

## LEBANON THIS WEEK

### In This Issue

**Economic Indicators**.....1  
**Capital Markets**.....1  
**Lebanon in the News**.....2

Lebanon's external debt posts 39th highest return in emerging markets, 10th highest in the Middle East & Africa

Central Bank's foreign assets up 7% to \$38bn in 2014

Lebanon ranks 115th globally, 15th among Arab countries on Energy Architecture Performance Index

Coincident Indicator up 3% year-on-year in first 10 months of 2014

Equal pay among males and females more prevalent in Lebanon than in Arab countries

Beirut selected among top 10 Emerging Cities in terms of human capital and lifestyle

CDR completes \$8bn in projects between 1992 and 2013

Central Bank amends collective provisions on banks' loan portfolios

Balance of payments posts deficit of \$1.2bn in first 11 months of 2014

Finance Ministry targets 35 issuances in first quarter of 2015

Net public debt at \$56.7bn at end-November 2014

Tourism spending in Lebanon up 1% in 2014

Number of new construction permits flat in first 11 months of 2014, surface area up 7%

### Corporate Highlights .....8

Kafalat loan guarantees down 7% to \$110m in 2014

Bank of Beirut to raise capital

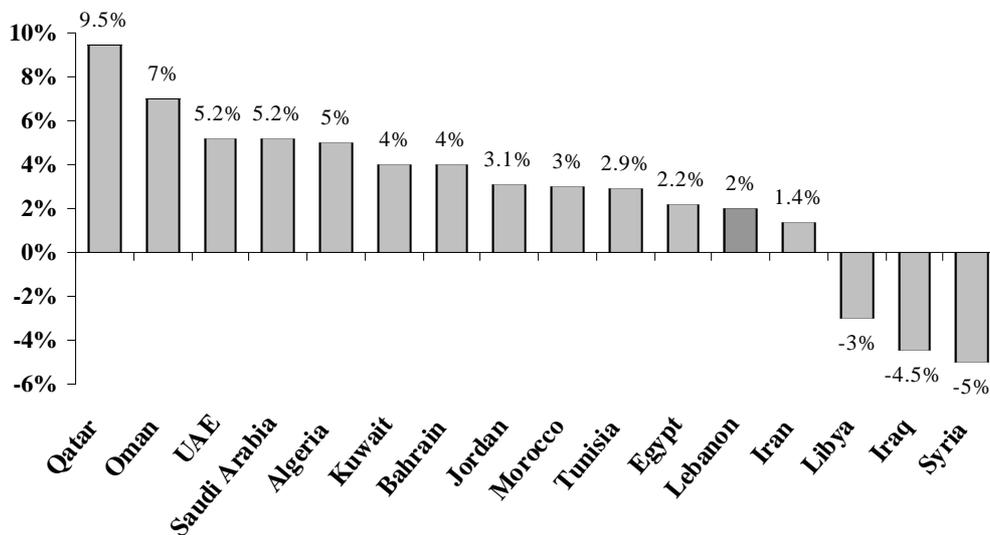
### Ratio Highlights.....9

### Risk Outlook .....9

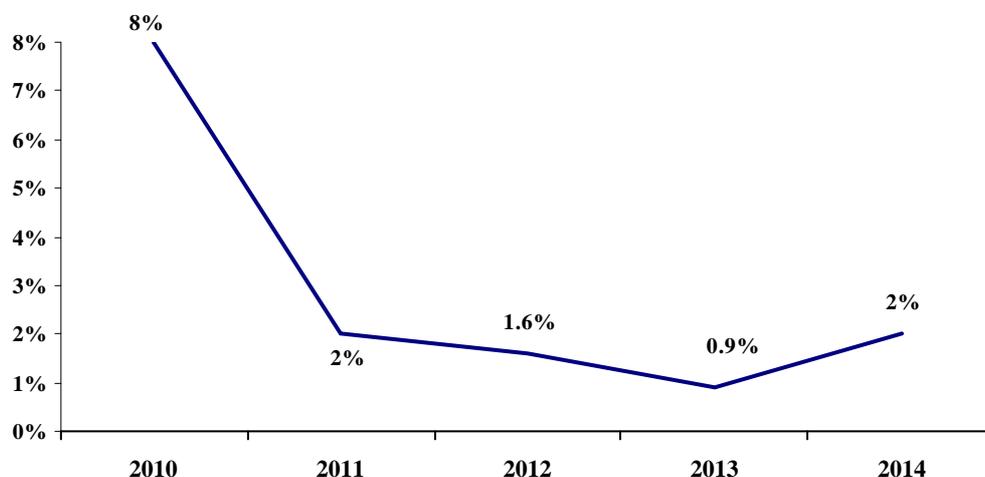
### Ratings & Outlook.....9

### Charts of the Week

Projected Non-Oil Real GDP Growth Rate of MENA Countries in 2014 (%)



Estimated Real GDP Growth Rate in Lebanon (%)



Source: Institute of International Finance, Byblos Bank

### Quote to Note

"Passing a budget for 2015 with reliable fiscal adjustment measures would send a powerful signal of commitment to reducing the public debt."

*The International Monetary Fund, on the risks of the increasing public debt level in the absence of a ratified budget since 2005*

### Number of the Week

**17:** Number of times the Lebanese Parliament convened and failed to elect a President

## Economic Indicators

\$m (unless otherwise mentioned)	2013	Aug 13	May 14	June 14	July 14	Aug 14	% Change*
Exports	3,936	279	308	278	276	285	2.15
Imports	21,228	1,828	1,676	1,567	1,657	2,120	15.97
Trade Balance	(17,292)	(1,549)	(1,368)	(1,289)	(1,381)	(1,835)	18.46
Balance of Payments	(1,128)	(223)	520	(561)	(85)	(564)	152.91
Checks Cleared in LBP	17,047	1,354	1,619	1,518	1,454	1,558	15.09
Checks Cleared in FC	55,321	4,495	5,058	4,807	4,694	4,973	10.63
Total Checks Cleared	72,368	5,849	6,677	6,325	6,148	6,531	11.67
Budget Deficit/Surplus	(4,220)	(551.43)	(170.31)	(187.36)	238.07	(318.75)	(42.20)
Primary Balance	(239.68)	(382.69)	316.5	133.93	513.55	(141.93)	(62.91)
Airport Passengers	6,265,470	727,086	511,556	610,170	641,830	814,800	12.06

\$bn (unless otherwise mentioned)	2013	Aug 13	May 14	June 14	July 14	Aug 14	% Change*
BdL FX Reserves	31.71	31.00	33.26	33.85	35.14	33.09	6.76
<i>In months of Imports</i>	<i>17.65</i>	<i>16.96</i>	<i>19.84</i>	<i>21.60</i>	<i>21.21</i>	<i>15.61</i>	<i>(7.95)</i>
Public Debt	63.46	60.50	65.08	65.71	65.62	65.86	8.86
Net Public Debt	53.18	51.73	54.92	55.17	55.17	55.59	7.46
Bank Assets	164.82	158.56	168.85	169.57	169.74	170.33	7.42
Bank Deposits (Private Sector)	136.21	131.38	138.85	140.35	141.32	141.52	7.71
Bank Loans to Private Sector	47.38	45.57	48.62	49.18	49.38	49.74	9.16
Money Supply M2	45.60	44.42	46.81	46.89	47.28	47.48	6.88
Money Supply M3	111.16	108.28	114.19	114.97	115.58	115.62	6.79
LBP Lending Rate (%)	7.29	7.24	7.48	7.45	7.36	7.21	(3bps)
LBP Deposit Rate (%)	5.44	5.47	5.50	5.49	5.54	5.51	4bps
USD Lending Rate (%)	6.88	7.16	7.04	6.97	6.96	6.96	(20bps)
USD Deposit Rate (%)	2.95	2.91	3.01	2.98	3.02	3.13	22bps
%* Change in CPI**	3.89	3.81	0.63	1.19	1.54	0.81	(300bps)

\* Year-on-Year; \*\* Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

## Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	11.22	(2.18)	35,117	9.93%	Jan 2015	5.875	100.00	5.71
Solidere "B"	11.11	(1.07)	19,537	6.39%	Apr 2015	10.000	102.19	2.19
Byblos Common	1.60	(3.61)	602,068	5.09%	Jan 2016	8.500	105.05	3.39
Byblos Pref. 08	102.00	0.00	0	1.80%	Mar 2017	9.000	109.75	4.28
Byblos Pref. 09	101.20	(0.88)	3,083	1.79%	Nov 2018	5.150	101.38	4.75
BLOM GDR	9.92	1.22	420	6.48%	May 2019	6.000	103.75	5.03
BLOM Listed	8.80	0.00	89,043	16.74%	Mar 2020	6.375	105.50	5.15
Audi GDR	6.50	(3.42)	1,428	6.64%	Apr 2021	8.250	114.35	5.50
Audi Listed	6.26	2.62	73,560	22.14%	Oct 2022	6.100	102.38	5.72
HOLCIM	15.50	1.64	1,518	2.68%	Nov 2026	6.600	103.69	6.16

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

Source: Byblos Bank Capital Markets

	Jan 5-9	Dec 29 - Jan 2	% Change	Dec 2014	Dec 2013	% Change
<b>Total Shares Traded</b>	977,698	1,266,419	(22.80)	10,832,896	3,186,671	239.94
<b>Total Value Traded</b>	\$6,134,863	\$7,138,327	(14.06)	\$69,469,519	\$30,056,050	131.13
<b>Market Capitalization</b>	\$11.30bn	\$11.32bn	(0.14)	\$11.22bn	\$10.55bn	6.42

Source: Beirut Stock Exchange (BSE)



### Lebanon's external debt posts 39th highest return in emerging markets, 10th highest in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted a return of 8.8% in 2014, constituting the 16th highest return among 41 markets in the Central & Eastern Europe and the Middle East & Africa (CEEMEA) region, as well as the 39th highest return among the 73 emerging markets included in Merrill Lynch's External Debt EM Sovereign Index. Lebanon outperformed the overall emerging markets returns of 7.8% in 2014.

Further, Lebanon's external debt posted the 10th highest return among 23 countries in the Middle East & Africa region in 2014, ahead of Israel (+8.3%), Namibia (+8.2%), the UAE (+8.1%), Qatar (+7.6%), Senegal (+6.3%), Mozambique (+5.4%), Iraq (+5%), Jordan (+4.6%), Ghana (+4.4%), Kenya (+3.6%), Nigeria (+1.4%), Gabon (+0.8%) and Angola (-1.8%). It was outperformed by Egypt (+21%), Turkey (+18.2%), Tunisia (+15.7%), Morocco (+15.2%), Zambia (+14.4%), Rwanda (+13.6%), the Ivory Coast (+12.3%), South Africa (+10.4%) and Bahrain (+9.4%).

In parallel, Lebanon's external debt posted a return of -0.13% in December 2014, constituting the fifth highest return in the CEEMEA region and the 17th highest return in emerging markets during the covered month. Lebanon outperformed the CEEMEA and the emerging markets returns of -1.8% each, and those posted by 'B'-rated sovereigns of -5.9%. Further, Lebanon's external debt posted the highest return in the Middle East & Africa region in December 2014.

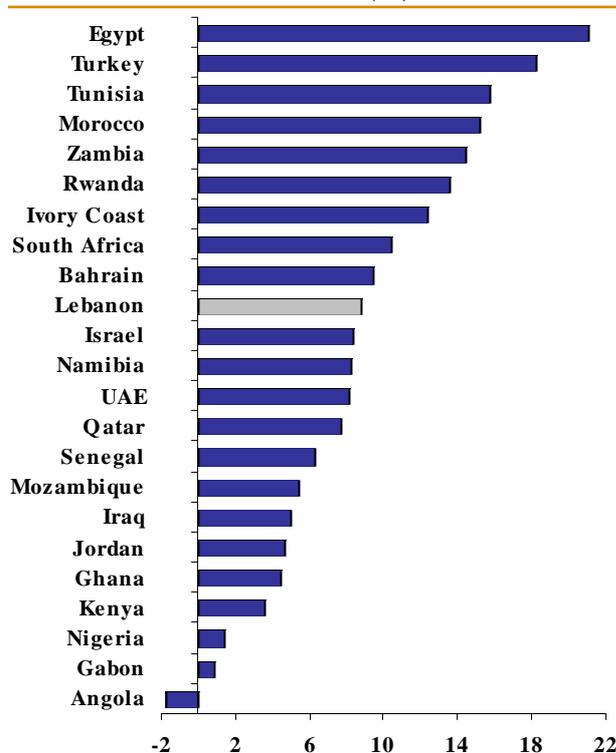
Merrill Lynch indicated that the spread on Lebanese Eurobonds ended 2014 at 381 basis points, constituting the 19th widest spread in the CEEMEA region and the 31st widest among emerging markets. It was wider than the emerging markets' overall spread of 314 basis points at end-2014. Lebanon has a weight of 3.37% on Merrill Lynch's External Debt EM Sovereign Index, the fifth highest in the CEEMEA universe and the ninth highest among emerging economies. Lebanon accounted for 6% of allocations in the CEEMEA region.

### Central Bank's foreign assets up 7% to \$38bn in 2014

The Central Bank's interim balance sheet reached \$85.7bn at the end of 2014 compared to \$85.3bn at the end of September 2014 and to \$77bn at the end of 2013. Assets in foreign currencies reached \$37.9bn at the end of 2013, constituting a decrease of 1.3% from \$38.3bn at end-September 2014 and a rise of 7.3% from \$35.3bn at the end of 2013. Assets in foreign currencies increased by \$329m in January, by \$595.7m in February, \$81.6m in March, \$254m in May, \$697.3m in June, \$700.4m in July, \$285.7m in August, \$288.7m in September and by \$524.5m in October; while they decreased by \$181.6m in April, by \$142.9m in November and by \$862.2m in December 2014. This resulted in an aggregate increase of nearly \$2.6bn in 2014, with increases of \$1bn in the first quarter, \$769.5m in the second quarter and \$1.3bn in the third quarter of 2014, and a drop of \$480.7m in the fourth quarter of 2014.

The value of the Central Bank's gold reserves contracted by 1.4% year-on-year and by 4% in the fourth quarter to \$11bn in 2014, compared to the peak of \$16.7bn reached at the end of August 2011. The Central Bank's securities portfolio increased by 14.4% annually and by 6.1% in the last quarter of 2014 to \$14bn. Further, deposits of the financial sector rose by \$10.1bn, or by 17.7% annually, to \$67.5bn; while deposits of the public sector decreased by 17.3% year-on-year to \$6.1bn at end-2014. Assets in foreign currencies increased by \$8.3bn in 2009, by \$2.3bn in 2010, by \$1.63bn in 2011 and by \$3.5bn in 2012, and decreased by \$445.1m in 2013.

### External Debt Performance in the Middle East & Africa in 2014 (%)



Source: Merrill Lynch, Byblos Research

### Lebanon ranks 115th globally, 15th among Arab countries on Energy Architecture Performance Index

The World Economic Forum ranked Lebanon in 115th place among 125 countries on its 2015 Energy Architecture Performance Index (EAPI), in 15th place among 16 Arab countries, and in 35th place among 36 upper middle-income countries (UMICs) included in the survey. The WEF adjusted the weights of several indicators and recalibrated its model, which prevents year-on-year comparison.

The EAPI assesses the performance of energy systems across three primary objectives that are delivering economic growth, achieving economic growth in an environmentally-sustainable way, and providing universal energy access and security. The index is composed of 18 indicators aggregated into three sub-indices that are Economic Growth & Development, Environmental Sustainability, and Energy Access & Security. The scores and ranks of each country are based on how well its current energy architecture contributes to the three objectives. Scores are between zero and one, with zero reflecting the lowest score.

Globally, Lebanon ranked ahead of only Bangladesh, Nepal, Iran, Haiti, Benin, Cambodia, Ethiopia, Tanzania, Mongolia and Yemen. Lebanon received a score of 0.46 points, lower than the global and UMIC's average score of 0.59 points each, the Arab average of 0.5 points as well as the non-GCC Arab countries average score of 0.51 points, and the GCC average of 0.49 points.

Globally, Lebanon tied with Italy, Cameroon, Guatemala, Qatar, Nicaragua, China, Bosnia & Herzegovina and Eritrea, while it came ahead of Indonesia and Ghana and ranked behind Cambodia and the UAE on the Economic Growth & Development Sub-Index. This category measures the extent to that a country's energy architecture supports its economic growth and development. Lebanon tied with China and Bosnia & Herzegovina and ranked ahead of Libya, Algeria, Jamaica, Jordan, Malaysia, Venezuela, Belarus, Turkmenistan and Iran among UMICs. It tied with Qatar and came behind Morocco, Yemen, Tunisia, Iraq and the UAE among Arab countries.

Further, Lebanon tied with China, came ahead of Bangladesh and Botswana, and ranked behind Bahrain and Libya on the Environmental Sustainability Sub-Index. This category measures the environmental impact of energy supply and consumption within a country's energy architecture. Lebanon tied with China and came ahead of Botswana, Macedonia, Iraq, Bosnia & Herzegovina and Iran among UMICs; while it came ahead of Iraq, Qatar, Yemen, Oman, the UAE, Saudi Arabia and Kuwait in the Arab world.

Finally, Lebanon tied with Pakistan, came ahead of Senegal and Ghana, and ranked behind Namibia and Nicaragua on the Energy Access & Security Sub-Index. This category measures the extent that a country's energy supply is secure, accessible and diversified. Lebanon ranked ahead of Botswana among UMICs and came ahead of only Yemen in the region.

#### Arab Countries Rankings & Scores

	Score	Arab Rank	Global Rank
Tunisia	0.59	1	61
Algeria	0.59	2	65
Morocco	0.57	3	69
Qatar	0.54	4	81
Iraq	0.52	5	92
Libya	0.51	6	94
Syria	0.5	7	96
UAE	0.49	8	100
Oman	0.49	9	101
Egypt	0.48	10	106
Kuwait	0.48	11	107
Jordan	0.47	12	108
Saudi Arabia	0.47	13	112
Bahrain	0.46	14	113
<b>Lebanon</b>	<b>0.46</b>	<b>15</b>	<b>115</b>
Yemen	0.4	16	125

Source: WEF, Byblos Research

#### Components of the 2015 Energy Architecture Performance Index for Lebanon

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Economic Growth & Development	76	6	25	0.46	0.51	0.41	0.52
Environmental Sustainability	111	9	30	0.40	0.58	0.37	0.52
Energy Access & Security	105	15	35	0.52	0.69	0.72	0.72

Source: World Economic Forum, Byblos Research

### Coincident Indicator up 3% year-on-year in first 10 months of 2014

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 272.6 points in October 2014 compared to 264.3 in September 2014 and 270.5 in October 2013. The Coincident Indicator, an average of 8 weighted economic indicators, rose by 3.1% month-on-month and by 0.8% year-on-year in October 2014. The indicator averaged 272 in the 12 months ending October 2014, compared to 271.8 in the 12 months ending September 2014 and relative to 262.8 in the 12 months ending October 2013. As a result, the average coincident indicator was nearly unchanged month-on-month and rose by 3.5% year-on-year. Also, the indicator averaged 271.7 in the first 10 months of 2014 compared to 271.6 in the first nine months of 2014 and 263 in the first 10 months of 2013. As a result, the average coincident indicator was unchanged month-on-month and increased by 3.3% year-on-year during the covered period. In parallel, the indicator improved 20 times and regressed two times on a monthly basis in the month of October since 1993. It averaged 225.9 in 2009, 249.5 in 2010, 255.7 in 2011, 256.6 in 2012 and 264.7 points in 2013.

### Equal pay among males and females more prevalent in Lebanon than in Arab countries

A survey conducted by regional job portal Bayt.com indicated that 37% of women who work in a mixed gender environment in Lebanon believe that they receive the same pay as their male counterparts, compared to 26% of participants in Arab countries who shared similar views. In addition, 30% of women in Lebanon consider that they receive a lower salary than their male counterparts relative to 53% of respondents in the region who have the same opinion; while 4% of women in Lebanon said that they earn more than their male peers, similar to the region's average. However, 29% of surveyed women did not know or could not say if they are paid more or less than their male counterparts. The survey covered a sample of 1,543 working females in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE. The survey, which was conducted between October 22 and November 20, 2014, covered a sample of 115 respondents in Lebanon, including 105 women who work in a mixed gender environment.

Further, the survey showed that 19% of working women in Lebanon are the sole income earner in their household, while 42% of women said that they have one additional income earner in their household. Also, 63% of women who are not the sole income earner in their household said that the male contributes the most to the household's income, compared to 20% who said that the female contributes the most and 10% who noted that the contribution is split equally between the male and the female.

In parallel, the survey indicated that Lebanese women seek employment to become financially independent (55% of responses), to make use of their education (50% of responses), to broaden their perspective on life (43% of responses), to be able to support and financially contribute to their household (40% of responses) and to meet and socialize with new people (34% of responses). Further, the main challenges in the work environment faced by women in Lebanon are a stressful and demanding work environment (40% of responses), fewer opportunities for promotions (37% of responses), the lack of flexible working hours (31% of responses), as well as insufficient job training and coaching and the lack of benefits (29% of responses each). The survey's results for Lebanon are mitigated by the fact that the sample size is not representative enough and that the survey was conducted via the Internet, which is not the most reliable methodology for opinion polling.

### Beirut selected among top 10 Emerging Cities in terms of human capital and lifestyle

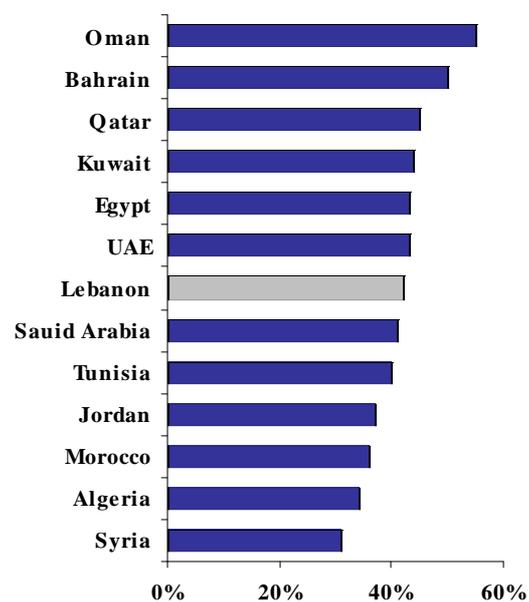
fDi Intelligence's Global City of the Future survey for 2014-15 included Beirut in its list of the top 10 "Emerging Cities" in terms of Human Capital and Lifestyle and among the top 10 "Large Cities" in terms of Cost Effectiveness.

fDi Intelligence ranked Lebanon in eighth place among 58 Emerging Cities in terms of Human Capital and Lifestyle. It defined an Emerging City as a city with a GDP per capita of \$35,000 or less. Beirut came behind Seoul in South Korea, St. Petersburg in Russia, Buenos Aires in Argentina, Hanoi in Vietnam, Wroclaw in Poland, Ho Chi Minh in Vietnam and Santiago in Chile. Beirut was the only Middle Eastern city to appear in the top 10 list. This category takes into account a city's labor force, the quality of life, performance on the Human Development Index, the brain drain, the number of physicians per 1,000 people and life expectancy. It also factors in a city's literacy rate, its secondary and tertiary enrollment rates, expenditures on education, the number of universities, the number of international baccalaureate schools, the number of universities that rank among the top 500 universities globally, the number of students, and the number of tertiary students as a percentage of the population.

In parallel, fDi Intelligence ranked Beirut in 10th place in terms of Cost Effectiveness among 34 "Large Cities", which it defines as cities with a population of between 500,000 and 750,000 and with an urban zone population of between one million and two millions. Beirut came behind Tunis, Sofia in Bulgaria, Panama City in Panama, Maputo in Mozambique, Gurgaon in India, Muscat, Belgrade in Serbia, Kampala in Uganda and Wroclaw in Poland. This category takes into account the average annual salary of unskilled, semi-skilled and skilled workers residing in the city, the minimum wage, the country's purchasing power parity and exchange rate, the corporate tax rate, the common indirect tax rate and the total tax rate. It also factors in the annual rent for prime Grade A office and industrial space, the cost of establishing a business, the cost of registering a property, the cost of construction permits, fuel prices, the cost of electricity, and the cost of importing and exporting.

fDi Intelligence collected data for 130 locations under five categories that are Economic Potential, Business Friendliness, Human Capital & Lifestyle, Cost Effectiveness, and Connectivity. Each category includes data points that are weighted according to their importance to the FDI decision-making process. fDi Intelligence is a division of the Financial Times Group.

### % of Households with two Income Earners



Source: Bayt.com, Byblos Research

### CDR completes \$8bn in projects between 1992 and 2013

The Council for Development and Reconstruction (CDR) indicated that it signed contracts for an aggregate value of \$12.1bn during the 1992-2013 period that include \$7.89bn, or 65.4% of the total, in completed projects and \$4.17bn worth of projects that are still in progress. The transportation sector attracted \$3bn of signed contracts during the covered period, followed by the solid waste sector with \$2.02bn, the electricity sector with \$1.47bn, education with \$1.25bn, water supply with \$996.1m, post & telecommunications with \$798.5m, sanitary water systems with \$776.6m, agriculture & irrigation with \$470.5m, public health with \$325.7m, sovereign services with \$163m, environment & regional planning with \$98.9m, and social & economic affairs with \$64.6m; while other sectors attracted \$622.9m during the covered period. Further, the CDR said that foreign funding totaled \$4.92bn and included \$1.28bn for electricity projects, \$1.1bn for transportation, \$691.5m for water supply, \$533m for education projects, \$432.5m for sanitation projects, \$276.5m for agriculture & irrigation, \$218.3m for public health, \$60m for environment & regional planning, \$33.6m for the solid waste sector, \$33.3m for post & telecommunications, \$24.3m for social & economic affairs and \$10.3m for sovereign services; while other sectors attracted \$236.9m in foreign funding during the covered period.

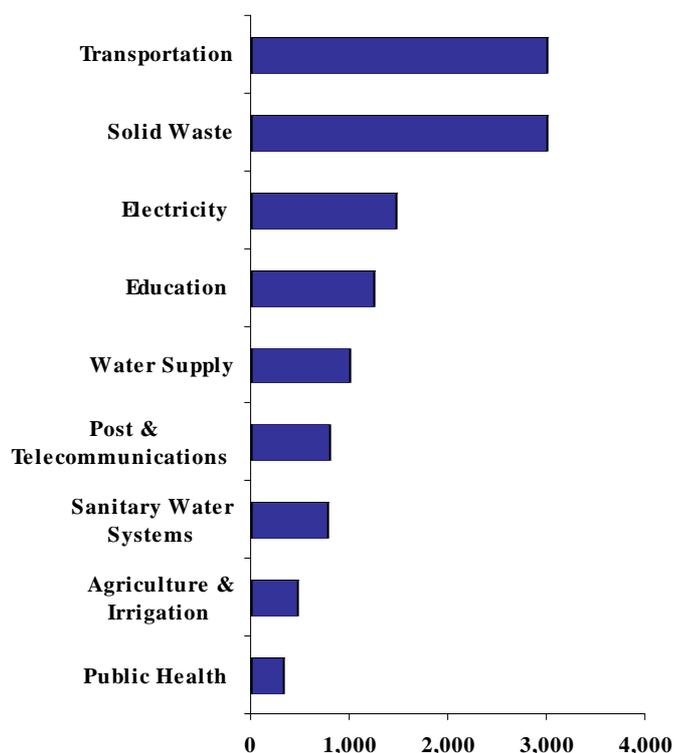
In parallel, the CDR pointed out that realized external financing totaled \$9.94bn between 1992 and 2013, with soft loans reaching \$7.06bn, or 71.1% of the total, and grants amounting to \$2.88bn or 28.9% of the total. The Arab Fund for Economic & Social Development provided 13.5% of overall financing during the covered period, followed by the Kuwait Fund For Arab Economic Development with 11.6%, the World Bank (11.5%), the European Investment Bank (11.2%), the Islamic Development Bank (10.3%), the Saudi Fund for Development (9.5%), the European Union (5.8%), the Italian government (5.5%), the French government and the French Development Agency (4.5%), Qatar (3.3%), commercial banks (3%), Germany (2%), the United States (1.6%) and Japan (1.3%). The infrastructure sector attracted 37.5% of external financing between 1992 and 2013; followed by social sectors such as education, public health, youth & sports and the environment with 24.8% of the total; basic services such as potable water, sanitation and solid waste with 19.7%; and productive sectors and other sectors such as agriculture, irrigation, industry and tourism with 17.9%.

### Central Bank amends collective provisions on banks' loan portfolios

The Central Bank of Lebanon issued Intermediate Circular 383 on December 24, 2014, which amends Basic Circular 81 dated February 21, 2001. The circular indicates that banks and financial institutions operating in Lebanon should conduct impairment tests on a regular basis, based on international standards and on the directives of the Banking Control Commission. It stipulated that banks should build collective provisions against their performing commercial loans portfolio based on the results of the impairment tests. The circular asked banks to build general reserves on their performing commercial loans portfolio, which must be equivalent to at least 0.25% of a bank's loan portfolio at the end of 2014, 0.5% at end-2015, 1% at end-2016 and 1.5% at end-2017. It allowed banks to include these reserves as part of their Tier One Capital. It exempted banks and financial institutions from building general reserves if a bank's collective provisions exceed 0.25% of its loan portfolio at the end of 2014, 0.5% at end-2015, 1% at end-2016 and 1.5% at end-2017. It added that banks should not release any surplus from their previously built collective provisions. Prior to the amendments, banks were obliged to build collective provisions that must at least be equivalent to 0.5% of a bank's loan portfolio at the end of 2014, 1% at end-2015 and 1.5% at end-2016.

In addition, the circular indicated that banks should build collective provisions against their performing retail loans as well as against their retail loans that are up to 30 days in arrear. It noted that collective provisions must be based on impairment tests that follow international standards and the directives of the Banking Control Commission. It added that provisions must at least be equivalent to 0.25% of a bank's retail loan portfolio at the end of 2014, 0.5% at end-2015, 1% at end-2016 and 1.5% at end-2017. It prohibited banks from freeing any surplus from previously built collective provisions. It excluded housing, student and education loans from the retail loan portfolio when building provisions. Prior to the amendments, banks were asked to build general reserves equivalent to 0.75% of a bank's retail loan portfolio by the end of 2014 and 1.5% by end-2015.

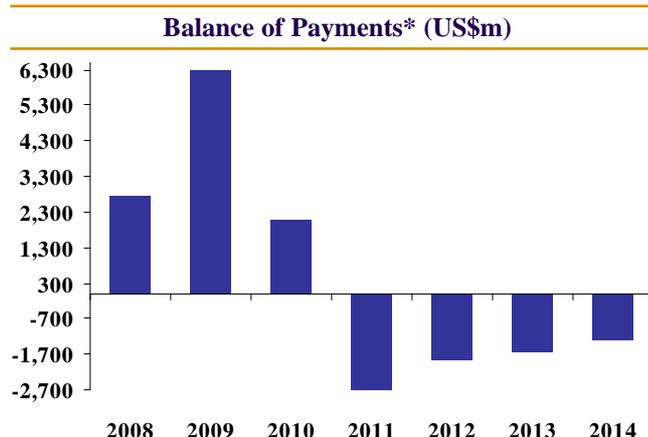
Contracts Awarded between 1992 and 2013 (US\$m)



Source: Council for Development & Reconstruction, Byblos Research

### Balance of payments posts deficit of \$1.2bn in first 11 months of 2014

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$1.2bn in the first 11 months of 2014 compared to a deficit of \$1.7bn in the same period of 2013. The balance of payments posted a deficit of \$424.4m in November 2014 compared to a deficit of \$565.9m in October 2014 and a deficit of \$192m in November 2013. The November 2014 deficit was caused by a deficit of \$318.5m in the net foreign assets of banks and financial institutions and a deficit of \$105.9m in those of the Central Bank. The cumulative deficit over the first 11 months of 2014 was caused by a deficit of \$5.86bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of \$4.57bn in those of the Central Bank. The balance of payments posted surpluses of \$7.9bn in 2009 and \$3.3bn in 2010, and deficits of \$2bn in 2011, \$1.5bn in 2012 and \$1.1bn in 2013.



\*in the first 11 months of each year

Source: Central Bank of Lebanon

### Finance Ministry targets 35 issuances in first quarter of 2015

The Ministry of Finance unveiled the domestic auction calendar for 35 issuances of Treasury bills and bonds in the first quarter of 2015, with 11 issuances in each of January and February and 13 issuances in March 2015. The breakdown by maturity shows that 19 T-bills will have a maturity of 12 months or less, three issuances will consist of two-year bills, four issuances will be in three-year T-bills, six issuances will consist of five-year bonds, one issue will be a seven-year bond and two issuances will be in 10-year bonds.

The calendar is part of the ministry's Medium Term Debt Management Strategy for the 2014-16 period. The ministry indicated that managing the debt would require the government to rely increasingly on foreign-currency borrowing between 2014 and 2016 in order to finance maturing debt and the cost of debt servicing during the covered period. It stipulates that about 30% of the government's annual borrowing needs would be in foreign currency, while the remaining amount would be sourced from the domestic market. Further, the management strategy will prioritize the extension of debt maturities, which would lengthen the average time to maturity and the average time to re-fixing the debt portfolio beyond the current level of 4.3 years.

There were LBP60,537bn, or \$40.2bn, in outstanding government securities denominated in Lebanese pounds at the end of November 2014. The three-year maturities reached LBP23,669bn and accounted for 39.1% of the total. They were followed by five-year maturities of LBP12,462bn (20.6%), seven-year maturities of LBP10,219bn (16.9%), 10-year maturities of LBP4,790bn (7.9%), 12-year maturities of LBP3,373bn (5.6%), two-year maturities of LBP2,096bn (3.5%), eight-year maturities of LBP1,982bn (3.3%), 12-month maturities of LBP1,266bn (2.1%), six-month maturities of LBP600bn (1%) and three-month maturities of LBP80bn (0.1%). The weighted interest on outstanding Treasury bills was 6.89% and their weighted life was 1,202 days at end-November 2014.

### Net public debt at \$56.7bn at end-November 2014

Lebanon's gross public debt reached \$66.63bn at the end of November 2014, constituting a rise of 4.9% from \$63.5bn at the end of 2013 and an increase of 5.3% from \$63.26bn at end-November 2013. Domestic debt totaled \$40.87bn at end-November, rising by 9.4% from end-2013 and by 10.2% annually; while external debt stood at \$25.76bn, constituting a decrease of 1.4% from the end of 2013 and a decline of 1.5% from a year earlier. Local currency debt accounted for 61.3% of gross public debt at the end of November 2014 compared to 58.7% a year earlier, while foreign currency-denominated debt represented 38.7% of the total relative to 41.3% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.89% and that on Eurobonds was 6.38% at the end of November 2014. Further, the weighted life on Eurobonds was 5.41 years, while that on Treasury bills was 1,202 days.

Commercial banks accounted for 51% of the local public debt at the end of November 2014 compared to 53.3% a year earlier. They were followed by the Central Bank with 32%, up from 30.2% at end-November 2013; while public agencies, financial institutions and the public accounted for 17% of local debt compared to 16.6% at the end of October 2013. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 90.7% of the external debt; followed by foreign governments with 4.8%; multilateral institutions with 4.2%; and Paris II loans with 0.3%. The net public debt, which excludes public sector deposits at the Central Bank and at commercial banks from overall debt figures, increased by 7.5% year-on-year to \$56.7bn. In parallel, the gross market debt accounted for about 65% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

### Tourism spending in Lebanon up 1% in 2014

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that total spending by tourists in Lebanon increased by 1% in 2014. Visitors from Saudi Arabia accounted for 14% of total tourist expenditures in 2014, followed by visitors from the UAE with 13%, Kuwait and Egypt with 7% each, Syria with 6%, France with 5%, Jordan and Nigeria with 4% each, and Qatar and the United States with 3% each. Beirut attracted 81% of total spending in 2014, followed by the Metn area with 13%, the Baabda area with 4% and the Keserwan region with 2%. Fashion & clothing accounted for 68% of total spending in 2014, followed by watches & jewelry with 19%, department stores and souvenirs & gifts with 3% each, home & garden products with 2%, and consumer electronics & household appliances with 1%.

Spending by visitors from France increased by 16% in 2014, followed by those from the United States (+14%), Egypt (+10%), Kuwait (+3%) and Qatar (+2%). In contrast, spending by visitors from the UAE contracted by 11% in 2014, followed by those from Syria and Nigeria (-5% each) and Saudi Arabia (-2%), while spending by visitors from Jordan was unchanged year-on-year.

Also, the total number of refund transactions by visitors decreased by 2% in 2014. The total number of refund transactions by visitors from Kuwait rose by 10% in 2014, followed by those from Egypt (+7%) and the United States (+5%). In contrast, the number of refund transactions by visitors from the UAE decreased by 17%, followed by those from Jordan (-9%), Nigeria (-8%), Saudi Arabia (-6%) and Qatar and Syria (-3% each); while the number of refund transactions by visitors from France was unchanged year-on-year.

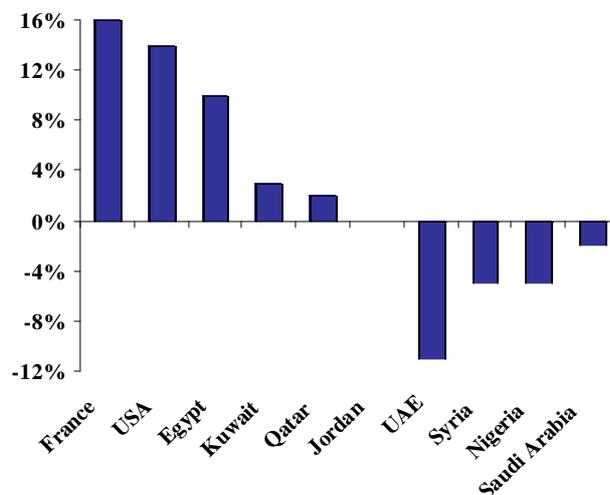
In parallel, total spending by tourists in Lebanon increased by 8% in the fourth quarter of 2014 from the same quarter of 2013. Visitors from Saudi Arabia accounted for 15% of total tourist expenditures in the fourth quarter of 2014, followed by visitors from the UAE with 13%, Egypt with 8%, Kuwait, Jordan and France with 7% each, Syria with 6%, Qatar and the United States with 3% each, and Nigeria with 2%. Spending by visitors from France increased by 50% year-on-year in the fourth quarter of 2014, followed by those from Saudi Arabia (+36%), the United States (+33%), Jordan (+21%), Egypt (+14%), Qatar (+13%), Nigeria (+11%) and Kuwait (+5%). In contrast, spending by visitors from Syria contracted by 24% year-on-year, while expenditures by visitors from the UAE fell by -9%. Also, the total number of refund transactions by visitors increased by 2% annually in the fourth quarter of 2014. The total number of refund transactions by visitors from Nigeria rose by 25% from the same quarter of 2013, followed by those from France (+18%), Saudi Arabia (+17%), Kuwait (+8%), the United States and Jordan (+4% each) and Egypt (+3%). In contrast, the number of refund transactions by visitors from Syria decreased by 25%, followed by those from the UAE (-14%) and Qatar (-7%).

### Number of new construction permits flat in first 11 months of 2014, surface area up 7%

Figures released by the Order of Engineers of Beirut & Tripoli show that the number of new construction permits reached 15,352 in the first 11 months of 2014, constituting a marginal decrease of 0.4% from 15,411 in the same period of 2013 and relative to a 7.6% decline in the first 11 months of 2013. Mount Lebanon accounted for 43.5% of the number of newly issued construction permits in the covered period, followed by South Lebanon with 17.1%, Nabatieh with 12.8%, the North with 11.9%, the Bekaa with 9.8% and Beirut with 5%.

Further, the surface area of construction permits granted in the first 11 months of 2014 reached 12.5 million square meters (sqm), constituting an increase of 6.9% from the same period of 2013 and compared to decreases of 10.3% in the first 11 months of 2013 and of 11.4% in the same period of 2012. Mount Lebanon accounted for 5.8 million sqm or 46.9% of total construction permits in the covered period. It was followed by the North with 2.2 million sqm (17.3%), the South with 1.5 million sqm (12.1%), the Bekaa with 1.04 million sqm (8.3%), Nabatieh with one million sqm (8.1%) and Beirut with 910,069 sqm (7.3%).

**Total Spending by Visitors in 2014  
(Percentage Change)**



Source: Global Blue, Byblos Research

### **Kafalat loan guarantees down 7% to \$110m in 2014**

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$109.6m in 2014, constituting a decline of 7.3% from \$118.2m in 2013. The number of loan guarantees totaled 838 in 2014, down 38% from 871 in 2013. The average loan size reached \$130,731 compared to \$135,664 in 2013. Mount Lebanon accounted for 42.2% of total guarantees, followed by the Bekaa with 20.2%, the South with 11.8%, the North with 11.5%, Nabatieh with 10.5% and Beirut with 3.8%. The agricultural sector accounted for 47.6% of total guarantees, followed by the industrial sector with 35.2%, tourism with 11.7%, handicraft with 3.2% and specialized technologies with 2.3%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to \$400,000 earmarked for the setup and expansion of small- and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the interest that accrues during the grace period.

### **Bank of Beirut to raise capital**

The Extraordinary General Assembly of Bank of Beirut held on December 16, 2014 approved the increase of the bank's capital from LBP104.76bn to LBP105.19bn, or \$69.77m, to cover the difference between the redemption and cancellation of 3,000,000 Series F Preferred Shares, and the issuance of 3,000,000 Series J Preferred Shares. The LBP425.96m or \$0.28m increase will be transferred from the distributable reserves account to the capital account. As such, Bank of Beirut's capital would consist of 74,599,400 shares that include 50,467,400 common shares; 4,762,000 Priority Shares Series 2014; 2,400,000 Series E Preferred Shares; 3,570,000 Series G Preferred Shares; 5,400,000 Series H Preferred Shares, 5,000,000 Series I Preferred Shares and 3,000,000 Series J Preferred Shares. The capital increase is subject to the approval of the Central Bank of Lebanon.

## Ratio Highlights

(in % unless specified)	2012	2013	2014	Change*
Nominal GDP (\$bn)	43.0	45.0	47.5	
Public Debt in Foreign Currency / GDP	56.7	58.0	54.1	(389)
Public Debt in Local Currency / GDP	77.4	83.0	86.9	389
Gross Public Debt / GDP	134.1	141.0	141.0	(5)
Total Gross External Debt / GDP	168.2	173.8	176.4	260
Trade Balance / GDP	(39.1)	(38.4)	(37.1)	134
Exports / Imports	21.1	18.5	15.9	(260)
Fiscal Revenues / GDP	21.9	20.9	20.8	(10)
Fiscal Expenditures / GDP	31.0	30.3	32.0	170
Fiscal Balance / GDP	(9.1)	(9.4)	(11.1)	(170)
Primary Balance / GDP	(0.3)	(0.5)	(0.3)	20
Gross Foreign Currency Reserves / M2	69.4	69.5	68.8	(73)
M3 / GDP	241.9	247.0	246.9	(11)
Commercial Banks Assets / GDP	353.2	366.3	364.5	(177)
Private Sector Deposits / GDP	290.7	302.7	302.3	(37)
Private Sector Loans / GDP	101.1	105.3	107.0	172
Private Sector Deposits Dollarization Rate	64.8	66.1	65.7	(40)
Private Sector Lending Dollarization Rate	77.6	76.5	75.6	(90)

\* Change in basis points 13/14

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

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

## Risk Outlook

Lebanon	Mar 2013	Feb 2014	Mar 2014	Change*	Risk Level
Political Risk Rating	53.0	52.0	52.0	▲	High
Financial Risk Rating	35.0	38.0	38.0	▼	Low
Economic Risk Rating	34.0	27.0	27.0	▲	High
Composite Risk Rating	61.0	58.5	58.5	▲	High

Regional Average	Mar 2013	Feb 2014	Mar 2014	Change*	Risk Level
Political Risk Rating	58.6	58.4	58.3	▲	High
Financial Risk Rating	41.6	40.4	40.5	▲	Very Low
Economic Risk Rating	36.3	35.9	35.9	▲	Low
Composite Risk Rating	68.2	67.4	67.3	▲	Moderate

\*year-on-year change in risk tolerance

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	B2	NP	Negative	B2		Negative
Fitch Ratings	B	B	Negative	B		Negative
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
EIU		CCC	

Source: Rating agencies



---

**Economic Research & Analysis Department**  
**Byblos Bank Group**  
**P.O. Box 11-5605**  
**Beirut – Lebanon**  
**Tel: (961) 1 338 100**  
**Fax: (961) 1 217 774**  
**E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

---

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

---

# BYBLOS BANK GROUP

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## SYRIA

---

Byblos Bank Syria S.A.  
Damascus Head Office  
Al Chaalan - Amine Loutfi Hafez Street  
P.O.Box: 5424 Damascus - Syria  
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4  
Fax: (+ 963) 11 3348205  
E-mail: byblosbanksyria@byblosbank.com

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya - Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra - Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: basrabranch@byblosbank.com.lb

## UNITED ARAB EMIRATES

---

Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+ 971) 2 6336050 - 2 6336400  
Fax: (+ 971) 2 6338400  
E-mail: abudhabirepoffice@byblosbank.com.lb

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362  
Fax: (+ 374) 10 535296  
E-mail: infoarm@byblosbank.com

## CYPRUS

---

Limassol Branch  
1, Archbishop Kyprianou Street, Loucaides Building  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+ 357) 25 341433/4/5  
Fax: (+ 357) 25 367139  
E-mail: byblosbankcyprus@byblosbank.com.lb

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Rue Montoyer 10  
Bte. 3, 1000 Brussels - Belgium  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: byblos.europe@byblosbankeur.com

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 8518 8100  
Fax: (+ 44) 20 8518 8129  
E-mail: byblos.london@byblosbankeur.com

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## SUDAN

---

Byblos Bank Africa  
Khartoum Head Office  
Intersection of Mac Nimer and Baladiyya Streets  
P.O.Box: 8121 - Khartoum - Sudan  
Phone: (+ 249) 1 56 552 222  
Fax: (+ 249) 1 56 552 220  
E-mail: byblosbankafrica@byblosbank.com

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

## DEMOCRATIC REPUBLIC OF CONGO

---

Byblos Bank RDC S.A.R.L  
Avenue du Marché No. 4  
Kinshasa-Gombe, Democratic Republic of Congo  
Phone: (+ 243) 81 7070701  
(+ 243) 99 1009001  
E-mail: byblosbankrdc@byblosbank.com

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293