Issue 439
March 7-12, 2016

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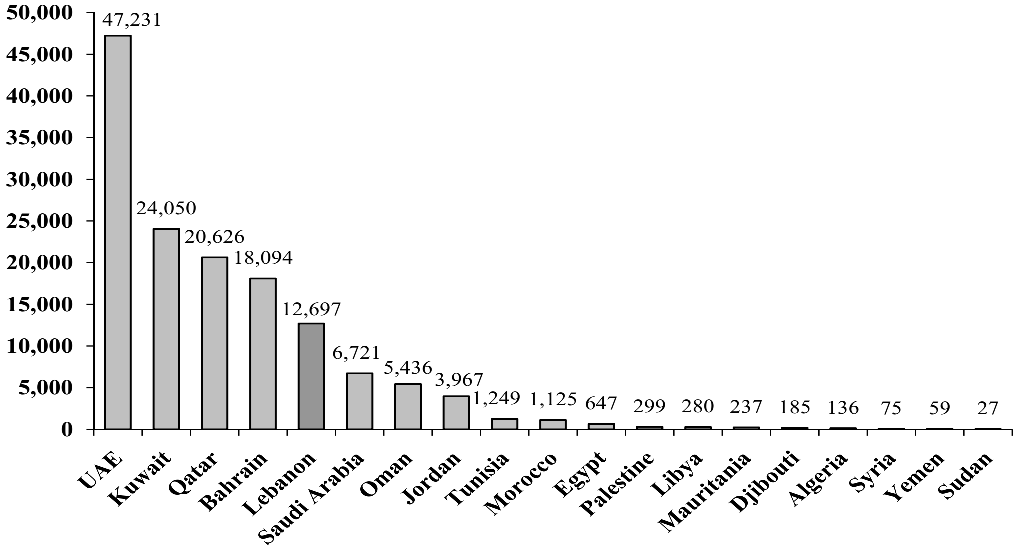
Economic Research & Analysis Department

LEBANON THIS WEEK

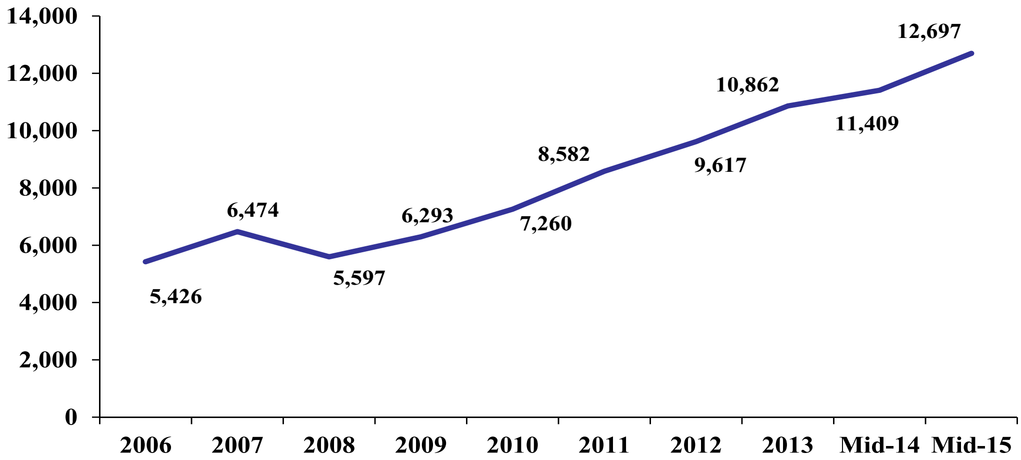
In This Issue

Charts of the Week

Personal debt per Adult in Arab Countries at end-June 2015 (US$)



Personal debt per Adult in Lebanon (US$)



Source: Credit Suisse, Byblos Bank

Quote to Note

"The immediate impact of the travel restrictions on the fiscal and external position is insignificant."

Moody's Investors Service, on the short-term impact of the Gulf Cooperation Council governments' recent travel warnings to Lebanon

Number of the Week

62: Lebanon's rank among183 countries in terms of financial markets depth according to the International Monetary Fund

Lebanon in the News

$m *(unless otherwise mentioned)*	**2014**	**Nov 2014**	**Aug 2015**	**Sep 2015**	**Oct 2015**	**Nov 2015**	**% Change***
Exports	3,313	253	219	243	261	222	(12.25)
Imports	20,494	1,393	1,479	1,434	1,467	1,539	10.48
Trade Balance	(17,181)	(1,140)	(1,260)	(1,191)	(1,206)	(1,317)	15.53
Balance of Payments	(1,408)	(424)	(332)	(122)	(396)	(816)	92.45
Checks Cleared in LBP	18,143	1,415	1,597	1,587	1,700	1,507	6.52
Checks Cleared in FC	56,348	4,367	4,294	4,151	4,552	3,987	(8.70)
Total Checks Cleared	74,491	5,782	5,891	5,738	6,252	5,494	(4.98)
Budget Deficit/Surplus	(3,073)	(585.95)	(131.05)	(619.44)	10.56	(643.40)	9.80
Primary Balance	1,307	(100.54)	119.82	(121.58)	486.02	(95.30)	(5.22)
Airport Passengers***	6,567,647	427,403	893,708	750,290	575,660	501,204	17.27

$bn *(unless otherwise mentioned)*	**2014**	**Nov 2014**	**Aug 2015**	**Sep 2015**	**Oct 2015**	**Nov 2015**	**% Change***
BdL FX Reserves	32.40	33.87	32.77	32.02	33.25	31.77	(6.21)
In months of Imports	*18.97*	*24.32*	*22.15*	*22.33*	*22.67*	*20.64*	(15.11)
Public Debt	66.58	66.64	68.89	68.72	69.05	70.44	5.70
Net Public Debt	57.31	56.71	59.91	60.40	60.41	60.94	7.46
Bank Assets	175.70	172.21	181.62	181.34	182.27	183.18	6.37
Bank Deposits (Private Sector)	144.43	142.74	149.63	149.11	149.36	149.81	4.95
Bank Loans to Private Sector	50.90	50.51	52.41	52.61	52.99	53.22	5.36
Money Supply M2	48.69	48.07	51.08	51.54	51.64	51.75	7.66
Money Supply M3	117.68	116.47	121.52	122.08	122.05	122.45	5.14
LBP Lending Rate (%)	7.49	6.96	6.89	7.08	7.13	6.93	(3bps)
LBP Deposit Rate (%)	5.56	5.55	5.61	5.57	5.67	5.56	1bps
USD Lending Rate (%)	6.97	7.01	7.12	7.19	7.05	7.15	14bps
USD Deposit Rate (%)	3.07	3.10	3.19	3.14	3.20	3.17	7bps
Consumer Price Index**	0.59	0.48	1.02	(0.64)	0.41	(0.17)	-

** 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
BLOM Listed	9.65	0.00	215,943	18.69%
Byblos Common	1.67	1.83	205,500	5.41%
Solidere "A"	9.67	(0.21)	39,364	8.71%
Audi GDR	6.00	0.00	31,024	6.22%
BLOM GDR	10.10	0.50	21,600	6.72%
Audi Listed	6.10	1.67	18,926	21.97%
Solidere "B"	9.68	0.10	11,813	5.67%
HOLCIM	14.40	0.00	1,855	2.53%
Byblos Pref. 08	101.10	0.00	0	1.82%
Byblos Pref. 09	101.40	0.00	0	1.83%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar 2017	9.000	103.81	5.09
Nov 2018	5.150	99.60	5.31
May 2019	6.000	100.25	5.91
Mar 2020	6.375	101.00	6.09
Apr 2021	8.250	108.75	6.21
Oct 2022	6.100	98.25	6.43
Jun 2025	6.250	97.50	6.61
No. 2026	6.600	98.00	6.87
Feb 2030	6.650	97.88	6.89
Nov 2035	7.050	99.88	7.06

Source: Byblos Bank Capital Markets

	Mar 7-11	Feb 29-Mar 4	% Change	February 2016	February 2015	% Change
Total Shares Traded	549,075	20,695,189	(97.35)	4,962,188	21,880,303	(77.32)
Total Value Traded	$3,490,529	$196,773,211	(98.23)	$42,938,846	$156,374,053	(72.54)
Market Capitalization	$11.10bn	$11.06bn	0.37	$11.09bn	$11.77bn	(5.79)

Source: Beirut Stock Exchange (BSE)

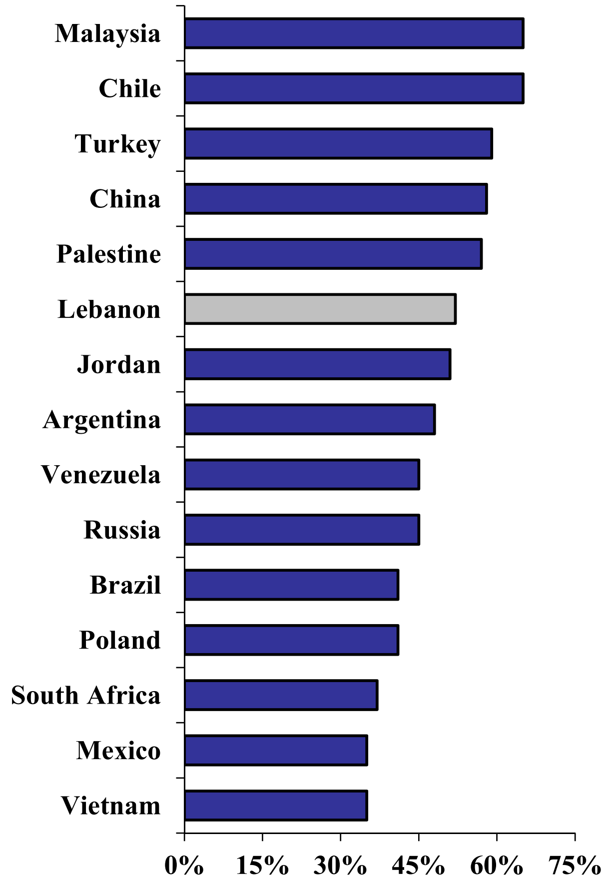
Three out of four smartphone owners in Lebanon access social networking sites

A survey conducted by the U.S.-based opinion polling think tank Pew Research Center indicated that 88% of Lebanese own a mobile phone, constituting the 20th highest share among 40 countries globally and the 11th highest share among 29 emerging countries covered in the survey. The share of participants who own a mobile phone in Lebanon is similar to the global median and is higher than the emerging economies' median of 83%. The trend improved slightly from the 2013 survey when 86% of Lebanese respondents owned a mobile phone.

Further, 52% of adults in Lebanon have a smartphone, representing the 15th highest share globally and the sixth highest share among emerging countries. The share of Lebanese who have a smartphone is higher than the global median of 43% and the emerging economies' median of 35%. The trend improved from the 2013 survey when 45% of Lebanese adults owned a smartphone. Also, the survey showed that 74% of Lebanese who are between 18 and 34 years old own a smartphone, while only 37% of those older than 35 years have such a phone. Further, 79% of Lebanese who have a high level of education own a smartphone, while only 17% of those who are less educated own one. In addition, 85% of Lebanese with a high level of income own a smartphone, while 20% of lower-income citizens have one.

In parallel, the results show that 66% of Lebanese participants in the survey access the Internet occasionally or own a smartphone, constituting the 21st highest share globally and the 10th highest share among emerging economies. The share of participants who access the Internet occasionally or own a smartphone in Lebanon is lower than the global median of 67%, but is higher than the emerging economies' median of 52%. The trend improved from the 2013 survey when 57% of Lebanese respondents accessed the Internet occasionally or owned a smartphone. The survey showed that 89% of Lebanese aged between 18 and 34 years access the Internet occasionally or own a smartphone, while only 50% of those older than 35 years do so. Also, the survey pointed out that 90% of Lebanese who have a high level of education access the Internet occasionally or own a smartphone, while only 34% of those who are less educated do so. Further, 92% of Lebanese with a high level of income access the Internet occasionally or own a smartphone, while 41% of those who generate a lower income do so.

Highest Smartphone Penetration Rates in Emerging Markets*



**% of mobile phone owners*
Source: Pew Research Center, Byblos Research

In addition, the survey showed that 92% of Internet users or smartphone owners in Lebanon access the Internet on a daily basis, constituting the highest percentage among countries worldwide. The trend improved from the 2013 survey when 90% of Internet users or smartphone owners in Lebanon accessed the Internet on a daily basis. The survey noted that 70% of Internet users or smartphone owners in Lebanon surf the Internet several times a day, 22% access the Internet once a day and 9% use the Internet once a week or less.

In parallel, the survey indicated that 75% of Internet users or smartphone owners in Lebanon access social networking sites, constituting, along with Senegal and Vietnam, the 21st highest rate globally, and the 20th highest rate among emerging markets. The share of Internet users or smartphone owners in Lebanon who access social networking sites is lower than the global median of 76% and the emerging economies' median of 80%. The trend improved from the 2013 survey when 72% of Internet users or smartphone owners in Lebanon accessed social networking sites.

The survey was conducted between March 25 and May 27, 2015 as part of the Pew Research Center's Global Attitudes Project. The survey's results are based on face-to-face interviews with 1,000 Lebanese adults.

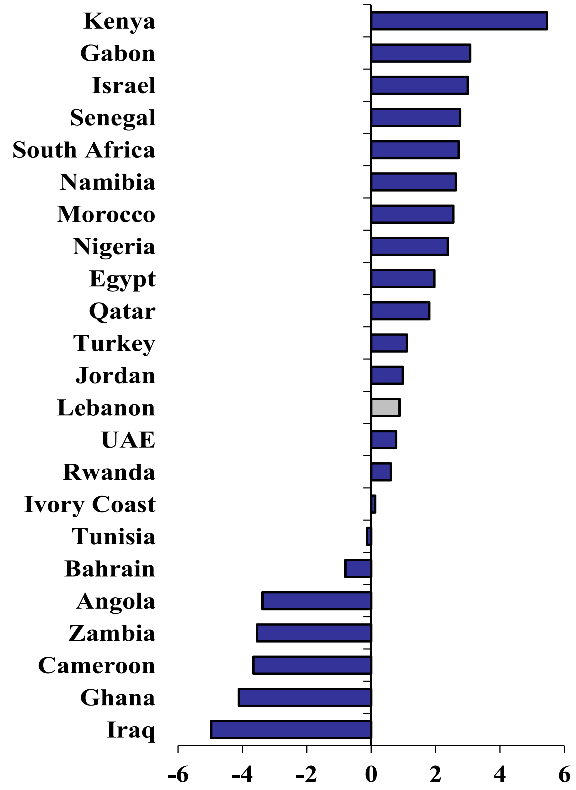
Lebanon's external debt posts 29th lowest return in emerging markets, 11th lowest in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted a return of 0.88% in the first two months of 2016, constituting the 17th lowest return among 40 markets in the Central & Eastern Europe and the Middle East & Africa (CEEMEA) region, as well as the 29th lowest return among 70 emerging markets included in Merrill Lynch's External Debt EM Sovereign Index. Lebanon underperformed the overall emerging markets' return of 1.87% during the covered period. Further, Lebanon's external debt posted the 11th lowest return among 23 countries in the Middle East & Africa region in the covered period, ahead of the UAE (+0.77%), Rwanda (+0.61%), the Ivory Coast (+0.12%), Tunisia (-0.13%), Bahrain (-0.8%), Angola (-3.38%), Zambia (-3.55%), Cameroon (-3.66%), Ghana (-4.11%), and Iraq (-4.97%).

In parallel, Lebanon's external debt posted a return of 1.11% in February 2016, constituting the 15th lowest return in the CEEMEA region and the 23rd lowest return in emerging markets during the covered month. Lebanon underperformed the emerging markets' return of 1.64% in February 2016.

Further, Lebanon's external debt posted the sixth lowest return in the Middle East & Africa region in February 2016. It outperformed South Africa (+0.98%), Jordan (+0.87%), Iraq (+0.23%), Turkey (-0.06%) and Bahrain (-0.51%); while it underperformed Gabon (+5.57%), Zambia (+5.21%), Cameroon (+3.44%), Kenya (+3.41%), Qatar (+3.2%), Tunisia (+3.13%), Angola (+3.1%), Rwanda (+2.93%), Egypt (+2.59%), Namibia (+2.52%), the Ivory Coast (+2.3%), Ghana (+2.25%), Senegal (+1.95%), Israel (+1.91%), Morocco (+1.67%), the UAE (+1.46%) and Nigeria (+1.13%).

External Debt Performance in the Middle East & Africa in First Two Months of 2016 (%)



Source: Merrill Lynch, Byblos Research

Merrill Lynch indicated that the spread on Lebanese Eurobonds ended February 2016 at 496 basis points compared to 408 basis points at end-February 2015, constituting the 20th widest spread in the CEEMEA region and the 30th widest among emerging markets. It was wider than the emerging markets' overall spread of 362 basis points at the end of February 2016. Lebanon has a weight of 3.4% on Merrill Lynch's External Debt EM Sovereign Index, the fourth largest weight in the CEEMEA universe and the eighth largest among emerging economies. Lebanon accounted for 6.2% of allocations in the CEEMEA region.

Airport passengers up 10% in first two months of 2016

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 988,821 in the first two months of 2016, constituting an increase of 10.3% from the same period last year. The number of arriving passengers rose by 9.7% year-on-year to 460,179 in the first two months of 2016, compared to an increase of 10.2% in the same period of 2015 and to a decrease of 3.3% in the first two months of 2014. Also, the number of departing passengers grew by 10.2% year-on-year to 523,397 in the first two months of 2016, relative to an increase of 7% in the same period of 2015 and to a decline of 5.9% in the first two months of 2014.

In parallel, the airport's aircraft activity rose by 11.6% year-on-year to 10,641 take-offs and landings in the first two months of 2016, compared to increases of 3% in the first two months of last year and of 0.6% in the same period of 2014. In addition, the HIA processed 11,581 metric tons of freight in the first two months of 2016 that consisted of 7,716 tons of import freight and 3,865 tons of export freight. In parallel, Middle East Airlines had 3,713 flights in the first two months of 2016 and accounted for 35% of total aircraft movement at the HIA.

Fiscal deficit widens by 7% to $3.24bn in first 11 months of 2015, equivalent to 26.7% of expenditures

Figures released by the Finance Ministry show that the fiscal deficit reached $3.24bn in the first 11 months of 2015 and widened by 7.2% from $3bn in the same period of 2014. The deficit was equivalent to 26.7% of total budget and Treasury expenditures compared to 24.3% of overall spending in the first 11 months of 2014. Government expenditures reached $12.1bn, down by 2.5% from the same period of 2014, while revenues regressed by 5.6% annually to $8.88bn. Revenues generated from government properties fell by 3.4% to $1.41bn, as receipts from telecom services reached $1.17bn and accounted for 83% of income from government properties and for 58.7% of non-tax revenues.

Budgetary expenditures were almost flat at $10.9bn in the first 11 months of 2015, and included $1.1bn in transfers to Electricité du Liban that fell by 41.7% year-on-year and $651.7m in outlays from previous years that rose by 14% year-on-year. Also, budgetary revenues were nearly unchanged year-on year at $8.4bn, with tax receipts regressing by 0.5% to $6.4bn and non-tax revenues growing by 1.7% to $2bn. Receipts from the value-added tax regressed by 4% year-on-year to $2bn in the first 11 months of 2015 and accounted for 31% of tax receipts. Tax revenues accounted for 76.3% of budgetary revenues and for 72.3% of total Treasury and budgetary receipts. Further, the distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains grew by 3% to $1.8bn in the first 11 months of 2015; revenues from customs increased by 1.3% to $1.3bn; receipts from property taxes regressed by 6.1% to $691.6m; revenues from taxes on goods & services rose by 9.6% to $338m; and other tax receipts, mainly stamp fees, declined by 1% to $296.9m.

The distribution of income tax shows that receipts from taxes on profits accounted for 39.1% of total income tax receipts in the first 11 months of 2015, followed by the tax on interest deposits with 25.4%, taxes on wages & salaries with 23.8%, and the capital gains tax with 9.5%. Receipts from the tax on interest deposits grew by 7.1%, those from the capital gains tax increased by 4.1% and revenues from taxes on wages & salaries improved by 3.7%; while taxes on profits regressed by 0.8% year-on-year in the first 11 months of 2015. Also, the distribution of property taxes shows that revenues from real estate registration fees dropped by 11.7% to $451.3m in the first 11 months of 2015, while receipts from built property taxes increased by 11% to $147.6m and revenues from the inheritance tax grew by 0.6% to $92.7m.

In parallel, debt servicing totaled $4.3bn in the first 11 months of 2015 and increased by 6.3% year-on-year. It accounted for 35.5% of total expenditures and for 39.6% of budgetary spending, while it absorbed 48.5% of overall revenues and 51.2% of budgetary receipts. Interest payments on Lebanese pound-denominated debt grew by 9.2% year-on-year to $2.6bn in the covered period, while debt servicing on foreign currency debt was flat at $1.5bn. Also, repayment of principal on foreign debt rose by 17.3% annually to $201.7m in the covered period. Excluding debt servicing, the primary budget balance posted a surplus of $1.83bn in the first 11 months of 2015, or 16.9% of budgetary expenditures, and widened by nearly 17% from a surplus of $1.57bn, or 14.4% of budget spending, in the same period of 2014. The overall primary balance posted a surplus of $1.06bn, or 8.8% of spending, in the first 11 months of the year, and widened by 3.7% from a surplus of $1.03bn, or 8.2% of total expenditures, in the same period of 2014.

Comparative Fiscal Results in First 11 Months of the Year

	2014 (US$m)	2015 (US$m)	Change (%)
Budget revenues	8,405	8,407	-
Tax revenues	6,449	6,417	(0.5)
Non-tax revenues	1,956	1,990	1.7
of which Telecom revenues	*1,176*	*1,168*	*(0.7)*
Budget expenditures	10,883	10,876	(0.1)
Budget Surplus/Deficit	**(2,478)**	**(2,469)**	**(0.4)**
In % of budget expenditures	*(22.8%)*	*(22.7%)*	
Budget Primary Surplus	**1,571**	**1,834**	**16.8**
In % of budget expenditures	*14.4%*	*16.9%*	
Treasury Receipts	1,001	469	(53.2)
Treasury Expenditures	1,546	1,240	(19.8)
Total Revenues	9,406	8,876	(5.6)
Total Expenditures	12,430	12,117	(2.5)
Total Deficit	**(3,024)**	**(3,241)**	**7.2**
In % of total expenditures	*(24.3%)*	*(26.8%)*	
Total Primary Surplus/Deficit	**1,025**	**1,063**	**3.7**
In % of total expenditures	*8.2%*	*8.8%*	

Source: Ministry of Finance, Byblos Research

Revenues through the Port of Beirut up 14% to $20m in January 2016

Figures released by the Port of Beirut show that the port's overall revenues were $19.7m in January 2016, up by 13.5% from $17.3m in the same month of 2015. The Port of Beirut handled an aggregate freight of 683,000 tons in the covered month, up by 18.8% from 575,000 tons in January 2015. Imported freight amounted to 615,000 tons in January 2016 and accounted for 90% of the total, while the remaining 68,000 tons, or 10%, consisted of export cargo. A total of 153 ships docked at the port in the covered month compared to 133 vessels in January 2015.

In parallel, revenues generated through the Port of Tripoli reached $1.9m in January 2016, constituting a rise of 2.3 times from $0.8m in the same month of 2015. The Port of Tripoli handled an aggregate weight of 245,088 tons of freight in the covered month, constituting an increase of 3.1 times from 79,909 tons in January 2015. Imported freight amounted to 182,793 tons and accounted for 74.6% of the total, while the remaining 62,295 tons, or 25.4%, were export cargo. A total of 64 vessels docked at the port in January 2016, constituting a rise of 73% from 37 ships in January 2015.

Opened letters of credits at $5.2bn for imports and $2.4bn for exports in 2015

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled $5.2bn in 2015, constituting a decrease of 17% from $6.3bn in 2014. The value of LCs opened to finance imports to Lebanon reached $1.32bn in the first quarter, $1.41bn in the second quarter, $1.19bn in the third quarter and $1.3bn in the fourth quarter of 2015. Further, utilized credits for imports reached $5.1bn last year, down by 17.7% from $6.2bn in 2014. Utilized credits for imports totaled $1.27bn in the first quarter, $1.32bn in the second quarter, $1.29bn in the third quarter and $1.23bn in the fourth quarter of 2015. They accounted for 98.1% of opened LCs in 2015 compared to a 98.9% share in the preceding year. Also, outstanding import credits amounted to $11.2bn in 2015 compared to $12.3bn in 2014. Further, the aggregate value of inward bills for collection reached $1.4bn last year, constituting a decrease of 19.4% from $1.7bn in 2014. The value of inward bills for collection totaled $396m in the first quarter, $349.3m in the second quarter, $306.8m in the third quarter and $337m in the fourth quarter of 2015. Outstanding bills for collection reached $143.3m at the end of 2015 relative to $143m at end-2014.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached $2.4bn in 2015, constituting a decrease of 20.7% from $3.1bn in 2014. It totaled $855.1m in the first quarter, $578.5m in the second quarter, $512.3m in the third quarter and $496.8m in the fourth quarter of 2015. Further, utilized credits for exports reached $2.6bn in 2015, down by 13.6% from $3bn of used credits in the preceding year. They totaled $616.1m in the first quarter, $726m in the second quarter, $580.3m in the third quarter and $641.3m in the fourth quarter of 2015. Outstanding export credits reached $13.2bn in 2015, down from $15.3bn in 2014. The aggregate value of outward bills for collection amounted to $1.67bn last year, constituting a decrease of 3.7% from $1.73bn in 2014. They reached $434.8m in the first quarter, $502m in the second quarter, $368.3m in the third quarter and $360.5m in the fourth quarter of last year. The outstanding value of outward bills for collection reached $583.6m at end-2015 relative to $500.6m a year earlier.

Industrial activity regresses year-on-year in third quarter of 2015

The Central Bank's quarterly business survey shows that industrial production relatively improved during the third quarter of 2015 from the preceding quarter, with the balance of opinions standing at -5 compared to -10 during the previous quarter, but it regressed relative to +5 during the third quarter of 2014. The balance of opinions was the lowest in Beirut & Mount Lebanon at -31, followed by the North (-9), the South (+27) and the Bekaa (+38). The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for overall demand for industrial goods stood at -11 in the third quarter of 2015 compared to -17 in the preceding quarter and to +1 in the same quarter of 2014. The balance of opinions about demand for industrial goods was the lowest in Beirut & Mount Lebanon at -34, followed by the North (-19), the South (+14) and the Bekaa (+34).

In parallel, the balance of opinions for the volume of investments in the industrial sector stood at -13 in the third quarter of 2015 compared to +2 in the preceding quarter and to zero in the same quarter of 2014. The balance of opinions about the volume of investments was the lowest in the North at -25, followed by the South (-21), Beirut & Mount Lebanon (-17) and the Bekaa (+8). Also, the balance of opinions for foreign demand of industrial goods stood at -23 during the third quarter of 2015 compared to -16 in the preceding quarter and to -8 in the third quarter of 2014. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Industrial Activity: Evolution of opinions

Aggregate results	Q3-12	Q3-13	Q3-14	Q3-15
Production	-2	5	5	-5
Total demand	-4	2	1	-11
Foreign demand	-15	-13	-8	-23
Volume of investments	1	-2	0	-13
Inventories of finished goods	-7	-7	0	-12
Inventories of raw material	-4	-7	-3	-6
Registered orders	-10	-5	-8	-14

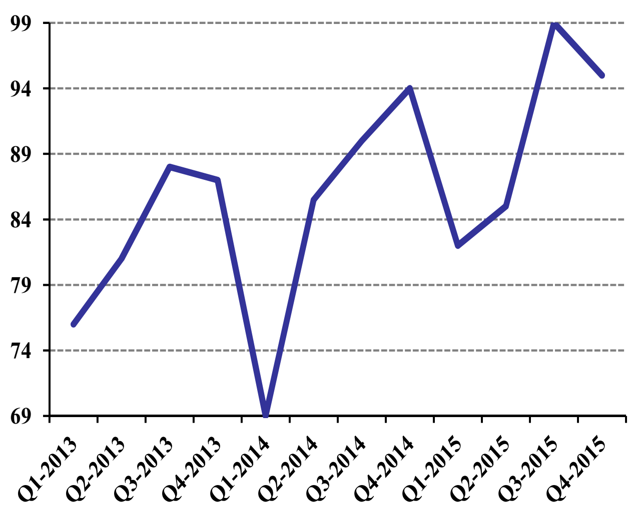
Source: Central Bank Business Survey for Third Quarter 2015

Retail sales indicator down 10% since 2012

Figures released by the Lebanese Franchise Association (LFA) show that the LFA's Retail Sales Indicator of consumer goods & services in Lebanon increased by 6.1% in 2015. The indicator rose by 17.6% in the first quarter of 2015 from the same period of the previous year and regressed by 1% in the second quarter, while it increased by 8.6% in the third quarter and by 1.7% in the fourth quarter of the year. However, the index regressed by 9.6% from 2012, which is the base year that the LFA uses to calculate the index. The consumer goods that the index covers 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 grew by 5.7% in 2015 but was 23.6% lower than the 2012 results. The indicator for the clothing category regressed by 6% in 2015 and that of household goods by 5.9%, while the indicator for the food & beverages category increased by 16.7%, followed by cosmetics (+12.4%), sports & hobbies (+12.1%) and luxury items (+3.6%). The retail sales indicators for five out of six categories of consumer goods were lower than their base year level by margins ranging from 16.9% to 38.6%. In parallel, the retail sales indicator for consumer services increased by 6.6% in 2015 and was 18.6% higher than the indicator's results in 2012. Sales of hospitality services grew by 15.3% in 2015, followed by medical services (+5.9%) and tourism services (+0.8%). The indicator for the sales of medical services grew by 35.1% from the base year of 2012, followed by tourism services (+12.4%) and hospitality services (+3.5%).

Retail Sales Indicator of Goods & Services



Source: Lebanese Franchise Association, QuantAnalysts

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 area, as well as 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 36-month time series of retail sales indicators for the nine categories of consumer goods & services were seasonally adjusted.

Compensation of public-sector personnel up 8% in first seven months of 2015, absorbs 35% of fiscal spending

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled $2.7bn in the first seven months of 2015, constituting an increase of 7.7% from $2.5bn in the same period of 2014. Salaries, wages and related benefits accounted for 65% of the total in the first seven months of the year, followed by retirement benefits (24.5%), transfers to public institutions to cover salaries (5.7%) and end-of-service indemnities (4.9%). The increase in personnel cost reflects a rise in salaries, wages & related benefits, retirement benefits, transfers to public institutions, and end-of-service indemnities. Personnel cost represented the largest component of total primary spending and accounted for 65% of such expenditures in the first seven months of 2015 compared to 57% in the same period of 2014. Also, personnel cost absorbed 35% of total fiscal spending in the covered period, up from 32% in the same period of 2014.

In parallel, salaries, wages and related benefits paid to public-sector employees totaled $1.8bn in the first seven months of 2015, constituting an increase of 4.9% from the same period of 2014. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges and employees at the Parliament.

Salaries and benefits of military personnel reached $1.1bn and accounted for 64.4% of salaries, wages and related benefits paid in the public sector in the first seven months of 2015, followed by public education personnel with $353.6m (20.1%), civil staff with $183.1m (10.4%), the government's contribution to the employees' cooperative with $75.6m (4.3%) and customs employees with $13.9m (0.8%). Also, the Lebanese Army's salaries totaled $709.8m in the first seven months of 2015 and represented 62.6% of military personnel's salaries and benefits. They were followed by the salaries of the Internal Security Forces with $322.4m (28.4%), those of the General Security Forces with $79.6m (7%) and the State Security Forces with $22.6m (2%). The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a rise of $47.1m in basic salaries and an increase of $40.5m in allowances. It was offset in part by a decrease of $3.3m in other payments given to non-military bodies, such as bonuses, and a drop of $0.7m in employment benefits. The increase in allowances was allocated in full to military personnel. Overall, basic salaries grew by 3.8% year-on-year to $1.3bn in the first seven months of 2015 and allowances increased by 17.4% to $273.3m, while other payments declined by 3.2% to $101.5m and employment benefits dropped by 0.8% to $82.3m.

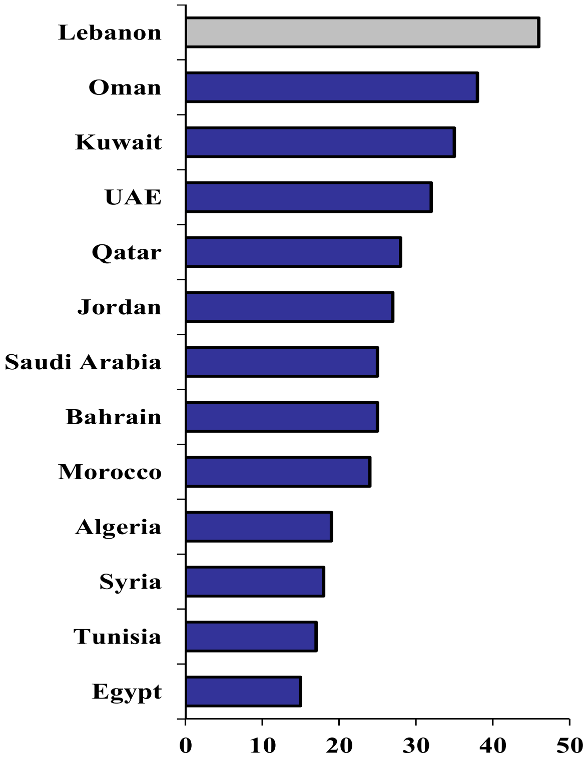
One in three Lebanese say public sector is not their employer of choice

A survey conducted by regional job portal Bayt.com and market research agency YouGov about top industries in the Middle East & North Africa region indicated that 36% of participants in Lebanon considered the public sector to be their employer of choice, constituting the lowest such ratio in the region and compared to an average of 62% in MENA countries. In comparison, 70% of respondents in Saudi Arabia shared similar views about their public sector, followed by the UAE (69%), Qatar (62%), Jordan and Egypt (60% each), Oman, Morocco and Algeria (58% each), Kuwait (52%) and Tunisia (47%). In contrast, 29% of respondents in Lebanon did not view the public sector as their employer of choice, constituting the highest such share in the region and compared to an average of 12% of participants in the MENA region. In comparison, 18% of respondents in Egypt shared similar views about their government, followed by Jordan (16%), Tunisia and Kuwait (14% each), Oman (13%), Morocco and Algeria (10% each), Qatar (9%), Saudi Arabia (8%) and the UAE (4%). Further, 21% of participants in Lebanon were neutral toward seeking employment in the public sector.

In addition, 46% of participants in Lebanon identified banking & finance as the most attractive sector for female workers, followed by the education sector (45%), advertising, marketing & public relation (35%), the hospitality & entertainment sector (28%) and the healthcare industry (26%). In comparison, 40% of respondents in the MENA region said that healthcare is the most attractive sector for female workers, followed by the education sector (36%), hospitality & entertainment (27%), banking & finance (24%), and the public sector and advertising, marketing & public relation (23% each).

In parallel, 38% of participants in Lebanon identified banking & finance as the industry that hires the highest proportion of fresh graduates, followed by advertising, marketing & public relation (29%), the hospitality & entertainment sector (28%), the information technology sector (22%) and the healthcare sector (19%). In comparison, 22% of respondents in the MENA region said that the armed forces hires the highest proportion of graduates, followed by the public sector (21%), the education industry (20%), and the banking & finance and information technology sectors (19% each).

% of Respondents who believe that Banking & Finance is Most Atttractive Sector for Female Workers



Source: Bayt.com, Byblos Research

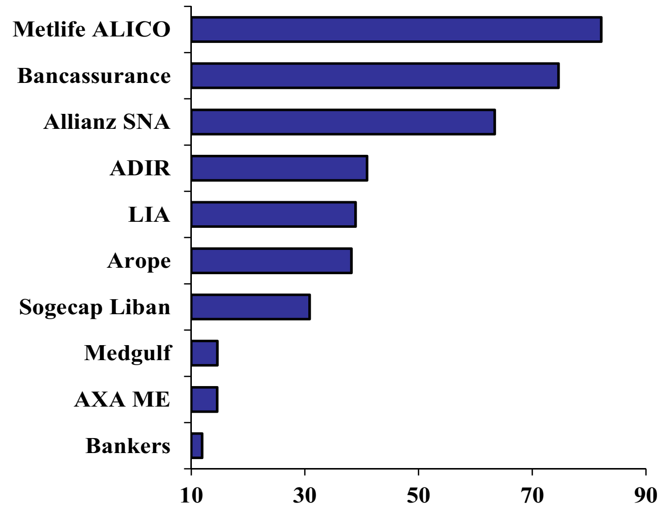
The survey was conducted between November 22 and December 8, 2015. Its results are based on online interviews with about 4,390 adults residing in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, and the UAE.

Life premiums up 6.2% to $471m in 2015

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon indicates that total life premiums generated in the Lebanese market reached $471.1m in 2015, constituting an increase of 6.2% from $443.7m in 2014, and compared to annual increases of 5.5% and 7.4% in 2014 and 2013, respectively. Life premiums generated in the Lebanese market totaled $420.5m in 2013, $391.6m in 2012, and $369.8m in 2011.

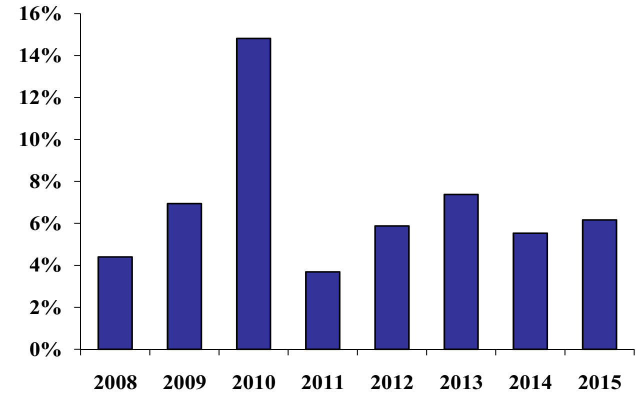
Metlife ALICO maintained its market lead with $82.2m in life premiums, equivalent to a 17.4% market share in 2015, down from 17.7% in 2014, 17.8% in 2013 and 18.7% in 2012. It was followed by Bancassurance with $74.6m and a market share of 15.8%, Allianz SNA with $63.4m (13.5%), ADIR with $40.9m (8.7%), and LIA with $38.9m (8.3%) as the top five firms among 34 providers of life insurance in Lebanon. Medgulf and Commercial Insurance registered the highest jumps in the rankings from 2014, moving from 11th to eighth place and from 32nd to 29th place, respectively, in 2015. In parallel, 19 life insurance providers posted increases in their premiums last year, with 10 firms posting double-digit growth rates and nine companies posting single-digit growth. Also, 13 firms saw a decline in their life premiums, while the premiums of one firm were unchanged year-on-year. Further, seven of the top 10 life insurers posted increases in their premiums. In parallel, *Al-Bayan* indicated that Fajr al-Gulf Insurance did not disclose its life premiums for 2015, as it is in the process of shutting down its operations.

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



Source: Al-Bayan, Byblos Research

Growth in Life Premiums (%)



Source: Al-Bayan, Byblos Research

Byblos Bank's insurance affiliate ADIR registered a 14.8% increase in life premiums, posting the fourth best performance among the top 10 providers of life insurance and the second best performance among providers that are majority-owned by banks. In parallel, Bankers posted a 27% drop in its premiums, constituting the steepest fall among the top 10 insurers, followed by AROPE with a 7.1% decline. The composition of the top 10 insurers changed from 2014 with Medgulf replacing CLA in eighth place. Also, the rankings of five out of the top 10 firms were unchanged from 2014. ADIR improved by two spots to fourth place and AXA ME rose by one spot to ninth place, while AROPE regressed by two spots to sixth place and Bankers declined by two spots to 10th place. The survey shows that the top 10 providers of life insurance in Lebanon accounted for 87.1% of the life insurance market, while the top 20 firms generated 97.8% of life premiums in 2015. The top 5 life insurers in Lebanon accounted for 63.7% of the market in 2015 compared to 62.8% in 2014 and 64.2% in 2013. Their aggregate premiums reached $300m in 2015 compared to $278.5m in the preceding year and $269.7m in 2013.

Further, *Al-Bayan's* survey shows that overall life and non-life premiums rose by 3.5% to $1.53bn in 2015, compared to a growth rate of 5.3% in 2014, with life premiums accounting for 30.8% of the total. The top 10 insurers in Lebanon accounted for 63.9% of the combined life and non-life markets, while the top 20 firms represented 85.8% of aggregate premiums in 2015. Allianz SNA led all insurers with $123.9m in total life and non-life premiums in 2015, followed by Medgulf with premiums of $114.7m and Metlife ALICO with $113.9m.

Kafalat loan guarantees up 71% to $17m in first two months of 2016

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $17.4m in the first two months of 2016, constituting an increase of 70.6% from $10.2m in the same period of 2015. Kafalat provided 117 loan guarantees in the covered period, up by 36% from 86 guarantees in the first two months of 2015. The average loan size reached $148,392 compared to $118,335 in the first two months of 2015. Mount Lebanon accounted for 39.3% of the total number of guarantees, followed by the Bekaa with 28.2%, the North and the South with 10.3% each, Nabatieh with 7.7% and Beirut with 4.3%. Also, the agricultural sector accounted for 46.2% of the total number of guarantees in the first two months of 2016, followed by the industrial sector with 35%, tourism with 13.7%, specialized technologies with 3.4% and handicraft with 1.7%. 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 up 3% in January 2016, exports up 45%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 26,126 20-foot equivalent units (TEUs) in January 2016, constituting an increase of 2.7% from 25,432 TEUs in the same month of 2015. The five freight forwarders accounted for 88.8% of imports to the Lebanese market and for 60.3% of the total import freight forwarding market in January 2016. Mediterranean Shipping Company (MSC) handled 9,459 TEUs in imports in January 2016, equivalent to a 21.8% share of the total freight forwarding import market. It was followed by Merit Shipping with 4,794 TEUs (11.1%), Metz Group with 4,685 TEUs (10.8%), Sealine Group with 4,237 TEUs (9.8%) and Gezairy Transport with 2,951 TEUs (6.8%). Further, Gezairy Transport registered the highest growth in import shipping among the top five freight forwarders at 55.6% year-on-year, while Merit Shipping posted the steepest decline at 28.4%.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 6,016 TEUs in January 2016, constituting an increase of 44.6% from 4,161 TEUs in the same month last year. The five freight forwarders accounted for 99.1% of exported Lebanese cargo and for 12.8% of the total export freight forwarding market in January 2016. Merit Shipping handled 3,393 TEUs of freight in the covered month, equivalent to 55.9% of the Lebanese cargo export market. It was followed by Sealine Group with 1,179 TEUs (19.4%), Metz Group with 756 TEUs (12.4%), MSC with 412 TEUs (6.8%) and Gezairy Transport with 276 TEUs (4.5%). Further, Merit Shipping registered the highest growth in export shipping among the top five freight forwarders at 232% year-on-year, while Metz Group posted the steepest decline at 28.5%.

Balance sheet of investment banks up 11% in 2015

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,864.9bn, or $4.6bn at the end of 2015, constituting a rise of 10.7% from the end of 2014 and compared to an increase of 3.2% in 2014. The cash balance and deposits of investment banks at commercial banks reached $2.3bn at end-2015, up by 21.4% from a year earlier and relative to a drop of 1.8% in 2014. Also, claims on the private sector totaled $1.4bn, constituting a marginal rise of 0.7% year-on-year and compared to an increase of 14.7% in 2014. Investments in government securities reached $521.1m at the end of 2015, down by 4.8% from a year earlier and compared to a rise of 11% in 2014.

On the liabilities side, private sector deposits totaled $2.14bn at the end of 2015, and rose by 6.9% from end-2014 relative to a 2.9% rise in 2014. Resident deposits in foreign currencies stood at $1bn, followed by resident deposits in Lebanese pounds at $736.5m, non-resident deposits in foreign currencies at $294.1m and non-resident deposits in Lebanese pounds at $77.8m. Liabilities to the public sector reached $217.4m at the end of 2015, constituting a rise of 16.7% from the end of 2014 and compared to a drop of 3.4% in 2014. Also, commitments to the financial sector totaled $723.4m at the end of 2015, reflecting an increase of 13.6% from end-2014 and relative to a rise of 6.5% in 2014. Further, the aggregate capital account of investment banks reached $1.24bn at the end of 2015 and increased by 8.7% from a year earlier. There were 16 investment banks operating in Lebanon with a total of 21 branches as of September 2015.

CMA CGM's net profits down by 4% to $587m in 2015

The Lebanese-owned and France-based container shipping firm CMA CGM declared consolidated net profits of $586.7m in 2015, down by 4.1% from $611.6m in 2014. The firm's core earnings before interest and taxes (EBIT), excluding disposals and impairment charges, totaled $910.6m in 2015 and decreased by 6.4% from $973.2m in the previous year. Also, the company's revenues dropped by 6.4% to $15.7bn in 2015, mainly due to a 6.9% decrease in receipts from container shipping. In parallel, the firm's operating expenses regressed by 6.7% to $14.4bn in 2015, mainly due to a 39.3% decrease in bunkers and consumables. The company transported 13 million twenty-foot equivalent units (TEUs) in 2015, an increase of 6.3% from 12.2 million TEUs in 2014. The firm's average freight rates, calculated as consolidated revenue divided by total carried TEU volumes, decreased by 11.9% to $1,206.2 per TEU in 2015. CMA CGM's return on invested capital, which measures how well the company is using its money to generate returns, regressed from 9.9% in 2014 to 9.2% in 2015.

Also, the firm's consolidated assets reached $14.28bn at the end of 2015 compared to $14.36bn a year earlier. The value of its property and equipment rose by 6.4% from end-2014 to $7.63bn at the end of 2015, with vessels accounting for $6.5bn or 85.2% of the total, followed by containers at $499.4m (6.5%), and land and buildings at $482.6m (6.3%). The company's gearing ratio, which measures financial leverage, increased from 55% at end-2014 to 65% at the end of 2015.

CMA CGM is the third largest container shipping company in the world. It currently operates a fleet of 471 vessels and serves 420 ports around the world. In December 2015, Moody's Investors Service affirmed CMA CGM's corporate family rating at 'B1', its probability of default rating at 'B1-PD' and its senior unsecured bond ratings at 'B3'. But it revised the outlook on all the ratings from 'positive' to 'stable'.

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

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