

FILE COPY

FILE COPY

RESTRICTED

Report No. A.S. 35-a

This document was prepared for internal use in the Bank. In making it available to others, the Bank assumes no responsibility to them for the accuracy or completeness of the information contained herein.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE CURRENT ECONOMIC POSITION AND PROSPECTS
OF
LEBANON

August 15, 1955

RETURN TO ARCHIVES IN MC C3-120
ISN # 101092 ACC# R1980-043
BOX # 236.24
NUS LOCATION 161-3-2

CURRENCY CONVERSION

(free Market rate)

April 1955

\$1.00	□	LL 3.2325
LL 1.00	=	\$0.3091
LL 1,000,000	=	\$309,100

TABLE OF CONTENTS

	<u>Page</u>
GENERAL MAP OF LEBANON	
BASIC STATISTICS	
SUMMARY AND CONCLUSIONS	i-ii
I. STRUCTURE OF THE ECONOMY	1
II. GROWTH OF THE ECONOMY	3
Trade	4
Building and Contracting	5
Agriculture	5
Industry	5
Foreign Trade and Balance of Payments	6
Merchandise Trade	6
Invisibles	7
Foreign Exchange Holdings & Foreign Exchange Rates	8
Money and Credit	10
Public Budget	12
III. THE LOCAL FINANCING OF THE PROJECT	15
IV. OUTLOOK AND CONCLUSIONS	17
Prospects of the Economy	17
Conclusions	19

TABLES 1 - 8:

(1) Net National Product, Capital Investment, Price Indices and Population in Lebanon, 1948-1954	3
(2) Contribution of the Trade Sector to Lebanon's Net National Product, 1950 - 1954	4
(3) Trade Balance	6
(4) Breakdown of Lebanese Foreign Trade in 1953 by Major Groups of Commodities	7
(5) Lebanon's Balance of Payments Estimates, 1951-1953	8
(6) Balance of Payments of 1951-1953	9
(7) Gold and Foreign Assets, B.S.L. and Government	10
(8) Deposits and Advances, 1948-1954	11

CHARTS:

Supply and Use of Resources	after p. 2
Balance of Payments	" 10
Gold and Foreign Assets, B.S.L., Lebanon and Government	before p.11
Actual Government Revenues and Expenditures	after p.12

APPENDIX TABLES:

- 1 - General Budget Actual Receipts
- 2 - General Budget Budgetary Receipts Index Actual Receipts:
1946-1953 (Base: 1946 = 100)
- 3 - General Budget - Actual Expenditures
- 4 - General Budget; Budgetary Expenditures; Index Actual Expenditures,
1946-1953 (Base: 1946 = 100)
- 5 - Actual Receipts and Expenditures as a Percent of Estimated
Receipts and Expenditures
- 6 - Movements in Reserve Fund, 1946-1954
- 7 - Actual Public Investment Expenditures, 1946-1953
- 8 - Agricultural Production, Foreign Trade and Consumption
in Selected Sectors, 1953
- 9 - Industrial Production
- 10 - Bank Deposits and Advances
- 11A - Deposits in the 29 Principal Banks of Lebanon
(Deposits in Lebanese Currency)
- 11B - Deposits in the 29 Principal Banks of Lebanon
(Deposits in Foreign Exchange)
- 11C - Deposits in the 29 Principal Banks of Lebanon
(Deposits in Lebanese Currency and Foreign Exchange)
- 12 - Private Advances and Bills Discounted in the 29 Principal Banks
of Lebanon.

* * * * *

BASIC STATISTICS

Area

(square kilometers) 10,040

Population (1953)

(in millions) 1.417

Net national product 1951 1952 1953 1954

(in millions of L£) 1,071 1,090 1,137 1,167

Net capital investment

(in millions of L£) 131 150 154 165

Public Budget

(in millions of L£)

Receipts +105 +125 +141 +134 (estimated)

Expenditures - 90 - 89 -117 -120 (")

Surplus + 15 + 36 + 24 + 14 (")

Balance of payments surplus

(in millions of L£) + 18 + 42 + 99

Deposits (Private and Public)

(in millions of L£)

Sight	253	301	324	407)	(Deposits in foreign currency included)
Time	<u>6</u>	<u>12</u>	<u>19</u>	<u>37</u>)	
Total	259	313	343	444)	

Currency

(in millions of L£) 208 200 205 242

Gold cover

(in millions of L£) 93 109.2 126.7 219

Prices (1948 = 100)

wholesale prices 95 86 78 72

Cost of living 94 94 88 83

SUMMARY AND CONCLUSIONS

1. Despite the lack of important natural resources and a high population density, Lebanon enjoys one of the highest per capita national incomes of any country in the Middle East. Moreover, it has demonstrated a capacity for steady economic growth, owing largely to the business acumen, enterprise and initiative of its people. Net national product increased from L^l 919 million in 1948 to L^l 1167 million in 1954, and in the latter year total net public and private investment has been estimated at L^l 165 million.
2. Although Lebanon has developed light industries since the war and has notably increased the production and export of a wide range of fruit, agriculture and industry together accounted for only about 31.5% of the net national product in 1954.
3. Lebanon's principal source of income and foreign exchange is derived from performing services for residents of other countries. Thanks to its favorable geographic location, its good climate and its natural amenities Lebanon has been able to attract a growing number of tourists. Above all, the Lebanese have developed to a remarkable degree their role as middlemen in a large volume of commercial, gold and foreign exchange transactions. Lebanon lies at the center of an expanding network of sea, land and air communications linking the Middle East with the West; and the qualities of its inhabitants - their innate mercantile talents, high rate of literacy, and widespread knowledge of foreign languages - as well as the fairly equal division of the population between Christians and Moslems have all contributed to make the Lebanese effective intermediaries between the West and the Arab and Moslem business communities of the Middle East. Lebanon's position as a commercial and financial center handling transactions on behalf of many countries has been strengthened by the avoidance of high tariffs, the growth of the free port of Beirut and the development of a completely free foreign exchange market.
4. Lebanon has also attracted considerable capital from abroad. Most of this comes from the approximately one million Lebanese emigres. Many of them have become highly successful and regularly remit funds for the support of their families at home and capital for investment in Lebanon.
5. A large income from invisibles and the import of capital have enabled Lebanon, despite a substantial deficit in its own commodity trade, to enjoy a considerable surplus in its balance of international payments. This estimated surplus rose from about L^l 18 million in 1951 to L^l 42 million in 1952, to L^l 99 million in 1953 and was probably only a little lower in 1954. Total foreign assets have risen rapidly, and official gold holdings of L^l 219 million at the end of 1954 (as compared with L^l 3.7 million at the end of 1948) represented about 90% of the currency in circulation.
6. Internal financial equilibrium has been well maintained. There is no sign of inflation, and prices have been declining over recent years. While total money supply has risen from L^l 382 to 604 million during the six-year period up to 1955, this increase does not appear to have been out of proportion with the expanding volume of business. Government finances have been conservatively managed. In all but one of the last six years the ordinary

government budget has shown sizeable surpluses which have been more than enough to cover extrabudgetary outlays on public works. Deposits of all public agencies rose from LL 25 million at the end of 1950 to LL 112 million at the end of 1954; and the Treasury alone had cash balances of LL 61.3 million at the end of 1954. The government has had to contract no indebtedness except to finance an exchange stabilization account and the withdrawal of Syrian currency from Lebanon. In addition, it has guaranteed some loans to municipalities and various public agencies and enterprises. The total government and government-guaranteed debt, all owed to the Banque de Syrie et du Liban, amounts to LL 152 million. As of now, Lebanon does not have any foreign debt. An agreement has been recently submitted to the approval of the Lebanese Parliament, regarding a \$5 million loan from the International Cooperation Administration of the U.S. to defray the foreign cost of the Lebanese section of a new Beirut-Damascus highway.

7. Prospects of the Lebanese economy are good. Foreign exchange receipts are likely to remain high. While there may be some decline in invisible income as the result of the gradual normalization of trade and exchange throughout the world, Lebanon is in the position to share in the benefits of economic expansion in the Middle East as a whole. Moreover, its fruit culture is still expanding and promises to yield larger exports in the future. Industry, which progressed somewhat less rapidly in recent years, showed a marked advance in 1954 owing to new tax concessions. The promotion of domestic production in a manner consistent with Lebanon's position as a trading country would be desirable in the interest of a well-balanced economy. There are possibilities for expanding agricultural output through irrigation; and the Litani project which is proposed for Bank financing will make water available for irrigation as well as power for industry.

THE CURRENT ECONOMIC POSITION AND PROSPECTS OF LEBANON

I. STRUCTURE OF THE ECONOMY

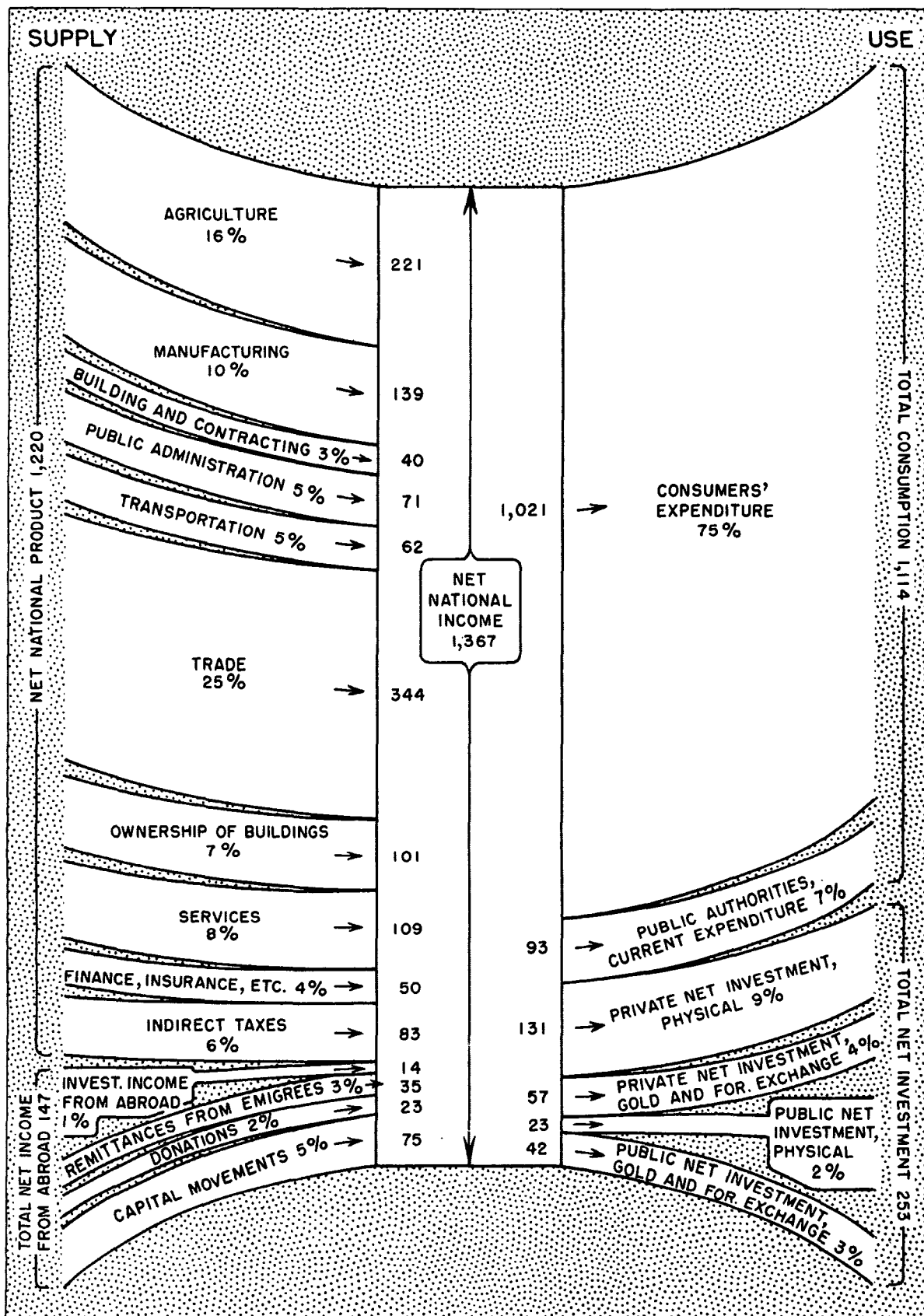
1. Lebanon is a striking example of a country which has been able to develop a rather high standard of living despite a poverty of natural productive resources. It is small and densely populated, with an area of only 10,040 square kilometers and a population of 1.4 million increasing at the rate of about 2% per year. Agricultural land is very limited, since 80% of the area is mountainous and 75% consists of waste land and land suitable only for forests or afforestation. Mineral resources are virtually non-existent.
2. That the country has been able nevertheless to achieve one of the highest per capita national incomes in the Middle East and to make continuous economic progress is above all due to its favorable geographic situation and to the excellent quality of its human resources. Lying at the crossroads between East and West and possessed of a mixed Moslem-Christian population, Lebanon has been a center of entrepot and transit trade. The facilities of the Port, of its free zone and of the airport of Beirut are of great importance to the entire Middle East. The Lebanese have developed special talents as merchants and middlemen in both trade and finance. Beirut handles a large volume of commercial and financial transactions not only for Lebanon and other Middle Eastern countries, but in the postwar years also for other countries. It has become the business center for the Middle East and has been one of the few places in the world where a free foreign exchange market has flourished. It has been able to attract a large flow of capital, not only from the many Lebanese businessmen who have established lucrative business enterprises in nearly all parts of the world and regularly return part of their profits to the homeland, but also from other countries, particularly the oil-rich countries of the Middle East. In addition, Lebanon has been able to capitalize on its mountains and its good climate to develop a thriving tourist business.
3. Trade, services, transport, communications, finance and insurance accounted in 1954 for about half of the net national product. Trade and finance alone contributed a little more than a third of the national product, and of this more than half was attributable to the handling of foreign trade and exchange. In 1954 alone the volume of foreign exchange transactions handled by Lebanon was LL 1.5 billion; and transactions in gold, another important activity handled by Beirut, have in recent years averaged around LL 400 million.
4. In contrast, domestic agriculture and industry accounted together for a relatively modest proportion of the net national product, 31.5% in 1954. While the agricultural area in Lebanon is limited by the configuration of the land, the country has been able to develop an intensive and profitable fruit cultivation. Along the Mediterranean coast, in the valleys and on the mountain slopes the Lebanese grow a large variety of fruit ranging from subtropical citrus and bananas to apples and pears. At present about LL 15 million of fruit is exported annually. On the other hand, Lebanon must import a large proportion of its food staples such as cereals, livestock and livestock products. The output of such staple foodstuffs is severely limited by the shortage of crop land, the shortage of water, and the excessive fragmentation of farms. Thus in 1953 Lebanon had an important deficit in agricultural

and livestock products of LL 99 million.

5. Manufacturing industry in Lebanon amounts to a little over 12% of the net national product. Since the country offers a very restricted market and derives much of its prosperity from the prevailing freedom of trade and exchange, the Lebanese Government has refrained from adopting strong tariff protection of domestic industry. The general tariff level has remained rather low, ranging from 15 to 25% ad valorem. Despite the absence of high tariffs and the inadequacy of facilities for medium and long-term credit, considerable industrial development has taken place. The wartime and immediate postwar shortage of manufactures created opportunities for domestic production, and Lebanon fortunately possessed an entrepreneurial class willing and able to take advantage of these opportunities. Thus the country now boasts a fairly broad range of light industries in the fields of foodstuffs, beverages, textiles, wearing apparel, wood and cork, furniture, cement, printing, leather, rubber, chemicals and metal products. In terms of market value of output, the food and beverage processing industry ranks first, with LL 74 million, the textile wearing apparel industry second, with LL 42 million, and the furniture and leather industries in third place, with LL 10 million each. While these industries cater primarily to the domestic market, the value of exports of manufactures and semi-processed materials amounted in 1953 to LL 52 million or about 30% of total exports.

LEBANON

SUPPLY AND USE OF RESOURCES - 1953
(MILLIONS OF LEBANESE POUNDS AND PERCENT OF TOTAL)



II. GROWTH OF THE ECONOMY

6. During recent years the economy has continued to expand at an impressive rate. The following table shows that net national product at current prices has increased from LL 919 million in 1948 to LL 1167 million in 1954, or an increase of 27%. In real terms the rise was much more impressive, since wholesale prices in Lebanon fell by 28% and the cost of living by 17% over this period. Taking into account the trend in prices and the rate of population increase, it is probable that per capita real incomes rose by 20% between 1948 and 1953.

TABLE 1

NET NATIONAL PRODUCT, CAPITAL INVESTMENT, PRICE INDICES AND POPULATION IN LEBANON, 1948-1954

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
(a) <u>Net National Product</u> (in millions of LL)							
Trade	261	278	300	337	333	344	350
Agriculture	169	176	206	211	216	221	226
Industry	134	137	133	135	137	139	141
Ownership of buildings	91	93	96	97	98	101	104
Services	91	93	100	103	106	109	113
Building & contracting	35	32	43	35	40	40	41
Government	63	65	72	64	64	71	73
Transportation and Communications	40	41	44	46	50	62	63
Finance & Insurance	<u>35</u>	<u>35</u>	<u>40</u>	<u>43</u>	<u>46</u>	<u>50</u>	<u>56</u>
Total	919	950	1,034	1,071	1,090	1,137	1,167
(b) <u>Capital Investment</u> (in millions of LL)							
Public	25	24	30	18	22	23	25
Private Building & Contracting	56	48	74	56	69	69	71
Industry	15	14	23	15	15	15	15
Agriculture	6	8	12	14	15	17	20
Services, Finance & Trade	13	13	13	14	14	15	16
Transportation	<u>7</u>	<u>8</u>	<u>8</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>18</u>
Total	122	115	160	131	150	155	165
(c) <u>Price Indices</u> (1948 = 100)							
Wholesale prices	100	82	76	95	86	78	72
Cost of living	100	94	87	94	94	88	83
(d) <u>Population</u> (million)	1.229	1.247	1.268	1.304	1.338	1.417	---

7. The expansion of the economy during this period was characterized by a high rate of investment. Public and private investment rose from LL 122 million in 1948 to LL 165 million in 1954 and has continuously amounted to between 12 and 14% of the net national product. It is worth noting that the role of public investment has been relatively insignificant and has not shown any marked upward trend. Private enterprise and investment has been, above all, the principal factor in the development of the economy. Government activity has contributed relatively little, although the government has played an important role in creating conditions favorable to private enterprise by refraining from intervention in the economy and maintaining a free market.

8. All sectors of the economy have shared in the postwar expansion. The income from trade, services, transport, communications, banking and finance, all associated with the role of Lebanon as a trading, financing and tourist center, has shown the largest absolute increase - from LL 336 million in 1948 to LL 469 million in 1954.

Trade

9. The net national product arising from trade developed as follows (at current prices).

TABLE 2
CONTRIBUTION OF THE TRADE SECTOR
TO THE LEBANON'S NET NATIONAL PRODUCT, 1950-1954
(in millions of LL)

	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Domestic Trade					
Agricultural products	45.6	45.9	46.3	46.7	47.1
Industrial products	53.4	54.0	54.6	55.2	55.8
Foreign Trade					
Imports	123.3	120.0	125.0	134.0)
Exports	2.8	3.1	2.2	2.8	(
Transit	59.4	99.0	90.0	90.0) 247.1
Entrepot	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	(
Total	299.5	337.0	333.1	343.7	350.0

10. The items "transit" and "entrepot" in the above Table are a peculiar feature of the Lebanese economy. They include many different entries, such as international operations in gold, commercial transactions between two or more other countries in which the Lebanese act as middlemen (in some cases the merchandise does not even touch Lebanese territory), re-exports and trade activities through the Free Zone.

Building and Contracting

11. The postwar building boom has also substantially raised income from construction and real estate. While data on building permits are available only for Beirut, which accounts for perhaps a third of construction, these show a 23% increase from 1950 to 1954. Cement production has risen steadily from 208,000 tons in 1948 to 326,000 tons in 1954.

Building Indicators

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Production of Cement (1,000 tons)	208	253	263	280	302	314	326
Building Permits Index (1950 = 100)	-	-	100	87	119	118	123

Agriculture

12. Agricultural progress during the period 1948 to 1953 was particularly due to the rapid development of fruit culture. Citrus fruit production has increased by 40% since 1947. The 1953 and 1952 crops were in the neighborhood of 100,000 tons; the 1954 figure is reportedly lower as a result of infestation. In a few years production is expected to rise by another 30%, to 130,000 tons, from recent plantings made possible by irrigation. The export surplus, now 30,000 tons, will increase correspondingly. Apple production, 15,000 tons in 1942, increased to 28,000 tons in 1953. More than 50,000 tons will be put on the market in the next few years, when recent large-scale planting will bear fruit. Exports, 8,000 tons in 1953, will rise accordingly. The same is true, on a smaller scale, of bananas, of which 19,000 tons were produced in 1953 and 5,000 tons were exported in the same year. Although agriculture in general has made substantial recent progress, the fact remains that the standards of living of much of the rural population have not advanced commensurate with those of other sectors of the economy. The basic problem is the heavy pressure of population on relatively poor land resources, but other problems arise from excessively small and fragmented holdings and, in some districts, primitive methods of production. As a result there is under-employment, and a movement of rural population to the cities. Irrigation offers the greatest scope for improving the economic status of agriculture, together with expanded research and extension services and land reform.

Industry

13. In the immediate postwar years industrial development was rather rapid but in recent years it has been much slower. Thus in the period 1945 to 1953, production increased substantially in all but two of the 30 major industrial branches, and in 15 of them, including the important textile industry, output increased by 200% or over. In the latter part of this period, production continued to rise in most sectors of industry, although only the food processing and cotton spinning industries witnessed an increase

of approximately 100%, and in the last two years only a few showed further growth, while several actually experienced a decline. In 1954 new impetus was given to industrial development by legislation exempting new industrial firms from income tax for 6 years. As a result, a number of new industrial ventures have been launched. The new legislation was particularly beneficial because under the old law, the progressive tax on corporate income acted as a deterrent to expansion of industrial activity within a single corporate enterprise and put a premium on small-scale investments and undertakings.

Foreign Trade and Balance of Payments

14. Since the war, foreign trade has undoubtedly expanded, although separate figures for the trade of Lebanon have been available only since the dissolution of the Syrian-Lebanese economic union in March 1950. In the years 1951-1953 inclusive, the value of imports and exports did not increase significantly, although the volume probably continued to rise.

15. Merchandise Trade. The balance after adjustments,^{1/} showed the following deficits for the years 1951 through 1953:

TABLE 3

TRADE BALANCE
(in millions of L_l, adjusted figures)

	<u>1951</u>	<u>1952</u>	<u>1953</u>
Foreign Trade (excluding transit)			
Exports	161	158	169
Imports	<u>418</u>	<u>436</u>	<u>411</u>
Balance	-257	-278	-245
Transit Trade Balance	+102	+ 88	+ 75
Total Trade Balance	-155	-190	-170

As these figures show, imports regularly exceed exports of domestic products but the deficit is to a considerable extent offset by a positive balance on transit trade (i.e., by the value added to goods imported for re-export, in part after processing and repackaging in the Beirut free zone), and by the returns from "triangular operations" (i.e., international transactions on merchandise completely outside Lebanese territory).

^{1/} Estimated for under- and over-valuations, smuggling, transit improperly recorded as merchandise, goods processed in the free zone of the Port of Beirut recorded as merchandise, imports and exports by and from UNRWA incorrectly recorded, Army imports not recorded, and other items improperly recorded or not recorded at all.

16. The Table below gives a breakdown by major groups of commodities of Lebanon's foreign trade, excluding transit trade.

TABLE 4

BREAKDOWN OF LEBANESE FOREIGN TRADE IN 1953
BY MAJOR GROUPS OF COMMODITIES
(in millions of LL, adjusted figures)

<u>Groups of Commodities</u>	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
Live animals	25	-	- 25
Foodstuffs	110	36	- 74
Raw and semi-processed materials	95	20	- 75
Manufactured goods	184	32	-152
Adjustment for undervaluation	-	81	+ 81
Total	414	169	-245

17. Syria is Lebanon's largest supplier, taking care of practically all its food requirements, while the sterling area is the largest customer for Lebanese products. Since the Lebanese Pound is, de facto, a convertible currency and Beirut itself is a foreign exchange market, distribution of trade by monetary areas is not very important.

Invisibles

18. The deficit in the merchandise trade is made good by the active balance in invisible accounts as well as in capital movements. For the period since 1950 for which estimates are available, surpluses appear to be a consistent feature of the Lebanese balance of payments.

19. Lebanon is attracting growing numbers of visitors from the Middle East area. The port and the Khalde National Airport of Beirut are increasing in importance and give rise to substantial foreign currency receipts. Transit traffic through Lebanon is expanding with the economic growth of the Middle East area.

20. Beirut is the principal gold and foreign exchange market of the Middle East. Mercantile and banking services are being provided by the Lebanese to the neighboring areas. The Lebanese communities abroad are widespread and wealthy; transfers of capital to the home country are a feature of their saving habits. As a result, the over-all balance of payments was characterized by rising surpluses from 1951 to 1953. Sufficient data are not available for 1954 but rough estimates indicate that the same pattern prevailed during that year and that the over-all surplus was roughly of the order of the 1953 surplus. More detail is given in Table 6.

TABLE 5

LEBANON'S BALANCE OF PAYMENTS ESTIMATES, 1951-1963
(in millions of L_£, adjusted figures)

	<u>1951</u>	<u>1952</u>	<u>1953</u>
Merchandise and transit trade	-155	-190	-170
Services and non-monetary gold and investment income	+ 87	+ 97	+136
Capital movements	<u>+ 86</u>	<u>+135</u>	<u>+133</u>
Over-all surplus	+ 18	+ 42	+ 99

21. More than half of the country's foreign exchange receipts on invisible account is relatively dependable. Although the remainder is of a temporary character the variety of the sources of these receipts ensures fairly stable foreign exchange earnings. Past experience indicates that occasional lower yields of some types of receipts are usually compensated by increased proceeds from other sources, as efforts and resources are shifted in accordance with changing business trends.

22. The possible effect on Lebanon's balance of payments of the adoption of full currency convertibility by the U.K. and of Europe must, of course, be considered. In 1953, however, total foreign currency receipts amounted to more than L_£ 600 million. A group of entries, (namely merchandise, transportation, investment income, miscellaneous, foreign institutions and government, altogether about L_£ 350 million in 1953) would not be affected. Tourism and capital movements, (about L_£ 200 million in 1953) now hampered by foreign exchange restrictions would benefit from convertibility. The income from triangular operations (in the order of magnitude of L_£ 10 million in 1953) would suffer, and to a lesser extent the transactions on gold (L_£ 40 million). Summing up, the re-establishment of the convertibility could affect adversely some minor entries in the Lebanese balance of payments; much larger entries could benefit from it.

Foreign Exchange Holdings & Foreign Exchange Rates

23. As the balance of payments indicates, Lebanon has continued to earn a substantial surplus. While there are no figures on total gold and foreign exchange holdings, the known foreign assets have increased as follows:

TABLE 6

BALANCE OF PAYMENTS OF 1951 - 1953
(in millions of LL, adjusted figures)

<u>GOODS AND SERVICES</u>	1951			1952			1953		
	<u>Payments</u>	<u>Receipts</u>	<u>Balance</u>	<u>Payments</u>	<u>Receipts</u>	<u>Balance</u>	<u>Payments</u>	<u>Receipts</u>	<u>Balance</u>
Merchandise	418	161	- 257	436	158	- 278	414	169	- 245
Transit & entrepot	1.134	1.236	+ 102	973	1.061	+ 88	75
Balance (1)			- 155			- 190			- 170
Non Monetary Gold	14	15	+ 1	36	25	- 11	32	25	- 7
Foreign Travel	14	52	+ 38	23	63	+ 40	28	93	+ 65
Transportation	40	48	+ 8	41	57	+ 16	44	60	+ 16
Investment Income	12	16	+ 4	9	16	+ 7	9	23	+ 14
Government	2	11	+ 9	2	18	+ 16	3	21	+ 18
Miscellaneous	3	30	+ 27	3	32	+ 29	1	31	+ 30
Balance (2)			+ 87			+ 97			+ 136
Overall Balance (1)(2)			= 68			- 93			- 34
<u>DONATIONS AND CAPITAL MOVEMENTS</u>									
Emigrants remittances	4	58	+ 54	3	72	+ 69	-	35	+ 35
Government	-	9	+ 9	-	9	+ 9	-	9	+ 9
Institutions	-	10	+ 9	-	14	+ 14	-	14	+ 14
Capital Movements	-	15	+ 14	-	44	+ 43	-	75	+ 75
Balance (3)	-	-	+ 86	-	-	+ 135	-	-	+ 133
Overall Balance (1) (2) (3)			+ 18			+ 42			+ 99

TABLE 7

GOLD & FOREIGN ASSETS, B.S.L. & GOVERNMENT
(millions of U.S.\$, end of the year)

	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Gold	19.97	26.31	30.63	34.73	63.13
French francs	16.12	12.03	10.93	12.80	11.56
Other foreign exchange	<u>2.37</u>	<u>1.18</u>	<u>.63</u>	<u>7.70</u>	<u>1.37</u>
Total	<u>38.46</u>	<u>39.52</u>	<u>42.20</u>	<u>55.24</u>	<u>76.06</u>

24. Moreover, it has been possible to increase the gold cover of the currency as shown below: (in millions of L_l, end of the year).

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Currency	165	168	196	208	200	205	242
Gold cover	3.7	42.5	70.3	93.0	109.2	126.7	219.0

Except for L_l 23 million in Lebanese government securities, the entire note issue of L_l 242 million at the end of 1954 was covered by gold. The value of the gold cover, registered at the purchasing price, is actually equal to about 90% of the currency in circulation.

25. The surplus in the balance of payments has also resulted in a steady appreciation of the Lebanese pound. The rate of the pound to the dollar rose from an annual average of 3.73 in 1951 to 3.66 in 1952, 3.42 in 1953 and 3.20 in 1954. In the latter year it would have appreciated further, had not the government decided to support the dollar in the Lebanese market.

Money and Credit

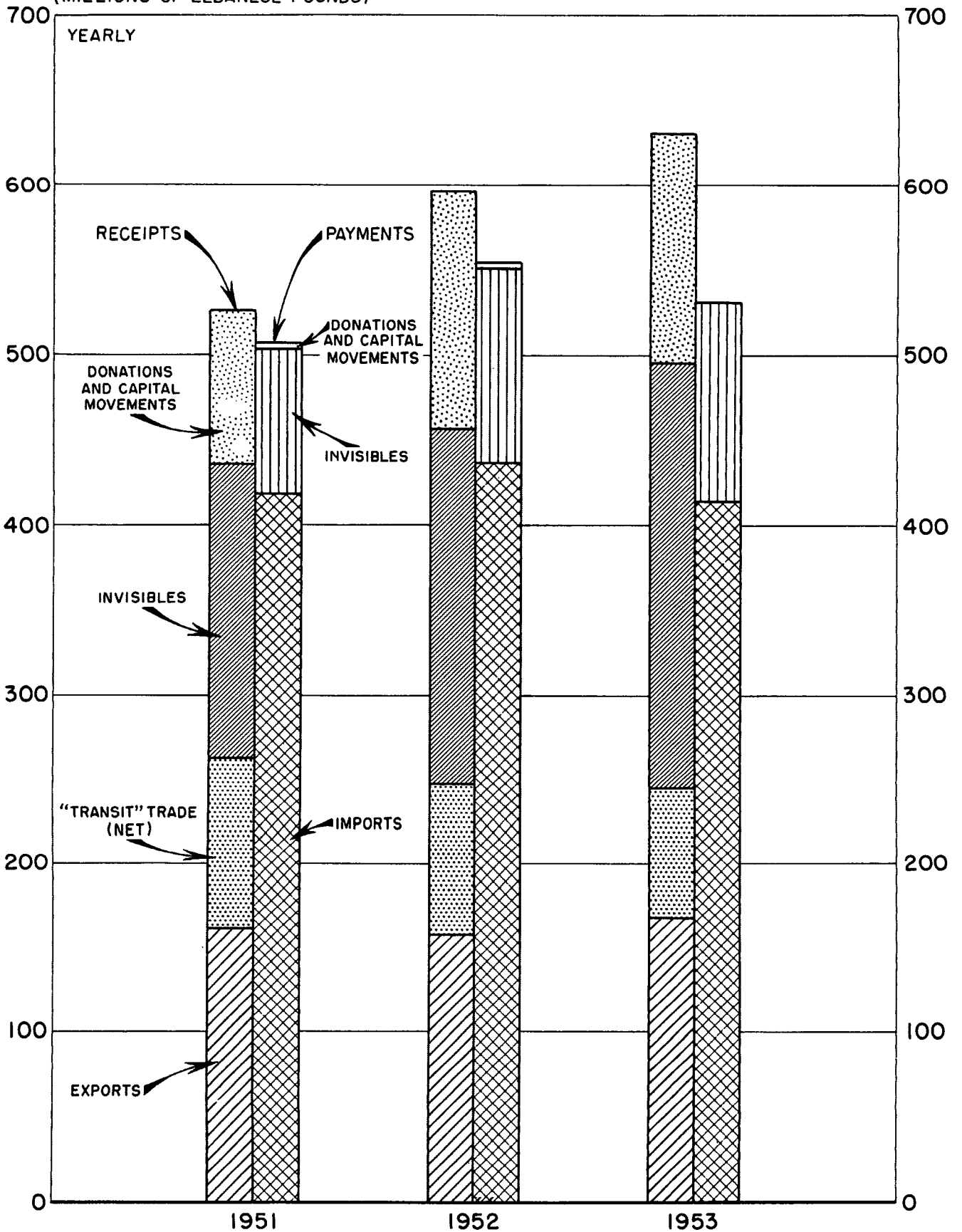
26. Reflecting the rise in economic activity, the volume of money and credit in Lebanon has expanded steadily. There has been no sign, however, of inflation. Prices have fallen continuously since 1951. That bank credit has generally been ample is indicated by the drop in discount rates.

27. Trends in the supply of money and in prices have been as follows:

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>% Variations</u> <u>1948 - 1954</u>
Total									
Money supply (1948 = 100)	100	91	177	122	132	140	158		+ 58%
Wholesale price (1948 = 100)	100	82	76	95	86	78	72		- 28%

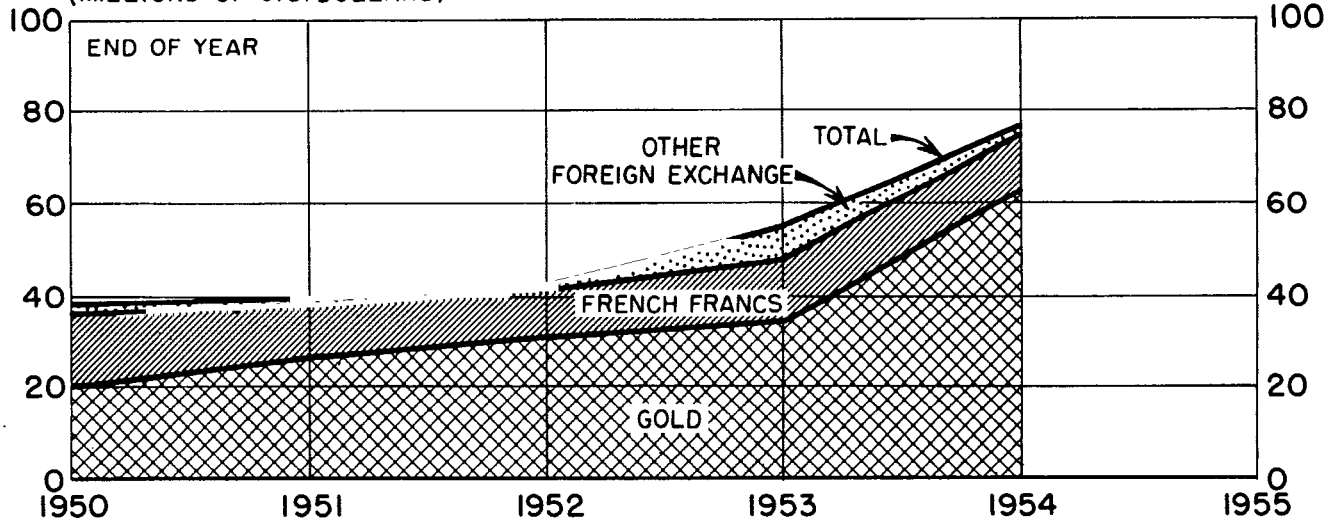
LEBANON

BALANCE OF PAYMENTS (MILLIONS OF LEBANESE POUNDS)

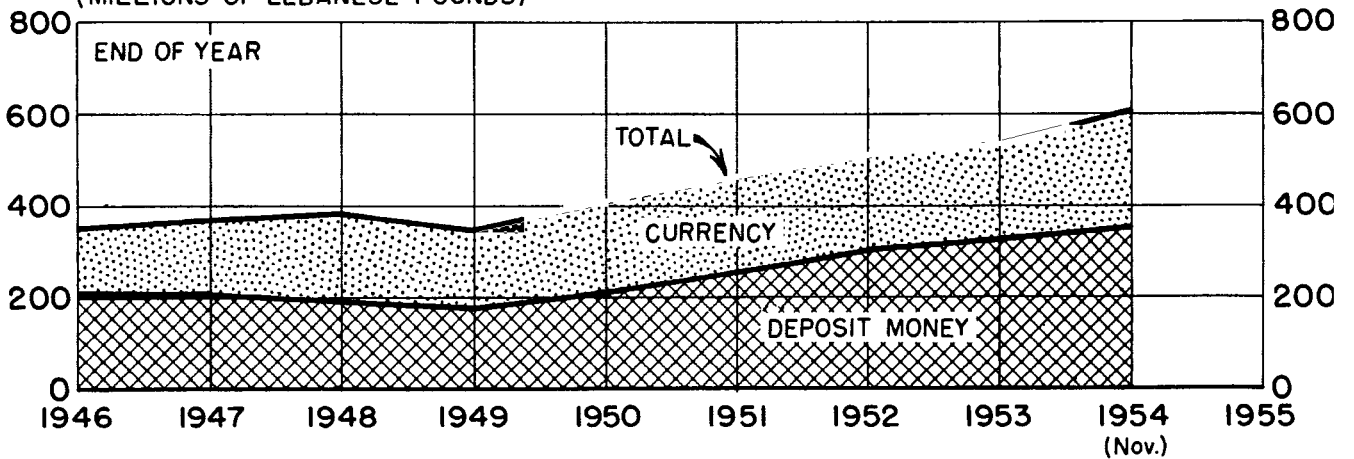


LEBANON

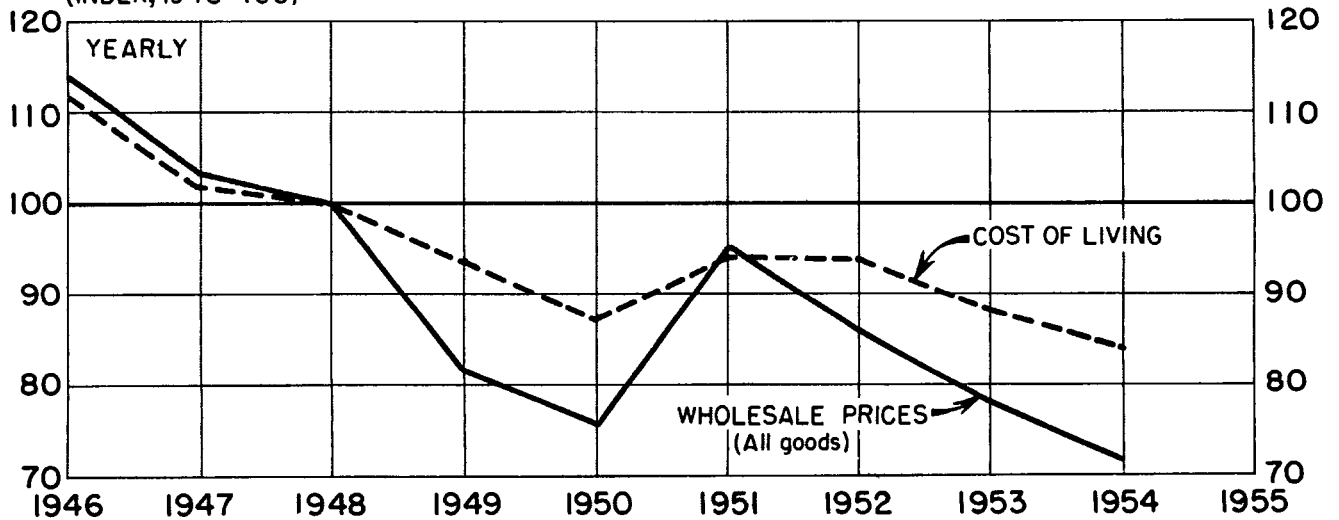
GOLD AND FOREIGN ASSETS (B.S.L. - LEBANON AND GOVERNMENT)
(MILLIONS OF U.S. DOLLARS)



MONEY SUPPLY (GROSS)
(MILLIONS OF LEBANESE POUNDS)



WHOLESALE PRICES AND COST OF LIVING *
(INDEX, 1948=100)



*At Beyrouth

28. Deposits and credits increased as below:

TABLE 8

DEPOSITS & ADVANCES 1948 - 1954 ^{1/ 2/}
(in millions of L^l)

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954 (September)</u>		<u>% Variations 1948 - 1954 Lebanese Currency</u>
							<u>Lebanese currency</u>	<u>Lebanese currency & foreign exchange</u>	
Private sight deposits	89	78	185	221	233	216	250	295	+ 180%
Private time deposits	5	5	6	6	12	19	29	37	+ 480%
Public deposits	<u>105</u>	<u>98</u>	<u>25</u>	<u>32</u>	<u>68</u>	<u>108</u>	<u>109</u>	<u>112</u>	+ 4%
Total	199	181	216	259	313	243	388	444	+ 96%
Advances and bills dis- counted	223	272	280	318	356	357	398	437	+ 78%

29. The discount rate showed a tendency to decrease:

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Discount rate	6.62	6.90	6.80	6.62	6.50	6.15	5.11

30. The extension of credits in an amount larger than the amount of deposits has been possible because many foreign banks are operating in Lebanon with their own funds, which fluctuate in accordance with local needs.

31. Increasing banking activity as well as a continuing trend toward establishment of new banks has been apparent in the last few years. There are about 50 banking institutions in Lebanon but only 20 of these are important, the others being small discount houses or money lenders engaged in discounting or lending money at high rates of interest. Of the larger banks, only six are Lebanese, the rest being branches of foreign institutions. About half of these banks have been established in recent years; they have concentrated largely on financing trade, foreign exchange and real estate operations. Medium and

^{1/} Deposits and advances in foreign exchange are recorded since 1954 only.
^{2/} 29 principal banks.

Out of the L^l 295 millions of private sight deposits at the end of 1954, L^l 11 million was in the form of deposits of foreign currency.

long-term credit operations are negligible. Businessmen who are in need of medium-term credit often have to rely on renewable short-term loans or overdrafts. Such loans or overdrafts do meet the requirements of the mercantile class but they are far from meeting the needs of the agricultural and the industrial sectors of the economy. It is for this reason that the government has helped to establish the new "Industrial, Agricultural and Real Estate Bank" to extend short-term, medium- and long-term loans to the non-mercantile sectors.

32. In recent years there have been indications that investment opportunities have not quite kept up with the volume of funds (both from domestic and foreign sources) seeking investment outlets. Bank deposits have risen more rapidly than bank credits; industry, agriculture and trade offer limited opportunities; a substantial amount of funds has apparently been left abroad (short-term assets in the United States increased from \$10.2 million to \$23.92 million between 1948 and 1954; short-term assets in Switzerland and other markets are reported to have similarly increased); and increasing surpluses have been accumulated in balance of payment accounts (L~~l~~ 18 million in 1951, L~~l~~ 42 million in 1952, L~~l~~ 99 million in 1953).

33. This background of expanding activity should not overshadow some unsatisfactory features of the banking and credit system.

(a) Lebanon has no banking law as such, but banks operate under the commercial code; there are no special legal requirements for establishing new banks; their operations are not supervised by any special authority; and there are no minimum reserve requirements.

(b) In fact, there is no full fledged central bank nor any authority to carry out a national bank and credit policy; the B.S.L., which has the privilege of the note issue and handles the government deposits, is also a commercial bank and the operations of its issue and commercial departments do not appear to be clearly separated.

(c) In case of a recession, all the credit institutions, which in fact are acting as commercial banks, restrict credit at the same time and there is no institution to counteract the effects of cyclical fluctuations.

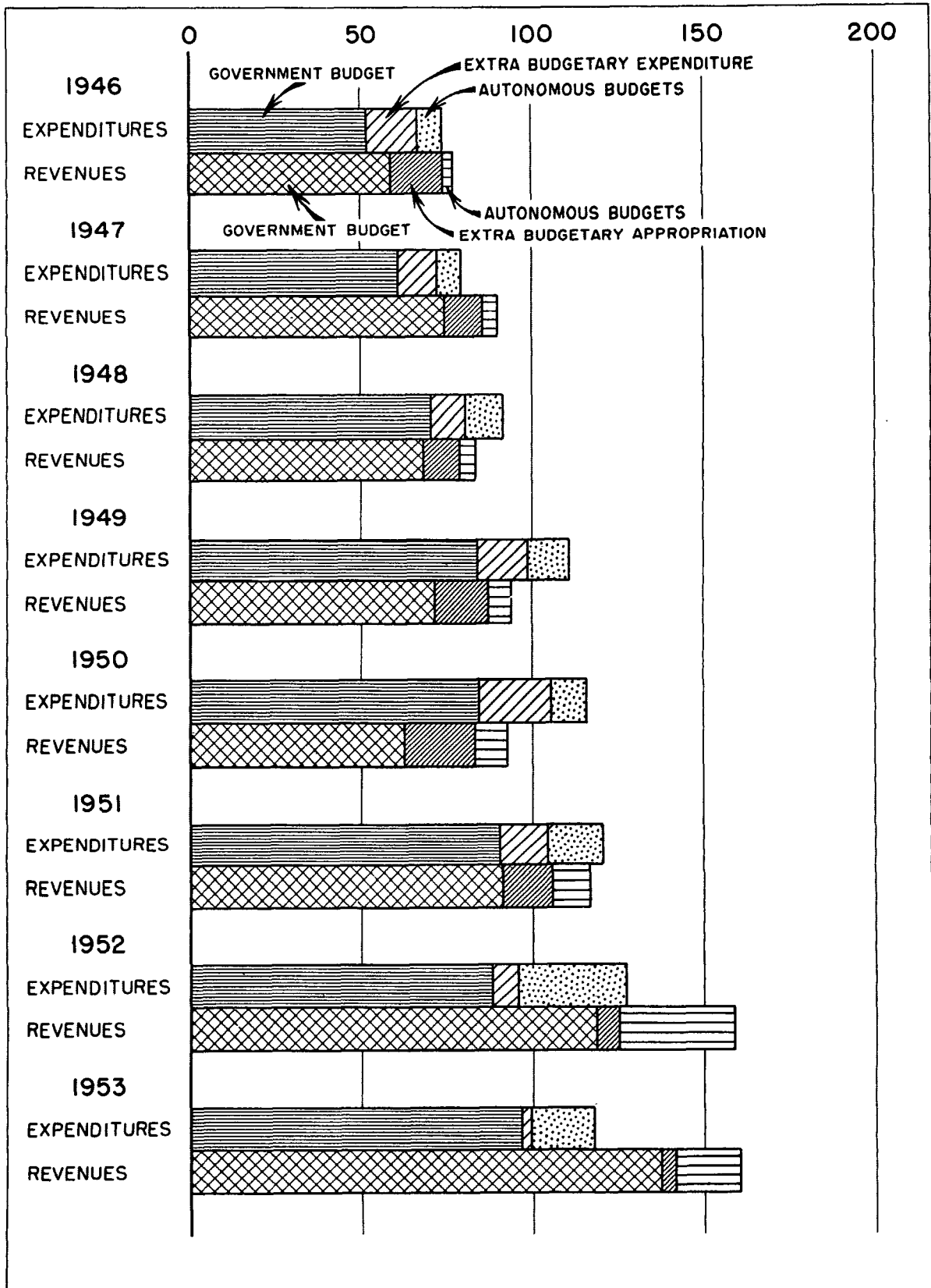
At this stage banking circles themselves seem to feel the need for the establishment of a national credit legislation and policy.

Public Budget

34. With the general increase in economic activity, government receipts and expenditures have also risen markedly. Government receipts have in fact risen more rapidly than national income, owing to the character of the tax structure, particularly the heavy dependence on indirect taxation. The structure of the tax system enabled the government to capture a growing proportion of national income and thus to increase its outlays. Despite this, government receipts in 1954 were equivalent to only 11% of the national income.

LEBANON

ACTUAL GOVERNMENT REVENUES AND EXPENDITURES (MILLIONS OF LEBANESE POUNDS)



35. There have been continuing budget surpluses, owing to conservative underestimating of revenues and the slow rate at which appropriated funds have been spent. Actual results of the government's ordinary budgets were as follows (in millions of L£):

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u> (estimated)
Receipts	+ 74	+ 86	+ 79	+ 87	+ 83	+105	+125	+141	+134
Expenditure	- 52	- 61	- 70	- 83	- 84	- 90	- 89	-117	-120
Balance	+ 22	+ 25	+ 9	+ 4	- 1	+ 15	+ 36	+ 24	+ 14

36. The surpluses in the regular budget have been allocated to a Reserve Fund account in the Treasury which in turn has been used to finance certain public works outside the budget. The position of the Reserve Fund has developed as follows over the last nine years (in millions of L£):

Assets of the Reserve Fund, Dec. 31, 1946	+ 27
Increase in Reserve Fund, 1947-1954 inclusive	+148
Withdrawals for extrabudgetary public works, 1946-1954 inclusive	- 84
Balance in Reserve Fund, Dec. 24, 1954	+ 91

Of the balance at the end of 1954, L£ 46 million was committed to various development projects, leaving an uncommitted total of L£ 45 million. Data on the types and total of public works which have been undertaken in postwar years are given in Table 8 of the Statistical Appendix.

37. Apart from the regular budgets, there are six autonomous budgets, for the Telephone Administration, Lottery Administration, Town Water Supply, Summer Resorts Administration and Customs Administration. Their total receipts, excluding those turned over by the Customs Administration to the budget, rose from L£ 3 million in 1946 to L£ 19 million in 1953, while their expenditures during this period increased from L£ 7 to L£ 18 million.

38. In 1951-1953 total Government expenditure and receipts showed a surplus. The year 1954 is also estimated to have ended with an over-all surplus in the order of magnitude of the 1953 surplus.

39. The consolidated budgetary and extra-budgetary expenditure and receipts showed the following results in the last three years, (in millions of L£):

	<u>1951</u>	<u>1952</u>	<u>1953</u>
Government Expenditures			
Budget	90.051	88.510	117.168
Extra-budgetary public works	14.040	6.820	3.325
Autonomous budgets	<u>16.015</u>	<u>31.830</u>	<u>18.225</u>
Total:	120.106	127.160	138.718
Government Receipts			
Budgets	105.307	124.927	141.232
Autonomous budgets	11.587	33.399	18.846
Other	<u>2.347</u>	<u>2.347</u>	<u>2.347</u>
Total:	119.241	160.673	162.425
Over-all balance	-.865	+33.513	+23.707

40. The cash balance of the Treasury fluctuated as follows in 1954 (in millions of LL):

	<u>January</u>	<u>March</u>	<u>June</u>	<u>September</u>	<u>December</u>
Treasury balances	38.0	65.7	63.4	58.5	61.3

That the cash position of the government is strong and has steadily improved since 1951 is shown by the data on public deposits which in the last four years went up from LL 32 million to LL 112 million. (See Table 8). As of December 24, 1954, public deposits included: cash balances of the Treasury as indicated, LL 61.3 million; deposits of the Customs Administration, LL 12 million; deposits of Public Administration, LL 16 million; miscellaneous, LL 22.7 million; total, LL 112 million.

41. The government has not needed to borrow to meet its budgetary expenditures or its extraordinary outlays on public works. In 1949 and 1952 it did borrow from the Banque de Syrie et du Liban, but only for the purpose of creating a monetary stabilization fund and to finance the retirement of Syrian pounds circulating in Lebanon. As of December 1954, the outstanding debt to the BSL amounted to LL 76.4 million. In addition, by the end of 1954 the government had guaranteed LL 75 million in BSL advances to various municipalities and institutions. As of now, Lebanon does not have any foreign debt, but, when a loan agreement, signed on June 28, 1955, between the International Cooperation Administration of the U.S. and the Government, is approved by the Lebanese Parliament, the country will have a \$5 million foreign debt. The purpose of the loan will be to cover the dollar component of a highway project, linking Beirut to the Syrian border, as a part of a new first-class Beirut-Damascus highway. The loan will bear a 3% interest, and will be repaid in 13 years, with a 3-year period of grace, in equal installments of \$470,000 including principal and interest charges.

III. THE LOCAL FINANCING OF THE LITANI PROJECT

42. The question arises whether the government is likely to have sufficient resources to finance its share of the Litani project plus other probable expenditure. The cost of Phase A of the Litani Project is estimated at L£ 132.8 million, to be disbursed in six to seven years. Local currency costs, to be covered by the government, are estimated at L£ 44.4 million, and the foreign component, for which a Bank loan is sought, at L£ 88.34 million.

43. To ascertain whether Lebanon can carry out the projects, the following facts should be considered:

(1) The total investment involved in the project from 1955 to 1961 would be on the average about L£ 22 million per year. The average yearly local currency investment is estimated at about L£ 7.4 million.

(2) After having financed a total public investment averaging L£ 27 million a year during 1946-1953, the Government has been able to put on the average L£ 7 million yearly into the Reserve Fund. Budget surpluses, however, are expected to increase by a further L£ 5-6 million within the next few years.

(3) At the end of 1954 there were L£ 45.3 million uncommitted funds in the Reserve Fund, while the cash balances of the Treasury (including the Reserve Fund) amounted to L£ 61.3 million and the public deposits (including the cash balances of the Treasury) amounted to L£ 112 million.

44. Tax assessment is continuously improving; a new land tax was established in 1955; the royalties from the oil companies will increase beginning in 1955; airport activity and taxes from that source are growing at a very fast rate. Proceeds from other kinds of taxes show an over-all tendency to increase.

45. Total expenditures were L£ 52 million in 1946 and had increased to L£ 117 million in 1953. There are some items which are expected to rise in the next few years, such as the salaries of public officials, pensions and military expenditures. Certain items, however, should decline: repayments of borrowing from BSL, the deficit of the railroads and general administrative expenditures, the latter due to the policy laid down recently by the Parliament to be carried out by the Administration.

46. On the basis of experience of the last nine years, a yearly increase of 10% in revenues and of 5-6% in expenditures can be expected in the next few years. Therefore, between 4% and 5% of the present expenditure could be saved annually (say L£ 5-6 million), in addition to the L£ 15 million which, on the average, accrued annually to the Reserve Fund during the last nine years.

47. We can conclude from the foregoing that Lebanon can finance the local component of this high priority project.

Advances from the Reserve Fund will probably be necessary during the first years when the largest investments must be made, but it should be possible to repay the Fund during the period of construction. This assumes that the state of the public budget does not deteriorate; it does not seem likely that it will. More elbow room could be allowed, if receipts should increase, and this is rather likely.

48. Even with budget surpluses available for financing public investment, it is possible and advisable to contemplate government borrowing. With some decline in private investment opportunities, conditions seem to be becoming more favorable for establishing a government security market. Investigations made by the Mission indicate there are probably opportunities for marketing government securities in the next few years. As these opportunities develop it may indeed prove wise to finance public investments to a lesser extent from budget surpluses and more by public borrowing. This would provide an opportunity to lower taxation and also help to provide investment outlets for the rather large volume of domestic and foreign capital. In fact, it has been suggested in Lebanon that the Litani Project might ultimately be turned over to private enterprise in whole or in part. Whether this will be feasible remains to be seen, but it should certainly be the policy of the government to maximize the opportunities for private investment in order to create as large an outlet for private capital as possible. The enactment of banking legislation and the establishment of a national credit policy (see paragraph 33) would be beneficial in this respect.

49. There is little doubt that Lebanon can service the foreign debt that would be contracted in connection with the Litani Project. A loan of LL 88.34 million (equivalent to \$27 million) would entail an annual service cost of about LL 7 million. The annual servicing of the proposed loan would amount to 0.61% of 1954 national product. When viewed in terms of foreign exchange, it represents 1.72% of total expenditures on imports in 1953 and 1.13% of total foreign exchange income in 1953.

50. Lebanon should not embark upon this project without external help for the following reasons:

1. The amount of expenditures required annually both in local and foreign currency would in some years be considerably beyond what could be covered by the annual budgetary surpluses, which averaged LL 16 million per year during the period 1946-1954:

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>Total</u>
Annual expenditures in millions of LL	.70	20.53	20.16	25.7	19.49	24.17	22.02	132.77

2. Moreover the current budget surpluses are due to a favorable combination of circumstances, upon which it would not be desirable to base a seven-year financial plan.

3. The prospects of raising additional funds from the local market are not firm enough at the present stage.

4. Lebanon would be compelled to suspend for 7 years any other extraordinary public works, while other projects such as irrigation and road schemes and public utilities (telephones, rural electrification and other) are calling for public capital.

5. Any strain on the public finances (with its possible implications in the monetary equilibrium and in the balance of payments) would be detrimental in a country whose prosperity is based upon confidence in its financial stability.

6. The Lebanese authorities are against any resort to suppliers' credits; they expect from the Bank not only capital but also technical assistance.

IV. OUTLOOK AND CONCLUSIONS

Prospects of the Economy

51. Prospects are generally favorable for the Lebanese economy; the Litani project now under consideration could further strengthen the whole system.

52. Increased activity is to be expected in the transportation and communications sector. Traffic has doubled since 1948. The Port of Beirut Company (in which the majority interest is owned by French shareholders) is considering enlarging the existing facilities and even having the Free Zone extended to include the whole port. A shift is apparent toward merchandise of higher unit value. The same is true of traffic through the International Airport.

53. The 1955 tourist season is expected to be even more active than 1954, as a consequence of improved economic conditions in the Middle East, coupled with a trend toward less rigid currency restrictions in some of these countries.

54. It is reasonable to say that a trend toward stability in foreign exchange earnings from invisible entries as a whole can be expected in the near future, and that with its foreign exchange reserves, Lebanon is better able than in the past to weather temporary emergencies and shortfalls of revenues.

55. While prospects for the income from services are favorable, it is nevertheless desirable, with a view to strengthening the Lebanese economy, to put more emphasis on agricultural and industrial production.

56. There is little chance of increasing output of grains much over the level of 75,000 tons because of the unfavorable cost-price ratio under more intensive cultivation. Export surpluses in citrus fruits, apples and bananas will increase in the next few years, as soon as recently developed orchards will come into production. By 1960 export surpluses of apples should rise from 8,000 tons to 15-20,000 tons; export surpluses of citrus fruits from 30,000 to about 50,000 tons; export surpluses of other fruits and vegetables should also rise considerably.

With the development of better farming techniques and an appropriate choice of crops, agricultural output can be increased -- experts estimate up to 10% over the present level.

57. Developments of consequence can only come with expanded irrigation. The following irrigation projects are considered feasible by the Ministry of Public Works:

a) Litani phase A	ha.	6,200
b) Litani phase B	ha.	10,000
c) Extended irrigation from Litani	ha.	10,000
d) Akkar	ha.	12,000
e) Lake Yammouneh	ha.	13,000
f) Qaa	ha.	<u>6,000</u>
	ha.	57,200

The potentially irrigable area should be put at about 50,000 ha. because the acreages of the four last projects include canals and road areas. The gross average income under dry farming is presently estimated at LL 400 per ha., and the production cost at LL 150 per ha., giving a net income of LL 250 per ha. After irrigation and development, gross income could increase to LL 2,000 per ha., and the net income per ha. to LL 1,500. To irrigate these areas would require an investment in the order of magnitude of LL 50 million; the full development (roads, terracing where necessary, planting, implements, etc.) of these areas would involve an additional investment (making use mainly of labor already available on the farm) of an order of magnitude of no less than LL 100 million. Insofar as it can be estimated at this stage, the increase in net income accruing to the farmers would be in the neighborhood of LL 60 million annually, as compared with a present total agricultural income of LL 226 million, while the increase in the value of crops would amount to about LL 80 million.

58. Many problems are presented by this program: international water agreements (which might be required for the projects listed above under d and f), financing, extension service, marketing. The latter might be particularly complicated, because for the investment to be profitable, the major portion of the fruit and vegetable crop should be cultivated for export. However, grading, shipping, freezing and processing problems can be tackled more effectively if the amounts produced are sizeable. Other things being equal, this development would approximately offset the present negative trade balance in foodstuffs. Yet the population of Lebanon is increasing at the rate of 2% approximately per year, and its level is

expected to be at 1.7 million by 1965; compared to the present 1.4 million. Supposing that these projects are completed in 10 years, the L£ 78-80 million deficit in the foodstuff trade balance (live animals excluded) could by then perhaps be reduced by one-third.

59. New impetus was given to industrial investment in 1954 by the liberal fiscal policy mentioned in paragraph 15. Other things being equal, the 1954 investment of some L£ 40 million (against L£ 240 million of existing investments at the end of 1953) should increase the net industrial product by some 15% in the next few years. The question whether to raise the custom duties on industrial products over the present 15-25% level, which affords a modest protection, is often discussed. Government policy is inclined against any higher level of protection. It is considered that this would be more detrimental to the consumers than beneficial to the producers, because of the very small size of the domestic market. Furthermore, trade partners can be expected to retaliate. Finally, such a step would not be in line with the policy of economic freedom to which the present prosperity of the country is attributed.

60. The above picture indicates that it is both possible and desirable to develop further the domestic productive resources of the Lebanon. The Litani Project, which would supply power and water for irrigation, will play an important role in agricultural production and, ultimately, in increasing the economic stability of the Lebanon.

Conclusions

61. The favorable budget situation indicates the capacity of Lebanon to finance the necessary local investments and to service the foreign loan. In 1946, total tax receipts were L£ 74 million; they went up to L£ 141 million in 1953 - that is, they almost doubled in eight years. The proven flexibility of the fiscal system should yield larger revenues if economic activity expands further.

62. On the basis of the balance of payments situation and outlook there is little doubt as to the ability of the country to repay a loan in foreign currency. In the short run, it is likely that (a) rising agricultural and industrial production will keep pace with rising consumption due to population growth; (b) possible reductions in foreign income from transit trade will be offset by increases in foreign income from other sources such as tourist trade; (c) donations from institutions and government transactions (including pipeline royalties) will be more or less steady; and (d) emigrant remittances and capital movements will probably not drop suddenly, as long as Lebanon offers investment outlets.

63. Under a combination of unfavorable circumstances, the size of the actual surpluses might fall but there would still be a positive balance.

64. Furthermore, imports, which include large amounts of luxuries, can be reduced to some extent without lowering the general standard of living. Lebanese private resources abroad will cushion changing trends, before there is need to resort to the public reserves.

65. In the long run, agricultural and industrial production can develop to offset increases in population and other such factors. Other invisible items have still scope for expansion.

66. The Lebanese balance of payments, and indeed the whole economy, has shown considerable resilience during the last fifteen years, riding out two crises without grave consequences. The Allied Armies expenditure in Lebanon and Syria (L£ 272 million in 1942, L£ 320 million in 1943, L£ 287 million in 1944 and L£ 346 million in 1945) dropped suddenly in 1946 and 1947, and yet the balance of payments of the Syrian-Lebanese area, estimated to have shown a surplus before the war under the mandatory regime, recovered very rapidly from that blow. In 1950 the Syrian-Lebanese customs union terminated: traditional outlets for Lebanese exports of goods and services, as well as convenient sources of basic commodities, seemed to be imperiled, yet the surplus in the Lebanese balance of payments increased thereafter.

TABLE 1

GENERAL BUDGET ACTUAL RECEIPTS
(in thousands of Lebanese Pounds)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Income Tax	10,196	12,483	11,696	14,926	15,055	17,088	19,690	22,114
Other direct taxes	6,787	7,269	7,600	8,269	9,247	10,826	12,557	13,069
Taxes of Consumption	29,641	25,824	26,134	29,407	30,218	33,161	37,294	26,894
Customs Receipts	15,545	31,712	25,381	26,087	20,506	33,533	36,737	46,168
Government Revenues	259	150	746	491	888	577	599	494
Receipts from Industrial Works	2,701	2,600	3,037	3,129	2,719	3,646	4,404	4,975
Other Receipts	7,101	5,495	4,073	4,819	4,579	6,251	13,457	16,179
Receipts from Economic Services	1,433	-	-	-	-	14	30	9
Receipts lessened from Expenses	253	455	88	239	105	211	159	330
Exceptional Receipts	-	-	-	-	-	-	-	-
Total	<u><u>73,916</u></u>	<u><u>85,988</u></u>	<u><u>78,755</u></u>	<u><u>87,367</u></u>	<u><u>83,317</u></u>	<u><u>105,307</u></u>	<u><u>124,927</u></u>	<u><u>141,232</u></u>

TABLE 2

BUDGET GENERAL BUDGETARY RECEIPTS
INDEX ACTUAL RECEIPTS: 1946-1953
(Base - 1946 = 100)

<u>Items</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
<u>Realized Receipts:</u>								
Income Tax	100.0	122.4	114.7	146.4	147.7	167.6	193.1	226.7
Other direct taxes	100.0	107.1	112.0	121.8	136.2	159.5	185.0	192.6
Taxes of consumption	100.0	87.1	88.2	99.2	101.9	111.9	125.8	124.5
Customs receipts	100.0	204.0	163.3	167.8	131.9	215.7	236.3	297.0
Govt. revenues	100.0	57.9	288.0	189.6	342.9	222.8	231.3	190.7
Receipts from industrial works	100.0	96.3	112.4	115.8	100.7	135.0	163.1	184.2
Other receipts	100.0	77.4	57.4	67.9	64.5	88.0	189.5	227.8
Receipts from economic services	100.0	-	-	-	-	1.0	2.1	0.6
Receipts lessened from expenses	100.0	179.8	34.8	94.5	41.5	83.4	62.8	130.4
Total	<u>100.0</u>	<u>116.3</u>	<u>106.5</u>	<u>118.2</u>	<u>112.7</u>	<u>142.5</u>	<u>169.0</u>	<u>191.1</u>

TABLE 3

GENERAL BUDGET - ACTUAL EXPENDITURES

(in thousands of Lebanese Pounds)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Presidency of the Republic	257	429	450	464	488	434	459	552
Chamber of Deputies	491	484	638	631	574	962	1.166	871
President of the Ministry Council	360	239	240	210	267	279	250	363
Department of Justice	2.802	2.907	2.750	2.928	3.125	3.255	3.298	3.827
Department of Foreign Affairs	744	1,646	2.084	2.302	2.747	3.710	2.485	2.422
" " Interior	10.254	10.605	11.424	11.440	11.370	11.951	11.257	13.009
" " Finance	2.843	3.194	3.596	3.396	3.408	3.649	4.027	7.897
" " National Defense	11.273	9.949	13.313	17.318	14.561	17.986	17.611	21.177
" " National Education	4.188	4.865	5.693	6.774	7.857	9.763	9.995	11.688
" " Public Health	2.489	3.452	3.730	4.817	4.819	4.582	4.666	4.352
" " Social Affairs	-	-	-	-	-	-	361	438
" " Information	223	130	133	423	572	624	595	543
" " Public Works	10.251	15.330	16.781	16.328	18.013	15.485	15.600	9.653
" " Agriculture	1.130	1.244	1.526	2.100	3.520	4.859	2.974	2.366
" " National Economy	612	393	548	413	508	519	447	1.690
" " Postal-Service, Teleg. & Tel.	1.788	1.996	2.238	2.136	2.476	2.703	2.644	2.712
Debts Demandable	2.049	2.913	3.158	7.581	7.442	8.118	10.675	10.645
Expenses of Closed Accounts	240	947	1.765	4.141	2.775	1.172	-	-
Redemption of Treas. Bonds and Interest	-	-	-	-	-	-	-	2.104
Total	<u>51.994</u>	<u>60.723</u>	<u>70.067</u>	<u>83.402</u>	<u>84.522</u>	<u>90.051</u>	<u>88.510</u>	<u>96.309</u> ^{1/}

^{1/} Plus L£20.859 million transferred to the Reserve Fund.

TABLE 4

BUDGET GENERAL

BUDGETARY EXPENSES INDEX ACTUAL EXPENDITURES: 1946-1953

(Base - 1946 = 100)

<u>Items</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
<u>Executed Expenses:</u>								
Presidency of the Republic	100.0	166.9	175.1	180.5	189.9	168.9	178.6	214.8
Chamber of Deputies	100.0	98.6	129.9	128.5	116.9	195.9	237.5	177.4
Pres. of Ministry Counsel	100.0	66.4	66.7	58.3	74.2	77.5	69.4	100.8
Dept. of Justice	100.0	103.7	98.1	104.5	111.5	116.2	117.7	136.6
" " Foreign Affairs	100.0	221.2	280.1	309.4	369.2	498.7	334.0	325.5
Dept. of Interior	100.0	103.4	111.4	111.6	110.9	116.5	109.8	126.9
" " Finance	100.0	112.3	126.5	119.5	119.9	128.4	141.6	277.8
" " National Defense	100.0	88.3	118.1	153.6	129.2	159.5	156.2	187.9
" " National Education	100.0	116.2	135.9	161.7	187.6	233.1	238.7	279.1
" " Public Health	100.0	138.7	149.9	193.5	193.6	184.1	187.5	174.8
" " Social Affairs	-	-	-	-	-	-	100.0	121.3
" " Information	100.0	58.3	59.6	189.7	256.5	279.8	266.8	243.5
" " Public Works	100.0	149.5	163.7	159.3	175.7	151.1	152.2	94.2
" " Agriculture	100.0	110.1	135.0	185.8	311.5	430.0	263.2	209.4
" " National Economy	100.0	64.2	89.5	67.5	83.0	84.8	73.0	276.1
" " Postal Service								
Teleg. and Teleph.	100.0	111.6	125.2	119.5	138.5	151.2	147.9	151.7
Debts Demandable	100.0	142.2	154.1	370.0	363.2	396.2	521.0	519.5
Reserve for unforseen Expenses of Closed Accounts	-	-	-	-	-	-	-	-
Redemption of Treas. Bonds & Interest	-	-	-	-	-	-	-	100.0
Total	<u>100.0</u>	<u>116.8</u>	<u>134.8</u>	<u>160.4</u>	<u>162.6</u>	<u>173.2</u>	<u>170.2</u>	<u>185.2</u>

TABLE 5

ACTUAL RECEIPTS AND EXPENDITURES AS A PERCENT
OF ESTIMATED RECEIPTS AND EXPENDITURES

	Actual <u>Receipts</u> (Estimated = 100)	Actual <u>Expenditures</u> (Estimated = 100)
1946	113.9	74.2
1947	134.5	73.1
1948	111.1	81.8
1949	106.5	80.4
1950	99.2	82.5
1951	115.8	82.9
1952	132.5	75.8
1953	125.2	71.8

Table 6

MOVEMENTS IN RESERVE FUND - 1946-1954
(in thousands of Lebanese Pounds)

<u>Year</u> <u>(December 31)</u>	<u>Budget Surpluses</u> <u>(Gross increases</u> <u>in Reserve Fund)</u>	<u>Drawings from</u> <u>Reserve Fund</u> <u>to Budget</u>	<u>Net</u> <u>Budget</u> <u>Surpluses</u> <u>(2) - (3)</u>	<u>Drawings from</u> <u>Reserve Fund</u> <u>for Extra-</u> <u>budgetary</u> <u>Public Works</u>	<u>Net Increase</u> <u>(+) or De-</u> <u>crease (-) in</u> <u>Reserve Fund</u> <u>(4) - (5)</u>
1946	+ 27,162	- 5,240	+ 21,922	-20,370	+ 1,552
1947	+ 42,117	- 16,582	+ 25,265	-	+25,265
1948	+ 23,426	- 14,738	+ 8,688	-18,500	- 9,812
1949	+ 25,591	- 21,626	+ 3,965	- 9,000	- 5,035
1950	+ 17,287	- 18,492	- 1,205	-19,590	-20,795
1951	+ 32,998	- 17,742	+ 15,256	-	+15,256
1952	+ 58,904	- 22,488	+ 36,416	- 4,464	+31,952
1953	+ 66,209	- 42,145	+ 24,064	-12,680	+11,384
1954	+ 52,703 ^{1/}	- 38,363 ^{1/}	+ 14,340 ^{1/}	- 1 ^{1/}	+14,340 ^{1/}
Total	<u>+346,397^{1/}</u>	<u>-197,686^{1/}</u>	<u>+148,711^{1/}</u>	<u>-84,604^{1/}</u>	<u>+64,107^{1/}</u>

Net balance of Reserve Fund as of December 31, 1946 27,098
 Increase in the net balance of Reserve Fund between December 31, 1946 and December 31,
 1954^{1/} 64,107
 Net balance of Reserve Fund as of December 31, 1954 91,205

^{1/} Provisional figures.

TABLE 7
ACTUAL PUBLIC INVESTMENT EXPENDITURES
1946-1953
(in thousands of Lebanese Pounds)

		1946	1947	1948	1949	1950	1951	1952	1953	Total	Grand Total
Buildings:											
	Extra Budget	807	354	840	1.590	746	895	566	279	6.077	
	Budget	225	522	547	1.132	1.287	428	84	50	4.275	10.352
Roads:											
	Extra Budget	8.029	7.958	6.353	2.902	1.218	448	139	166	27.213	
	Budget	7.799	8.214	7.596	10.055	12.453	8.029	6.422	2.800	63.368	90.581
Town Water:											
	Extra Budget	4.888	2.146	1.545	2.510	3.753	1.326	574	576	17.318	
	Budget	530	797	922	1.235	1.476	1.211	1.829	708	8.708	26.026
Airport:											
	Extra Budget	-	6	1.144	7.490	13.023	8.803	4.804	1.581	36.851	
	Budget	11	1.846	1.320	699	196	-	-	-	4.072	40.923
Defense:											
	Extra Budget	-	-	-	-	921	1.880	407	678	3.886	
	Budget	79	202	854	384	630	4.459	3.749	4.978	15.335	19.221
Administrative Expenses:											
	Extra Budget	1.145	513	712	740	733	327	330	45	4.545	4.545
Miscellaneous (ports):											
	Extra Budget	64	65	-	-	93	361	-	-	583	583
Cadastral Surveys:											
	Budget	612	683	1.063	818	841	897	941	990	6.845	6.845
Archeology:											
	Budget	210	318	186	286	601	392	218	137	2.348	2.348
Forests:											
	Budget	103	-	-	-	-	-	-	-	103	103
Agricultural Statistics:											
	Budget	13	49	174	217	372	320	493	440	2.078	2.078
Purchase of ex-French Property:											
	Budget	-	-	-	3.567	3.453	3.515	3.460	-	13.995	13.995
Total:	Extra Budget	14.933	11.042	10.594	15.232	20.487	14.040	6.820	3.325	96.473	
	Budget	9.582	12.631	12.662	18.393	21.309	19.251	17.196	10.103	121.127	
General Totals:		24.515	23.673	23.256	33.625	41.796	33.291	24.016	13.428	217.600	217.600

Note: The above figures include only direct investment expenditures. Apparent inconsistencies with Table 1 on Page 2 of the text are due to the different nature of these accounts.

Table 2

AGRICULTURAL PRODUCTION, FOREIGN TRADE AND CONSUMPTION IN SELECTED SECTORS, 1953

(quantities in tons)

	1	2	3	4	5	6	7	8
Product	Production	Imports	Exports	Balance ± (2) - (3)	Initial Stocks	Final Stocks	Balance ± (5) - (6)	Consumption (1) ± (4) ± (7)
Barley	25,000	11,400	1,200	10,200	2,920	1,446	1,474	36,674
Wheat	50,000	99,500	1,750	97,750	20,000	20,000	-	147,750
Rice	1,000	4,800	-	4,800	7,130	5,530	1,600	7,400
White Corn	14,000	16,000	19,650	3,650	250	800	- 550	9,800
Yellow Corn	11,000	2,850	1,950	900	500	670	- 170	11,730
Forage Grains	28,543	-	-	-	-	-	-	28,543
Beans, Dry	4,000	672	470	202	179	142	+ 37	4,239
Lentils	1,900	7,750	6,650	1,100	550	1,250	- 700	2,300
Green Peas, Dry	1,500	30	6	24	100	150	- 50	1,474
Chick Peas, Dry	2,000	5,150	4,170	980	71	371	- 300	2,680
Beans	1,000	2,700	135	2,565	275	320	- 45	3,520
Sesame	1,000	4,340	980	3,360	800	-	-	4,360
Linen	315	1	-	-	-	-	-	316
Cotton	-	4,973	2,023	2,950	-	-	-	2,950
Hemp								
Sugar Cane	5,000	-	-	-	-	-	-	5,000
Tobacco	1,774	255	330	- 75	-	-	-	1,699
Pipe Tobacco	174	249	-	249	-	-	-	423
Flour		48,900	1,930	46,970	-	-	-	46,970
Citrus	100,000	-	31,867	- 31,867	-	-	-	68,133
Apples	28,000	1,260	7,898	- 6,638	-	-	-	21,362
Bananas	19,000	-	- 5,203	- 5,203	-	-	-	13,797
Onions	40,000	1,419	17,798	- 16,379	-	-	-	23,621
Potatoes	46,000	4,301	11,762	- 7,461	-	-	-	38,539

Table

INDUSTRIAL PRODUCTION

<u>Type of Industry</u>	<u>Capital in Thousand of LL.</u>		<u>Value of Output 1953 in Thou- sand of LL.</u>	<u>Total Wages Paid During 1953 in Thou- sand of LL.</u>
	<u>end of 1949</u>	<u>end of 1953</u>		
1. Food	20,432	42,377	62,000	6,048
2. Beverages	7,850	12,470	12,000	1,476
3. Textiles	23,783	56,000	35,000	6,532
4. Wearing and Apparel	3,000	4,000	7,000	1,275
5. Wood and Cork	.848	1,200	.750	.075
6. Furniture	3,939	7,000	10,000	1,900
7. Paper	.396	1,100	.315	.150
8. Printing	5,217	7,000	5,300	1,125
9. Leather	3,725	5,500	10,000	1,012
10. Rubber	.340	1,300	1,700	.429
11. Chemicals	4,888	12,000	8,000	1,959
12. Non-metallic mineral	26,345	56,000	30,000	6,364
13. Metal Products	1,424	3,000	10,000	.525
14. Machinery and Foundries	2,112	7,000	5,000	1,824
15. Electrical	1,670	1,500	.655	.150
16. Miscellaneous	4,599	6,500	1,000	.324
	<u>109,050</u>	<u>223,947</u>	<u>198,720</u>	<u>31,158</u>

TABLE 1a

BANK DEPOSITS AND ADVANCES ^{1/}

(in millions of Lebanese Pounds)

<u>End of Year</u>	<u>Time Deposits</u>	<u>Sight Deposits</u>	<u>Total</u>	<u>Government Deposits</u> ^{2/}	<u>Advances and Bills Discounted</u>
					9.6
1939	0.9	26	27	-	8.0
1940	0.7	40	41	-	12.0
1941	0.7	30	31	-	15.0
1942	1.6	85	87	-	18.0
1943	1.5	165	167	-	31.0
1944	1.5	178	180	-	70.0
1945	1.3	226	227	-	67.0
1946	0.9	209	210	-	106.0
1947	1.5	205	207	-	143.0
1948	4.5	194 ^{3/}	199	105	223.0
1949	4.8	176	181	98	272.0
1950	5.5	210	216	25	280.0
1951	6.2	253	259	32	318.0
1952 ^{3/}	11.8	301	313	68	356.0
1953	19.0	324	343	108	357.0
1954 Lebanese currency alone	29	359	388	109	398.0 (September)
1954 Foreign exchange included	37	407	444	112	437.0 (September)

^{1/} Deposits and advances in foreign exchanges are recorded since 1954 only.

^{2/} Included in sight deposits.

^{3/} Changes in list of Banks from which information was obtainable.

Table 11 A
(millions LL)

DEPOSITS IN THE 29 PRINCIPAL BANKS OF LEBANON

	Deposits in Lebanese Currency						Grand Total
	<u>Time Deposits</u>	<u>Sight Deposits</u>			<u>Total of Time & Sight Deposits</u>		
<u>1954</u>	<u>Private</u>	<u>Private</u>	<u>Government</u>	<u>Total</u>	<u>Private</u>	<u>Government</u>	
January	21	192	105	297	213	105	318
February	22	198	104	302	220	104	324
March	22	204	105	309	226	105	331
April	22	210	104	314	232	104	336
May	22	219	105	324	241	105	346
June	23	225	111	336	248	111	359*
July	26	235	114	349	261	114	375
August	27	253	102	355	280	102	382
September	29	250	109	359	279	109	388

Table 11 B

DEPOSITS IN THE 29 PRINCIPAL BANKS OF LEBANON

Deposits in Foreign Exchange
(Millions LL. Equivalent)

	<u>Time Deposits</u>		<u>Sight Deposits</u>		<u>Total of Time & Sight Deposits</u>		<u>Grand Total</u>
	<u>Private</u>	<u>Private</u>	<u>Government</u>	<u>Total</u>	<u>Private</u>	<u>Government</u>	
<u>1954</u>							
January	7	45	3	48	52	3	55
February	6	52	3	55	58	3	61
March	6	52	3	55	58	3	61
April	3	53	3	56	56	3	59
May	8	49	2	51	57	2	59
June	6	46	2	48	52	2	54
July	6	46	2	48	52	2	54
August	7	42	3	45	49	3	52
September	8	45	3	48	53	3	56

Table 1 C

DEPOSITS IN THE 29 PRINCIPAL BANKS OF LEBANONIII. Deposits in Lebanese Currency & in
Foreign Exchange

(Millions LL)

	<u>Time</u> <u>Deposits</u>	<u>Sight</u> <u>Deposits</u>			<u>Total of Time &</u> <u>Sight Deposits</u>		<u>Grand</u> <u>Total</u>
	<u>Private</u>	<u>Private</u>	<u>Government</u>	<u>Total</u>	<u>Private</u>	<u>Government</u>	
<u>1954</u>							
January	28	237	108	345	265	108	373
February	28	250	107	357	278	107	385
March	28	256	108	364	284	108	392
April	25	263	107	370	288	107	395
May	30	268	107	375	298	107	405
June	29	271	113	384	300	113	413
July	32	281	116	397	313	116	429
August	34	295	105	400	329	105	434
September	37	295	112	407	332	112	444

Table 12

PRIVATE ADVANCES AND BILLS DISCOUNTED IN THE 29 PRINCIPAL BANKS OF LEBANON

(in millions of LL.)

<u>1954</u>	<u>Advances</u>			<u>Bills Discounted</u>			<u>Total</u>		
	<u>In Lebanese Currency</u>	<u>In Foreign Exchange</u>	<u>Total</u>	<u>In Lebanese Currency</u>	<u>In Foreign Exchange</u>	<u>Total</u>	<u>In Lebanese Currency</u>	<u>In Foreign Exchange</u>	<u>Total</u>
January	183	21	204	64	1	65	247	22	269
February	183	27	210	67	2	69	250	29	279
March	186	26	212	70	2	72	256	28	284
April	193	23	216	70	1	71	263	24	287
May	191	26	217	72	2	74	263	28	291
June	196	30	226	76	2	78	272	32	304
July	203	34	237	75	2	77	278	36	314
August	207	36	243	76	2	78	283	38	321
September	213	37	250	82	2	84	295	39	334