,895)
Transportation	(471)	(493)	(709)	(894)
Credit	0	408	520	438
Debit	(471)	(902)	(1,229)	(1,332)
Travel	1,601	3,431	2,241	2,624
Credit	4,284	6,374	5,411	5,532
Debit	(2,683)	(2,943)	(3,170)	(2,908)
Communication services	56	66	26	102
Credit	60	163	229	241
Debit	(4)	(97)	(203)	(138)
Insurance services	(53)	(93)	(35)	(39)
Credit	65	124	141	209
Debit	(118)	(217)	(176)	(248)
Financial services (other than insurance)	(1)	21	30	48
Credit	0	27	40	58
Debit	(1)	(6)	(9)	(10)
Other business services	(60)	40	(85)	1,120
Credit	3	2,351	3,340	4,362
Debit	(63)	(2,310)	(3,426)	(3,242)
Government services n.i.e.*	3	3	6	3
Credit	17	16	22	19
Debit	(14)	(14)	(16)	(16)

* n.i.e.: not included elsewhere

Table 14: Transportation Services
(in millions of USD)

	2002	2003	2004	2005
Transportation	(471)	(493)	(709)	(894)
Credit	0	408	520	438
Debit	(471)	(902)	(1,229)	(1,332)
of which: Passenger	0	32	(29)	(219)
Credit	0	408	520	437
Debit	0	(376)	(549)	(657)
of which: Freight	(471)	(525)	(680)	(675)
Credit	0	0	0	0
Debit	(471)	(525)	(680)	(675)
Sea transport	(351)	(388)	(513)	(516)
Credit	0	0	0	0
Debit	(351)	(388)	(513)	(516)
Passenger	0	0	0	0
Credit	0	0	0	0
Debit	0	0	0	0
Freight	(351)	(388)	(513)	(516)
Credit	0	0	0	0
Debit	(351)	(388)	(513)	(516)
Air transport	(91)	(71)	(153)	(336)
Credit	0	408	520	438
Debit	(92)	(480)	(673)	(774)
Passenger	0	32	(29)	(219)
Credit	0	408	520	437
Debit	0	(376)	(549)	(657)
Freight	(92)	(103)	(124)	(117)
Credit	0	0	0	0
Debit	(92)	(103)	(124)	(117)
Road transport	(28)	(34)	(43)	(42)
Credit	0	0	0	0
Debit	(28)	(34)	(43)	(42)
Passenger	0	0	0	0
Credit	0	0	0	0
Debit	0	0	0	0
Freight	(28)	(34)	(43)	(42)
Credit	0	0	0	0
Debit	(28)	(34)	(43)	(42)



B-5- FINANCIAL SERVICES

This item includes all financial services, with the exception of insurance-related services. In 2004, it registered a significant net rise of 47.7% in comparison with 2003. This improvement continued in 2005 whereby the annual rate of increase reached 58.4%, owing to a 46.2% rise in credit services (Table 19).

B-6- OTHER BUSINESS SERVICES

This item witnessed a drastic change in 2005, recording a surplus of USD 1,120 million, in contrast with a deficit of USD 85 million in 2004. This is due to the qualitative improvement in the statistics extracted from the ITRS, thanks to a steady collaboration with the banking and financial sector for a better coding of banking transactions, in accordance with the BOP requirements (Table 20).

B-7- GOVERNMENT SERVICES

Compared with 2004, credit services dropped by 16.1% in 2005, whereas debit services witnessed no significant change (Table 21).

Table 15: Payments and Cash Disbursements through Credit and Debit Cards and ATMs
(in millions of USD)

	2002	2003	2004	2005
Payments by residents at points of sale abroad	174.3	236.7	261.6	313.6
Payments by nonresidents at points of sale in Lebanon	394.8	469.2	610.7	588.0
Cash withdrawals by nonresidents through ATMs	290.1	436.8	384.6	483.3

Source: Circular No. 1564

Table 16: Travel Services
(in millions of USD)

	2002	2003	2004	2005
Travel	1,601	3,431	2,241	2,624
Credit	4,284	6,374	5,411	5,532
Debit	(2,683)	(2,943)	(3,170)	(2,908)
Business	0	1,614	(21)	350
Credit	0	1,690	89	529
Debit	0	(76)	(111)	(179)
Other	0	1,614	(21)	350
Credit	0	1,690	89	529
Debit	0	(76)	(111)	(179)
Personal	1,601	1,816	2,263	2,274
Credit	4,284	4,683	5,322	5,002
Debit	(2,683)	(2,867)	(3,059)	(2,729)
Other	1,601	1,816	2,263	2,274
Credit	4,284	4,683	5,322	5,002
Debit	(2,683)	(2,867)	(3,059)	(2,729)

Table 17: Communication Services
(in millions of USD)

	2002	2003	2004	2005
Communication services	56	66	26	102
Credit	60	163	229	241
Debit	(4)	(97)	(203)	(138)
Telecommunication services	56	66	26	102
Credit	60	163	229	241
Debit	(4)	(97)	(203)	(138)

Table 18: Insurance Services
(in millions of USD)

	2002	2003	2004	2005
Insurance services	(53)	(93)	(35)	(39)
Credit	65	124	141	209
Debit	(118)	(217)	(176)	(248)
Other direct insurance	0	(34)	12	19
Credit	0	58	72	140
Debit	0	(92)	(60)	(121)
Reinsurance	(53)	(59)	(47)	(58)
Credit	65	65	69	69
Debit	(118)	(125)	(116)	(127)

Table 19: Financial Services (other than insurance)
(in millions of USD)

	2002	2003	2004	2005
Financial services (other than insurance)	(1)	21	30	48
Credit	0	27	40	58
Debit	(1)	(6)	(9)	(10)

Table 20: Other Business Services
(in millions of USD)

	2002	2003	2004	2005
Other business services	(60)	40	(85)	1,120
Credit	3	2,351	3,340	4,362
Debit	(63)	(2,310)	(3,426)	(3,242)
Misc. business, professional & technical services	(60)	40	(85)	1,120
Credit	3	2,351	3,340	4,362
Debit	(63)	(2,310)	(3,426)	(3,242)
Other services	(60)	40	(85)	1,120
Credit	3	2,351	3,340	4,362
Debit	(63)	(2,310)	(3,426)	(3,242)

C- INCOME

In 2005, the income account improved by 78.3%, as its deficit shrank from USD 854 million in 2004 to USD 177 million. This improvement resulted from a rise of 63.1% in credit transactions in the “compensation of employees” item and another rise of 63.6% on the credit side of the “investment income” item. The investment income improved in all its items: direct investment, portfolio investment, and other investment. The balance of direct investment income shifted from a deficit of USD 27 million in 2004 to a surplus of USD 26 million in 2005. The deficit in portfolio investment income declined from USD 438 million in 2004 to USD 383 million in 2005, as interest payments on money-market instruments by resident banks and financial institutions dropped more than interest collected by the banking and financial sector on the same instruments. Concerning income from other investments, the balance shifted from a deficit of USD 101 million in 2004 to a surplus of USD 244 million in 2005, as net revenues of monetary authorities increased by 58.0%, while general government payments fell by 9.9%. Likewise, the balance of other sectors’ net revenues shifted from a deficit of USD 13 million in 2004 to a surplus of USD 128 million in 2005 (Table 22).

D- TRANSFERS

In 2005, the transfers account balance dropped by 38.1% in comparison with 2004, that is, from USD 1,716 million to USD 1,063 million, and all its components _ general government transfers, workers' remittances and other private transfers _ recorded a decline in related net transactions. As far as workers’ remittances are concerned, the account maintained a net positive balance since the year 2002 and reached USD 976 million in 2005, as incoming remittances registered USD 4,257 million against USD 3,281 million for outgoing transfers. Nevertheless, this positive balance was lower than the previous year’s despite the decline of outgoing transfers by 8.2%, as incoming transfers also regressed by 17.9% (Table 23).

Table 21: Government Services
(in millions of USD)

	2002	2003	2004	2005
Government services (n.i.e)*	3	3	6	3
Credit	17	16	22	19
Debit	(14)	(14)	(16)	(16)
Embassies and consulates	3	3	6	3
Credit	17	16	22	19
Debit	(14)	(14)	(16)	(16)

* n.i.e: not included elsewhere

Table 22: Income
(in millions of USD)

	2002	2003	2004	2005
Income	(868)	(3,437)	(817)	(177)
Credit	395	1,399	1,060	1,733
Debit	(1,263)	(4,835)	(1,877)	(1,910)
Compensation of employees*	(11)	392	(251)	(64)
Credit	0	779	409	667
Debit	(11)	(387)	(660)	(731)
Investment income	(857)	(3,829)	(566)	(114)
Credit	395	619	651	1,066
Debit	(1,252)	(4,448)	(1,217)	(1,179)
Direct investment	0	18	(27)	26
Credit	0	87	63	122
Debit	0	(69)	(91)	(95)
Income on equity	0	18	(27)	26
Credit	0	87	63	122
Debit	0	(69)	(91)	(95)
Dividends and distributed branch profits	0	18	(27)	26
Credit	0	87	63	122
Debit	0	(69)	(91)	(95)
Portfolio investment	(710)	(3,663)	(438)	(383)
Credit	0	213	135	64
Debit	(710)	(3,876)	(573)	(447)
Income on debt (interest)	(710)	(3,663)	(438)	(383)
Credit	0	213	135	64
Debit	(710)	(3,876)	(573)	(447)
Bonds and notes	(440)	(417)	(377)	(377)
Credit	0	0	0	0
Debit	(440)	(417)	(377)	(377)
General government	(440)	(417)	(377)	(377)
Credit	0	0	0	0
Debit	(440)	(417)	(377)	(377)
Money-market instruments	(270)	(3,247)	(61)	(7)
Credit	0	213	135	64
Debit	(270)	(3,460)	(196)	(70)
General government	(270)	(13)	(6)	(6)
Credit	0	0	0	0
Debit	(270)	(13)	(6)	(6)
Banks	0	51	(82)	12
Credit	0	74	49	31
Debit	0	(24)	(132)	(19)
Other sectors	0	(3,285)	28	(13)
Credit	0	139	86	33
Debit	0	(3,423)	(58)	(46)
Other investment	(147)	(183)	(101)	244
Credit	395	319	453	881
Debit	(542)	(502)	(554)	(637)
Monetary authorities	52	114	163	258
Credit	94	143	190	290
Debit	(42)	(29)	(27)	(33)
General government	(92)	(101)	(111)	(100)
Credit	0	0	0	0
Debit	(92)	(101)	(111)	(100)
Banks	(128)	(168)	(140)	(42)
Credit	230	146	185	314
Debit	(358)	(313)	(325)	(356)
Other sectors	21	(28)	(13)	128
Credit	71	31	78	276
Debit	(50)	(59)	(91)	(149)

* including border and seasonal workers

3- CAPITAL AND FINANCIAL ACCOUNT BALANCE

A- CAPITAL ACCOUNT

The balance of the capital account recorded an annual increase of 71.9% in 2004, but decreased by 45.6% in 2005. This account is primarily affected by cash donations granted to the general government for investment purposes and that are compiled according to their date of publication in the Official Gazette, owing to the difficulty of monitoring their entries throughout the various accounting periods (Table 24).

B -FINANCIAL ACCOUNT

B-1- DIRECT INVESTMENT

Public sector statistics and ITRS data reveal a decline in transfers related to direct investment abroad, from USD 213 million in 2004 to USD 122 million in 2005. In contrast, direct investment in Lebanon rose by 38.0%, from USD 1,993 million to USD 2,751 million, according to statistics collected from the aforementioned sources and to estimates of real estate investments by nonresidents in the Lebanese economy. This is the result of an increasing liquidity in the region, linked to the rise in fuel prices which led nonresidents, particularly Arab citizens, to purchase real estate _ lands and buildings _ for the summer season and for the purposes of commercial and tourism projects. Undoubtedly, the amendment of the Law on the acquisition by non-Lebanese of real estate rights in Lebanon, which took place on 4/3/2001, has been a contributing factor in this improvement (Table 25).

B-2- PORTFOLIO INVESTMENT

The “assets” item in portfolio investment (residents' investments in instruments issued by nonresidents) declined from USD 614 million in 2004 to USD 110 million in 2005, whereas the “liabilities” item (nonresidents' investments in instruments issued by residents) rose 7 times in comparison with 2004, reaching USD 648 million in 2005.

The drop in assets resulted from declining investments by banks and other sectors in equity and debt securities. It is noteworthy that banks did not only reduce their investments in bonds and notes issued by nonresidents, but they also disposed of a portion of their long-term investments. This led to a surplus of USD 64 million in the mentioned item in 2005.

The significant increase in the liabilities item was concentrated in nonresidents' investments in equity securities issued by residents, reaching USD 1,436 million in 2005, against USD 148 million in 2004. Regarding debt securities, an amount of USD 600 million was transferred abroad, as the general government continued to settle its liabilities in short-term and long-term bonds, in addition to the reduction by nonresidents of their investments in debt securities issued by resident banks and other resident sectors (Table 26).

Table 23: Current Transfers
(in millions of USD)

	2002	2003	2004	2005
Current transfers	78	328	1,716	1,063
Credit	2,591	4,079	5,325	4,399
Debit	(2,513)	(3,751)	(3,609)	(3,337)
General government	43	4	6	0
Credit	47	8	11	8
Debit	(4)	(4)	(5)	(8)
Other sectors	35	325	1,710	1,063
Credit	2,544	4,071	5,314	4,392
Debit	(2,510)	(3,747)	(3,604)	(3,329)
Workers' remittances	35	270	1,609	976
Credit	2,544	3,964	5,183	4,257
Debit	(2,510)	(3,694)	(3,573)	(3,281)
Other transfers	0	55	100	86
Credit	0	108	132	134
Debit	0	(53)	(31)	(48)

Table 24: Capital Account
(in millions of USD)

	2002	2003	2004	2005
Capital account	13	29	50	27
Credit	13	30	54	27
Debit	0	(1)	(3)	0
Capital transfers	13	29	50	27
Credit	13	30	54	27
Debit	0	(1)	(3)	0
General government	13	29	50	27
Credit	13	30	54	27
Debit	0	(1)	(3)	0

Table 25: Direct Investment
(in millions of USD)

	2002	2003	2004	2005
Direct investment				
Abroad	0	(40)	(213)	(122)
Equity capital	0	(40)	(213)	(122)
Claims on affiliated enterprises	0	(40)	(213)	(122)
In reporting economy	1,336	2,977	1,993	2,751
Equity capital	1,336	2,977	1,993	2,751
Liabilities to direct investors	1,336	2,977	1,993	2,751

Table 26: Portfolio Investment
(in millions of USD)

	2002	2003	2004	2005
Portfolio investment				
Assets	101	(559)	(614)	(110)
Equity securities	158	(40)	(349)	(151)
Monetary authorities	0	0	0	0
General government	0	107	0	1
Banks	132	(89)	(294)	(115)
Other sectors	26	(58)	(55)	(36)
Debt securities	(57)	(519)	(265)	40
Bonds and notes	(54)	(514)	(274)	39
Banks	34	(452)	(218)	64
Other sectors	(88)	(62)	(55)	(25)
Money-market instruments	(3)	(5)	8	1
Banks	(3)	(2)	4	2
Other sectors	0	(2)	5	(1)
Liabilities	749	644	(93)	648
Equity securities	0	207	148	1,436
Banks	0	22	42	153
Other sectors	0	185	106	1,283
Debt securities	749	437	(241)	(788)
Bonds and notes	891	563	(272)	(642)
Monetary authorities	22	(50)	(253)	(313)
General government	869	(323)	(1,285)	(600)
Banks	0	93	171	152
Other sectors	0	843	1,095	119
Money-market instruments	(143)	(127)	32	(146)
General government	(143)	(127)	32	(146)

B-3-OTHER INVESTMENT

The years 2004 and 2005 witnessed a decline in assets resulting from investments other than direct or portfolio investment, as inflows of funds reached USD 3,864 million in 2004 and USD 3,658 million in 2005, with a concentration on loans. Statistics also show that banks and other sectors received their dues from loans granted to nonresidents, so that this item reached USD 5,232 million in 2004 and USD 4,649 million in 2005. Regarding the “currency and deposits” item, data reveal that the 2004 deficit of USD 1,368 million fell to USD 991 million in 2005. Nevertheless, the deficit in the item “currency and deposits/other sectors” increased from USD 511 million in 2004 to USD 1,257 million in 2005. These capital outflows were the result of other sectors consolidating their deposits abroad for banking considerations and as a precautionary measure given the situation prevailing in Lebanon during the year 2005. It should be noted that these transfers occurred during the first and last quarters of the year (Table 27).

Liabilities resulting from other investments recorded a drop in 2005, following the settlement of amounts totaling USD 1,166 million. Concerning the “loans” item, the general government reduced its borrowings, contributing to a capital outflow of USD 54 million. As for other sectors, their reimbursements were, in 2005, more than three times the reimbursements they made in 2004, while their borrowings were, in 2005, approximately four times their borrowings a year earlier. Thus, they transferred abroad a net amount of USD one billion, compared with USD 257 million a year earlier. Developments in the “currency and deposits” item mirrored security and political developments in the country, that led to outflows worth USD 927 million in 2005. These were mainly deposits by nonresidents, and most of them were transferred abroad during the first quarter of the year.

B-4- RESERVE ASSETS

According to the recommendations of the BPM5, this item includes only the changes in foreign assets of the BDL, namely the changes in monetary gold, special drawing rights, the reserve position at the IMF and foreign currencies. Until 2004, net foreign assets of the BDL (assets minus liabilities) were recorded in the item “reserve assets/foreign currency/currency and deposits”. However, starting from 2005, assets are being recorded in the mentioned item, while foreign liabilities of the BDL are recorded in the financial account, under the item “other investment/liabilities/currency and deposits/monetary authorities”. Since changes in the “reserve assets” item are based on changes in the item “foreign exchange/currency and deposits”, it is impossible to make a comparison between the figures of 2004 and those of 2005 (Table 28).

Table 27: Other Investment
(in millions of USD)

	2002	2003	2004	2005
Other investment				
Assets	(1,744)	5,015	3,864	3,658
Loans	0	3,615	5,232	4,649
General government	0	1	0	0
Long-term	0	1	0	0
Short-term	0	0	0	0
Banks	0	3,551	5,135	4,516
Long-term	0	3,551	5,135	4,516
Short-term	0	0	0	0
Other sectors	0	64	97	132
Long-term	0	64	97	132
Short-term	0	0	0	0
Currency and deposits	(1,744)	1,400	(1,368)	(991)
Monetary authorities	0	0	0	0
General government	0	135	92	82
Banks	(901)	1,651	(949)	184
Other sectors	(843)	(386)	(511)	(1,257)
Liabilities	(94)	1,928	1,214	48
Loans	(16)	994	288	976
General government	(16)	583	(9)	(54)
Long-term	(16)	583	(9)	(54)
Drawings	164	785	189	138
Repayments	(180)	(202)	(198)	(192)
Banks	0	190	41	30
Long-term	0	190	41	30
Drawings	0	94	17	10
Repayments	0	96	24	20
Other sectors	0	221	257	1,000
Long-term	0	221	257	1,000
Drawings	0	65	85	358
Repayments	0	156	171	642
Currency and deposits	(77)	934	926	(927)
Monetary authorities	0	0	0	(22)
General government	0	31	1	0
Banks	1	0	0	(453)
Other sectors	(78)	903	925	(453)

Table 28: Reserve Assets
(in millions of USD)

	2002	2003	2004	2005
Reserve Assets	(662)	(5,036)	782	(455)
Monetary gold	0	0	0	0
Special drawing rights	1	1	1	1
Reserve position in the Fund	0	0	0	0
Foreign exchange	(663)	(5,037)	781	(456)
Currency and deposits	(663)	(5,037)	781	(456)

Table 29: Balance of Payments
(in millions of USD)

	2002	2003	Q1	2004	Q3	Q4
				Q2		
Current Account	(4,415)	(4,929)	(929)	(1,829)	(1,295)	(27)
Goods	(4,700)	(4,794)	(1,229)	(1,672)	(1,767)	(1,784)
Credit	1,210	1,733	504	440	560	546
Debit	(5,910)	(6,528)	(1,733)	(2,112)	(2,328)	(2,329)
General merchandise	(4,721)	(5,089)	(1,332)	(1,635)	(1,686)	(1,854)
Exports (FOB)	1,018	1,273	371	364	471	455
Exports of goods in trade statistics	916	1,169	371	376	406	412
Adjustments	102	104	0	(12)	65	44
For coverage	(91)	(185)	(92)	(111)	(85)	(69)
For classification	192	289	91	99	149	112
For valuation	0	0	0	0	0	0
For timing	0	0	0	0	0	0
Imports (FOB)	(5,739)	(6,362)	(1,703)	(1,998)	(2,157)	(2,310)
Imports of goods in trade statistics	(6,279)	(7,005)	(1,908)	(2,193)	(2,400)	(2,565)
Adjustments	540	643	205	194	243	255
For coverage	(59)	(42)	(5)	(3)	(4)	(7)
For classification	599	685	210	197	247	262
For valuation	0	0	0	0	0	0
For timing	0	0	0	0	0	0
Goods for processing	63	105	34	48	74	51
Services	1,075	2,974	158	(184)	933	567
Credit	4,429	9,462	1,717	2,379	3,159	2,449
Debit	(3,354)	(6,488)	(1,558)	(2,563)	(2,226)	(1,882)
Transportation	(471)	(493)	(151)	(166)	(153)	(239)
Credit	0	408	103	140	168	108
Debit	(471)	(902)	(254)	(306)	(321)	(348)
of which: Passenger	0	32	(8)	(1)	27	(47)
of which: Freight	(471)	(525)	(143)	(164)	(180)	(192)
of which: Other	0	0	0	0	0	0
Travel	1,601	3,431	366	518	974	384
Credit	4,284	6,374	951	1,307	2,024	1,130
Debit	(2,683)	(2,943)	(585)	(788)	(1,051)	(746)
Business	0	1,614	(7)	9	(10)	(13)
Credit	0	1,690	26	36	18	10
Debit	0	(76)	(34)	(27)	(27)	(23)
Expenditure by seasonal & border workers	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other	0	1,614	(7)	9	(10)	(13)
Credit	0	1,690	26	36	18	10
Debit	0	(76)	(34)	(27)	(27)	(23)
Personal	1,601	1,816	373	510	983	397
Credit	4,284	4,683	924	1,271	2,007	1,120
Debit	(2,683)	(2,867)	(551)	(761)	(1,023)	(723)
Communication services	56	66	15	24	(5)	(8)
Credit	60	163	46	76	65	43
Debit	(4)	(97)	(31)	(52)	(70)	(51)
Postal and courier services	0	0	0	0	0	0
Telecommunication services	56	66	15	24	(5)	(8)

Table 29: Balance of Payments
(in millions of USD)

	2004		2005			
	Total	Q1	Q2	Q3	Q4	Total
Current Account	(4,079)	(652)	(365)	(606)	(604)	(2,270)
Goods	(6,452)	(1,415)	(1,393)	(1,771)	(1,538)	(6,118)
Credit	2,050	479	560	595	645	2,278
Debit	(8,502)	(1,894)	(1,953)	(2,366)	(2,184)	(8,397)
General merchandise	(6,507)	(1,398)	(1,338)	(1,694)	(1,613)	(6,043)
Exports (FOB)	1,661	428	514	537	538	2,018
Exports of goods in trade statistics	1,565	389	454	448	468	1,759
Adjustments	96	39	60	89	70	258
For coverage	(355)	(57)	(56)	(43)	(42)	(199)
For classification	452	96	115	133	113	457
For valuation	0	0	0	0	0	0
For timing	0	0	0	0	0	0
Imports (FOB)	(8,168)	(1,826)	(1,852)	(2,231)	(2,152)	(8,061)
Imports of goods in trade statistics	(9,065)	(2,093)	(2,053)	(2,420)	(2,439)	(9,006)
Adjustments	897	268	201	189	287	945
For coverage	(20)	(6)	(6)	(18)	(19)	(49)
For classification	917	273	207	208	306	994
For valuation	0	0	0	0	0	0
For timing	0	0	0	0	0	0
Goods for processing	207	34	31	40	34	140
Services	1,474	519	889	1,260	296	2,963
Credit	9,704	2,306	2,802	3,422	2,329	10,858
Debit	(8,230)	(1,787)	(1,913)	(2,162)	(2,033)	(7,895)
Transportation	(709)	(225)	(179)	(247)	(244)	(894)
Credit	520	70	125	111	131	438
Debit	(1,229)	(295)	(304)	(358)	(375)	(1,332)
of which: Passenger	(29)	(68)	(25)	(65)	(61)	(219)
of which: Freight	(680)	(157)	(154)	(182)	(183)	(675)
of which: Other	0	0	0	0	0	0
Travel	2,241	370	508	1,292	454	2,624
Credit	5,411	995	1,223	2,251	1,063	5,532
Debit	(3,170)	(625)	(715)	(958)	(610)	(2,908)
Business	(21)	16	23	308	3	350
Credit	89	59	68	379	23	529
Debit	(111)	(43)	(45)	(72)	(20)	(179)
Expenditure by seasonal & border workers	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other	(21)	16	23	308	3	350
Credit	89	59	68	379	23	529
Debit	(111)	(43)	(45)	(72)	(20)	(179)
Personal	2,263	354	485	984	451	2,274
Credit	5,322	937	1,155	1,871	1,040	5,002
Debit	(3,059)	(583)	(670)	(887)	(589)	(2,729)
Communication services	26	17	25	34	25	102
Credit	229	49	75	70	47	241
Debit	(203)	(31)	(50)	(36)	(22)	(138)
Postal and courier services	0	0	0	0	0	0
Telecommunication services	26	17	25	34	25	102

Table 29: Balance of Payments (continued)
(in millions of USD)

	2002	2003	2004			
			Q1	Q2	Q3	Q4
Insurance services	(53)	(93)	1	(9)	(16)	(11)
Credit	65	124	44	32	29	35
Debit	(118)	(217)	(43)	(41)	(46)	(46)
Life insurance & pension funding	0	0	0	0	0	0
Freight insurance	0	0	0	0	0	0
Other direct insurance	0	(34)	13	2	(5)	1
Reinsurance	(53)	(59)	(12)	(12)	(12)	(12)
Auxiliary services	0	0	0	0	0	0
Financial services (other than insurance)	(1)	21	8	7	7	8
Credit	0	27	10	10	10	10
Debit	(1)	(6)	(2)	(3)	(2)	(2)
Computer and information services	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Royalties and license fees	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other business services	(60)	40	(83)	(560)	126	432
Credit	3	2,351	556	809	857	1,118
Debit	(63)	(2,310)	(639)	(1,369)	(732)	(686)
Merchanting & other trade-related services	0	0	0	0	0	0
Operational leasing services	0	0	0	0	0	0
Misc. business, prof. & technical services	(60)	40	(83)	(560)	126	432
Government services, n.i.e.	3	3	2	2	1	1
Credit	17	16	7	6	6	4
Debit	(14)	(14)	(4)	(4)	(5)	(3)
Embassies and consulates	3	3	2	2	1	1
Credit	17	16	7	6	6	4
Debit	(14)	(14)	(4)	(4)	(5)	(3)
Military units and agencies	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other	0	0	0	0	0	0
Income	(868)	(3,437)	(219)	(143)	(240)	(217)
Credit	395	1,399	221	292	251	313
Debit	(1,263)	(4,835)	(440)	(435)	(491)	(530)
Compensation of employees*	(11)	392	(19)	1	(119)	(113)
Credit	0	779	77	121	108	103
Debit	(11)	(387)	(96)	(120)	(227)	(216)
Investment income	(857)	(3,829)	(199)	(144)	(121)	(104)
Credit	395	619	144	171	143	210
Debit	(1,252)	(4,448)	(343)	(314)	(264)	(314)
Direct investment	0	18	(4)	(10)	(10)	(3)
Credit	0	87	11	26	14	13
Debit	0	(69)	(15)	(36)	(24)	(15)
Income on equity	0	18	(4)	(10)	(10)	(3)
Dividends and distributed branch profits	0	18	(4)	(10)	(10)	(3)
Reinvested earnings & undistributed branch profits	0	0	0	0	0	0
Income on debt (interest)	0	0	0	0	0	0

* including border, seasonal & other workers

Table 29: Balance of Payments (continued)
(in millions of USD)

	2004		2005			Total
	Total	Q1	Q2	Q3	Q4	
Insurance services	(35)	(33)	4	(6)	(4)	(39)
Credit	141	41	63	46	59	209
Debit	(176)	(73)	(59)	(53)	(63)	(248)
Life insurance & pension funding	0	0	0	0	0	0
Freight insurance	0	0	0	0	0	0
Other direct insurance	12	(18)	19	8	11	19
Reinsurance	(47)	(14)	(14)	(14)	(14)	(58)
Auxiliary services	0	0	0	0	0	0
Financial services (other than insurance)	30	12	12	12	12	48
Credit	40	15	15	15	15	58
Debit	(9)	(2)	(2)	(2)	(3)	(10)
Computer and information services	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Royalties and license fees	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other business services	(85)	377	517	173	53	1,120
Credit	3,340	1,131	1,298	923	1,010	4,362
Debit	(3,426)	(754)	(781)	(750)	(957)	(3,242)
Merchandising & other trade-related services	0	0	0	0	0	0
Operational leasing services	0	0	0	0	0	0
Misc. business, prof. & technical services	(85)	377	517	173	53	1,120
Government services, n.i.e.	6	0	1	2	(1)	3
Credit	22	5	4	7	3	19
Debit	(16)	(5)	(2)	(4)	(4)	(16)
Embassies and consulates	6	0	1	2	(1)	3
Credit	22	5	4	7	3	19
Debit	(16)	(5)	(2)	(4)	(4)	(16)
Military units and agencies	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Debit	0	0	0	0	0	0
Other	0	0	0	0	0	0
Income	(817)	(106)	(98)	(63)	132	(177)
Credit	1,060	411	377	415	637	1,733
Debit	(1,877)	(517)	(475)	(477)	(505)	(1,910)
Compensation of employees*	(251)	(76)	(27)	(33)	72	(64)
Credit	409	162	142	138	225	667
Debit	(660)	(237)	(169)	(171)	(153)	(731)
Investment income	(566)	(31)	(71)	(29)	60	(114)
Credit	651	249	235	277	411	1,066
Debit	(1,217)	(280)	(306)	(306)	(352)	(1,179)
Direct investment	(27)	(16)	(3)	(16)	60	26
Credit	63	11	11	13	86	122
Debit	(91)	(27)	(14)	(28)	(26)	(95)
Income on equity	(27)	(16)	(3)	(16)	60	26
Dividends and distributed branch profits	(27)	(16)	(3)	(16)	60	26
Reinvested earnings & undistributed branch profits	0	0	0	0	0	0
Income on debt (interest)	0	0	0	0	0	0

Table 29: Balance of Payments (continued)
(in millions of USD)

	2002	2003	2004			
			Q1	Q2	Q3	Q4
Portfolio investment	(710)	(3,663)	(151)	(106)	(70)	(110)
Credit	0	213	43	52	17	23
Debit	(710)	(3,876)	(194)	(158)	(87)	(134)
Income on equity (dividends)	0	0	0	0	0	0
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Other sectors	0	0	0	0	0	0
Income on debt (interest)	(710)	(3,663)	(151)	(106)	(70)	(110)
Bonds and notes	(440)	(417)	(61)	(136)	(68)	(113)
Credit	0	0	0	0	0	0
Debit	(440)	(417)	(61)	(136)	(68)	(113)
Monetary authorities	0	0	0	0	0	0
General government	(440)	(417)	(61)	(136)	(68)	(113)
Banks	0	0	0	0	0	0
Other sectors	0	0	0	0	0	0
Money-market instruments	(270)	(3,247)	(91)	30	(2)	2
Credit	0	213	43	52	17	23
Debit	(270)	(3,460)	(133)	(22)	(19)	(21)
Monetary authorities	0	0	0	0	0	0
General government	(270)	(13)	(5)	0	0	(1)
Banks	0	51	(110)	11	6	10
Other sectors	0	(3,285)	24	20	(8)	(7)
Other investment	(147)	(183)	(44)	(28)	(40)	10
Credit	395	319	91	93	112	174
Debit	(542)	(502)	(134)	(120)	(152)	(165)
Monetary authorities	52	114	43	34	29	58
General government	(92)	(101)	(29)	(16)	(33)	(27)
Banks	(128)	(168)	(47)	(43)	(35)	(23)
Other sectors	21	(28)	(10)	(4)	0	1
Current transfers	78	328	360	170	(221)	1,407
Credit	2,591	4,079	1,063	959	975	2,329
Debit	(2,513)	(3,751)	(703)	(788)	(1,196)	(922)
General government	43	4	0	0	2	4
Credit	47	8	2	2	3	4
Debit	(4)	(4)	(2)	(2)	(1)	0
Other sectors	35	325	360	170	(223)	1,403
Credit	2,544	4,071	1,061	956	972	2,325
Debit	(2,510)	(3,747)	(701)	(787)	(1,195)	(922)
Workers' remittances	35	270	337	142	(249)	1,379
Credit	2,544	3,964	1,027	920	940	2,295
Debit	(2,510)	(3,694)	(689)	(778)	(1,189)	(917)
Other transfers	0	55	22	27	26	25
Credit	0	108	34	36	32	29
Debit	0	(53)	(12)	(9)	(6)	(5)
Capital and financial account	(302)	4,959	2,523	1,048	1,764	1,640
Capital account	13	29	18	1	34	(3)
Credit	13	30	18	1	34	0
Debit	0	(1)	0	0	0	(3)

Table 29: Balance of Payments (continued)
(in millions of USD)

	2004		2005			Total
	Total	Q1	Q2	Q3	Q4	
Portfolio investment	(438)	(66)	(108)	(86)	(123)	(383)
Credit	135	15	25	14	10	64
Debit	(573)	(81)	(133)	(100)	(133)	(447)
Income on equity (dividends)	0	0	0	0	0	0
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Other sectors	0	0	0	0	0	0
Income on debt (interest)	(438)	(66)	(108)	(86)	(123)	(383)
Bonds and notes	(377)	(70)	(117)	(75)	(114)	(377)
Credit	0	0	0	0	0	0
Debit	(377)	(70)	(117)	(75)	(114)	(377)
Monetary authorities	0	0	0	0	0	0
General government	(377)	(70)	(117)	(75)	(114)	(377)
Banks	0	0	0	0	0	0
Other sectors	0	0	0	0	0	0
Money-market instruments	(61)	4	9	(11)	(9)	(7)
Credit	135	15	25	14	10	64
Debit	(196)	(10)	(16)	(24)	(19)	(70)
Monetary authorities	0	0	0	0	0	0
General government	(6)	(2)	(1)	(2)	0	(6)
Banks	(82)	7	9	(1)	(4)	12
Other sectors	28	0	1	(8)	(5)	(13)
Other investment	(101)	51	40	72	123	244
Credit	453	223	199	250	315	881
Debit	(554)	(172)	(159)	(178)	(192)	(637)
Monetary authorities	163	62	42	58	96	258
General government	(111)	(28)	(15)	(27)	(18)	(100)
Banks	(140)	(12)	(9)	3	7	(42)
Other sectors	(13)	30	21	38	38	128
Current transfers	1,716	351	237	(32)	506	1,063
Credit	5,325	1,106	1,058	1,048	1,187	4,399
Debit	(3,609)	(755)	(821)	(1,080)	(681)	(3,337)
General government	6	(2)	1	1	0	0
Credit	11	2	2	3	0	8
Debit	(5)	(4)	(1)	(1)	(1)	(8)
Other sectors	1,710	353	236	(33)	507	1,063
Credit	5,314	1,104	1,056	1,045	1,187	4,392
Debit	(3,604)	(751)	(820)	(1,078)	(680)	(3,329)
Workers' remittances	1,609	331	212	(51)	484	976
Credit	5,183	1,072	1,022	1,017	1,147	4,257
Debit	(3,573)	(741)	(810)	(1,067)	(663)	(3,281)
Other transfers	100	22	25	17	22	86
Credit	132	32	34	28	40	134
Debit	(31)	(10)	(10)	(11)	(17)	(48)
Capital and financial account	6,983	(2,086)	5,756	885	1,906	6,445
Capital account	50	3	7	10	8	27
Credit	54	3	7	10	8	27
Debit	(3)	0	0	0	0	0

Table 29: Balance of Payments (continued)
(in millions of USD)

	2002	2003	2004			
			Q1	Q2	Q3	Q4
Capital transfers	13	29	18	1	34	(3)
Credit	13	30	18	1	34	0
Debit	0	(1)	0	0	0	(3)
General government	13	29	18	1	34	(3)
Other sectors	0	0	0	0	0	0
Acquisition/disposal of nonproduced nonfinancial assets	0	0	0	0	0	0
Financial account	(315)	4,930	2,505	1,046	1,730	1,643
Direct investment						
Abroad	0	(40)	(37)	11	18	(206)
Equity capital	0	(40)	(37)	11	18	(206)
Claims on affiliated enterprises	0	(40)	(37)	11	18	(206)
Liabilities to affiliated enterprises	0	0	0	0	0	0
In reporting economy	1,336	2,977	450	516	545	482
Equity capital	1,336	2,977	450	516	545	482
Claims on direct investors	0	0	0	0	0	0
Liabilities to direct investors	1,336	2,977	450	516	545	482
Portfolio investment						
Assets	101	(559)	(211)	(179)	(237)	13
Equity securities	158	(40)	(90)	(172)	(28)	(59)
Monetary authorities	0	0	0	0	0	0
General government	0	107	0	0	0	0
Banks	132	(89)	(56)	(177)	(25)	(35)
Other sectors	26	(58)	(34)	5	(2)	(25)
Debt securities	(57)	(519)	(121)	(7)	(209)	73
Bonds and notes	(54)	(514)	(122)	(9)	(211)	68
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	0
Banks	34	(452)	(103)	(7)	(183)	74
Other sectors	(88)	(62)	(19)	(2)	(28)	(6)
Money-market instruments	(3)	(5)	0	1	2	5
Liabilities	749	644	81	274	(16)	(432)
Equity securities	0	207	44	40	31	33
Banks	0	22	14	12	9	7
Other sectors	0	185	29	28	22	26
Debt securities	749	437	37	234	(47)	(465)
Bonds and notes	891	563	53	216	(51)	(490)
Monetary authorities	22	(50)	(63)	(62)	(64)	(64)
General government	869	(323)	(248)	(35)	(498)	(503)
Other	869	(323)	(248)	(35)	(498)	(503)
Banks	0	93	95	17	34	25
Other	0	93	95	17	34	25
Other sectors	0	843	269	296	478	52
Other	0	843	269	296	478	52
Money-market instruments	(143)	(127)	(15)	18	4	25
Financial derivatives, net	0	0	0	0	0	0
Other investment						
Assets	(1,744)	5,015	1,706	727	700	731
Trade credits	0	0	0	0	0	0
Loans	0	3,615	1,356	1,041	1,619	1,216
Monetary authorities	0	0	0	0	0	0

Table 29: Balance of Payments (continued)
(in millions of USD)

	2004		2005			
	Total	Q1	Q2	Q3	Q4	Total
Capital transfers	50	3	7	10	8	27
Credit	54	3	7	10	8	27
Debit	(3)	0	0	0	0	0
General government	50	3	7	10	8	27
Other sectors	0	0	0	0	0	0
Acquisition/disposal of nonproduced nonfinancial assets	0	0	0	0	0	0
Financial account	6,932	(2,088)	5,749	875	1,898	6,417
Direct investment						
Abroad	(213)	(5)	17	(38)	(96)	(122)
Equity capital	(213)	(5)	17	(38)	(96)	(122)
Claims on affiliated enterprises	(213)	(5)	17	(38)	(96)	(122)
Liabilities to affiliated enterprises	0	0	0	0	0	0
In reporting economy	1,993	372	891	753	736	2,751
Equity capital	1,993	372	891	753	736	2,751
Claims on direct investors	0	0	0	0	0	0
Liabilities to direct investors	1,993	372	891	753	736	2,751
Portfolio investment						
Assets	(614)	(369)	348	(86)	(3)	(110)
Equity securities	(349)	(344)	354	(198)	37	(151)
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	1
Banks	(294)	(16)	42	(196)	55	(115)
Other sectors	(55)	(328)	312	(2)	(18)	(36)
Debt securities	(265)	(25)	(6)	112	(40)	40
Bonds and notes	(274)	(28)	(3)	113	(43)	39
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	0
Banks	(218)	(20)	2	131	(49)	64
Other sectors	(55)	(8)	(5)	(18)	5	(25)
Money-market instruments	8	2	(3)	(1)	3	1
Liabilities	(93)	(438)	(113)	808	391	648
Equity securities	148	69	70	970	327	1,436
Banks	42	47	21	15	70	153
Other sectors	106	22	48	956	257	1,283
Debt securities	(241)	(507)	(182)	(163)	64	(788)
Bonds and notes	(272)	(465)	(114)	(127)	64	(642)
Monetary authorities	(253)	(163)	(63)	(63)	(25)	(313)
General government	(1,285)	(381)	(95)	(117)	(7)	(600)
Other	(1,285)	(381)	(95)	(117)	(7)	(600)
Banks	171	69	8	49	26	152
Other	171	69	8	49	26	152
Other sectors	1,095	9	35	4	71	119
Other	1,095	9	35	4	71	119
Money-market instruments	32	(41)	(68)	(36)	(1)	(146)
Financial derivatives, net	0	0	0	0	0	0
Other investment						
Assets	3,864	(1,820)	5,392	(560)	646	3,658
Trade credits	0	0	0	0	0	0
Loans	5,232	983	1,852	1,197	616	4,649
Monetary authorities	0	0	0	0	0	0

Table 29: Balance of Payments (continued)
(in millions of USD)

	2002	2003	2004			
			Q1	Q2	Q3	Q4
General government	0	1	0	0	0	0
Banks	0	3,551	1,327	1,019	1,596	1,193
Other sectors	0	64	29	22	23	23
Long-term	0	64	29	22	23	23
Short-term	0	0	0	0	0	0
Currency and deposits	(1,744)	1,400	350	(315)	(918)	(485)
Monetary authorities	0	0	0	0	0	0
General government	0	135	25	9	30	27
Banks	(901)	1,651	(73)	(141)	(312)	(423)
Other sectors	(843)	(386)	398	(183)	(637)	(89)
Other assets	0	0	0	0	0	0
Liabilities	(94)	1,928	453	(190)	439	504
Trade credits	0	0	0	0	0	0
Loans	(16)	994	123	98	53	6
Monetary authorities	0	0	0	0	0	0
General government	(16)	583	13	7	0	(37)
Long-term	(16)	583	13	7	0	(37)
Drawings	164	785	48	49	39	25
Repayments	(180)	(202)	(35)	(42)	(39)	(61)
Short-term	0	0	0	0	0	0
Banks	0	190	4	13	19	4
Long-term	0	190	4	13	19	4
Drawings	0	94	0	1	11	4
Repayments	0	96	4	12	7	0
Short-term	0	0	0	0	0	0
Other sectors	0	221	105	78	34	39
Long-term	0	221	105	78	34	39
Drawings	0	65	42	29	5	9
Repayments	0	156	63	50	29	30
Short-term	0	0	0	0	0	0
Currency and deposits	(77)	934	330	(289)	386	498
Monetary authorities	0	0	0	0	0	0
General government	0	31	0	1	0	0
Banks	1	0	0	0	0	0
Other sectors	(78)	903	330	(289)	386	498
Reserve Assets	(662)	(5,036)	62	(113)	281	550
Monetary gold	0	0	0	0	0	0
Special drawing rights	1	1	0	0	0	0
Reserve position in the Fund	0	0	0	0	0	0
Foreign exchange	(663)	(5,037)	62	(113)	281	550
Currency and deposits	(663)	(5,037)	62	(113)	281	550
With monetary authorities	0	0	0	0	0	0
With banks	0	0	0	0	0	0
Net errors and omissions	4,717	(30)	(1,594)	781	(469)	(1,613)

* Figures are revised regularly.

** Year total may differ from sum of quarters due to annual adjustments on some items.

Table 29: Balance of Payments (continued)
(in millions of USD)

	2004		2005			Total
	Total	Q1	Q2	Q3	Q4	
General government	0	0	0	0	0	0
Banks	5,135	965	1,834	1,152	565	4,516
Other sectors	97	18	19	45	51	132
Long-term	97	18	19	45	51	132
Short-term	0	0	0	0	0	0
Currency and deposits	(1,368)	(2,803)	3,539	(1,757)	29	(991)
Monetary authorities	0	0	0	0	0	0
General government	92	9	2	43	26	82
Banks	(949)	607	853	(1,358)	83	184
Other sectors	(511)	(3,419)	2,684	(442)	(80)	(1,257)
Other assets	0	0	0	0	0	0
Liabilities	1,214	(1,707)	96	90	1,585	48
Trade credits	0	0	0	0	0	0
Loans	288	85	141	78	688	976
Monetary authorities	0	0	0	0	0	0
General government	(9)	(10)	(20)	10	(18)	(54)
Long-term	(9)	(10)	(20)	10	(18)	(54)
Drawings	189	25	24	41	25	138
Repayments	(198)	(35)	(45)	(31)	(43)	(192)
Short-term	0	0	0	0	0	0
Banks	41	15	5	0	10	30
Long-term	41	15	5	0	10	30
Drawings	17	2	1	0	8	10
Repayments	24	13	4	0	2	20
Short-term	0	0	0	0	0	0
Other sectors	257	80	156	67	696	1,000
Long-term	257	80	156	67	696	1,000
Drawings	85	9	4	10	335	358
Repayments	171	71	152	57	362	642
Short-term	0	0	0	0	0	0
Currency and deposits	926	(1,792)	(44)	12	897	(927)
Monetary authorities	0	(11)	(5)	9	(15)	(22)
General government	1	0	0	0	0	0
Banks	0	(1,525)	193	525	354	(453)
Other sectors	925	(257)	(232)	(522)	558	(453)
Reserve Assets	782	1,879	(882)	(92)	(1,360)	(455)
Monetary gold	0	0	0	0	0	0
Special drawing rights	1	0	0	0	0	1
Reserve position in the Fund	0	0	0	0	0	0
Foreign exchange	781	1,879	(882)	(92)	(1,361)	(456)
Currency and deposits	781	1,879	(882)	(92)	(1,361)	(456)
With monetary authorities	0	0	0	0	0	0
With banks	0	0	0	0	0	0
Net errors and omissions	(2,904)	2,738	(5,391)	(279)	(1,302)	(4,175)

III - ANNEXES

ANNEX 1: COMMERCIAL AGREEMENTS CONCLUDED WITH FOREIGN COUNTRIES

1- AGREEMENT BETWEEN LEBANON AND THE BULGARIAN REPUBLIC

In replacement of the agreement signed between both countries in Beirut on September 15, 1956, this agreement was signed in July 1998 and ratified in February 2004. It will remain effective for a three-year period and is automatically renewable on a yearly basis, unless one of the parties decides to terminate it through a written notification, at least three months prior to its original or renewed expiration date.

Following are the main features of this agreement:

- Consolidation and diversification of the long-term relationships between both governments.
- Cooperation through contracts concluded among persons and enterprises from both countries, mutual visits by businessmen, participation in trade fairs and markets, and exchange of information.

2- AGREEMENT BETWEEN LEBANON AND THE VIETNAMESE REPUBLIC

Signed in Beirut in August 2003 and ratified in November 2004, this agreement is about economic and commercial cooperation between both countries.

Following are its main features:

- Mutual granting of the most-favored-nation status in commercial relationships and economic cooperation.
- Facilitating and accelerating the exchange of information, organizing meetings among businessmen in both countries, and encouraging participation in trade fairs and markets held in their territories.

3- FREE TRADE AGREEMENT WITH THE EUROPEAN FREE TRADE ASSOCIATION (EFTA)

On June 24, 2004, Lebanon signed in Montreux, Switzerland, a free trade agreement with the member countries of the European Free Trade Association, namely Switzerland, Norway, Iceland and Liechtenstein. Negotiations with these countries were officially launched in Beirut in April 2003, followed by three other negotiation rounds, the last of which was held in Geneva in March 2004.

Following are the main features of the agreement:

- Liberalizing transactions in a number of industrial goods (including marine products) and processed agricultural goods.
- Protecting intellectual property and the rules of competition and dispute settlement.

The agreement also covers some aspects of services, investment and government procurement. From the enactment date of this agreement, Lebanon started to benefit from exemptions and reductions of customs duties on processed industrial, agricultural goods and foodstuffs, whereas Lebanon will not start the reduction process before four years, a process to be carried out within a period of seven to nine years. Moreover, in February 2004, a memorandum of understanding was signed about the technical assistance to be received from Switzerland for an approximate amount of 5 million Swiss Francs. Moreover, Switzerland committed itself to continue its contribution to the integration of Lebanon into the multilateral trade system, through the Trade Policy Advise Program, with a view to facilitate Lebanon's membership in the World Trade Organization (WTO). For this purpose, a maximum amount of 450,000 Swiss francs was allocated. Switzerland also agreed to finance two programs that aim at:

- Encouraging the export of processed and non-processed agricultural goods, and improving quality control in this sector; an amount of 4.3 million Swiss francs was allocated to this program.
- Formulating and implementing a strategy to protect Lebanese geographic indicators, and setting the proper institutional and legal framework. An amount of 250,000 Swiss francs was allocated to this program.

4-AGREEMENT BETWEEN LEBANON AND THE KOREAN REPUBLIC

This agreement was signed on January 27, 2005, with a view to develop economic and commercial cooperation between both countries.

Following are the main features of the agreement:

- Mutual granting of the most-favored-nation status in all matters related to trade, in particular customs duties and import taxes.
- Exchange of technical information, experts, professionals and technology trainees.
- Encouraging promotional trade activities, including organizing trade fairs and markets, conferences and advertising matters.
- Encouraging and developing communication between the Chambers of Commerce and Industry, as well as between persons and enterprises.
- Allowing temporary imports of products for testing purposes, as well as imports of other goods necessary for the participation in trade fairs, and samples for promotional purposes. No customs duties will be levied, provided the items are re-exported.

5-AGREEMENT BETWEEN LEBANON AND THE REPUBLIC OF BELARUS

Signed in Beirut on February 2, 2005, this agreement is about the facilitation of transit and international transportation of passengers and merchandise. It aims at establishing permanent relationships based on reciprocity, non-discrimination and mutual benefits.

6- DEVELOPMENTS OF THE EUROPEAN PARTNERSHIP AGREEMENT

In 2004, the Ministry of Economy and Trade continued its cooperation on the regional level, through participation, cooperation, legislative and institutional harmonization, and facilitation of economic integration as regards trade, rules of origin, services, quality control and the evaluation of identification rules. This agreement was signed by Lebanon on June 17, 2002. It has been, so far, ratified by 14 European countries, except the Netherlands. The interim agreement, however, became effective on March 1, 2003. Lebanon was exclusively granted a five-year grace period during which a commitment to lower customs duties was waived. Once the grace period is over, these duties will be gradually reduced on European industrial goods according to a regular schedule.

Through the European Partnership Agreement, Lebanon was granted, for projects falling within its domain, an amount of 80 million euros, of which 17 millions have been allocated, on July 27, 2004, to the development of small and medium-sized enterprises.

ANNEX 2: RESULTS OF THE COORDINATED PORTFOLIO INVESTMENT SURVEY¹¹

From the survey results that are obtained as at the end of every quarter are derived the quarterly changes in portfolio investments of residents in movable goods issued by nonresidents. They are recorded in the BOP as financial inflows or outflows. Here below are the results of the survey for year-end 2004 and year-end 2005:

1- NET INVESTMENT

Resident investment abroad has increased in 2005 as compared to 2004 by 5.8%, whereas the increase in 2004 as compared to 2003 was a more substantial 46.9%. The value of residents' investment in equity securities, and in short- and long-term debt securities, reached LBP 3,069.8 billion in 2005, against LBP 2,902.3 billion in 2004, LBP 1,976.2 billion in 2003 and LBP 972.4 billion in 2002. In 2005, investments were carried out in 74 countries by the resident banking and financial sector. It is noteworthy that investment in short-term debt securities continued to decline, while long-term debt securities were leading, accounting for 51.9% of the total at end-2005 and 57.0% at end-2004 (against 62.8% at end-2003 and 47.9% at end-2002), followed by equity securities with 47.8% at end-2005 and 42.7% at end-2004 (against 36.1% at end-2003 and 50.5% at end-2002), and short-term debt securities with 0.3% in 2005 and 0.4% in 2004 (against 1.1% at end-2003 and 1.6% at end-2002).

Chart 5: Quarterly Development of Portfolio Investment
 (in billions of LBP)

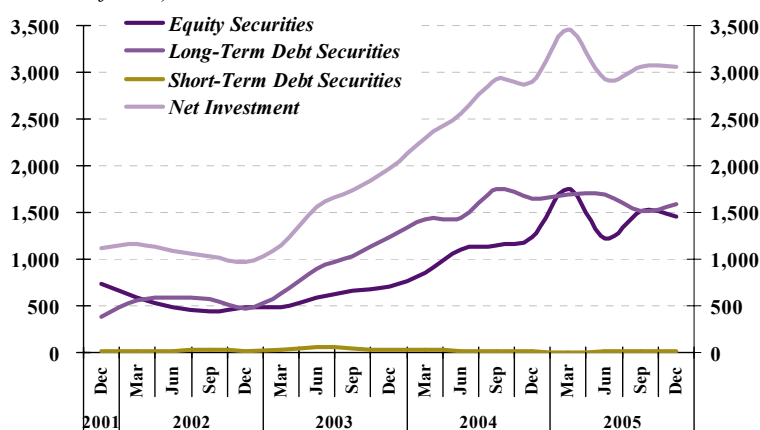
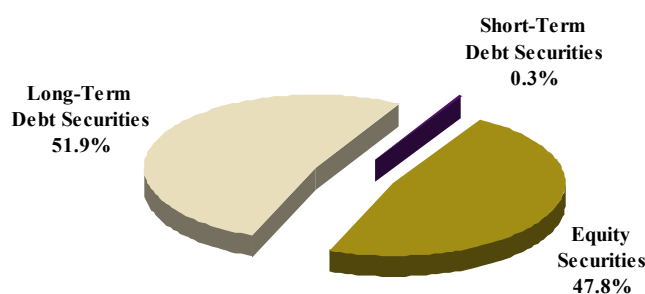


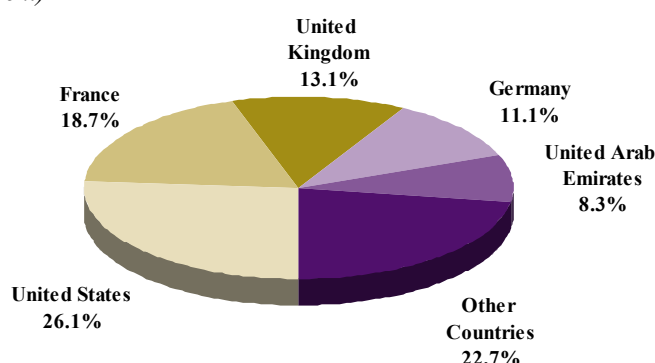
Chart 6: Distribution of Net Investment by Debt Security, End-2005
 (in percent)



2- RESIDENT PORTFOLIO INVESTMENT: DISTRIBUTION BY COUNTRY

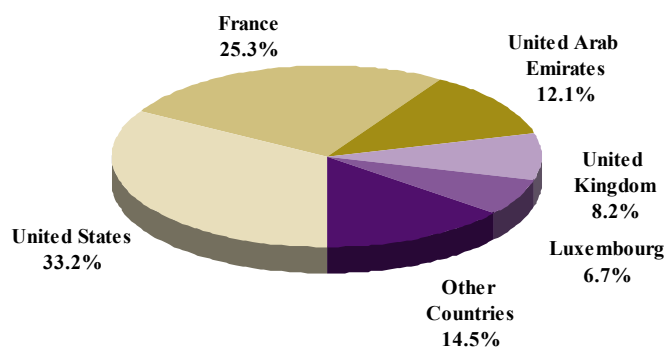
NET INVESTMENT: Net residents' investments were concentrated in four countries – the United States, France, the United Kingdom and Germany – accounting for 69.0% of the total in 2005 and 78.1% in 2004. After ranking second, at end-2003, on the list of countries attracting Lebanese portfolio investments, American long-term debt securities were leading again in 2004 and 2005. Likewise, American equity securities remained in the first rank for the fifth consecutive year, followed by French equity securities for the fourth consecutive year. As for residents' investments in British long-term debt securities, they regressed from the first rank in 2003 to the third in 2005. It is noteworthy that German long-term debt securities moved from the fourth rank in 2003 to the second in 2004 and 2005.

Chart 7: Distribution of Net Investment by Country, End-2005
(in percent)



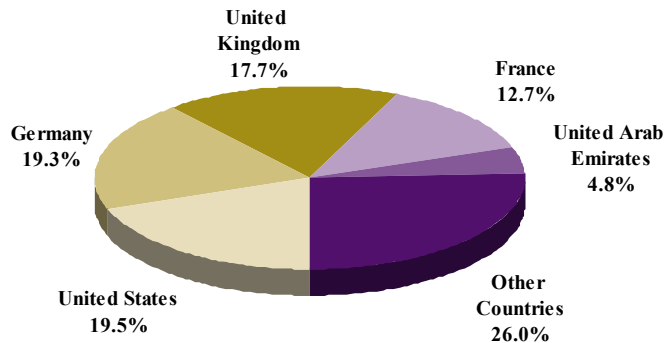
EQUITY SECURITIES: In 2005, residents invested LBP 1,466.8 billion in equity securities issued by 56 countries. In 2004, they invested LBP 1,238.9 billion in equity securities issued by 53 countries, against LBP 712.9 billion at end-2003 and 491.2 billion at end-2002. Investments were concentrated in four countries, which accounted for 78.8% of the total in 2005 and 86.3% in 2004. American equity securities were leading for the fifth consecutive year, followed by French equity securities. In a significant development, equity securities issued by United Arab Emirates residents moved from the nineteenth rank in 2004 to the third in 2005, thus becoming ahead of British equity securities.

Chart 8: Distribution of Equity Securities by Country, End-2005
(in percent)



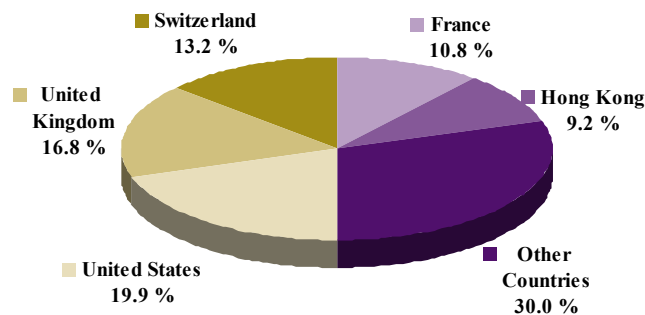
LONG-TERM DEBT SECURITIES: In 2005, residents invested LBP 1,594.7 billion in long-term debt securities issued in 57 countries, against LBP 1,653.2 billion at end-2004, LBP 1,240.7 billion at end-2003 and LBP 465.5 billion at end-2002. These investments were concentrated in four countries, accounting for 69.2% of the total in 2005 and 73.9% in 2004. In 2004 and 2005, American debt securities were leading and German bonds came in the second rank, followed by British bonds.

Chart 9: Distribution of Long-Term Debt Securities by Country, End-2005
 (in percent)



SHORT-TERM DEBT SECURITIES: Investments in short-term debt securities continued to decline, falling annually by 19.7% in 2005 and by 54.8% in 2004. Residents invested LBP 8.2 billion in debt securities issued in 15 countries, compared with LBP 10.2 billion in 2004, LBP 22.6 billion in 2003 and LBP 15.8 billion in 2002. In 2005, these investments were concentrated in four countries, accounting for 60.8% of the total. American debt securities moved to the first rank, displacing British securities.

Chart 10: Distribution of Short-Term Debt Securities by Country, End-2005
 (in percent)



3- RESIDENT PORTFOLIO INVESTMENT: DISTRIBUTION BY SECTOR

NET INVESTMENT: In 2005, commercial banks were, for the fifth consecutive year, leading the list of resident investors, accounting for 65.4%, against 67.0% in 2004, 68.8% in 2003 and 56.3% in 2002. Most significant is the growth of investment by medium- and long-term credit banks, from the fifth rank in 2003 to the third rank in 2004 and 2005, displacing those of insurance companies. Investments by financial institutions continued to grow, and remained in the second rank.

Chart 11: Sectoral Growth of Net Investment

(in billions of LBP)

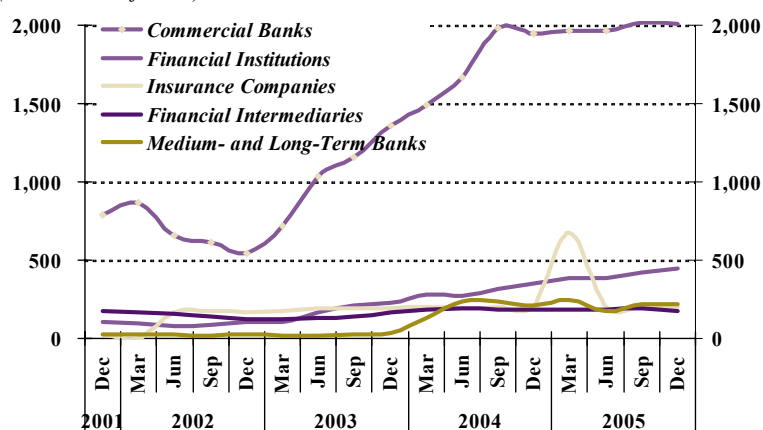
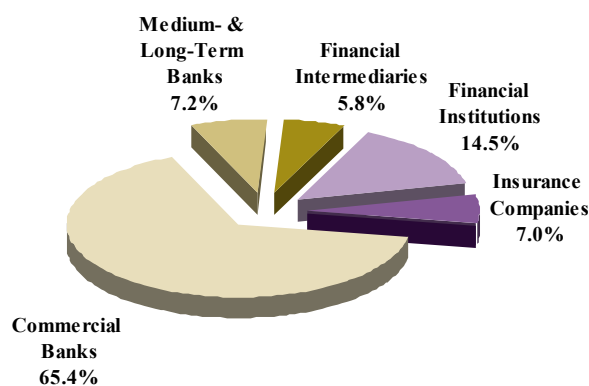


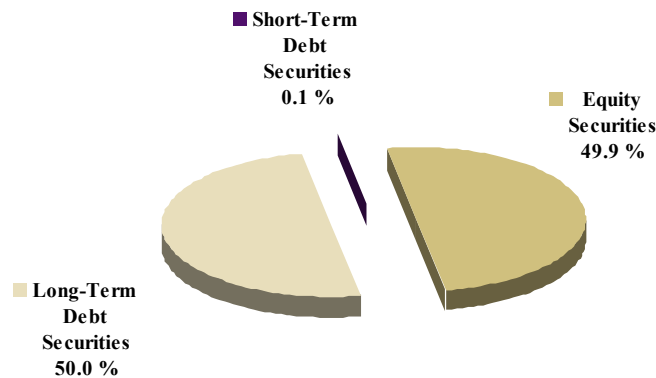
Chart 12: Sectoral Distribution of Portfolio Investment, End-2005

(in percent)



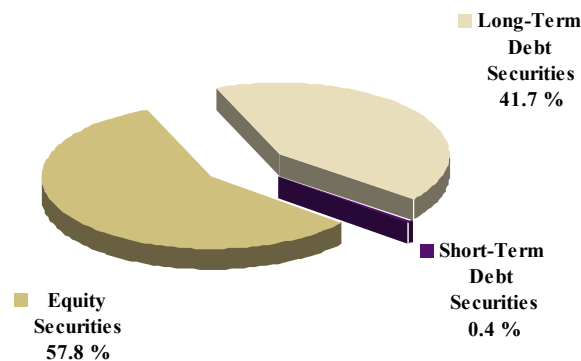
COMMERCIAL BANKS: In 2005, the investment portfolio of eight commercial banks accounted for 86.0% of the total. At end-2005, net investments reached LBP 2,008.5 billion, against LBP 1,945.4 billion at end-2004, LBP 1,359.2 billion at end-2003 and 547.8 billion at end-2002. In 2005, out of total investments by the resident banking and financial sector, investments by commercial banks accounted for 68.3% in equity securities, 62.9% in long-term debt securities, and 32.6% in short-term debt securities.

Chart 13: Distribution of Commercial Banks' Net Investment, End-2005
 (in percent)



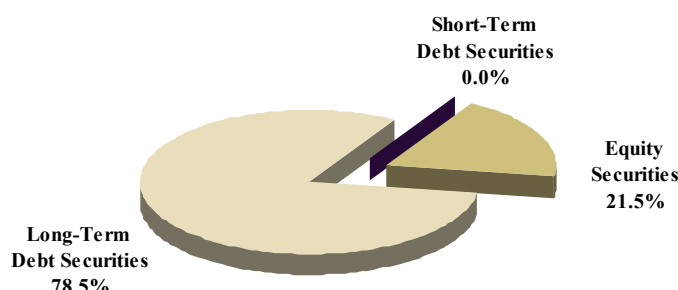
FINANCIAL INSTITUTIONS: In 2005, the investment portfolios of three financial institutions continued to account for 92.9% of the total. At end-2005, investment reached LBP 444 billion, against LBP 349.2 billion at end-2004, LBP 231.0 billion at end-2003 and LBP 105.5 billion at end-2002. In 2005, out of total investments by the resident banking and financial sector, investments by financial institutions accounted for 17.5% in equity securities, 11.6% in long-term debt securities, and 23.1% in short-term debt securities.

Chart 14: Distribution of Financial Institutions' Net Investment, End-2005
 (in percent)



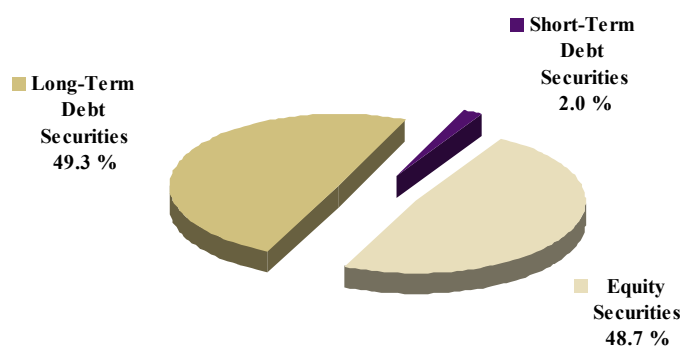
INSURANCE COMPANIES: In 2005, investments by six companies accounted for 98.1% of the total. At end-2005, investments by insurance companies reached LBP 216.4 billion, against LBP 210.4 billion at end-2004, LBP 190.3 billion at end-2003 and LBP 170.4 billion at end-2002. Out of total investments by the resident banking and financial sector in 2005, investments by insurance companies accounted for 3.2% in equity securities and 10.7% in long-term debt securities. They made no investment in short-term debt securities.

Chart 15: Distribution of Insurance Companies' Net Investment, End-2005
(in percent)



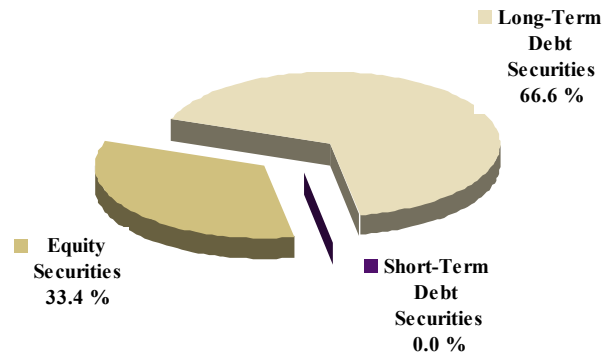
FINANCIAL INTERMEDIARIES: Most investment operations continued to be carried out by a single financial intermediary, accounting for 99.4% of the total, against a very modest participation by other institutions. At end-2005, financial intermediaries' total investments reached LBP 178.5 billion, against LBP 185.5 billion at end-2004, LBP 164.3 billion at end-2003 and LBP 125.4 billion at end-2002. In 2005, out of total investments by the resident banking and financial sector, their investments accounted for 5.9% in equity securities, 5.5% in long-term debt securities, and 44.3% in short-term debt securities.

Chart 16: Distribution of Financial Intermediaries' Net Investment, End-2005
(in percent)



MEDIUM- AND LONG-TERM CREDIT BANKS: As in 2003, investment operations were concentrated in one bank during the years 2004 and 2005, though with a decline (74.9% and 78.1%, respectively), owing to the entry of two new banks in the domestic market. Investment increased by 5.0%, reaching LBP 222.4 billion at end-2005. In 2004, it rose by 574.7%, reaching LBP 211.8 billion at the end of the year, against LBP 31.4 billion at end-2003 and LBP 23.2 billion at end-2002. In 2005, these banks did not invest in short-term debt securities, and out of total investments by the resident banking and financial sector, their investments accounted for 5.1% in equity securities and 9.3% in long-term debt securities.

Chart 17: Distribution of Medium- & Long-Term Banks' Net Investment, End-2005
 (in percent)



4- RESIDENT PORTFOLIO INVESTMENT: DISTRIBUTION BY INVESTOR (END-INVESTOR OR CUSTODIAN)

COMMERCIAL BANKS: The investment portfolio of commercial banks remains concentrated in long-term debt securities, with a share of 73.7%. The proportion of their investments in equity securities rose from 1.4% in 2003 to 26.2% in 2005, while those in short-term debt securities rose only by a slight 0.1%.

Investments by clients of commercial banks were mainly in equity securities with a share of 64.2% in 2004 and 74.1% in 2005, followed by long-term debt securities with a share of 35.5% in 2004 and 25.7% in 2005. As for investments in short-term debt securities, their share stood at 0.3% in 2004 and 0.1% in 2005.

FINANCIAL INSTITUTIONS: Financial institutions continue to invest their entire portfolio in equity securities.

Investments by their clients were distributed as follows:

- Equity securities: 55.9% in 2004 and 57.7% in 2005.
- Long-term debt securities: 44.0% in 2004 and 41.9% in 2005.
- Short-term debt securities: 0.1% in 2004 and 0.4% in 2005.

INSURANCE COMPANIES: The investment portfolio of insurance companies was concentrated in long-term debt securities. In 2004, their share in this type of investment was 86.2%, against 13.8% in equity securities. In 2005, 84.8% were in long-term debt securities, against 15.2% in equity securities. No investment by insurance companies was recorded in short-term securities. Investments by their clients were entirely in equity securities.

FINANCIAL INTERMEDIARIES: In 2005, financial intermediaries invested their entire portfolio in equity securities.

Investments by their clients were distributed in the following proportions:

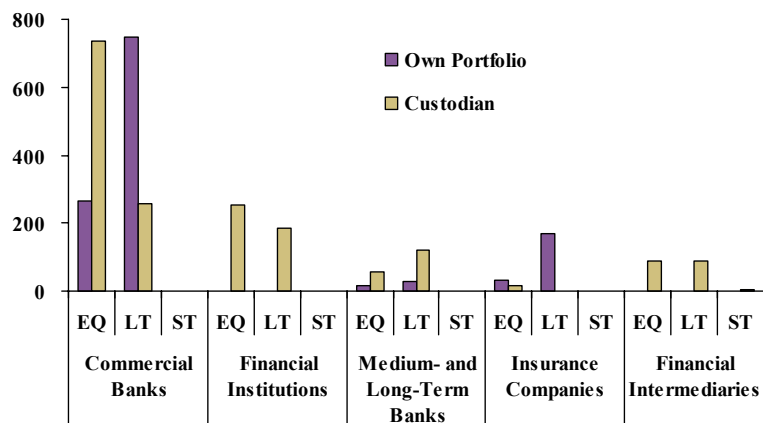
- Equity securities: 53.6% in 2004 and 48.6% in 2005.
- Long-term debt securities: 43.9% in 2004 and 49.4% in 2005.
- Short-term debt securities: 2.5% in 2004 and 2.0% in 2005.

MEDIUM- AND LONG-TERM CREDIT BANKS: In 2003, medium and long-term credit banks invested their entire portfolio in equity securities. In 2004, their investments were distributed between equity securities (44.6%) and long-term debt securities (55.4%). Similarly, in 2005 they were distributed between equity securities (38.2%) and long-term debt securities (61.8%).

Investments by their clients were distributed in the following proportions:

- Equity securities: 17.1% in 2004 and 32.2% in 2005.
- Long-term debt securities: 82.9% in 2004 and 67.8% in 2005.

Chart 18: Distribution of Resident Sector's Net Investment, End-2005
(in billions of LBP)



EQ=Equity Securities;
LT=Long-Term Debt Securities;
ST=Short-Term Debt Securities