

Interview With Dr. Joseph Torbey

HEALTHY ECONOMIC INDICATORS AMIDST THE FINANCIAL CRISIS

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The Chairman of the "Association of Banks in Lebanon", The Chairman of WUAB, The Chairman of UAB Executive Committee, and the Chairman of the «Credit Libanais» group Joseph Torbey, said that the economic indicators in Lebanon are «going, up till now, in the opposite direction to the repercussions of the global crisis», pointing out that «the figures support that claim through the surplus in the balance of payments and the record accumulation of foreign currency reserves in the central bank, as well as the increase in bank assets and major indicators, improved export figures, increase in tourist traffic, and other positive indicators. "

But Dr. Torbey then said that «these positive signs do not guarantee, by themselves, a promising future for Lebanon, specially in light of the continued basic problems, rooted in

the acute political tension, and the continued rise in public debt year after year. This calls for the State, the decision makers and the civil society to establish a vision and an inte-

grated program, in order to fortify the financial and monetary situation in the face of the continuing internal and external hard economic conditions».

REALISTIC APPROACH

Tarbiya added, that «our approach to the situation in Lebanon is not based on optimism nor on pessimism, but on realism». He pointed out that the Lebanese banking sector «has remained since the start of the Lebanese crisis in the seventies of the last century, working within the rules and experience gained gradually in an environment full of unexpected or unnatural risks. The sector managed over the years to overcome the risks and difficulties, and emerged healthy and strong ».

He pointed out that most countries and central banks in the world «injected liquidity during the crisis to support the banks and avoid collapse, while the Lebanese banking sector did not ask or need for such support from the state, but on the contrary, it was the barrier to any form of financial crises in Lebanon, where it helped to maintain the financial stability and the availability of liquidity and the financing of the economy, and also contributing to government funding in the area of public debt ». He stressed that this funding for the economy as a whole has been «going on for a long time and the banks deal with this issue carefully, fully understanding its risks, thus putting limits for this funding».

Dr. Torbey continued by saying that this debt «proved to be the safest of all banking products traded in international markets which caused tragedies for their holders, whether they were Lebanese who preferred the safety out of their country's economy and banks, or investors and institutions that invested in international banks and institutions presuming they were safe, to discover later otherwise».

BETTER RISK MANAGEMENT IN LEBANON

Thus Dr. Torbey confirmed that the risk management measures in Lebanon «were the best, and

Lebanese Bankers were more aware and responsible with their financial practice. The Central Bank of Lebanon and the monetary authorities were more active in imposing more control and regulation over the sector, where they established a sound framework for protecting depositors, funds and the national economy». He then added that Lebanon «has overcome the more serious times and is now moving towards more safety as a result of improved regional and international climate, in light of remarkable events especially the Lebanese parliamentary elections, which were competitive and which attracted Arab and international media world wide, and ended with everybody accepting the results, thus, on contrary to expectation, no crisis occurred after the elections».

Furthermore, Dr. Joseph stressed the importance «for an energetic launch of the new government », and hope that it will be a «government of national unity in which all parties are represented to give Lebanon the immunity and stability it needs». He also considered that these two factors are «essential to multiply the banking sector's attractiveness to capital and investments that always need a stable environment, and also need a stable Lebanese currency, which have helped, over the years, to preserve the savings of the Lebanese people and investments». He did not rule out that «these factors combined could contribute to making Beirut once again a favorite financial center, given the availability of the fundamentals of a financial center, and the resilience and resistance of the Lebanese banking sector to the pressures of the global financial crisis and its aftermath, which most of the economies and banking sectors in the world was unable to resist».

The chairman of the group « Credit Libanais» sees that these factors «form an ammunition that Lebanon can make use of to ensure a continued success», but that «does not

mean that the State do not carry on implementing reforms, which the banking sector has been giving it additional opportunities to do so in the past, in the form of billions of dollars with zero interest rate for a period of two years», pointing out that these contributions from banks were in the framework of "Paris 2", where the government were asked to implement reforms, many of which still needs implementation».

INCLUDING THE REFORMS IN THE GOVERNMENT PROGRAM

He expected these reforms to be a part of the new government's program, «the economic situation, economic reforms, stopping the waste of resources and the reorganization of public administrations», because the Lebanese people are more «interested in their economical and living conditions than to know who will take this ministry or that». That's why he considered that the new officials are «aware» of that, especially in light of encouraging circumstances due to the stability in Lebanon, the psychological calm after the elections and the influx of tourists, particularly businessmen who are attracted to Beirut again a result of its earlier, current and future resilience».

Considering the possibility of further delay in reforms, and the banks' reaction to that, especially when the public debt is the major problem, Torbey considered that the public debt represents «a huge burden on Lebanon and on the Lebanese, especially the future generations, and will continue to do so until we pay it». The thing we must focus on «is how to curb this debt, and contain it, as almost all countries of the world is suffering from the weight of debt. We cannot stop borrowing, as is the case for economic institutions operating with banks' funding, and as with the economy and state which need this funding to cover their expenditure». Therefore the State is expected to «rehabilitate its institutions, espe-



followed by the Arabs, that's because the investment operations in Lebanon has proven to be fruitful, and has not been subjected to damages. Lebanon has also attracted part of the surpluses achieved by the Lebanese people abroad, whether they are investors, employees or entrepreneurs, due to the good returns on investments in Lebanon». He also pointed to the «improvement in the financial markets in the recent weeks», where Beirut Stock Exchange witnessed a rise, in particular the price of Solidaire shares that recorded an increase of 50% in less than a month. Banks and other companies listed also witnessed an increase, which shows the positive direction of the Lebanese economy».

In light of this data and these indicators «the expected growth rates of the Lebanese economy rose from 4 to 6 percent in case things stay as is». He feels that these expectations are «realistic and set the ground for next year being one of the best years for the Lebanese economy».

REMITTANCES STILL AS NORMAL

About the conditions of the Lebanese working abroad in light of the crisis, Dr. Torbey stressed that «the expectations that thousands of Lebanese will lose their jobs and return home, turned out to be false», and only very few did, which didn't leave any remarkable effect on Lebanon. He explained that by pointing out to «the cultural diversity of the Lebanese and the skills they possess, which made them easily move from one sector to another or from one country to another».

What proves that, he said, is «the continued movement of remittances in its natural habit», referring to a «striking indicator where foreign currency reserves accumulated in the Central Bank». He also mentioned that the volume of reserves in the central bank «reached a historic level» which gives further immunity

cially the spending ones, and address key issues, such as the electricity and the waste of resources in some institutions». He did not rule out that these reforms «will be among the priorities, since they are not the priorities of banks only but also for the Lebanese citizens which are the creditors and the debtors, banks only manage this debt».

Asked for his expectations on growth and the flow of investment and remittances and the vulnerability of the Lebanese workforce abroad, Dr. Torbey assured «the fall of pessimistic predictions about the Lebanese economy after the eruption of the crisis, because this economy, particularly the banking sector, go in the opposite direction of the crisis», pointing out that «deposits are in-

creasing at healthy rates, and the balance of payments achieving surpluses, and the banking sector increasing market lending, and any suspension on lending would have negative impacts on growth, create a crisis and cause economic losses to institutions », pointing out «that the suspension of bank lending abroad caused a wave of bankruptcies of large enterprises, which led to governments to put pressure on banks to extend lending to sectors of the economy ».

LEBANESE AT THE FOREFRONT OF INVESTORS

In the investment activity, the President of the "Association of Banks in Lebanon", noted that the «Lebanese are the primary investors in Lebanon,



to the Lebanese pound and the monetary system».

With respect to inward flowing investments, Torbey said «they are mostly concentrated in the real estate sector, not as real estate purchase, but as large projects, which work resumed in it after a stop during the recent political crisis», and this return is due to «the expected end of the crisis and to the good and positive prospects of the Lebanese economy».

On the other hand, Torbey said that the banking sector's contribution to economic development is fore granted, pointing out that «in recent years it was directed towards the development of social related loans like housing, education and the environment». He added that «their was an improvement of credit ideas and practices which widened the span of financing reaching the whole society».

MODERATE INTEREST RATES

About the higher interest rate on the Lebanese Pound, and about the in-

terest rate on the dollar, he pointed out that «the interest rate on the dollar in Beirut is almost equal to the global interest rate on the dollar where credit is hardly available. He pointed out that lending in LP, as instructed by Central Bank, «will be made easier and with an interest rate less than that on deposits. Our Interest rates will more competitive than other rates around the world».

With respect the immunity of the banking sector and it's resilience in face of the crisis and, Torbey drew that «the immunity of the sector is a result of the rules and regulations derived from international standards, and banks abiding by them. Bankers are aware that these controls are in the best interest of the banks ». He stressed that the success of the Lebanese economy «today is presented by the success of the banking sector, which is not confined to operations at home but extends to our working abroad as well, lifting the reputation of Lebanese banks».

If he saw the need for mergers today, Torbey said that the number of banks operating in Lebanon «decreased re-

markably since the eighties of the last century, and also new banks established », he then added that the process of mergers and acquisitions is «determined by the market and the profitability of banks». «Small banks has there customers where some prefer simple and personal conduct, and bigger banks has there role too in supplying the requirements of the huge market needs». Therefore M & A are little «as result of the saturation of the Lebanese market with such operations in the past».

DEPOSITS INCREASE BY 20%

He predicted that the profits for this year will be «good and better than last year», pointing out that «profits increased on average by 20% in the first quarter of this year, but that does not mean the continuation of this percentage over the whole year, because it is linked to developments, both negative or positive ». Then he predicted an increase in deposits by 20% », and concluded that «the profitability of the banking sector will be consistent and no disastrous expectations will happen affecting the profitability of the sector».