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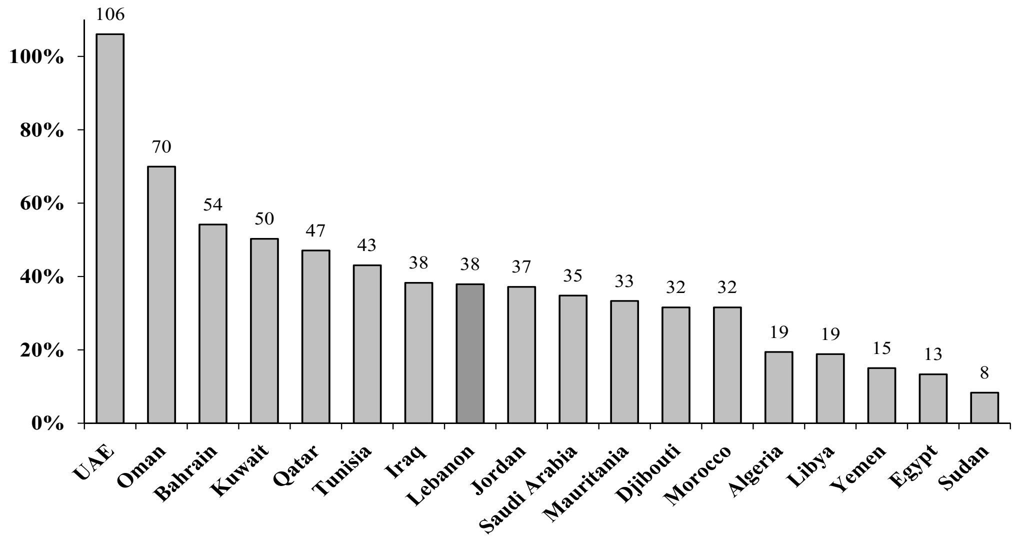
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

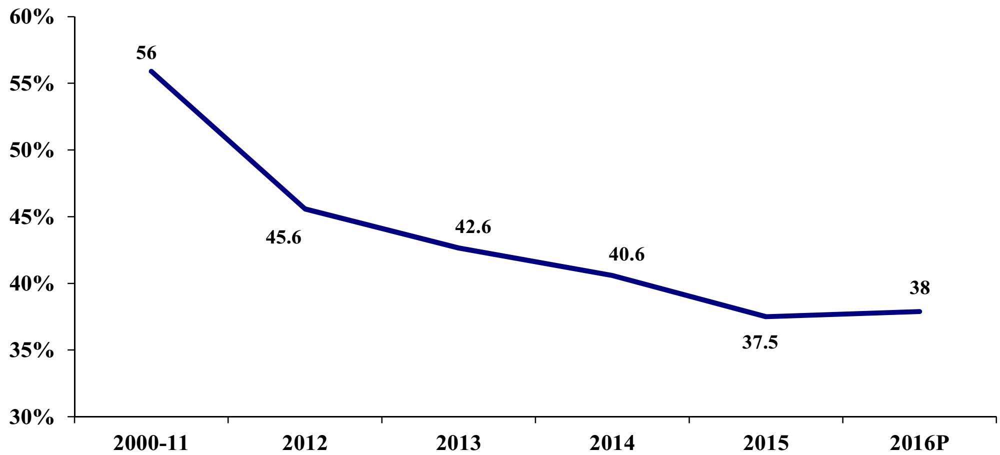
In This Issue

Charts of the Week

Projected Exports of Goods & Services from Arab Countries in 2016 (%GDP)



Exports of Goods & Services from Lebanon (%GDP)



Source: International Monetary Fund - October 2015, Byblos Research

Quote to Note

"Low oil prices have alleviated balance-of-payment and fiscal constraints in oil-importing countries, notably in Lebanon."

The United Nations, on the benefits of low commodity prices on Lebanon's public finances

Number of the Week

21: Lebanon's rank among 183 countries on the efficiency of Lebanese financial institutions, according to the International Monetary Fund

Lebanon in the News

$m (unless otherwise mentioned)	2014	Sep 2014	June 2015	July 2015	Aug 2015	Sep 2015	% Change*
Exports	3,313	282	281	218	219	243	(13.83)
Imports	20,494	1,671	1,690	1,527	1,479	1,434	(14.18)
Trade Balance	(17,181)	(1,389)	(1,409)	(1,309)	(1,260)	(1,191)	(14.25)
Balance of Payments	(1,408)	131	(794)	2	(332)	(122)	-
Checks Cleared in LBP	18,143	1,553	1,593	1,484	1,597	1,587	2.18
Checks Cleared in FC	56,348	4,852	4,504	3,979	4,294	4,151	(14.45)
Total Checks Cleared	74,491	6,405	6,097	5,463	5,891	5,738	(10.42)
Budget Deficit/Surplus	(3,073)	(564.21)	(64.56)	(72.97)	(131.05)	(619.44)	9.79
Primary Balance	1,307	(84.64)	289.34	198.84	119.82	(121.58)	43.65
Airport Passengers***	6,567,647	640,698	594,221	791,162	893,708	750,290	17.11

$bn (unless otherwise mentioned)	2014	Sep 2014	June 2015	July 2015	Aug 2015	Sep 2015	% Change*
BdL FX Reserves	32.40	32.34	34.11	33.65	32.77	32.02	(0.97)
In months of Imports	*18.97*	*19.35*	*20.18*	*22.04*	*22.15*	*22.33*	*15.40*
Public Debt	66.58	66.00	69.02	69.19	68.89	68.72	4.12
Net Public Debt	57.31	55.92	59.46	59.56	59.91	60.40	8.02
Bank Assets	175.70	171.34	180.08	179.91	181.62	181.34	5.84
Bank Deposits (Private Sector)	144.43	142.02	148.58	148.39	149.63	149.11	4.99
Bank Loans to Private Sector	50.90	49.95	51.74	52.06	52.41	52.61	5.33
Money Supply M2	48.69	47.90	50.59	50.74	51.08	51.54	7.61
Money Supply M3	117.68	116.07	120.46	120.82	121.52	122.08	5.18
LBP Lending Rate (%)	7.49	7.08	7.12	6.90	6.89	7.08	-
LBP Deposit Rate (%)	5.56	5.51	5.51	5.58	5.61	5.57	6bps
USD Lending Rate (%)	6.97	6.94	7.03	7.09	7.12	7.19	25bps
USD Deposit Rate (%)	3.07	3.04	3.16	3.17	3.19	3.14	10bps
Consumer Price Index**	0.59	1.24	(0.38)	(1.11)	1.02	(0.64)	-

** Year-on-Year ** Year-on-Year percentage change*
****includes arrivals, departures, transit*
Note: bps i.e. basis points
Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Byblos Common	1.64	(0.61)	361,643	5.25%
Audi Listed	6.21	0.65	246,290	22.12%
Solidere "A"	10.24	1.79	61,426	9.12%
BLOM GDR	9.99	(0.10)	59,999	6.58%
Audi GDR	6.15	0.82	46,470	6.30%
BLOM Listed	9.60	0.00	14,449	18.39%
Solidere "B"	10.12	1.20	8,562	5.86%
HOLCIM	14.36	0.07	1,339	2.50%
Byblos Pref. 08	101.00	0.00	0	1.80%
Byblos Pref. 09	101.00	0.00	0	1.80%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar 2017	9.000	104.25	4.89
Nov 2018	5.150	99.88	5.20
May 2019	6.000	100.50	5.83
Mar 2020	6.375	101.00	6.09
Apr 2021	8.250	108.25	6.34
Oct 2022	6.100	98.25	6.43
Jun 2025	6.250	96.88	6.71
Nov 2026	6.600	98.25	6.83
Feb 2030	6.650	97.38	6.95
Nov 2035	7.050	99.75	7.07

Source: Byblos Bank Capital Markets

	Feb 15-19	Feb 8-12	% Change	January 2016	January 2015	% Change
Total Shares Traded	842,866	873,645	(3.52)	4,478,596	2,924,443	53.14
Total Value Traded	$4,657,449	$8,021,160	(41.94)	$38,492,918	$18,796,462	104.79
Market Capitalization	$11.22bn	$11.18bn	0.37	$11.09bn	$11.25bn	(1.46)

Source: Beirut Stock Exchange (BSE)

Presidential elections and political stability to support economic activity and public finances

The Institute of International Finance estimated Lebanon's real GDP growth at 1.4% in 2015 compared to a growth rate of 1.7% in 2014. It attributed the slowdown in economic activity last year to the ongoing political deadlock, policy inaction, as well as to spillovers from the Syrian conflict. It said that real private consumption grew by 2.3% last year compared to a growth rate of 2.8% in 2014, while private investment contracted by 2.5% in real terms in 2015 relative to an expansion of 0.8% in the preceding year. It indicated that deflationary pressures persisted last year in the context of lower commodity prices and a strong US dollar. Further, it estimated the fiscal deficit to have widened from 6.1% of GDP in 2014 to 8.5% of GDP in 2015, and for the primary surplus to have regressed from 2.3% of GDP in 2014 to 0.2% of GDP last year. As such, it estimated the public debt level to have increased from 135% of GDP in 2014 to 138.2% of GDP in 2015, constituting the third consecutive annual rise. It considered that Lebanon's fiscal sustainability would improve with the implementation of structural reforms. Further, it estimated the current account deficit to have narrowed from 26.2% of GDP in 2014 to 16.8% of GDP in 2015, reflecting lower import prices.

In parallel, the IIF considered that the outlook for the Lebanese economy depends on political outcomes. As such, it projected real GDP growth in Lebanon to range between 0.8% and 2.3% in 2016 and between 0.3% and 4.5% in 2017, depending on the unfolding scenarios. The IIF's first scenario projects economic growth to accelerate to 2.3% in 2016 and to 4.5% in 2017 in case regional tensions ease, a President is elected in the firt half of this year, ties between Lebanon and GCC countries improve, the funds allocated to Lebanon by the international community to deal with Syrian refugees exceed $400m, or 0.8% of GDP, and if authorities impose an excise tax on gasoline. Under this scenario, it said that private investment would support economic activity, with most of the recovery anticipated in the second half of the year. It forecast the fiscal deficit to narrow to 7.1% of GDP and for the primary surplus to improve to 1.7% of GDP in 2016, which would reduce the public debt to 138.3% of GDP in 2016. It considered that electing a President and restoring political stability would send positive signals to foreign investors and would lead to an acceleration in the growth of non-resident deposits. It added that a stable political environment and the implementation of structural reforms would move the economy to a higher growth path of about 4% annually in the medium term and would help reduce the public debt level.

The IIF's second scenario projects economic growth at 0.8% in 2016 and 0.3% in 2017 on the assumption that the ongoing political stalemtate would continue, tensions between Iran and Saudi Arabia would persist, relations between Lebanon and GCC countries would be tense, and the funds allocated to Lebanon to deal with Syrian refugees would be less than $250m. In this case, it anticipated that domestic private investment, foreign direct investment, and export activity would remain subdued. Under this scenario, it expected tax revenues to decline this year due to weaker economic activity and the drop in imports, and for public spending to rise by about 1% in 2016, mainly from the increase in public-sector wages. It projected the fiscal deficit to remain nearly unchanged at 8.5% of GDP in 2016, and for the primary surplus to reach 0.6% of GDP, which would increase the public debt level to 142.2% of GDP at the end of 2016.

Further, the IIF expected the policy rate in Lebanon to be unchanged in 2016, even if the U.S. Federal Reserve increases its rates further in the second half of the year, given the weak domestic demand and deflationary pressures. It estimated that the current spread between the interest rates in Lebanon and LIBOR is sufficiently wide to continue attract non-resident deposits. It noted that the Central Bank has allocated a fourth stimulus package of $1bn for 2016, which would help contain further deflationary pressures. It considered that macroeconomic risks from the country's elevated public debt level are mitigated by its substantial foreign assets and support from the highly liquid banking system, which continues to attract sizeable deposits from Lebanese expatriates.

Main Economic Indicators

	2013	2014	2015	2016		2017	
				Scen. A	Scen. B	Scen. A	Scen. B
Nominal GDP ($bn)	47.2	49.4	50.9	53.5	52.6	56.6	54.1
Real GDP growth (%)	3.0	1.7	1.4	2.3	0.8	4.5	0.3
Average Inflation Rate (%)	3.2	2.1	(3.7)	(1.1)	(1.5)	2.1	1.7
Private Credit Growth (%)	10.4	9.3	5.7	6.7	5.3	9.3	4.0
Broad Money Growth (%)	6.9	5.8	5.1	6.7	4.7	9.0	4.2
Curreent Account Balance (% of GDP)	(21.8)	(26.2)	(16.8)	(13.5)	(16.2)	(13.8)	(17.2)
Fiscal Balance (% of GDP)	(8.9)	(6.1)	(8.5)	(7.1)	(8.4)	(6.6)	(9.1)
Primary Balance (% of GDP)	(0.9)	2.3	0.2	1.7	0.6	2.2	0.2
Government Debt (% of GDP)	134.4	134.9	138.2	138.3	142.2	136.9	146.9

Source: Institute of International Finance, February 2016

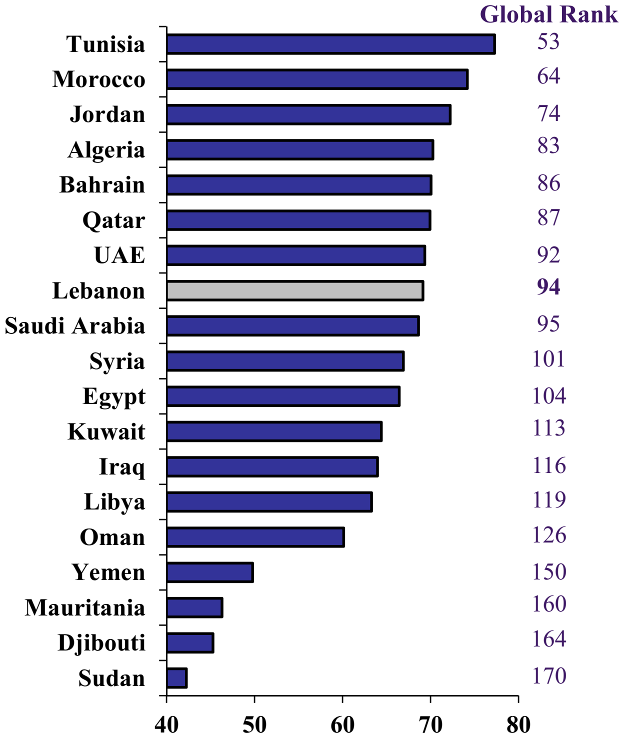
Lebanon ranks 94th globally, eighth in the Arab region in environmental performance

The Environmental Performance Index for 2016 ranked Lebanon in 94th place globally among 180 countries and in eighth place among 19 Arab countries. Lebanon also ranked in 33rd place among 47 upper middle-income countries (UMICs) included in the survey.

The EPI assesses a country's performance on high-priority environmental issues that are the protection of human health and ecosystems. As such, the EPI ranks countries on nine components divided into two core categories that are Environmental Health and Ecosystem Vitality. The EPI indicators measure how close a country comes to meeting internationally-established targets or, in the absence of agreed targets, how nations compare to each other. The scores range from zero to 100, with zero being the furthest from the targets and 100 the closest to the targets. The EPI is issued by Columbia and Yale universities in collaboration with the World Economic Forum. The producers of the EPI changed the methodology to calculate the index, which prevents comparisons with previous surveys.

Globally, Lebanon had a better environmental performance than Saudi Arabia, El Salvador and Brunei Darussalam, and a weaker performance than Equatorial Guinea, Thailand and the UAE among economies with a GDP of $10bn or more. It ranked ahead of Turkey and behind Thailand among UMICs. Lebanon received a score of 69.14 points, higher than the global average score of 67.37 points and the Arab average score of 63.68 points, but lower than the UMICs' average score of 71.92 points. Also, Lebanon's score was higher than the Gulf Cooperation Council (GCC) countries' average score of 67.09 points and the average score of non-GCC Arab countries of 62.11 points.

Environmental Performance Index in Arab countries Scores & Rankings



Source: Columbia and Yale universities, World Economic Forum

Globally, Lebanon came ahead of Thailand, the UAE and Sri Lanka, and ranked behind Iran, Saudi Arabia and Guatemala on the Environmental Health category, which measures environmental risks to human health. This category assesses the risk of water and air pollution to human health, and measures the level of air pollution and household air quality. It also evaluates the population's access to sanitation and drinking water, as well as its exposure to unsafe sanitation and water quality. Also, Lebanon ranked ahead of only Thailand, Turkmenistan, Namibia, Mongolia, Iraq, China and Angola among UMICs; while it ranked ahead of the UAE, Syria and Egypt, and came behind Morocco, Bahrain and Saudi Arabia in the region.

In parallel, Lebanon ranked ahead of Kenya, Bahrain and Saudi Arabia, and came behind Senegal, Jamaica and Cuba worldwide on the Ecosystem Vitality category, which measures the ecosystem's health and the quality of natural resource management. This category mainly evaluates the level of wastewater treatment and changes in carbon emissions from electricity and heat production. It also assesses the change in the surface area of land covered by forests and the overexploitation of the fishing stocks, among other variables. Lebanon came ahead of Algeria, South Africa and Malaysia, and ranked behind Thailand, Jamaica and Cuba among UMICs; while it trailed only Morocco, Tunisia, Qatar, Jordan and the UAE in the Arab region.

Components of the 2016 Environmental Performance Index for Lebanon

	Global	MENA Rank	UMICs Rank	Lebanon Rank	Global Score	Arab Avge Score	UMICs Avge Score
Environmental Health	**108**	**9**	**40**	**71.69**	**72.62**	**68.89**	**80.35**
Health Impacts	116	10	44	60.34	66.41	58.87	77.44
Air Quality	118	10	44	74.44	77.93	73.85	83.85
Water & Sanitation	87	9	26	80.29	73.51	73.94	79.77
Ecosystem Vitality	**78**	**6**	**24**	**66.6**	**62.13**	**54.48**	**63.49**
Water Resources	36	4	2	86.61	48.97	62.77	57.49
Biodiversity & Habitat	160	12	41	43.86	74.74	55.71	70.69
Forestry	52	N/A	16	60.93	52.53	N/A	58.20
Fisheries	105	14	27	34.61	48.01	53.55	48.28
Agriculture	112	10	25	74.70	78.62	72.90	71.44
Climate & Energy	63	4	15	74.74	72.56	59.00	68.60

Source: Columbia and Yale universities, World Economic Forum, Byblos Research

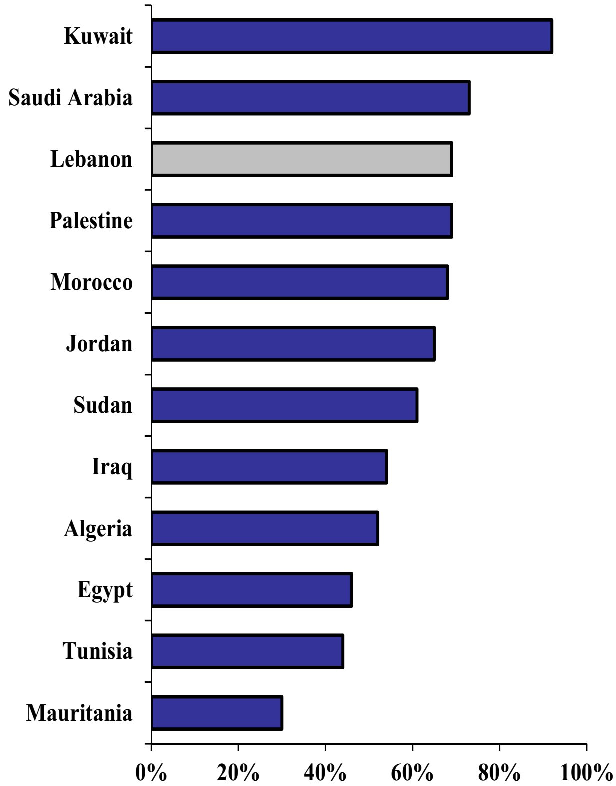
Two thirds of Lebanese use the Internet, third highest rate in Arab world

A survey conducted by the Qatar-based Arab Center for Research & Policy Studies indicated that 69% of Lebanese are Internet users compared to 61% of respondents in the Arab world. The percentage of respondents in Lebanon who are Internet users, along with those in Palestine, is the third highest among 12 Arab countries and jurisdictions covered in the survey, behind only Kuwait (92% of participants) and Saudi Arabia (73% of respondents). In contrast, 30% of respondents in Lebanon said that they do not use the Internet relative to 38% of survey participants in the region. The trend improved from the 2012/2013 survey where 49% of Lebanese respondents were Internet users. In addition, 77% of Internet users in Lebanon said that they access the Internet on a daily basis compared to a share of 53.1% in the 2012/2013 survey. In comparison, 59% of Internet users in Arab countries surf the Internet on a daily basis. As such, the share of daily Internet users in Lebanon is the second highest in the region, behind Kuwait (82%).

In parallel, the survey showed that 15% of Internet users in Lebanon have a Twitter account, the third lowest share among Arab economies covered in the survey, and higher than only Tunisia (14% of Internet users) and Jordan (8% of Internet users). The percentage of Internet users in Lebanon who have a Twitter account is significantly below the Arab region's share of 34%. In contrast, 84% of Internet users in Lebanon said that they do not have a Twitter account, relative to 66% of Internet users in the Arab world who do not have an account on Twitter.

The survey was conducted in 12 Arab countries and jurisdictions through face-to-face interviews between May and September 2015 as part of the Arab Center for Research & Policy Studies' 2015 Arab Opinion Index. It covered a sample of 18,311 respondents in Algeria, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Mauritania, Palestine, Saudi Arabia, Sudan and Tunisia.

Percentage of Respondents who are Internet Users in Arab Countries



Source: Arab Center for Research & Policy Studies

Number of new construction permits up 17%, surface area down by 5% in January 2016

The Orders of Engineers & Architects of Beirut and of Tripoli issued 1,135 new construction permits in January 2016, constituting an increase of 16.6% from 973 permits in January 2015 and relative to a drop of 29% in the same month last year. Mount Lebanon accounted for 37% of newly-issued construction permits in January 2016, followed by South Lebanon with 19.8%, Nabatieh with 16.4%, the North with 11.4%, the Bekaa with 9.4% and Beirut with 4%. The remaining 2% represent permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued for the Bekaa region rose by 57.4% year-on-year in January 2016, followed by Nabatieh (+41%), the North (+35.8%), the South (+30.8%) and Mount Lebanon (+0.7%). Also, permits issued for regions located outside northern Lebanon increased by 43.8% year-on-year. In contrast, the number of new construction permits issued for Beirut dropped by 38.4% year-on-year in January 2016.

Further, the surface area of granted construction permits in January 2016 reached 811,183 square meters (sqm), reflecting a drop of 4.7% from the same month last year. In comparison, the surface area of granted construction permits regressed by 19.2% year-on-year in January 2015. Mount Lebanon accounted for 322,888 sqm, or 39.8% of total area last month. It was followed by the South with 124,304 sqm (15.3%), the North with 116,180 sqm (14.3%), Nabatieh with 78,107 sqm (9.6%), the Bekaa with 74,658 sqm (9.2%) and Beirut with 58,456 sqm (7.2%). The remaining 36,590 sqm, or 4.5% 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. The surface area of construction permits issued for the Bekaa region grew by 19% year-on-year, followed by the North (+16%) and the South (+12.5%). Also, the surface area of granted permits for regions located outside northern Lebanon increased by 46.3% year-on-year. In contrast, the surface area of construction permits issued for Beirut decreased by 20.8% annually, followed by Mount Lebanon (-18.3%), and Nabatieh (-6.7%).

Subdued economic activity in 2015

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 302.3 points in December 2015 compared to 293.1 in November 2015 and 292.5 in December 2014. The Coincident Indicator, an average of eight weighted economic indicators, increased by 3.1% month-on-month and by 3.4% year-on-year in December 2015. The indicator averaged 278.6 in 2015, compared to 277.8 in the 12 months ending November 2015 and to 273.2 in 2014. As a result, the average coincident indicator grew by 0.3% month-on-month and by 2% year-on-year. In parallel, the indicator improved 12 times and regressed 11 times on a monthly basis in the month of December since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.6 points in 2012 and 264.7 points in 2013.

Lebanon in the News

Lebanon shielded from global market volatility

In the monthly meeting between the Central Bank and the Association of Banks in Lebanon (ABL), Governor Riad Salamé considered that the domestic currency and interest rate markets are, unlike foreign markets, stable, which makes sovereign bonds issued by the Lebanese Republic more attractive than bonds issued by higher-rated corporates and sovereigns. He expressed confidence that this stability would continue to ensure the financing needs of the government and of the economy. In addition, Governor Salamé indicated lower oil prices have reduced Treasury transfers to Electricité du Liban, which helped contain the fiscal deficit at acceptable levels. But he considered that the drop in global oil prices could have a negative impact on remittance inflows from Lebanese expatriates.

Further, Governor Salamé considered that Lebanon is shielded from some of the adverse effects of the severe volatility in global financial markets. He noted that this is due to the Central Bank's regulations that prohibit Lebanese banks from investing more than 50% of their capital in investment grade-rated countries, among other rules and regulations.

In parallel, Governor Salamé noted that the Parliament's ratification of major financial laws in November 2015 has helped Lebanon avoid the scrutiny of the Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism. Also, he hoped that these laws would solidify the relationship between Lebanese commercial banks and international correspondent banks. In parallel, the ABL reiterated that it fully supports all efforts in the fight against money laundering and terrorism financing in all its forms. In turn, Governor Salamé noted the ABL's continuous proactive action on this issue and the importance of maintaining communication with compliance officers at correspondent banks, given the officers' role in the de-risking approach of these banks. .

Further, the ABL noted that Lebanon's fiscal deficit continues to be wide despite the low global oil price environment that reduced Treasury transfers to Electricité du Liban, given that authorities did not implement the much-needed reforms due to the prevailing political deadlock. Governor Salamé did not expect rating agencies to downgrade Lebanon's sovereign ratings, even in the absence of reforms, as long as public finances do not deteriorate further.

Revenues through Port of Beirut up 13% to $244m in 2015

Figures released by the Port of Beirut show that the port's overall revenues were $243.9m in 2015, up by 12.9% from $216.2m in 2014. The Port of Beirut handled an aggregate freight of 8.2 million tons in 2015, down by 0.8% from 8.3 million tons in the preceding year. Imported freight amounted to 7.1 million tons last year and accounted for 86.8% of the total, while the remaining 1.1 million tons, or 13.2%, consisted of export cargo. A total of 1,807 ships docked at the port in 2015 compared to 1,962 vessels in 2014.

In parallel, revenues generated through the Port of Tripoli reached $14.1m in 2015, and rose by 25% from $11.3m in 2014. The Port of Tripoli handled an aggregate weight of 1.9 million tons of freight last year, constituting an increase of 40.5% from 1.3 million tons in 2014. Imported freight amounted to 1.4 million tons and accounted for 76.7% of the total, while the remaining 0.4 million tons, or 23.3%, were export cargo. A total of 864 vessels docked at the port in 2015, constituting a rise of 50.3% from 575 ships in 2014.

Treasury transfers to Electricité du Liban down 43% to $888m in first nine months of 2015

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled $888.4m in the first nine months of 2015, constituting a drop of 43% from $1.6bn in the same period of 2014. The ministry indicated that transfers to EdL for 2015 are calculated on a cash basis, as it also adjusted the 2014 figures for comparative purpose. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled $871m, or 98% of transfers in the covered period, while EdL's debt servicing represented the balance of $17.4m, or 2% of the total. It attributed the decline in transfers to a decrease of $667.1m, or 43.4%, in payments to KPC and Sonatrach during the covered period, as well as to a drop of $2m, or 10.3%, in debt servicing.

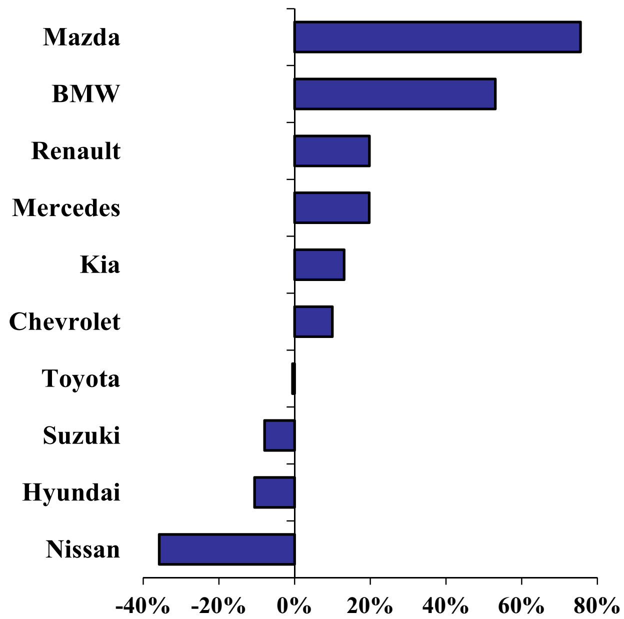
The ministry said that the decline in payments to KPC and Sonatrach reflects a 48.4% year-on-year decrease in oil prices at the time the oil contracts were executed, and a 2.7% drop in the quantity of imported fuel oil that was partly offset by an 11.9% increase in the quantity of imported gasoil. Also, it pointed out that EdL contributed 3.5% of the repayments to the two oil suppliers in the first nine months of 2015, up from 2.1% in the same period of 2014. EdL transfers accounted for 13.5% of primary expenditures in the first nine months of last year compared to 22% in the same period of 2014. They constituted the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.1% of GDP in 2012 and to 4.3% of GDP in each of 2013 and 2014.

New car sales down 1% in January 2016

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that dealers sold 2,411 new passenger cars in January 2016, constituting a decrease of 1% from 2,436 cars sold in the same month of 2015. Japanese automobiles accounted for 38.9% of total sales in January 2016, followed by Korean cars with a 29.3% share, European automobiles (26%), American vehicles (5.5%) and Chinese cars (0.3%). The number of sold Korean vehicles increased by 4.1% year-on-year in the covered month; while the number of sold Chinese cars dropped by 20%, sales of American vehicles decreased by 9.5%, sales of Japanese cars declined by 3.4% and the number of sold European automobiles regressed by 0.6%. Kia is the leading brand in the Lebanese market with 458 vehicles sold in January 2016, followed by Toyota with 376 in new car sales, Hyundai (245), Nissan (196), Suzuki (116) and Renault (115). In parallel, 186 new vehicles used for commercial purposes were sold last month, up by 1.6% from 183 vehicles in January 2015.

The AIA indicated that the decrease in the sale of new passenger cars in January 2016 is due to the challenging domestic economic, political and security conditions in the country. It noted that 90% of new cars sold are small-engine automobiles with a low selling price. In parallel, the number of new vehicles sold by Lebanon's top five distributors reached 1,693 in January 2016 and accounted for 65.2% of new car sales. NATCO sal sold 458 vehicles, equivalent to 17.6% of the total, followed by Boustany United Machineries sal with 419 vehicles (16.1%), Bassoul Heneiné sal with 327 (12.6%), Century Motor Co. sal with 250 (9.6%) and Rasamny Younis Motor Co. sal with 239 (9.2%).

Sales of Top 10 Car Brands in January (% change*)



** from January 2015*
Source: AIA, Byblos Research

Kafalat loan guarantees up 54% to $8m in January 2016

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $7.9m in January 2016, constituting a rise of 54.4% from $5.1m in the same month of 2015. Kafalat provided 54 loan guarantees in the covered month, up by 35% from 40 guarantees in January 2015. The average loan size reached $146,777 compared to $128,373 in January 2015. Mount Lebanon accounted for 40.7% of the total number of guarantees, followed by the Bekaa with 29.6%, the North with 16.7%, the South with 7.4%, Nabatieh with 3.7% and Beirut with 1.9%. Also, the industrial sector accounted for 38.9% of the total number of guarantees in January 2016, followed by the agricultural sector with 37%, tourism with 16.7%, specialized technologies with 5.6% and handicraft with 1.9%. Kafalat is a state-sponsored organization that provides financial guarantees for loans of 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.

Top five freight forwarders' import activity down 1% in 2015, exports up 34%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 346,150 20-foot equivalent units (TEUs) in 2015, constituting a decline of 1% from 349,563 TEUs in 2014. The top five freight forwarders accounted for 61.8% of the total import freight forwarding market and for 90.3% of imports to the Lebanese market in 2015. Mediterranean Shipping Company (MSC) handled 120,297 TEUs in imports in 2015, equivalent to a 21.5% share of the total freight forwarding import market. It was followed by Sealine Group with 75,549 TEUs (13.5%), Metz Group with 60,491 TEUs (10.8%), Merit Shipping with 59,304 TEUs (10.6%) and Gezairy Transport with 30,509 TEUs (5.5%). Further, Metz Group registered the highest growth in import shipping among the top five freight forwarders at 26.8% year-on-year, while Merit Shipping posted the steepest decline at 23.6%.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 89,197 TEUs in 2015, constituting an increase of 33.6% from 66,765 TEUs in 2014. The five freight forwarders accounted for 16.1% of the total export freight forwarding market and for 97.1% of exported Lebanese cargo in 2015. Merit Shipping handled 34,639 TEUs of freight last year, equivalent to 37.7% of the Lebanese cargo export market. It was followed by Metz Group with 23,498 TEUs (25.6%), Sealine Group with 21,379 TEUs (23.3%), MSC with 5,256 TEUs (5.7%) and Gezairy Transport with 4,425 TEUs (4.8%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 103.3% year-on-year, while Sealine Group posted the only decline at 6.6%.

Corporate Highlights

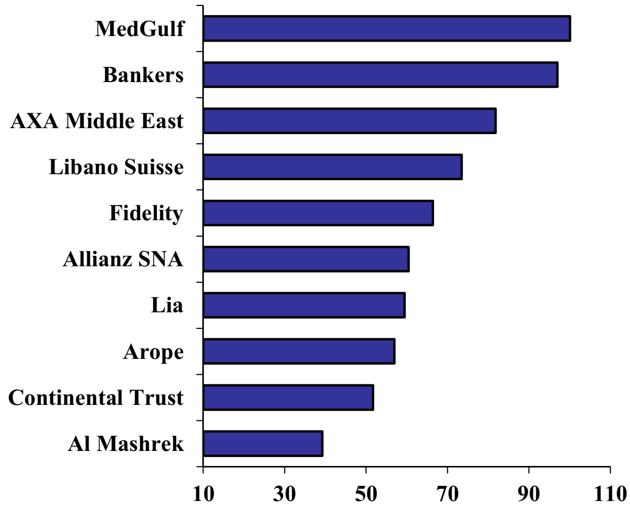
Total non-life premiums up 2.4% to $1.1bn in 2015

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon shows that total non-life premiums generated by 45 insurance companies reached $1.06bn in 2015, constituting an increase of 2.4% from $1.03bn in 2014, and compared to growth rates of 5.3% in 2014 and 5.9% in 2013. Non-life premiums totaled $928.6m in 2012 and $983m in 2013. MedGulf ranked in first place with $100.1m in non-life premiums, followed by Bankers with $97m, AXA Middle East with $81.8m, Libano-Suisse with $73.5m and Fidelity with $66.4m. Byblos Bank's insurance affiliate ADIR ranked in 15th place with $20.9m in non-life premiums in 2015. The rank of Continental Trust improved by 36 spots to ninth place and registered the highest jump in the rankings among the 45 providers of non-life insurance operating in Lebanon. Its non-life premiums grew from $330,000 in 2014 to $51.7m last year. The firm was acquired by BankMed in early 2015 and won the bid to provide insurance coverage to members of the Orders of Engineers & Architects of Beirut and their dependents.

There were four advances and seven declines in the rankings of the top 20 insurers in Lebanon, while the rankings of the other nine insurers were unchanged. The composition of the top 10 insurers changed from 2014 with al Mashrek dropping by one spot to 10th place and Continental Trust replacing Metlife Alico in the top 10.

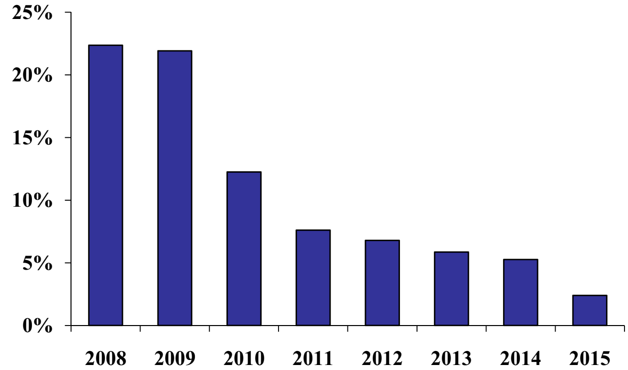
In addition, seven out of the top 10 insurers posted increases in their non-life premiums, while the top three insurers registered declines. The non-life premiums of AXA Middle East declined by 16.5%, those of MedGulf decreased by 12.5% and non-life premiums of Bankers Assurance regressed by 9%. The top 10 insurers accounted for 64.8% of the non-life insurance market in 2015 compared to 66.7% in 2014 and 66.4% in 2013; while the top 20 insurers represented 85.9% of premiums compared to 85.8% in 2014 and 85% in 2013. The aggregate non-life premiums of the top 10 insurers reached $686.7m in 2015 compared to $689.8m and $652.9, for the top 10 insurers in each of 2014 and 2013, respectively.

Non-Life Premiums of the Top 10 Insurers in 2015 ($m)



Source: Al-Bayan, Byblos Research

Growth in Non-Life Premiums (%)



Source: Al-Bayan, Byblos Research

Investment bank acquires stakes in technology startups

Investment banking firm LIBANK sal announced that it acquired stakes in two Lebanese technology startups for a combined amount of $5.9m. It said that it acquired a 68% stake for $3.4m in Torch sal, a training and acceleration program in the information technology sector; and a 12.5% stake for $2.5m in M media sal, a digital platform that compiles Lebanese and Middle Eastern cultural works and publishes them online. It added that it made a third investment in a software company, but it noted that the deal is still awaiting the Central Bank's approval. Further, the bank indicated that it plans to invest an additional $6m in technology startups in coming years. LIBANK's recent investments are in line with Banque du Liban's Intermediate Circular 331 that authorized banks to invest in the capital of startup firms in the knowledge economy sector. Established in 2012, LIBANK generated unaudited net profits of $1.1m in 2015, while its assets totaled $143.4m at the end of 2015.

Ratio Highlights

(in % unless specified)	2013	2014	2015e	Change*
Nominal GDP ($bn)	47.2	49.4	50.9	
Public Debt in Foreign Currency / GDP	55.3	51.9	53.2	134
Public Debt in Local Currency / GDP	79.1	83.0	85.0	203
Gross Public Debt / GDP	134.4	134.8	138.2	337
Total Gross External Debt / GDP**	163.8	165.1	162.4	(270)
Trade Balance / GDP	(36.6)	(34.8)	(29.7)	512
Exports / Imports	18.5	16.2	16.6	41
Fiscal Revenues / GDP	19.9	22.0	18.7	(334)
Fiscal Expenditures / GDP	28.9	28.3	27.2	(101)
Fiscal Balance / GDP	(8.9)	(6.2)	(8.5)	(228)
Primary Balance / GDP	(0.5)	2.6	0.2	(245)
Gross Foreign Currency Reserves / M2	69.5	66.5	66.8	30
M3 / GDP	235.4	238.4	241.6	316
Commercial Banks Assets / GDP	349.0	355.9	365.6	968
Private Sector Deposits / GDP	288.4	292.6	298.0	540
Private Sector Loans / GDP	100.3	103.1	106.6	348
Private Sector Deposits Dollarization Rate	66.1	65.7	64.9	(83)
Private Sector Lending Dollarization Rate	76.5	75.6	74.8	(73)

** Change in basis points 14/15*
***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	Apr 2014	Mar 2015	Apr 2015	Change**	Risk Level
Political Risk Rating	52.0	54.5	55.0	▼	High
Financial Risk Rating	38.0	39.0	39.0	▼	Low
Economic Risk Rating	27.0	33.0	33.0	▼	Moderate
Composite Risk Rating	58.5	63.25	63.5	▼	Moderate

MENA Average*	Apr 2014	Mar 2015	Apr 2015	Change**	Risk Level
Political Risk Rating	58.0	57.9	57.2	▲	High
Financial Risk Rating	40.4	39.6	39.4	▲	Low
Economic Risk Rating	35.7	34.4	33.9	▲	Moderate
Composite Risk Rating	67.0	65.9	65.3	▲	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	B2	NP	Negative	B2		Negative
Fitch Ratings	B	B	Negative	B		Negative
Standard & Poor's	B-	B	Negative	B-	B	Negative
Capital Intelligence	B	B	Negative	B	B	Negative

Source: Rating agencies

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

Source: Moody's Investors Services

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
www.byblosbank.com

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 7518 8100
Fax: (+ 44) 20 7518 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