

LEBANON THIS WEEK

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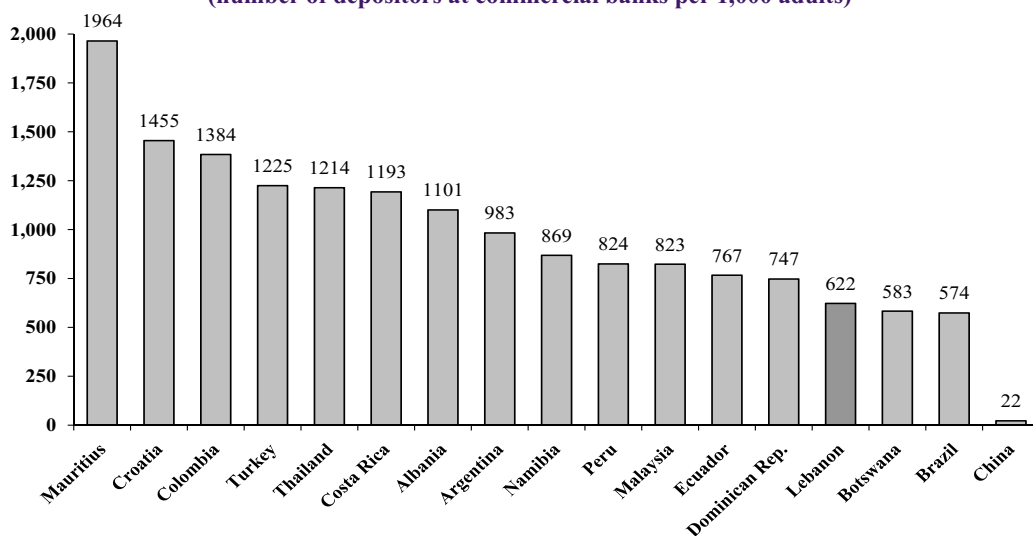
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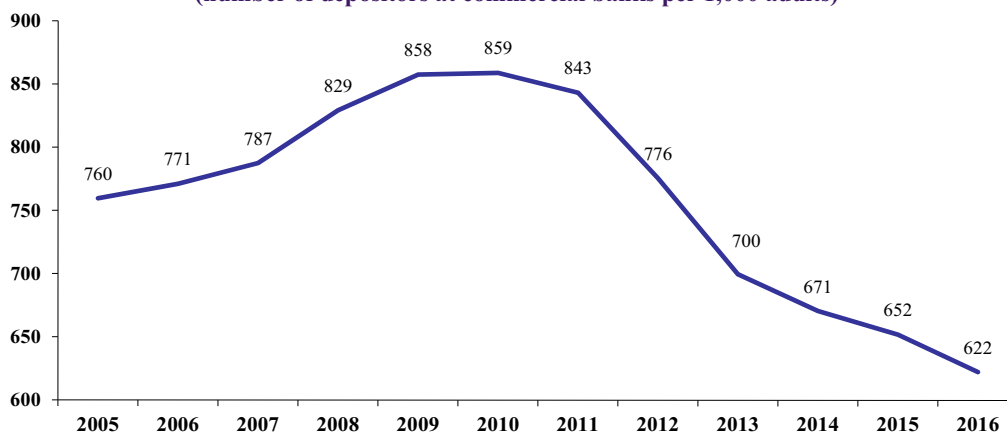
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Upper Middle-Income Countries with Highest Depositor Penetration Rates at end-2016
(number of depositors at commercial banks per 1,000 adults)



Depositors' Penetration Rates in Lebanon
(number of depositors at commercial banks per 1,000 adults)



*excluding countries with a GDP of \$10bn or less

Source: International Monetary Fund, Byblos Bank

Quote to Note

“No one should believe that just having a conference in Paris is a success in itself.”

Sir Suma Chakrabarti, President of the European Bank for Reconstruction & Development, on the international community's expectations for Lebanese authorities to implement credible structural reforms as a key for the success of the upcoming CEDRE conference

Number of the Week

21.6%: Percentage of Lebanese who consider that bad environmental management is the main reason for the deterioration of the environment in Lebanon, according to a survey conducted by the Arab Forum for Environment and Development

Lebanon in the News

\$m (unless otherwise mentioned)	2016	Nov 2016	Aug 2017	Sep 2017	Oct 2017	Nov 2017	% Change*
Exports	2,977	247	251	210	251	229	(7.42)
Imports	18,705	1,450	1,594	1,297	1,690	1,726	19.02
Trade Balance	(15,728)	(1,203)	(1,343)	(1,087)	(1,439)	(1,497)	24.45
Balance of Payments	1,238	453	368	457	(888)	68	(84.94)
Checks Cleared in LBP	19,892	2,539	1,869	1,475	1,993	1,880	(25.96)
Checks Cleared in FC	48,160	3,968	4,100	3,010	4,147	3,687	(7.08)
Total Checks Cleared	68,052	6,507	5,969	4,485	6,140	5,567	(14.45)
Budget Deficit/Surplus	(3,667.15)	(706.12)	(513.46)	(651.25)	(273.18)	(865.19)	22.53
Primary Balance	1,297.65	(40.58)	(192.77)	(145.72)	166.63	(119.74)	195.06
Airport Passengers***	7,610,231	555,931	1,067,441	861,828	616,742	592,890	6.65

\$bn (unless otherwise mentioned)	2016	Nov 2016	Aug 2017	Sep 2017	Oct 2017	Nov 2017	% Change*
BdL FX Reserves	34.03	34.38	34.03	35.06	36.77	35.69	3.82
In months of Imports	21.83	23.71	21.35	27.03	21.76	20.68	(12.77)
Public Debt	74.89	74.55	77.29	78.16	78.47	79.36	6.46
Bank Assets	204.31	200.95	209.39	213.42	215.79	216.21	7.59
Bank Deposits (Private Sector)	162.50	159.19	169.16	169.09	169.40	166.81	4.78
Bank Loans to Private Sector	57.18	56.49	58.67	58.93	59.13	59.55	5.41
Money Supply M2	54.68	54.12	55.59	55.50	55.07	51.96	(3.99)
Money Supply M3	132.80	130.04	138.92	138.87	138.68	136.99	5.35
LBP Lending Rate (%)****	8.23	8.26	8.10	8.31	8.24	7.98	(28 bps)
5LBP Deposit Rate (%)	5.56	5.54	5.55	5.53	5.56	5.88	34 bps
USD Lending Rate (%)	7.35	7.16	7.29	7.53	7.39	7.32	16 bps
USD Deposit Rate (%)	3.52	3.48	3.63	3.65	3.72	3.80	32 bps
Consumer Price Index**	(0.80)	9.60	5.10	4.10	4.60	4.60	(500 bps)

* Year-on-Year ** Year-on-Year percentage change ***includes arrivals, departures, transit

**** Starting January 2016, lending rates in Lebanese pounds are reported before any subsidy or facility from reserve requirements according to Intermediate Circular No 389, and as such they are not comparable year-on-year

Note: bps i.e. basis points

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
BLOM GDR	12.04	(2.90)	78,265	7.60%
Solidere "A"	8.14	0.74	75,709	6.95%
Byblos Common	1.61	0.63	35,619	7.77%
Audi Listed	6.12	0.16	16,500	20.89%
Audi GDR	6.20	6.90	12,924	6.35%
BLOM Listed	11.75	(2.08)	5,729	21.57%
Solidere "B"	8.20	2.63	5,602	4.55%
Byblos Pref. 08	102.20	0.10	500	1.75%
HOLCIM	15.00	1.69	130	2.50%
Byblos Pref. 09	103.00	0.49	21	1.76%

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Nov 2018	5.15	100.00	5.14
May 2019	6.00	100.13	5.88
Mar 2020	6.38	100.38	6.17
Oct 2022	6.10	98.00	6.62
Jun 2025	6.25	95.13	7.12
Nov 2026	6.60	95.25	7.35
Feb 2030	6.65	91.88	7.70
Apr 2031	7.00	94.13	7.72
Nov 2035	7.05	93.00	7.79
Mar 2037	7.25	93.63	7.90

Source: Beirut Stock Exchange (BSE); *Week-on-week

Source: Byblos Bank Capital Markets

	Mar 19-23	Mar 12-16	% Change	February 2018	February 2017	% Change
Total shares traded	2,378,457	30,564,295	(92.2)	5,480,337	3,077,394	78.1
Total value traded	\$37,770,004	\$199,005,912	(81.0)	\$43,415,304	\$30,071,143	44.4
Market capitalization	\$11.71bn	\$11.71bn	0.03	\$11.65bn	\$12.38bn	(5.9)

Source: Beirut Stock Exchange (BSE)



Government approves \$23bn Capital Investment Program

The Lebanese government approved its Capital Investment Program (CIP) that it estimates at \$22.94bn, distributed over three cycles of a four-year period each. The CIP is the Lebanese government's plan to upgrade the country's infrastructure as well as to establish industrial zones and support cultural development projects. The distribution of the CIP's cost shows that the transportation sector accounts for \$7.4bn, or 32.2% of the plan's total cost, followed by the electricity sector with \$5.6bn (24.4%), water & irrigation with \$4.8bn (21.1%), wastewater with \$2.7bn (11.7%), solid waste management with \$1.4bn (6.1%), telecommunication with \$700m (3.1%), cultural heritage with \$264m (1.2%), and support to industry with \$75m (0.3%). The figures include \$2.6bn to cover the cost of land expropriation during the 12-year period. The government expects that a portion of the CIP's funding will be sourced from the private sector through public-private partnership projects under Law 48 that the Lebanese Parliament ratified in 2017. The World Economic Forum's 2017-18 Global Competitiveness Index ranks Lebanon in 130th place among 137 countries on the quality of the country's infrastructure.

The CIP estimates investments in Cycle 1 at \$10.1bn, or the equivalent of 49.8% of the plan's total investments. The transportation sector will absorb \$2.3bn, or 22.8%, of investments in Cycle 1, followed by the water & irrigation and the electricity sectors with \$2.15bn each (21.2% each), solid waste management with \$1.4bn (13.8%), wastewater with \$1.3bn (13.1%), telecommunication with \$700m (6.9%) and cultural heritage with \$84m (0.8%). The CIP budgets an additional \$693m for land expropriation during Cycle 1. In addition, the CIP estimates investments under Cycle 2 at \$5.41bn, or 26.6% of the CIP's total investments. It allocates \$1.96bn to the transportation sector or 36.3% of total investments during Cycle 2, followed by the electricity sector with \$1.44bn (26.6%), wastewater with \$1.03bn (19%), water & irrigation with \$722m (13.3%), cultural heritage with \$180m (3.3%) and support to industry with \$75m (1.4%). The CIP budgets an additional \$1.03bn for land expropriation during Cycle 2. Further, the CIP calculates investments under Cycle 3 at \$4.8bn, or 23.7% of the total. It allocates \$2bn to the electricity sector, or 41.5% of funds under Cycle 3, followed by water & irrigation with \$1.38bn (28.6%), transport with \$1.17bn (24.3%) and wastewater with \$269m (5.6%). The CIP budgets an additional \$871m for land expropriation during Cycle 3.

The CIP also provides characteristics of various public-private partnership options and their applicability to the projects in the program. The options include management contracts, management contracts with rehabilitation/expansion, leasing, area concessions, Build Lease Transfer (BLT) or Build-Own-Lease-Transfer (BOLT), Build-Transfer-Lease (BTL), Build-operate-transfer (BOT) annuity, Build-Own-Operate-Transfer (BOOT) or DBOOT, Build-Own-Operate (BOO), Design-Build-Operate (DBO), and Build-Operate-Transfer (BOT)/Design-Build-Finance-Operate-Transfer (DBFOT). The CIP stipulates that the actual implementation of a particular project may extend beyond its originally-planned period, depending on its size, construction constraints, and handing over to the relevant authority.

Capital Investment Summary* (US\$m)			
Sector	Cycle 1	Cycle 2	Cycle 3
Transportation	2,863	2,820	1,698
Water & Irrigation	2,257	878	1,710
Electricity	2,151	1,441	2,000
Solid Waste Management	1,400	-	-
Wastewater	1,364	1,040	278
Telecommunication	700	-	-
Cultural Heritage	84	180	-
Support to Industry	-	75	-
Total	10,819	6,434	5,686

*includes cost of land expropriation

Source: Capital Investment Program - March 2018, Byblos Research

Surveyed economists expect real GDP growth at 2% in 2018

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected real GDP growth at 2.1% in 2018, compared to a September 2017 forecast of 2.4%, while it expected growth to accelerate to 2.6% in 2019. The individual forecasts of growth rates for 2018 ranged from 1.5% to 3.3%, while the consensus forecast among 77.8% of participants is that real GDP would grow by 2% or less this year. The results displayed a median real GDP growth figure of 2% for the year. The survey's results are based on the opinions of nine economists and analysts based in Lebanon and abroad. Bloomberg conducted the poll between March 18 and March 21, 2018.

Also, participants forecast Lebanon's average inflation rate at 3.8% in 2018 and at 3.2% in 2019. The opinions of polled economists differed on the direction of consumer prices in 2018 with expectations ranging from 2.2% to 6%, while 77.8% of participants agreed that the inflation rate would be between 2.5% and 4.5% this year. The poll's results revealed a median inflation rate of 4% for 2018. In addition, surveyed economists forecast Lebanon's fiscal deficit at 8.7% of GDP in 2018 and at 7.8% of GDP in 2019. The participants expected the fiscal deficit to be between 7.6% of GDP and 9.6% of GDP this year, with a median of 8.6% of GDP. Further, polled economists projected the current account deficit at 18.3% of GDP this year and at 19.4% of GDP in 2019. Also, the surveyed economists expected the current account deficit to range between 15.7% of GDP and 21.2% of GDP, with a median of 18.2% of GDP in 2018.

In parallel, respondents assigned an average probability of 16.7% for Lebanon to enter into recession in the next 12 months. The opinions of surveyed economists ranged between 10% and 20%. The poll's results indicated a median probability of 20% for a recession in 2018.

Beirut ranks 181st worldwide, 14th in Arab world in quality of living

The 2018 Mercer survey on the quality of living around the world ranked Beirut as the 181st most desirable city for overall living standards among 231 cities worldwide and in 14th place among 22 cities in the Arab world. Also, Beirut ranked in 48th place among 57 cities in upper middle-income countries (UMICs) included in the survey. In comparison, Beirut ranked in 180th place globally and in 14th place regionally in the 2017 survey. Based on the 221 cities that were included in both the 2010 and 2018 surveys, Beirut came in 171st place globally in 2018 and improved by one spot from 172nd place in the 2010 survey. It was among 115 cities whose rank improved, while the rank of 76 cities regressed and that of 30 cities was unchanged between 2010 and 2018.

The survey evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to healthcare & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the natural environment.

On a global basis, the quality of living in Beirut is better than in Cotonou in Benin, Maputo in Mozambique and Algiers in Algeria; and is less appealing than in Cairo in Egypt, San Salvador in El Salvador and Blantyre in Malawi. Also, Beirut's quality of living is better than in Algiers, Minsk in Belarus and Havana in Cuba; and is less appealing than in Saint Petersburg in Russia, Tirana in Albania and Almaty in Kazakhstan among UMICs.

Vienna has the highest quality of living in the world and Dubai remains the city with the best living standards in the Arab world; while the survey considered Baghdad to be the world's least appealing city in terms of quality of living. Mercer conducts the survey annually to help multinational companies assess international hardship allowances and incentives for their expatriate workers. It collected the data for the survey between September and November 2017 and regularly updates it to take into account the changing circumstances. Mercer is a global consulting firm in human resources and related financial advice, products and services.

Quality of Living Rankings in 2018

City	Arab Rank	Global Rank	Change in Rank*
Dubai	1	74	-
Abu Dhabi	2	77	+2
Muscat	3	105	+1
Doha	4	110	-2
Tunis	5	114	-
Rabat	6	117	-
Amman	7	119	-
Casablanca	8	124	+1
Kuwait City	9	126	-
Manama	10	136	-2
Riyadh	11	165	+1
Jeddah	12	168	+1
Cairo	13	178	-13
Beirut	14	181	-1
Algiers	15	184	-
Djibouti	16	190	-1
Tripoli	17	218	-
Nouakchott	18	221	-
Damascus	19	225	-
Khartoum	20	227	-
Sana'a	21	229	-
Baghdad	22	231	-

*year-on-year; (+) denotes improvement in rank

Source: Mercer 2018, Byblos Research

Number of new construction permits down 6.5% in first two months of 2018

The Orders of Engineers & Architects of Beirut and of Tripoli issued 2,316 new construction permits in the first two months of 2018, down by 6.5% from 2,478 permits in the same period of 2017. In comparison, new construction permits declined by 1.4% in the first two months of 2017. Mount Lebanon accounted for 37.7% of newly-issued construction permits in the first two months of 2018, followed by the South with 19.5%, the Nabatieh area with 13.4%, the North with 12.7%, the Bekaa region with 10% and Beirut with 4.7%. The remaining 2% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

Further, the surface area of granted construction permits reached 1,769,416 square meters (sqm) in the first two months of 2018, constituting a decrease of 7% from 1,902,277 sqm in the same period of 2017. In comparison, the surface area of granted construction permits declined by 10% year-on-year in the first two months of 2017. Mount Lebanon accounted for 735,619 sqm, or 41.6% of the total, in the covered period. The North followed with 302,545 sqm (17.1%), then the South with 258,221 sqm (14.6%), the Bekaa region with 159,303 sqm (9%), the Nabatieh area with 157,799 sqm (8.9%) and Beirut with 102,276 sqm (5.8%). The remaining 53,653 sqm, or 3% of the total, represent the surface area of permits that were issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

Also, the surface area of new construction permits issued for Beirut grew by 23.2% year-on-year in the first two months of 2018, while it rose by 17.1% for the North. In contrast, the surface area of new construction permits issued for Mount Lebanon decreased by 12.6%, followed by surface areas in the Bekaa (-6.3%), Nabatieh (-5.1%) and the South (-1.4%). Also, the surface area of granted construction permits for regions located outside northern Lebanon fell by 55.7% year-on-year in the covered period. In parallel, cement deliveries totaled 274,856 tons in January 2018, constituting a decrease of 10.6% from 307,491 tons in the same month of 2017, and relative to a rise of 22.5% in January 2017.



Travel & tourism sector to generate 19% of economic activity in 2018

The World Travel & Tourism Council (WTTC) estimated that the travel & tourism (T&T) industry would directly contribute \$3.5bn to the Lebanese economy in 2018, equivalent to about 6.9% of GDP, compared to about 10.2% of GDP in 2010. It also anticipated that direct industry employment will reach 137,800 persons in 2018, representing 6.6% of total employment in the country. It expected the sector's direct contribution to the economy to grow by 6.2% in real terms, and its direct contribution to employment to increase by a real rate of 4.7% in 2018. It added that, since the T&T industry affects all sectors of the economy, its real direct and indirect impact is more significant. As such, it forecast the sector to generate \$9.8bn or 19.1% of Lebanon's overall economic activity in 2018, and to employ 386,800 persons, or 18.4% of total employment. It expected the sector's overall contribution to GDP to increase by 5.2% in real terms in 2018, and for its aggregate contribution to employment to grow by 5.8%.

The WTTC forecast the direct contribution of the T&T industry to Lebanon's economic activity to reach \$6bn in 2028 in constant 2017 prices, equivalent to 8.8% of GDP; while the broader T&T economy would contribute \$16.2bn, or 23.7% of GDP by 2028. It projected the T&T industry in Lebanon to grow by an average of 5.2% in real terms annually between 2018 and 2028, compared to real growth rates for the T&T industry of 4.6% in the Middle East and 3.8% globally over the same timeframe. Also, it forecast the T&T industry's direct contribution to economic activity to grow by an average of 5.6% in real terms yearly during the 2018-28 period compared to average real growth rates of 4.2% in the Middle East and of 3.8% in the world. Globally, Lebanon ranks in 42nd place among 185 countries in terms of the anticipated growth rate of the sector's total contribution to GDP over the 2018-28 period, and in 31st place in terms of the expected growth of the sector's direct contribution to GDP over the covered period.

Further, the WTTC projected the number of jobs in the T&T direct industry to grow by an average of 2.8% in real terms annually and to reach 181,000 jobs, or about 8.6% of total jobs in Lebanon by 2028. It also forecast employment in the T&T economy to increase by 2.4% in real terms annually and to reach 492,000 jobs overall, equivalent to 23.2% of total employment by 2028. In comparison, the WTTC forecast direct industry employment in the Middle East to grow by 2.2% annually over the 2018-28 period and to account for 3.1% of the region's total employment by 2028, while it projected the T&T economy's employment to expand by 2.4% annually and to account for 7.6% of the region's total employment. Lebanon ranks in 77th place globally in terms of the expected growth rate of the sector's total contribution to employment over the 2018-28 period, and in 68th place in terms of the anticipated growth rate of the industry's direct contribution to employment during the covered period.

In parallel, the WTTC estimated that the T&T industry had a direct contribution of \$3.3bn to the Lebanese economy in 2017, equivalent to 6.5% of GDP, and that direct industry employment reached 131,500 jobs, representing 6.4% of Lebanon's total employment in 2017. Also, it estimated the total contribution of Travel & Tourism to the Lebanese economy at \$9.3bn in 2017, or 18.4% of GDP.

Travel & Tourism contribution in Lebanon (US\$m)			
	2018	2028	Growth*
Visitors Exports	7,526	13,504	6.0%
Leisure Spending	7,986	13,889	5.7%
Domestic Spending	1,100	1,536	3.4%
Business Spending	641	1,151	6.0%
Capital Investment	1,389	1,923	3.3%
T&T Direct Contribution to GDP	3,523	6,048	5.6%
T&T Total Contribution to GDP	9,827	16,242	5.2%
T&T Direct Employment**	137.8	180.8	2.8%
T&T Total Employment**	386.8	491.7	2.4%

*real annualized growth rate over 2018-2028

**thousands of jobs

Source: World Travel & Tourism Council

Value of cleared checks up 1.4%, returned checks up 18% in first two months of 2018

The value of cleared checks reached \$11.1bn in the first two months of 2018, constituting an increase of 1.4% from \$10.9bn in the same period of 2017. In comparison, the value of cleared checks regressed by 3.3% in the first two months of 2017 and increased by 2.2% in the same period of 2016. The value of cleared checks in Lebanese pounds grew by 7.2% year-on-year to the equivalent of \$3.7bn in the first two months of 2018, while the value of cleared checks in US dollars declined by 1.2% to \$7.4bn in the covered period. The dollarization rate of cleared checks regressed from 68.8% in the first two months of 2017 to 67% in the same period of 2018. Further, there were 1.93 million cleared checks in the first two months of 2018, up by a marginal 0.8% from 1.91 million in the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$235.5m in the first two months of 2018 compared to \$200.3m in the same period of 2017 and \$234.2m in the first two months of 2016. This constituted an increase of 17.5% year-on-year in the first two months of 2018 relative to a drop of 14.4% in the same period of 2017 and a decline of 21% in the first two months of 2016. Also, there were 41,287 returned checks in the covered period, up by 18.7% from 34,773 returned checks in the first two months of 2017.

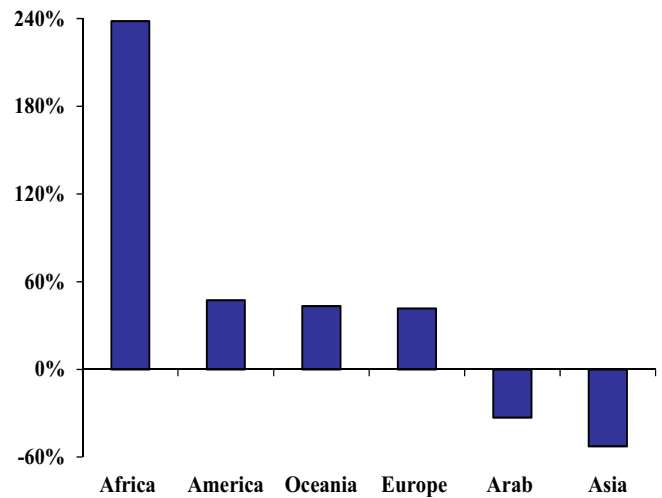


Tourist arrivals up 3% in first two months of 2018

The number of incoming visitors to Lebanon totaled 221,695 in the first two months of 2018, constituting an increase of 3% from 215,309 tourists in the same period of 2017 and a decline of 5.6% from 234,801 visitors in the first two months of 2010. Also, the number of incoming visitors reached 114,692 in February 2018, up by 1.7% from 107,003 in January 2018 and by 4.2% from 110,052 in February 2017. Visitors from Arab countries accounted for 34.3% of the total in the first two months of 2018, followed by those from European economies with 34.2%, the Americas with 13.8%, Asia with 8.1%, Africa with 6.6% and Oceania with 2.9%. Further, tourists from Iraq accounted for 14.6% of total visitors in the covered period, followed by visitors from France (9.1%), the U.S. (6.9%), Egypt (6%), Jordan (5.1%), Canada (4.5%), Germany (3.9%), England (3.8%) and Saudi Arabia (2.7%).

In parallel, the number of visitors from Europe increased by 13% year-on-year in the first two months of 2018, followed by those from the Americas (+6.8%), Oceania (+5.3%), Africa (+4%) and Asia (+2.3%), while the number of visitors from the Arab region regressed by 6.7% year-on-year. On a country basis, the number of tourists from Brazil grew by 20.6% year-on-year in the covered period, followed by visitors from Germany (+17.1%), France (+15.6%), Egypt (+13.2%), Sweden (+10.7%), Turkey (+9.2%), England (+7.3%), Canada (+5.7%), the U.S. (+5.2%) and Italy (+3.6%). In contrast, the number of visitors from the UAE dropped by 35.8% year-on-year in the first two months of 2018, followed by visitors from Saudi Arabia (-35.6%), Kuwait (-14%), Iraq (-6.4%), Jordan (-3.3%) and Venezuela (-1.4%).

Change in the Number of Tourist Arrivals from Main Sources in First Two Months of 2018*



*from same period of 2010

Source: Ministry of Tourism, Byblos Research

Energy Ministry calls on private sector to build and operate hydroelectric plants

The Ministry of Energy & Water called on the private sector to submit an expression of interest (EOI) for the construction and operation of hydroelectric plants in select sites across Lebanon. In fact, the ministry, in collaboration with the French Agency for Development and consulting firm Sogreah, has already identified 32 new sites that have hydro power potential in Chabrouh, Damour, Jannah, Jezzine, Kannoubin and Mechmech, among other regions. Also, 25 out of the 32 projects are economically viable and have a minimum selling tariff of below \$0.12 per kilowatt hour. The Lebanese Center for Energy Conservation (LCEC) noted that interested companies have until June 15, 2018 to submit their EOIs. It said that the ministry would sign the power purchase agreement (PPA) with the selected companies, based on their technical capability and experience, their ability to obtain sufficient funds to develop the project, as well as depending on their bid levels.

Further, the LCEC pointed out that the selected companies would finance, develop, acquire land, design, build, own, operate and maintain the hydroelectric plants, and would be responsible for all other aspects related to operating the plants. It also noted that Electricité du Liban (EdL), with the approval of the Ministry of Energy & Water, will contractually purchase the electricity produced by the hydroelectric plants for a period of 20 years, subject to terms and conditions defined in the PPA. It added that the ministry and EdL do not intend to purchase the plant's assets during the 20-year period.

In addition, the LCEC indicated that the construction of hydroelectric plants would be possible due to Law 288 dated April 2014, as well as Law 54 dated October 2015. The two laws allow the Council of Ministers to issue permits and licenses to the private sector to generate electricity from renewable energy sources and transport it through the national grid.

Revenues through the Port of Beirut up 12% to \$21.5m in January 2018

Figures released by the Port of Beirut show that the port's overall revenues were \$21.5m in January 2018, up by 12.3% from \$19.2m in the same month of 2017 and relative to \$22.3m in December 2017. The Port of Beirut handled an aggregate freight of 639,000 tons in the covered month, up by 1.3% from 631,000 tons in January 2017. Imported freight amounted to 560,000 tons in January 2018 and accounted for 87.6% of the total, while the remaining 79,000 tons, or 12.4%, consisted of export cargo. A total of 153 ships docked at the port in the covered month compared to 128 vessels in January 2017.

In parallel, revenues generated through the Port of Tripoli reached \$2.1m in January 2018, constituting an increase of 3.1% from \$2m in the same month of 2017 and compared to \$1.43m in December 2017. The Port of Tripoli handled an aggregate weight of 163,760 tons of freight in the covered month, constituting a decrease of 3.1% from 169,059 tons in January 2017. Imported freight amounted to 131,925 tons and accounted for 80.6% of the total, while the remaining 31,835 tons, or 19.4%, were export cargo. A total of 48 vessels docked at the port in January 2018, constituting a drop of 20% from 60 ships in January 2017.



World Bank approves \$295m to modernize public transportation

The World Bank approved a \$295m funding package for the Greater Beirut Public Transport Project (GBPTP) that aims to modernize Lebanon's public transport system. The project aims to improve the speed, quality and accessibility of public transport for passengers in Greater Beirut and the northern entrance of Beirut. The project, which is the first phase of a comprehensive national public transportation program, aims to reduce by 50% the commuting time between Beirut and its northern suburbs. The first phase will likely be followed by additional phases that would cover the southern and eastern entrances to Beirut.

The funding package consists of a \$225m loan and a \$70m grant from the Global Concessional Financing Facility. The Facility is a multinational fund that provides low- and no-interest financing packages to support middle-income countries experiencing unusual social and economic pressure from refugee inflows. The funds will be disbursed over a seven-year period. The loan will be paid over 31.5 years and includes an eight-year grace period. The new financing raises the total value of the World Bank's commitments to Lebanon to \$1.7bn. The project is expected to post an economic internal rate of return of 39%.

The funding package will finance three components of the project that are the Bus Rapid Transit (BRT) system, the feeder bus system, and technical assistance related to the supervision of the BRT and its feeder network. The first component, which will cost \$230m, covers the design, construction and supervision of BRT infrastructure on the northern highway and the outer roads of Beirut. The infrastructure includes stations, terminals, intersections and park facilities. It will also require the purchase of 120 buses to service 40 kilometers of dedicated BRT lanes between northern districts and Beirut.

Overall, the first component will be financed through \$180m from the World Bank and the Global Concessional Financing Facility, and aims to mobilize private sector investments of between \$50m and \$80m for the purchase and operations of BRT buses. Contributions by the private sector for the purchase of the buses would be possible under the public-private partnership law that seeks to attract private investments to the Lebanese infrastructure sector.

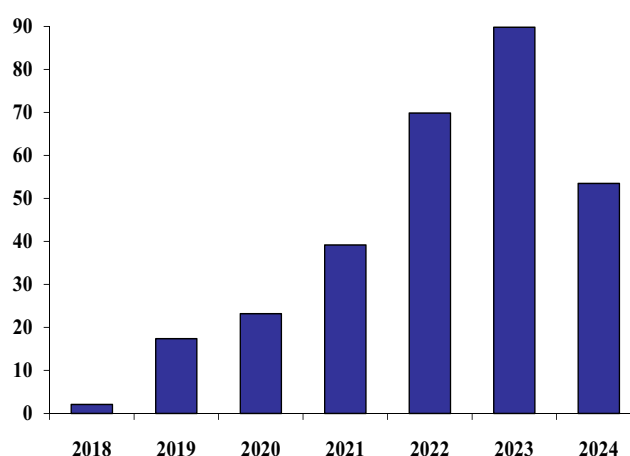
The second component, which will cost \$104.4m, consists of the acquisition of 250 feeder buses, as well as the construction of bus stops, shelters and street equipment. The third component, which is estimated at \$10m, involves technical assistance and consulting services related to strengthening the supervision of the BRT and feeder network. It includes the administrative and financial management aspects of the related operations. Funding for the second and third components would be fully provided by the World Bank and the Global Concessional Financing Facility.

Consumer Price Index up 5.4% in first two months of 2018

The Central Administration of Statistics' Consumer Price Index increased by 5.4% year on-year in the first two months of 2018 compared to a growth of 4.6% in the same period of 2017. The CPI increased by 5.2% in February 2018 from the same month of 2017. The prices of clothing & footwear grew by 14.8% year-on-year in February 2018, followed by the cost of alcoholic beverages & tobacco (+8.3%), recreation & entertainment (+6.6%), the prices of water, electricity, gas & other fuels (+6.4%), actual rents (+6.2%), transportation costs (+5.2%), prices at restaurants & hotels (+4.6%), healthcare costs (+4.5%), imputed rents (+4.3%), prices of furnishings & household equipment (+4.2%), the cost of education (+4%), the prices of food & non-alcoholic beverages (+3.9%), miscellaneous goods & services (+2.9%) and communication costs (+1%). The distribution of actual rents shows that old rents grew by 9.6% annually in February 2018, while new rents increased by 3.8% year-on-year.

Further, the CPI increased by 0.2% in February 2018 from the preceding month, while it was unchanged month-on-month in January 2018. Transportation costs increased by 1.1% month-on-month in February 2018, followed by the prices of food & non-alcoholic beverages (+1%), the cost of furnishings & household equipment (+0.8%), recreation & entertainment costs and the prices of water, electricity, gas & other fuels (+0.5% each), actual rents (+0.3%), the cost of education, communication costs, prices at restaurants & hotels and miscellaneous goods & services (+0.2% each), and the prices of alcoholic beverages & tobacco and imputed rents (+0.1% each). In contrast, the prices of clothing & footwear declined by 3.7% month-on-month in January 2018 and healthcare costs regressed by 0.2% in the covered month. The CPI increased by 1.1% month-on-month in each of Beirut and Nabatieh, by 0.3% in Mount Lebanon and by 0.1% in the Bekaa, while it regressed by 0.4% in the North and was nearly unchanged in the South in the covered month. In parallel, the Fuel Price Index grew by 2.1% month-on-month in February 2018, while the Education Price Index increased by 0.2% from the preceding month.

Disbursements for the Greater Beirut Public Transport Project (US\$m)



Source: World Bank, Byblos Research

Retail activity indicator up 1.4% in 2017, down 9% since 2012

Figures released by the Lebanese Franchise Association (LFA) show that the LFA's Retail Sales Indicator for consumer goods & services in Lebanon increased by 1.4% in 2017. The indicator declined by 12.2% in the first quarter of 2017 from the preceding quarter, improved by 5.1% in the second quarter, increased by 13% in the third quarter and decreased by 7.5% in the fourth quarter of 2017. Also, the index regressed by 9% from 2012, which is the base year that the LFA uses to calculate the index. The consumer goods covered by the index are clothing, cosmetics, household goods, sports & hobbies, luxury items, and food & beverages; while the consumer services segment consists of hospitality, tourism, and medical services.

The retail sales indicator for consumer goods shows that the indicator for cosmetics increased by 18% in 2017, followed by that for the food & beverages category (+8.7%) and household goods (+3.5%), while the sales indicator for luxury items regressed by 16%, followed by that for fashion & clothing (-3.1%) and sports & hobbies (-0.5%). The retail sales indicator for four out of six categories of consumer goods was lower than their base year level by margins ranging from 32.7% to 49.6%. In parallel, the retail sales indicator for consumer services shows that sales of hospitality services grew by 4.5% and the indicator for medical services increased by 2.7% in 2017, while the indicator for tourism services declined by 14.4% last year. Also, the retail sales indicator for tourism services regressed by 8.5% from its 2012 base year level, the only category among consumer services to post a contraction in activity over the covered period.

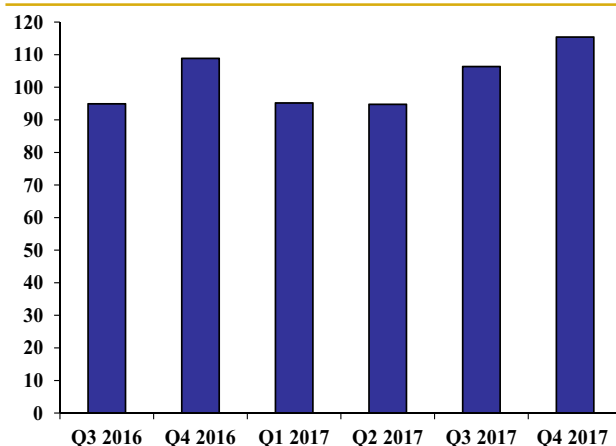
The Lebanese Franchise Association and the Chamber of Commerce, Industry & Agriculture of Beirut and Mount Lebanon launched the Retail Activity Indicators in 2015. The indicators are based on data collected from shopping malls in the Beirut and Mount Lebanon areas, on a retail enterprise survey, and on data from payment system operators. QuantAnalysts sarl, a research and consulting firm, compiled the data and developed the indicators. The firm said that the 60-month time series of retail sales indicators for the nine categories of consumer goods and services were seasonally adjusted.

Industrial exports down 2% to \$2.5bn in 2017

Figures released by the Ministry of Industry show that industrial exports totaled \$2.47bn in 2017, constituting a decrease of 2.1% from \$2.53bn in 2016. Industrial exports reached \$219.6m in December 2017, up by 7.1% from \$205.1m in the preceding month, and by 1.5% from \$216.3m in December 2016. Exports of machinery & mechanical appliances totaled \$485.1m and accounted for 19.6% of aggregate industrial exports in 2017, followed by prepared foodstuffs & tobacco with \$471.4m (19.1%), chemical products with \$396.7m (16%), base metals with \$341.3m (13.8%), plastics & rubber with \$156.8m (6.3%), paper & paperboard with \$142.2m (5.8%), and pearls & precious or semi-precious stones & metals with \$141m (5.7%). Arab countries were the destination of 56% of Lebanese industrial exports in 2017, followed by European economies with 14.1%, Asian countries with 12.2%, African economies with 11%, countries in the Americas with 5% and markets in Oceania with 0.6%. On a country basis, Saudi Arabia was the main destination of Lebanese industrial exports and accounted for 10.2% of the total in 2017, followed by the UAE with 10%, Iraq with 8.8%, Syria with 8.4%, Turkey with 4.8% and Qatar with 3.7%. In December 2017, 14 Arab states, seven European economies, seven African countries, three Asian economies, two countries in the Americas and one country in Oceania imported \$1m or more each in Lebanese industrial products.

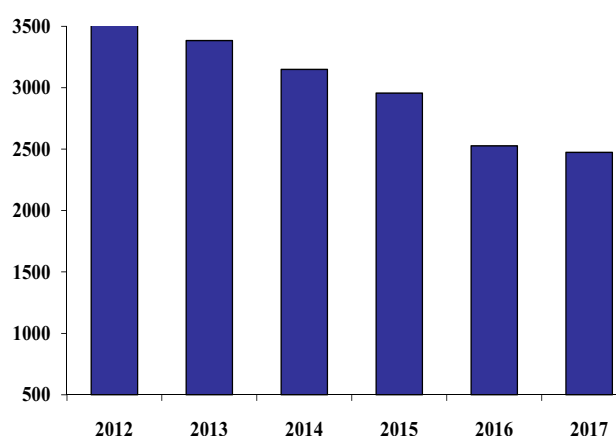
In parallel, imports of industrial equipment and machinery reached \$257.4m in 2017, up by 9.3% from \$235.5m in 2016. Italy was the main source of such imports and accounted for 21.2% of the total in 2017, followed by China with 21.1% and Germany with 13.8%. Further, imports of industrial equipment and machinery amounted to \$23.2m in December 2017, up by 29.6% from \$17.9m in the same month of 2016. Italy was the main source of such imports with \$7.5m and accounted for 32.5% of the total in the covered month, followed by Germany with \$3.4m (14.7%) and China with \$3.1m (13.3%).

Sales of Food & Beverage Indicator



Source: Lebanese Franchise Association, QuantAnalysts

Lebanese Industrial Exports (US\$m)



Source: Ministry of Industry, Byblos Research

Byblos Bank announces dividends for 2017, invites shareholders to General Assembly

The Board of Directors of Byblos Bank sal announced that it will propose to the Annual Ordinary General Assembly the distribution of LBP212 (\$0.14) in dividends per share to holders of common shares, and of \$8 (LBP12,060) per share to the holders of Preferred Shares Class 2008 and Preferred Shares Class 2009. Also, the Bank plans to pay in US dollars the equivalent of LBP212 per share to GDR holders through the Bank of New York Mellon. Upon the General Assembly's approval, the dividends on common and preferred shares will be paid starting on April 26, 2018 net of a 10% withholding tax, while those on GDRs will be disbursed starting on May 2, 2018 after deducting the withholding tax and other expenses. Byblos Bank's share capital consists of 565,515,040 common shares, 2,000,000 Class 2008 Preferred Shares and 2,000,000 Class 2009 Preferred Shares.

In parallel, the Board of Directors of Byblos Bank sal invited the Bank's shareholders to attend the Annual General Assembly on April 20, 2018. The agenda of the meeting includes examining the Board of Directors' and the auditors' general reports for 2017, approving the financial statements of fiscal year 2017, granting clearance to the Chairman and Board members for their administrative duties during 2017, and determining the remuneration of the auditors and the emoluments of the Board members and members of Board Committees for 2017, among other tasks.

Byblos Bank sal declared unaudited net profits of \$170.1m in 2017, constituting an increase of 2.9% from \$165.3m in 2016. Also, the Bank's aggregate assets reached \$22.7bn at the end of 2017 and grew by 9.1% from \$20.8bn at end-2016. Net loans & advances to customers totaled \$5.43bn at the end of 2017 and expanded by 5.2% from end-2016, while net loans & advances to related parties reached \$14.6m. The Bank's total customer deposits amounted to \$17.7bn at the end of 2017 and rose by 5.3% from end-2016, and deposits from related parties stood at \$252.6m. The Bank's Basel III capital adequacy ratio was at 17.3% at the end of 2017, which significantly exceeds Banque du Liban's regulatory requirement of 15% for end-2018, and is one of the highest such ratios in the Lebanese banking sector. The Bank also maintained a high level of immediate foreign-currency liquidity, equivalent to 16% of deposits in foreign currency at the end of 2017, in the form of short-term placements with investment- and above investment-grade institutions, and at levels exceeding the local and international benchmarks.

Life premiums up 4.3% to \$521m in 2017

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon indicates that total life premiums generated by 34 providers of life insurance in the Lebanese market reached \$520.9m in 2017, constituting an increase of 4.3% from \$499.2m in 2016, and compared to annual increases of 5.5%, 6.2% and 6% in 2014, 2015 and 2016, respectively. Life premiums generated in the Lebanese market totaled \$420.5m in 2013, \$443.7m in 2014 and \$471.1m in 2015.

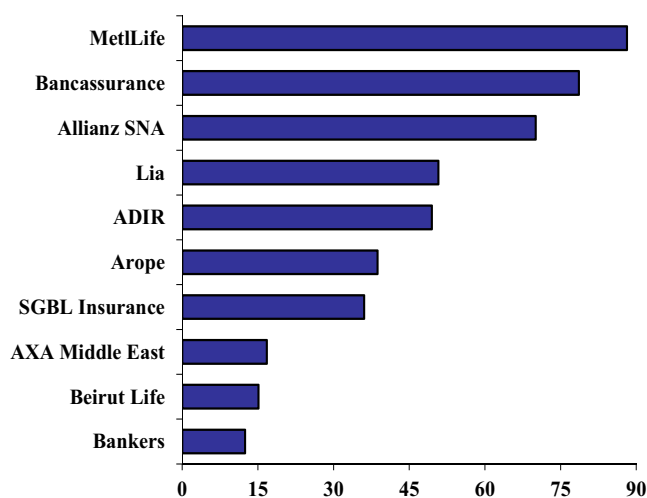
MetLife ALICO maintained its market lead with \$88.1m in life premiums, equivalent to a 16.9% market share in 2017 relative to 18.7% in 2012. It was followed by Bancassurance with \$78.6m and a market share of 15.1%, Allianz SNA with \$70.1m (13.5%), LIA with \$50.8m (9.7%), and ADIR with \$49.5m (9.5%) as the top five providers of life insurance in Lebanon.

In parallel, 23 life insurance providers posted increases in their premiums last year, with six firms registering double-digit growth rates and the remaining 17 companies posting single-digit increases. Also, eight firms saw a decline in their life premiums, while the premiums of three firms were unchanged year-on-year. Further, all of the top 10 life insurers posted increases in their premiums in 2017.

Byblos Bank's insurance affiliate ADIR registered a 9.3% increase in life premiums, posting the third best performance among the top 10 providers of life insurance and the third best performance among providers that are majority-owned by banks. The composition of the top 10 insurers changed from 2016, as Beirut Life moved to ninth place from 11th place in 2016. It replaced MedGulf, which regressed by two spots to 11th place.

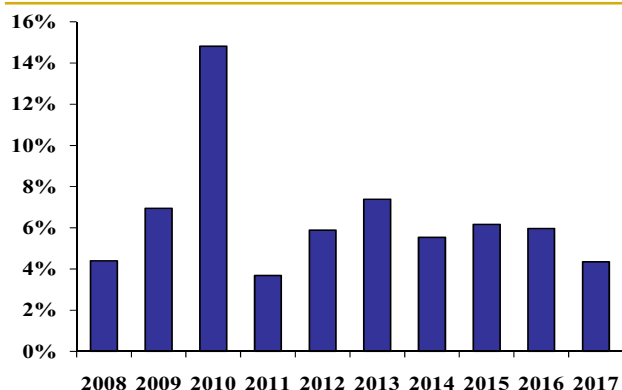
The survey shows that the top 10 providers of life insurance in Lebanon accounted for 87.6% of the life insurance market, while the top 20 firms generated 97.7% of life premiums in 2017. Further, the top five life insurers in Lebanon accounted for 64.7% of the market in 2017 compared to 64.2% in 2016, 63.7% in 2015 and 62.8% in 2014. Their aggregate premiums reached \$337.1m in 2017, compared to \$320.3m in 2016, \$300m in 2015 and \$278.5m in 2014.

Life Premiums of the Top 10 Insurers in 2017 (US\$m)



Source: Al-Bayan, Byblos Research

Growth in Life Premiums (%)



Source: Al-Bayan, Byblos Research

Byblos Bank is best positioned Lebanese bank in case of foreign currency liquidity shortage

Moody's Investors Service indicated that Banque du Liban's (BdL) recent circular about the implementation of a Liquidity Coverage Ratio (LCR) at commercial banks is credit positive for the banks. It expected the implementation of the LCR to improve the banks' short-term liquidity management and help them avoid liquidity shortages.

Further, Moody's indicated that the banks' non-reserve deposits with BdL, as well as Lebanese government securities held by the banks, are part of the stock of high quality liquid assets (HQLA) that are used in the computation of LCR. It considered that banks already meet the LCR requirements, given the banking sector's high exposure to such securities. However, it said that banks may not be able to rapidly convert Lebanese sovereign debt instruments into cash with little or no loss in value in private markets during a 30-day liquidity stress scenario, given that there is a limited secondary market for these securities. Still, it considered that BdL could discount them and provide liquidity for banks in case of need. However, it indicated that a systemic foreign currency liquidity crisis could weigh on BdL's foreign currency reserves.

Further, Moody's noted that the implementation of the LCR maintains the correlation between Lebanese banks' creditworthiness and that of the sovereign, given the banks' large exposure to sovereign risk and the government's reliance on the banking sector to finance its budget deficit, which it forecast to reach 8% of GDP in 2018.

In parallel, Moody's considered that Byblos Bank is the best positioned bank among rated Lebanese banks to meet foreign currency liquidity outflows without relying on BdL, because of its higher level of immediate liquidity. It noted that Byblos Bank's cash and cash equivalents, excluding deposits at central banks, which are mostly foreign interbank placements, accounted for 12% of its total assets at the end of 2016, significantly higher than its peers. It said that Byblos Bank's deposits with maturities of 30 days or less accounted for 54% of its total customer deposits, compared with an average of 62% for other rated banks. It also indicated that other banks in Lebanon have been recently extending the maturity profile of their deposit base following the political crisis of November 2017.

Top five freight forwarders' import activity down 11% in January 2018, export activity down 7%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 26,731 20-foot equivalent units (TEUs) in January 2018, constituting a decrease of 10.8% from 29,978 TEUs in the same month of 2017. The five freight forwarders accounted for 84.6% of imports to the Lebanese market and for 53.2% of the total import freight forwarding market in January 2018. Mediterranean Shipping Company (MSC) handled 9,643 TEUs in imports in the covered month, equivalent to a 19.2% share of the total freight forwarding import market. Merit Shipping followed with 5,452 TEUs (10.9%), then Sealine Group with 4,811 TEUs (9.6%), Gezairy Transport with 3,555 TEUs (7.1%) and Metz Group with 3,270 TEUs (6.5%). Further, MSC registered a year-on-year increase of 11.4% in import shipping, the only firm to post a rise among the top five freight forwarders, while Metz Group posted the steepest decline at 29% in January 2018.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 6,333 TEUs in January 2018, constituting a decrease of 6.6% from 6,780 TEUs in the same month of 2017. The five freight forwarders accounted for 89.7% of exported Lebanese cargo and for 11.8% of the total export freight forwarding market in January 2018. Merit Shipping handled 2,462 TEUs of freight in January 2018, equivalent to 35% of the Lebanese cargo export market. Metz Group followed with 1,328 TEUs (18.8%), then Sealine Group with 1,262 TEUs (17.9%), Lotus Shipping with 773 TEUs (11%) and Gezairy Transport with 508 TEUs (7.2%). Further, Lotus Shipping joined the top five list with 773 TEUs in January 2018 relative to zero TEUs in January 2017, Merit Shipping posted the only decrease at 40.5% among the top five freight forwarders.

Middle East Airlines to resume flights to Erbil

National flag carrier Middle East Airlines (MEA) announced that it will resume flights to and from Erbil International Airport in the Kurdistan Region of Iraq starting April 3, 2018, following the federal government of Iraq's decision to lift the international ban on the airport.

In September 29, 2017, the Iraqi government suspended international flights to airports in the Kurdistan Region of Iraq, in response to the Kurdistan Region's referendum that was conducted on September 25, 2017 and during which Kurds voted for independence from Iraq.

Lebanese investors are active in the Kurdistan Region of Iraq, as they accounted for about 16% of total investment in the region between August 2006 and mid-January 2016. Lebanese firms present in Iraqi Kurdistan operate in the tourism and hospitality sector, banking and insurance field, as well as in education, oil, real estate and construction, among others. According to the Association of Banks in Lebanon, there are eight Lebanese banks in the region that are Byblos Bank, Bank Audi, BankMed, BBAC, BLOM Bank, Crédit Libanais, Fransabank, and IBL Bank as at the end of March 2017.

Net profits of top 15 banks up 6% to \$2.4bn in 2017, ROAA at 1.1% and ROAE at 11.4%

The unaudited consolidated net profits of the Alpha Group of banks reached \$2.4bn in 2017, constituting an increase of 6% from net earnings of \$2.3bn in 2016. In comparison, the banks' net income grew by 11.7% in 2016. The Alpha Group consists of 15 banks with deposits in excess of \$2bn each. The growth in the banks' net profits in 2017 mainly reflects an annual increase of \$232m in net interest income and a drop of \$160.8m in total operating expenses. Total net operating income regressed by 9.6% to \$5.9bn in 2017, with aggregate net interest income increasing by 6.1% to \$4bn and net fees & commissions declining by 42.5% to \$893.6m. In addition, net gains on financial assets at fair value decreased by 50.8% to \$596.3m in 2017, with net interest income from financial assets regressing by 0.6% to \$285.4m and net profits on foreign exchange declining by 56.5% to \$127.3m. Also, net gains on financial investments decreased by 75.3% to \$270m in 2017. Non-interest income accounted for 34.3% of total income in 2017, down from 46.4% in the preceding year, with net fees & commissions representing 39.6% of non-interest income, down from 43.9% in 2016. Also, the net interest spread regressed from 1.93% in 2016 to 1.91% in 2017.

In parallel, total operating expenditures decreased by 4.9% to \$3.1bn in 2017, with staff expenses declining by 2.7% to \$1.7bn and administrative & other operating expenses growing by 2.9% to \$1.14bn. Further, the cost-to-income ratio was 47.65% in 2017, up from 43.2% in 2016. The banks' return on average assets was 1.06% in 2017 relative to 1.07% in 2016, while their return on average equity was 11.4% last year compared to 11.6% in 2016.

The banks' total assets reached \$233bn at the end of 2017, constituting an increase of 6.6% from end-2016 and relative to a rise of 6.4% in 2016. Net loans & advances to customers totaled \$65.9bn, up by 2.1% from a year earlier, while credit extended to related parties regressed by 37.2% to \$526.1m at the end of 2017. Customer deposits totaled \$178.9bn at end-2017, reflecting a growth of 3.8% from a year earlier and compared to a similar increase of 3.9% in 2016. In parallel, deposits from related parties reached \$3.6bn at end-2017, down by 9.5% from end-2016. The banks' shareholders equity reached \$21.8bn at the end of 2017 and increased by 6.4% from end-2016.

In parallel, the banks' loans-to-deposits ratio decreased from 37.1% at the end of 2016 to 36.4% at end-2017. The loans-to-deposits ratio in local currency was 28.9% compared to 24.4% at end-2016, while the ratio in foreign currency was 39.4% at the end of 2017 relative to 42.5% a year earlier. Further, the primary liquidity-to-assets ratio was 40.6% at the end of 2017, up from 35.1% at end-2016. In addition, the banks' gross doubtful loans-to-gross loans ratio decreased from 5.65% at end-2016 to 5.63% at the end of 2017. Also, the loan-loss reserves on doubtful loans covered 73.1% of gross doubtful loans at end-2017, down from a coverage of 74.6% a year earlier. Further, the ratio of collective provisions-to-net loans increased from 1.57% at the end of 2016 to 1.73% at end-2017.

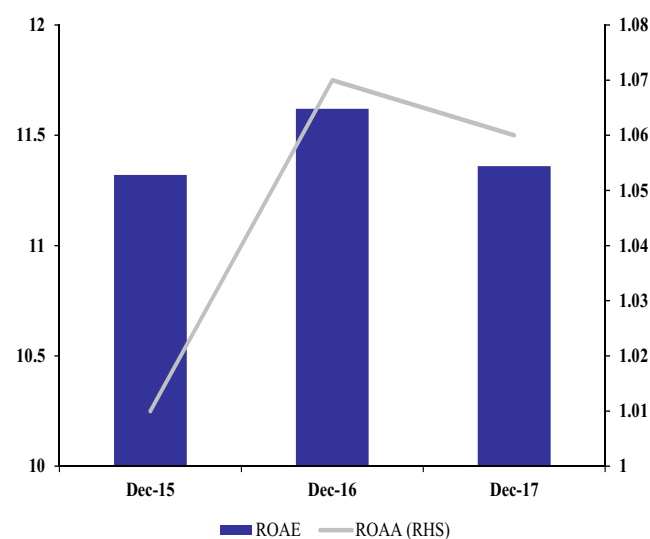
CMA CGM posts net profits of \$701m in 2017

The Lebanese-owned and France-based container shipping firm CMA CGM declared consolidated net profit of \$701.4m of in 2017 relative to net losses of \$452.2m in 2016. The firm's core earnings before interest and taxes (EBIT), excluding disposals and impairment charges, reached \$1.57bn in 2017 relative \$28.9m in 2016. Also, the company's revenues grew by 32.1% to \$21.1bn in 2017, mainly due to a 32.6% growth in the company's container shipping segment. In parallel, the firm's operating expenses increased by 23% to \$19bn in 2017. CMA CGM indicated that it transported 18.95 million twenty-foot equivalent units (TEUs) last year, up by 21.1% from 15.64 million TEUs in 2016, which has led to a strong increase in shipping volumes and revenues.

Further, the firm's consolidated assets reached \$19.7bn at the end of 2017, up by 5.4% from a year earlier, mainly due an increase in the value of vessels and containers. The value of the firm's property and equipment rose by 8.2% from end-2016 to \$10.1bn in 2017, with vessels accounting for \$8.6bn or 85.2% of the total, followed by containers at \$562.6m (5.6%), land and buildings at \$509.8m (5%), and other properties and equipment at \$426.5m (4.2%).

Also, CMA CGM's return on invested capital, which measures how well the company is using its money to generate returns, improved from -1.4% in the fourth quarter of 2016 to 12.1% in the fourth quarter of 2017. The company's gearing ratio, which measures financial leverage, decreased from 130% at end-2016 to 119% at the end of 2017.

Profitability Metrics of Top 15 Banks (%)



Source: Bankdata Financial Services, Byblos Research

Ratio Highlights

(in % unless specified)	2015	2016	2017e	Change*
Nominal GDP (\$bn)	49.5	49.7	53.1	
Public Debt in Foreign Currency / GDP	54.7	56.6	57.2	0.65
Public Debt in Local Currency / GDP	87.4	94.1	92.5	(1.59)
Gross Public Debt / GDP	142.1	150.7	149.8	(0.95)
Total Gross External Debt / GDP	175.8	183.9	185.6	1.70
Trade Balance / GDP	(30.5)	(31.6)	(38.2)	(6.56)
Exports / Imports	16.3	15.9	12.3	(3.61)
Fiscal Revenues / GDP	19.4	20.0	21.5	1.50
Fiscal Expenditures / GDP	27.4	29.9	29.1	(0.80)
Fiscal Balance / GDP	(8.0)	(9.9)	(7.6)	2.30
Primary Balance / GDP	1.0	(0.4)	1.9	-
Gross Foreign Currency Reserves / M2	58.7	62.2	68.2	5.98
M3 / GDP	249.7	267.2	260.6	(6.59)
Commercial Banks Assets / GDP	375.7	411.1	414.0	2.95
Private Sector Deposits / GDP	306.2	327.0	317.6	(9.32)
Private Sector Loans / GDP	109.5	115.0	113.6	(1.46)
Private Sector Deposits Dollarization Rate	64.9	65.8	68.7	2.88
Private Sector Lending Dollarization Rate	74.8	72.6	71.0	(1.61)

*Change in percentage points 16/17

**Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks

Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, World Bank, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Metrics

Lebanon	Aug 2016	Jul 2017	Aug 2017	Change**	Risk Level
Political Risk Rating	54.5	55.5	55.5	▼	High
Financial Risk Rating	36.5	33.0	33.0	▲	Moderate
Economic Risk Rating	30.5	27.5	27.5	▲	High
Composite Risk Rating	60.75	58.0	58.0	▲	High

MENA Average*	Aug 2016	Jul 2017	Aug 2017	Change**	Risk Level
Political Risk Rating	57.4	57.9	57.8	▼	High
Financial Risk Rating	38.8	38.9	38.0	▲	Low
Economic Risk Rating	29.7	30.7	30.6	▼	Moderate
Composite Risk Rating	62.9	63.2	63.2	▼	Moderate

*excluding Lebanon

**year-on-year change in risk

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B3	NP	Stable	B3		Stable
Fitch Ratings	B-	B	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative

Source: Moody's Investors Services



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