

LEBANON THIS WEEK

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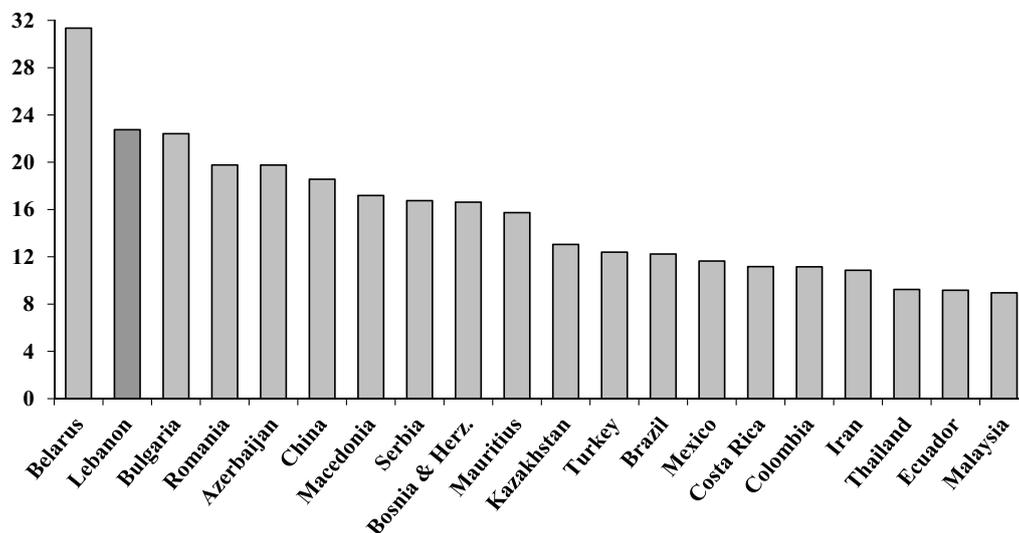
Top five freight forwarders' import activity up 6% in first half of 2016, exports up 10%

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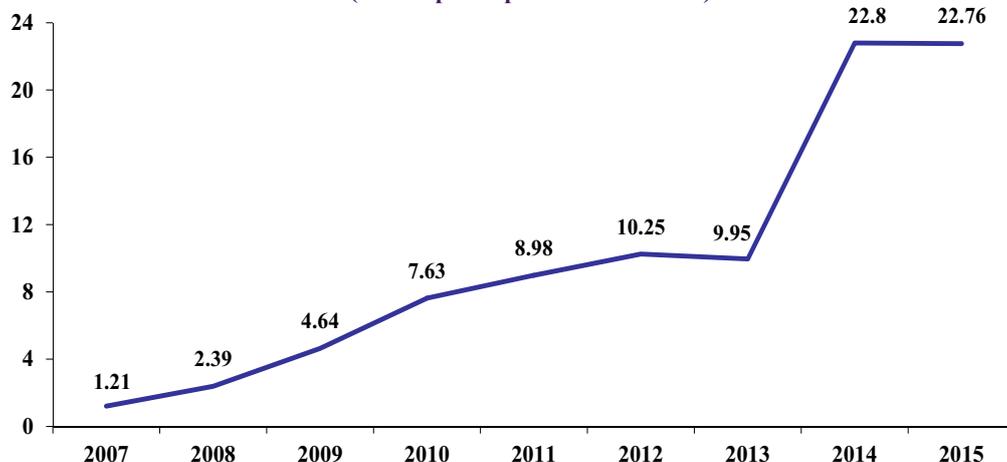
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Charts of the Week

Fixed Broadband Penetration Rates among Top 20 Upper Middle- Income Countries at end-2015* (Subscriptions per 100 inhabitants)



Fixed Broadband Penetration Rates in Lebanon (Subscriptions per 100 inhabitants)



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

Source: International Telecommunication Union, Byblos Bank

Quote to Note

"The banking system is still attracting sufficient deposits to fund government borrowing while ensuring moderate growth of credit to the resident private sector."

Fitch Ratings, on the banking sector's role in maintaining economic and public finance stability

Number of the Week

43: Number of times since May 2014 that the Lebanese Parliament convened and failed to elect a President

Lebanon in the News

\$m (unless otherwise mentioned)	2015	Apr 2015	Jan 2016	Feb 2016	Mar 2016	Apr-16	% Change*
Exports	2,952	235	186	228	220	237	0.85
Imports	18,069	1,442	1,494	1,377	1,750	1,610	11.65
Trade Balance	(15,117)	(1,207)	(1,308)	(1,149)	(1,530)	(1,373)	13.75
Balance of Payments	(3,354)	136	(719)	363	(288)	(225)	-
Checks Cleared in LBP	18,714	1,550	1,709	1,538	1,609	1,698	9.50
Checks Cleared in FC	50,845	4,158	4,065	3,988	3,983	3,959	(4.79)
Total Checks Cleared	69,559	5,708	5,774	5,526	5,592	5,657	(0.91)
Budget Deficit/Surplus	(3,952)	(431.85)	(214.00)	(513.56)	(713.34)	(192.17)	(55.50)
Primary Balance	724.40	42.17	32.08	(276.67)	(156.28)	249.64	492
Airport Passengers***	7,241,463	598,341	546,609	442,212	534,954	557,763	(6.78)

\$bn (unless otherwise mentioned)	2015	Apr 2015	Jan 2016	Feb 2016	Mar 2016	Apr-16	% Change*
BdL Gross FX Reserves	30.64	33.77	31.64	31.42	30.37	31.16	(7.71)
<i>In months of Imports</i>	20.35	23.42	22.82	17.35	(24.16)	19.36	(17.34)
Public Debt	70.31	69.47	70.62	71.22	71.04	71.65	3.15
Bank Assets	185.99	179.40	186.20	186.59	187.66	187.92	4.75
Bank Deposits (Private Sector)	151.59	147.50	151.50	151.42	152.44	152.93	3.68
Bank Loans to Private Sector	54.22	51.43	54.39	54.56	55.06	55.20	7.34
Money Supply M2	52.15	50.01	52.24	52.29	52.52	52.79	5.55
Money Supply M3	123.62	119.75	123.26	123.49	124.51	125.11	4.48
LBP Lending Rate (%)	7.45	7.10	8.28	8.18	8.62	8.40	130bps
LBP Deposit Rate (%)	5.56	5.61	5.52	5.57	5.59	5.60	(1bp)
USD Lending Rate (%)	7.06	7.08	7.34	7.31	7.36	7.17	9bps
USD Deposit Rate (%)	3.17	3.16	3.22	3.22	3.27	3.29	13bps
Consumer Price Index**	(3.75)	(3.74)	(3.16)	(2.94)	(3.57)	(2.35)	139bps

* 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, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Byblos Common	1.60	(1.23)	137,087	5.23%	Mar 2017	9.00	102.50	4.54
Solidere "B"	9.35	(1.99)	44,806	5.52%	Nov 2018	5.15	99.75	5.27
Audi Listed	6.10	(1.61)	38,879	22.16%	May 2019	6.00	100.75	5.70
Solidere "A"	9.53	0.32	15,099	8.66%	Mar 2020	6.38	101.50	5.90
Audi GDR	6.10	0.00	8,583	6.37%	Apr 2021	8.25	109.25	5.94
BLOM GDR	10.10	0.40	3,500	6.78%	Oct 2022	6.10	99.25	6.25
Byblos Pref. 08	101.00	0.90	2,865	1.84%	Jun 2025	6.25	97.13	6.69
HOLCIM	14.21	(0.28)	1,634	2.52%	Nov 2026	6.60	99.50	6.67
Byblos Pref. 09	100.20	0.10	364	1.82%	Feb 2030	6.65	98.50	6.82
BLOM Listed	9.90	0.00	-	19.34%	Nov 2035	7.05	100.13	7.04

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

Source: Byblos Bank Capital Markets

	August 8-12	August 15-19	% Change	July 2016	July 2015	% Change
Total Shares Traded	260,894	5,468,634	(95.23)	2,886,513	3,371,034	(14.37)
Total Value Traded	\$1,917,707	\$56,532,191	(96.61)	\$18,444,372	\$28,058,062	(34.26)
Market Capitalization	\$11.00bn	\$11.06bn	(0.52)	\$11.08bn	\$11.44bn	(3.11)

Source: Beirut Stock Exchange (BSE)



Greenfield FDI in Lebanon at \$11bn between January 2003 and April 2016

Figures released by fDi Markets show that the cumulative value of Arab greenfield foreign direct investment (FDI) in Lebanon totaled \$11.43bn between January 2003 and April 2016. Lebanon was the 11th largest recipient of inter-Arab greenfield FDI among 21 Arab countries during the covered period, ahead of Syria (\$10.65bn), Oman (\$9.53bn), and Tunisia (\$7.59bn), and behind Bahrain (\$15.8bn), Morocco (\$15.45bn) and Qatar (\$12.27bn). However, greenfield FDI projects in Lebanon from Arab countries rose by just \$31m between April 2015 and April 2016. The value of greenfield FDI projects in Lebanon accounted for 3.7% of total inter-Arab greenfield FDI projects in Arab countries between January 2003 and April 2016.

The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation, but exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border greenfield investments across the world, and is owned by the Financial Times Group.

The UAE was the main Arab source of greenfield FDI in Lebanon with \$7.31bn or 64% of the total, followed by Kuwait with \$2.02bn (17.7%), Saudi Arabia with \$1.84bn (16.1%), Qatar with \$105m (0.9%), Bahrain with \$94m (0.8%), Egypt, Iraq and Jordan with \$15m each, and Oman with \$13m (0.1% each).

In parallel, Lebanon attracted 89 greenfield FDI projects from Arab countries between January 2003 and April 2016, constituting the 11th highest number of projects among 21 Arab countries. Lebanon attracted more projects than Morocco (86 projects), Syria (74 projects) and Libya (54 projects), and fewer projects than Kuwait (128 projects), Iraq (98 projects) and Algeria (95 projects). Also, the number of greenfield FDI projects in Lebanon accounted for 3.7% of such projects in Arab countries over the covered period. Overall, the UAE, Kuwait and Saudi Arabia accounted for 87.6% of the number of projects in Lebanon and for 97.8% of their value.

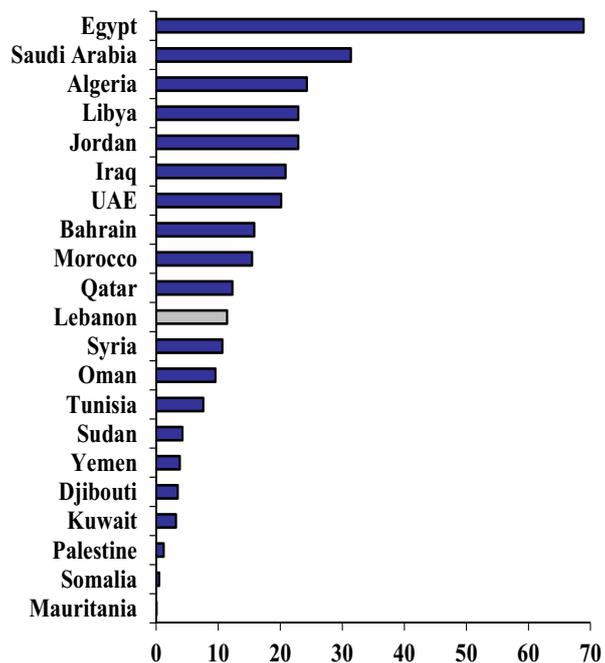
Gross public debt at \$73bn at end-June 2016

Lebanon's gross public debt reached \$72.9bn at the end of June 2016, constituting an increase of 3.6% from \$70.3bn at end-2015 and a growth of 5.6% from \$69bn at the end of June 2015. In nominal terms, the gross public debt grew by \$2.56bn in the first half of 2016 relative to an increase of \$2.46bn in the same period of 2015. Debt in Lebanese pounds totaled \$44bn at end-June 2016, growing by 1.7% from the end of 2015 and by 3.7% from end-June 2015; while debt in foreign currency stood at \$28.9bn, constituting a rise of 6.8% from end-2015 and of 8.5% from a year earlier. Local currency debt accounted for 60.3% of gross public debt at the end of June 2016 compared to 61.4% a year earlier, while foreign currency-denominated debt represented the balance of 39.7% relative to 38.6% at end-June 2015. The weighted interest rate on outstanding Treasury bills was 6.96% and the rate on Eurobonds was 6.41% in June 2016. Further, the weighted life on Eurobonds was 6.52 years, while that on Treasury bills was 1,283 days.

The Central Bank held 43.1% of the Lebanese pound-denominated public debt at the end of June 2016, up from 38.2% from the preceding months and from 34.9% a year earlier. It was followed by commercial banks with 40.4%, down from 44.9% at the end of May 2016 and from 48.2% at end-June 2015; while public agencies, financial institutions and the public accounted for 16.5% of local debt, relative to 16.9% a year earlier. The significant month-on-month change in the Central Bank's holdings of Lebanese pound-denominated Treasury bills reflects the special operations it conducted with commercial banks, as it purchased from banks the equivalent of more than \$1bn in Treasury bills and bonds. In parallel, Eurobond holders and special T-bills in foreign currencies accounted for 92.7% of foreign-currency denominated debt at the end of June 2016, followed by multilateral institutions with 3.7%, foreign governments with 3.5% and Paris II loans with 0.2%. Commercial banks hold about 54% of the total public debt. 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.

In parallel, Standard & Poor's rates Lebanon's long- and short-term foreign currency sovereign credit ratings at 'B-'. But the Credit Default Swap Market Derived Signals, an indicator of risk appetite by foreign investors, show that Lebanon's sovereign debt is considered by the market to have a 'B' risk level, which is one notch higher than the S&P rating as at August 19, 2016.

Greenfield FDI inflows to Arab countries* (US\$bn)



*between January 2003 and April 2016

Source: fDi Markets, Byblos Research

Lebanon is 73rd largest market for U.S. exports, key exports include vehicles and chemical products in 2015

The United States Department of Commerce's 2016 Country Commercial Guide for Lebanon (CCG) indicated that Lebanon has many investment strengths that have encouraged foreign companies to set up offices in the country. It said that Lebanon's key advantages include the absence of controls on the movement of capital and foreign exchange, a well-developed banking system with strong financial soundness indicators, a stable exchange rate, limited government intervention in foreign trade, a highly-educated labor force, good quality of life and limited restrictions on investors. It added that payments for business transactions are often made in US dollars, and that major Lebanese banks have American correspondent banking relationships that facilitate financial transactions between U.S. exporters and Lebanese importers. But it noted that some issues continue to cause frustration among local and foreign businessmen. It pointed out that impediments include red tape and corruption, political risks, arbitrary licensing decisions, complex customs procedures, outdated legislation, an ineffectual judicial system, high taxes and fees, high telecommunication charges and slow Internet speed, poor electricity provision, flexible interpretation of laws, and weak enforcement of intellectual property rights. It added that many investors have delayed investments in Lebanon due to the ongoing domestic political deadlock, the vacuum at the Presidential level, the tense security environment, as well as the elevated external political risks related to the Syrian conflict.

The U.S. Department of Commerce said that Lebanon was the 73rd largest market for U.S. exports in 2015, while it was the 74th largest market in 2014. It added that the U.S. exported \$1.02bn worth of goods to Lebanon last year, which accounted for 5.7% of total Lebanese imports, compared to U.S. exports of \$1.3bn or 5.9% of Lebanese imports in 2014. It noted that the U.S. was the fifth largest source of imports for Lebanon in 2015, behind China, Italy, Germany and France. It said that major U.S. exports to Lebanon in 2015 were vehicles (\$280m), chemical products (\$189m), machinery & electrical instruments (\$158m), mineral fuel & oil (\$78m), prepared foodstuff, beverages & tobacco (\$58m), and vegetable products (\$48m). The U.S. Department of Commerce indicated that leading Lebanese sectors for U.S. exports and investment consist of the automotive market, the pharmaceuticals sector, medical equipment, the apparel sector, the safety & security market, as well as the agricultural sector.

The Commerce Department estimated U.S. automotive exports to Lebanon at \$273m in 2015, up by 24.7% from \$219m in 2014. It noted that the size of the automotive market in Lebanon grew by 12.7% to \$1.6bn in 2015. It estimated the U.S. share of the local auto market at 16.8% in 2015. It added that the demand for U.S. sport utility vehicles in Lebanon has been growing due to their ability to withstand the country's poor road conditions, while demand for U.S. automotive products such as brakes, clutches, engine lubricants and safety accessories is increasing because of their quality advantage over foreign competitors. It projected U.S. automotive exports to Lebanon at \$258m in each of 2016 and 2017. In addition, U.S. agricultural exports to Lebanon totaled \$116m in 2015 and accounted for 3.5% of Lebanon's total agricultural imports.

Further, the Commerce Department said that U.S. pharmaceutical exports to Lebanon increased by 6.2% to \$120m in 2015 and accounted for 10% of the country's total pharmaceutical imports, while U.S. exports of medical equipment to Lebanon regressed by 3% to \$65m in 2015 and accounted for 23.6% of the market. It added that U.S. pharmaceutical products have an advantage over their European and Asian counterparts in the biotechnology, high-tech, anti-cancer and cardiovascular fields. It considered that the sustained demand for U.S. medical equipment reflects their high quality and competitive value. It indicated that Lebanon is the leading market for imported pharmaceutical drugs in the Levant, while the Lebanese pharmaceuticals market is valued at over \$1bn, with potential growth of more than 5% annually. But it noted that several challenges face the pharmaceuticals sector in Lebanon, such as the high cost of pharmaceuticals as well as the registration of copycat and counterfeit pharmaceuticals. It added that the legal framework governing pharmaceuticals is weak and constitutes a barrier to foreign investments, mainly for the introduction of new drugs. It projected U.S. pharmaceutical exports to Lebanon to rise to \$153m in each of 2016 and 2017, while it forecast U.S. exports of medical equipment to Lebanon to decrease to \$57m in each of 2016 and 2017.

In addition, U.S. apparel exports to Lebanon were unchanged at \$15m in 2015 and accounted for 2.8% of the country's total apparel imports last year. The Commerce Department projected such exports to remain at \$15m in each of 2016 and 2017. It noted that political and security uncertainties have negatively impacted the growth of the apparel industry. In parallel, the exports of U.S. safety & security equipment to Lebanon rose from \$1m in 2014 to \$4m in 2015 and are expected to grow to \$9m in each of 2016 and 2017, given the ongoing political and security uncertainties in the country.

Value of cleared checks down 3%, returned checks down 7% in first half of 2016

The value of cleared checks reached \$33.8bn in the first half of 2016, constituting a decrease of 2.7% from \$34.7bn in the same period of 2015, and compared to a drop of 6.4% in the first half of 2015 and an increase of 4.5% in the same period of 2014. The value of cleared checks in Lebanese pounds grew by 6.5% annually to the equivalent of \$9.7bn, while the value of cleared checks in US dollars declined by 6% to \$24.1bn in the first half of 2016. The dollarization rate of cleared checks decreased to 71.2% from 73.7% in the first half of 2015. Further, there were 6.2 million cleared checks in the first half of 2016, nearly unchanged from the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$736m in the first half of 2016 compared to \$794m in the same period of 2015 and \$715m in the first half of 2014. This constituted a drop of 7.3% year-on-year in the first half of 2016 relative to an increase of 11% in the same period of 2015 and a decline of 2.7% in the first half of 2014. Also, there were 113,700 returned checks in the covered period, down by 4.3% from 118,800 checks in the first half of 2015.

Lebanon ranks 70th globally, sixth among Arab countries in terms of innovation

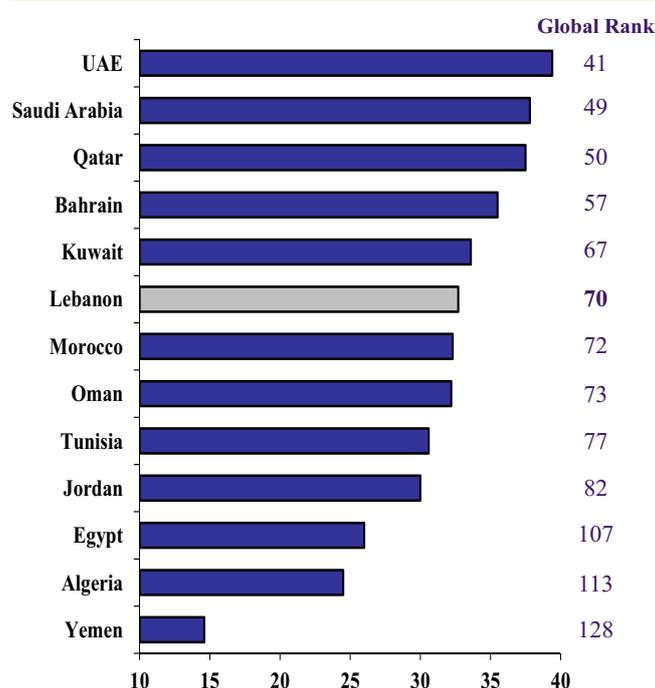
The 2016 Global Innovation Index ranked Lebanon in 70th place among 128 countries around the world and in sixth place among 13 Arab countries. Lebanon also came in 18th place among 34 upper middle-income countries (UMICs) included in the survey. Lebanon ranked in 74th place globally among 141 countries worldwide and in sixth place in the Arab world in the 2015 survey. Based on the same set of countries year-on-year, Lebanon's rank would improve by two notches from 72nd spot in the 2015 survey. The index measures innovation in a broad sense and includes scientific innovation, as well as social and business innovation. It captures the multi-dimensional aspects of innovation and provides the tools that can assist in tailoring policies to promote long-term economic growth, improved productivity and job creation. It rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The index is a composite of 82 variables that are grouped in two sub-indices, the Innovation Input Sub-Index and the Innovation Output Sub-Index. The countries included in the index represent 92.8% of the world's population and 97.9% of global GDP. The index is co-published by the INSEAD Business School, Cornell University and the World Intellectual Property Organization.

Globally, Lebanon has a higher innovation level than Peru, Morocco and Oman, and is less innovative than Kuwait, Panama and Brazil. It is more innovative than Peru, Kazakhstan and the Dominican Republic, and is less innovative than Serbia, Panama and Brazil among UMICs. Lebanon received a score of 32.7 points, which is below the global average of 36.73 points and the UMIC's average of 33.5 points, but is higher than the Arab average of 31.28 points. Also, its score came below the Gulf Cooperation Council (GCC) countries' average of 36 points, but was above the average of non-GCC Arab countries of 27.24 points. Switzerland has the highest innovation level worldwide, while Yemen is the least innovative country globally.

In parallel, Lebanon ranked ahead of the Philippines, Namibia and Jordan, and came behind Tunisia, Jamaica and the Dominican Republic globally on the Innovation Input Sub-Index. This category covers the elements of the national economy that enable innovative activities, such as institutions, human capital & research, infrastructure, market sophistication, and business sophistication. Lebanon also ranked ahead of only Namibia, Jordan, Iran, Paraguay, Ecuador and Algeria among UMICs; while it ranked ahead of only Jordan, Algeria, Egypt and Yemen regionally.

Further, Lebanon came ahead of Qatar, India and Georgia, while it ranked behind Saudi Arabia, Macedonia and Kuwait globally on the Innovation Output Sub-Index. This category reflects the results of innovative activities within the economy such as technology, knowledge and creativity. Lebanon also ranked ahead of Panama and behind Macedonia among UMICs, while it came behind only Saudi Arabia and Kuwait in the Arab region.

**Global Innovation Index for 2016
Arab Countries Scores & Rankings**



Source: INSEAD, Cornell University, WIPO, Byblos Research

Components of the 2016 Global Innovation Index for Lebanon

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Innovation Input	85	9	28	37.8	43.9	39.4	41.3
Institutions	91	10	30	52.1	63.1	58.1	60.7
Human Capital & Research	76	9	21	29.8	33.9	31.6	31.0
Infrastructure	84	11	25	37.5	43.4	44.6	41.8
Market Sophistication	99	8	29	37.9	45.4	38.6	43.7
Business Sophistication	63	3	11	31.7	33.6	24.2	29.6
Innovation Output	57	3	11	27.6	29.6	23.1	25.6
Knowledge & Technology							
Outputs	74	4	18	22.4	27.6	20.6	23.0
Creative Outputs	51	3	9	32.8	31.6	25.6	28.3

Source: INSEAD, Cornell University, WIPO, Byblos Research



Central Bank operations improve public debt profile and foreign currency reserves

Citi considered that the operations that Banque du Liban (BdL) conducted with the Ministry of Finance and Lebanese banks since May 2016 have had significant implications for the domestic financial system. It indicated that the Ministry of Finance swapped \$2bn worth of Eurobonds with Lebanese pound-denominated Treasury bonds from the BdL's portfolio. In addition, it said that the BdL sold the acquired Eurobonds to Lebanese banks, and issued between \$1bn and \$3bn in Certificates of Deposits (CDs) for domestic banks. As a result, it noted that local banks purchased from the BdL between \$3bn and \$5bn worth of sovereign instruments denominated in US dollars. It estimated that banks financed 50% of their purchases from the liquidity provided by the BdL through repo operations, and up to \$2.5bn from their own US dollar liquidity. Finally, it said that the BdL bought from banks at face value Lebanese pound-denominated Treasury bonds worth the equivalent of about \$3bn to \$5bn, which has generated net profits of between \$1bn and \$2bn for the banks.

Citi considered that the debt swap between the Ministry of Finance and the BdL has improved the government's debt profile. Also, it estimated that the BdL's foreign currency reserves rose by up to \$2.5bn between May and July through the sale of Eurobonds and the issuance of CDs. In addition, it indicated that the banks' liquidity in local currency increased when the BdL purchased Lebanese pound-denominated Treasury bonds from banks. It anticipated that the banks would use their improved liquidity in Lebanese pounds to subscribe to upcoming issuances in the domestic currency. Further, it pointed out that the banks would use the net profits from their operations with the BdL as provisions against an expected rise in non-performing loans from the introduction of IFRS 9 standards in 2018. However, it estimated that the BdL operations have reduced the banks' liquidity in US dollars by up to \$2.5bn, equivalent to about three months of deposit inflows to the banking sector. It added that the tighter liquidity conditions have reduced the banks' activity in the Eurobond secondary market in the past two months, which mainly explains the underperformance of Lebanese Eurobonds over the same period.

In parallel, Citi changed its forecast for Lebanon's fiscal deficit to 9.4% of GDP in 2016 from 8.2% of GDP previously, due to weaker-than-expected revenues and higher-than-anticipated growth in spending. It considered that Lebanon's gains from the low oil price environment have peaked, and that global oil price movements are reflected in the country's public finances with a six-month lag. As such, it expected Treasury transfers to the state-owned and money-losing Electricité du Liban to significantly rise as of September 2016 to reflect the increase in oil prices that started in March 2016, which would widen the fiscal deficit in the fourth quarter of the year. It estimated that bank deposits need to grow by about 3% annually in order for the banking sector to be able to finance the government's widening deficit. It did not expect the slowdown in deposit growth to be an imminent threat to the banks' solvency.

Coincident Indicator up 5% year-on-year in first half of 2016

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 273.5 points in June 2016 compared to 297.9 in May 2016 and 277.7 in June 2015. The Coincident Indicator, an average of 8 weighted economic indicators, regressed by 8.2% month-on-month and by 1.5% year-on-year in June 2016. The indicator averaged 289.9 in the first half of 2016, up 4.5% from 277.3 in the same period of 2015. Also, the indicator averaged 284.9 in the 12 months ending June 2016, compared to 285.2 in the 12 months ending May 2016 and 272.9 in the 12 months ending June 2015. As a result, the average coincident indicator was nearly unchanged month-on-month, while it improved by 4.4% year-on-year. In parallel, the indicator regressed 12 times and improved 12 times on a monthly basis in the month of June since 1993. It averaged 249.5 in 2010, 255.7 in 2011, 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014 and 278.6 in 2015.

Revenues through the Port of Beirut up 2% to \$123m in first half of 2016

Figures released by the Port of Beirut show that the port's overall revenues reached \$123m in the first half of 2016, constituting an increase of 1.9% from \$120.6m in the same period of 2015. The Port of Beirut handled 4.4 million tons in freight in the first half of 2016, up by 13% from 3.9 million tons in the same period in 2015. Imported freight amounted to 3.96 million tons in the covered period and accounted for 89.2% of aggregate freight, while the remaining 477,000 tons, or 10.8%, consisted of export cargo. A total of 1,052 ships docked at the port in the covered period compared to 852 vessels in the first half of 2015.

In parallel, revenues generated through the Port of Tripoli reached \$7.8m in the first half of 2016, constituting a rise of 17.1% from \$6.65m in the same period of 2015. The Port of Tripoli handled 858,084 tons of freight in the covered period, representing an increase of 13.6% from 755,668 tons in the same period of 2015. Imported freight amounted to 645,443 tons and accounted for 75.2% of the total, while the remaining 212,641 tons, or 24.8% of the total, were export cargo. A total of 394 vessels docked at the port in the first half of 2016, constituting a rise of 27.1% from 310 ships in the same period of 2015.



Fiscal deficit widens by 9% to \$1.6bn in first four months of 2016, equivalent to 33% of expenditures

Figures released by the Finance Ministry show that the fiscal deficit reached \$1.63bn in the first four months of 2016 and widened by 9.3% from \$1.49bn in the same period of 2015. The deficit was equivalent to 32.9% of total budget and Treasury expenditures compared to 32.2% in the first four months of 2015. Government expenditures reached \$5bn and increased by 7% from the same period last year, while revenues grew by 5.9% annually to \$3.3bn. As such, the widening of the deficit reflects a rise of \$323.2m in overall expenditures that was partly offset by an increase of \$184m in total revenues during the first four months of 2016.

On the revenues side, tax receipts grew by 4.6% year-on-year to \$2.41bn, of which 34.2%, or \$822.2m, were in VAT receipts that increased by 3.8% year-on-year. Tax revenues accounted for 77.7% of budgetary revenues and for 72.4% of total Treasury and budgetary receipts. The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains grew by 6.3% year-on-year to \$625.8m in the first four months of 2016; revenues from customs increased by 2.4% to \$437.1m; receipts from property taxes rose by 12.6% to \$312.8m; revenues from taxes on goods & services regressed by 10.4% to \$92.1m; while receipts from stamp fees improved by 5% to \$116.9m. The distribution of income tax shows that receipts from taxes on wages & salaries accounted for 38.4% of total income tax receipts in the first four months of 2016, followed by the tax on interest deposits with 30%, taxes on profits with 23.2%, and the capital gains tax with 6.2%. Receipts from capital gains grew by 18.5% in the covered period, those from the tax on interest deposits increased by 11.3% and revenues from taxes on wages & salaries improved by 8.5%, while receipts from taxes on profits regressed by 3.4% annually in the first four months of 2016. Also, the distribution of property taxes shows that revenues from real estate registration fees rose by 15.2% to \$169m in the first four months of the year, while receipts from built property taxes increased by 1.8% to \$100.8m and revenues from the inheritance tax grew by 34.2% to \$43m.

Further, non-tax budgetary receipts grew by 0.8% year-on-year to \$691.8m. They included \$448m in revenues generated from government properties that decreased by 6.5% year-on-year, as well as \$183.7m in receipts generated from administrative fees and charges that rose by 8.6% year-on-year. Receipts from telecom services increased by 1% to \$347.5m and accounted for 77.6% of income from government properties and for 50.2% of non-tax budgetary revenues.

On the expenditures side, budgetary spending, which include general expenditures and debt servicing, rose by 6.7% to \$4.2bn in the first four months of 2016. General budgetary spending grew by 7.1% to \$2.7bn. It included \$852.9m in outlays from previous years that rose by 43.8% year-on-year and \$210.2m in transfers to Electricité du Liban that declined by 45.6% year-on-year, among others. Also, debt servicing totaled \$1.48bn in the first four months of 2016 and grew by 6% from the same period last year. Debt servicing accounted for 30% of total expenditures and for 35.3% of budgetary spending, while it absorbed 44.6% of overall revenues and 47.8% of budgetary receipts. Interest payments on Lebanese pound-denominated debt grew by 7.1% to \$1bn in the first four months of the year, while debt servicing on foreign currency debt grew by 5.4% to \$417.7m. Also, the repayment of principal on foreign debt, including concessional loans earmarked for project financing, regressed by 13% to \$39.8m in the first four months of 2016. Excluding debt servicing, the primary budget balance posted a surplus of \$386.8m in the first four months of 2016, or 9.2% of budgetary expenditures, and narrowed by 14.8% from a surplus of \$454.2m, or 11.6% of budgetary spending, in the same period of 2015. The overall primary balance posted a deficit of \$151.2m, or 3.1% of spending, and widened by 57.7% from a deficit of \$95.9m, or 2.1% of total expenditures, in the same period of 2015.

Comparative Fiscal Results in First Four Months of the Year			
	2015	2016	Change
	(US\$m)	(US\$m)	(%)
Budget revenues	2,987	3,099	3.7
Tax revenues	2,301	2,407	4.6
Non-tax revenues	686	692	0.8
<i>of which Telecom revenues</i>	344	348	1.0
Budget expenditures	3,931	4,194	6.7
Budget Surplus/Deficit	(944)	(1,095)	16.0
<i>In % of budget expenditures</i>	<i>(24%)</i>	<i>(26.1%)</i>	
Budget Primary Surplus	454	387	(14.8)
<i>In % of budget expenditures</i>	<i>11.6%</i>	<i>9.2%</i>	
Treasury Receipts	153	226	47.3
Treasury Expenditures	703	764	8.6
Total Revenues	3,141	3,325	5.9
Total Expenditures	4,634	4,958	7.0
Total Deficit	(1,494)	(1,633)	9.3
<i>In % of total expenditures</i>	<i>(32.2%)</i>	<i>(32.9%)</i>	
Total Primary Surplus/Deficit	(96)	(151)	57.7
<i>In % of total expenditures</i>	<i>(2.1%)</i>	<i>(3.1%)</i>	

Source: Ministry of Finance, Byblos Research

Lebanon has 18th highest level of gold reserves globally, second highest among Arab countries

Figures released by the World Gold Council ranked Lebanon in 18th place in terms of gold holdings among 96 countries as well as the International Monetary Fund, the West African Economic Monetary Union, the European Central Bank and the Bank for International Settlements. Also, Lebanon ranked in sixth place among 67 non-OECD countries, while it came in second place among 15 Arab countries included in the survey. Lebanon held 286.8 tons in gold reserves at the end of June 2016. Globally, Lebanon had more gold reserves than Spain (281.6 tons), Austria (280 tons) and Kazakhstan (238.2 tons); while it held less reserves than Portugal (382.5 tons), Saudi Arabia (322.9 tons) and the United Kingdom (310.3 tons). It ranked immediately ahead of Kazakhstan (238.2 tons) and behind Saudi Arabia among non-OECD countries. The United States was the top holder of gold in the world with 8,133.5 tons, while Yemen came in last place with 1.56 tons in gold reserves.

The value of Lebanon's gold reserves was equivalent to \$12.2bn at the end of June 2016, based on a gold price of \$1,320.75 per troy ounce as published by the London Bullion Market Association. Lebanon's gold holdings accounted for 22.8% of the Arab region's aggregate reserves, for 3.8% of the holdings of non-OECD countries and for 0.9% of total gold reserves in the world.

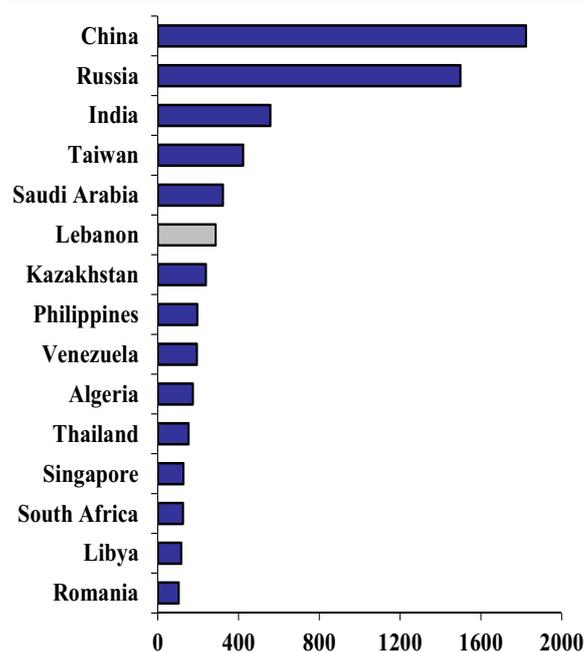
Further, Lebanon's gold holdings were equivalent to 24% of the country's foreign assets plus gold reserves at the end of June 2016, which ranked Lebanon in 17th place globally, in sixth place among non-OECD countries and in first place among Arab countries. Globally, Lebanon's share of gold holdings out of its foreign assets was higher than that of Ecuador (23.4%), Guinea (23.3%) and Spain (19.8%); while it was smaller than that of Belgium (38.1%), Kazakhstan (33.1%) and the European Central Bank (27.6%). Also, Lebanon ranked ahead of Ecuador and behind Kazakhstan among non-OECD countries. Tajikistan's gold reserves were equivalent to 91% of its total foreign exchange reserves, highest in the world, while Hong Kong's gold holdings accounted for 0.02% of its total foreign currency reserves, the lowest such share globally.

Opened letters of credits at \$2.2bn for imports and \$883m for exports in first half of 2016

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$2.22bn in the first half of 2016, constituting a decrease of 18.5% from \$2.73bn in the same period of 2015. The value of LCs opened to finance imports to Lebanon reached \$1.17bn in the first quarter and \$1.06bn in the second quarter of 2016. Further, utilized credits for imports totaled \$2.3bn in the first half of the year, down by 11% from \$2.6bn in the same period last year. They reached \$1.13bn in the first quarter and \$1.17bn in the second quarter of 2016. Also, outstanding import credits amounted to \$5.4bn in the first half of 2016 and regressed by 5.6% from \$5.75bn from the same period last year. In addition, the aggregate value of inward bills for collection reached \$617.9m in the first half of the year, constituting a decrease of 17.1% from \$745.2m in the first half of 2015. The value of inward bills for collection totaled \$284.7m in the first quarter and \$333.2m in the second quarter of 2016. Outstanding bills for collection reached \$143.1m at the end of June 2016 relative to \$139.7m at end-June 2015.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached \$882.8m in the first half of 2016, constituting a decrease of 38.4% from \$1.4bn in the same period of 2015. It totaled \$374.5m in the first quarter and \$508.3m in the second quarter of 2016. Further, utilized credits for exports reached \$948.7m in the covered period, down by 29.3% from \$1.34bn of used credits in the first half of 2015. They totaled \$443.4m in the first quarter and \$505.3m in the second quarter of 2016. Outstanding export credits reached \$4.5bn in the first half of 2016, down by 37.8% from \$7.2bn in the same period last year. The aggregate value of outward bills for collection amounted to \$703.6m in the first half, constituting a decline of 24.9% from \$936.8m in the same period of 2015. They reached \$337.8m in the first quarter and \$365.8m in the second quarter of 2016. The outstanding value of outward bills for collection reached \$663.5m at end-June 2016 relative to \$565.3m a year earlier.

Gold Reserves in Non-OECD Countries (in tons)*



*As of June 2016

Source : World Gold Council, Byblos Research

Syndicate of Hospitals raises concerns about Health Ministry's coverage program for uninsured senior citizens

The Syndicate of Hospitals in Lebanon expressed concerns about the Ministry of Public Health's program to provide full hospitalization coverage for uninsured Lebanese citizens who are 64 years or older. The ministry announced the program in July 2016 and expected its implementation to begin in September 2016. The program aims to increase the medical coverage for the uninsured Lebanese who are 64 years or older to 100% of the hospitalization bill from 85% and 95% disbursed currently for treatments completed at private and public hospitals, respectively.

The Syndicate indicated that private hospitals in Lebanon have linked the program's implementation mechanism to their long-standing demands to increase the Health Ministry's fixed annual financial allocation to hospitals, to partially settle over \$1bn in arrears that have accumulated since 2000, and to meet their requests to raise the hospitalization fees. It said, however, that private hospitals support the ministry's initiative to provide full hospitalization coverage for uninsured senior citizens, but it noted that these citizens should bear part of the cost in order to prevent abuse. As such, the Syndicate proposed that the ministry should issue a medical card for each of the program's beneficiaries at a cost that ranges between \$100 and \$150 per year, in order to allow them to receive medical care at any hospital in Lebanon at the ministry's expense. It added that the proceeds, estimated at about \$300m, would be added to the ministry's current budget and, in turn, would be allocated toward funding the hospitals' deficits.

Further, the Syndicate concluded that private hospitals will comply with the ministry's program based on the fixed financial ceiling that the ministry sets. However, it warned that the number of beneficiaries receiving care at private hospitals will diminish, in case the ministry does not raise the hospitals' budget allocations to provide for these services.

In parallel, the ministry stated that the program aims to provide hospitalization coverage to about 2.12 million uninsured Lebanese citizens every year, including 5.8% who are 64 years or older. It claimed that 30,898 out of 122,000 uninsured citizens who are 64 years or older receive hospital care 54,000 times per year. The ministry estimated the cost of the program at about LBP17bn (\$11.3m) per year, equivalent to about 2.7% of the ministry's budget. It indicated that it plans to finance the program from several funding sources, including the annual increase in the budget allocations to the ministry, which are estimated at more than LBP18bn (\$11.9m) for 2017.

Central Bank prohibits banks from dealing with unauthorized money dealers and moneylenders

The Central Bank of Lebanon issued Intermediate Circular 432 on August 16, 2016, which amends Basic Circular 81 dated February 21, 2001 about financial institutions' operations that are related to credit, investment, shareholding and participation. The amendment consisted of adding a new article to the original circular.

The article prohibited banks and financial institutions from conducting off- and on-balance sheet financial and non-financial operations with individuals or companies that are not on the Central Bank's lists of authorized money dealers or moneylenders, and that are active in either business. Also, the circular prohibited banks and financial institutions from doing business with the shareholders of money dealing and moneylending institutions that are not on the Central Bank's lists. Banks and financial institutions have until the end of November 2016 to be in compliance with the terms of the circular. Moneylenders usually extend loans in exchange of collateral to physical or moral entities that do not have easy access to the official financial system.

In January 2016, the Central Bank issued Basic Circular 2 that regulates the operations of moneylenders in Lebanon. It also issued Intermediate Circular 410, which prohibited banks and financial institutions from extending loans, directly or indirectly to moneylenders.

Commercial banks' assets reach \$190bn at end-June 2016

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$190.4bn at the end of June 2016, constituting an increase of 2.3% from the end of 2015 and a rise of 5.7% from end-June 2015. Loans extended to the private sector totaled \$55.9bn at the end of June 2016, reflecting a growth of 3.1% from the end of 2015 and of 8% from end-June 2015. Loans to the resident private sector totaled \$49.5bn and grew by 2.9% from the end of 2015 and by 6.8% year-on-year; while credit to the non-resident private sector reached \$6.4bn, and expanded by 4% from end-2015 and by 18% from end-June 2015. In nominal terms, credit to the private sector rose by \$1.66bn in the first half of 2016 relative to a growth of \$843.8m in the same period of 2015. Lending to the resident private sector grew by \$1.4bn in the first half of 2016 relative to an increase of \$925.4m in the same period of 2015, while credit to the non-resident private sector expanded by \$249.4m in the first half of the year compared to a decline of \$81.6m in the same period of 2015. In addition, claims on non-resident banks reached \$9.6bn at the end of June 2016, down by 17% from the end of 2015 and by 16% from a year earlier. In parallel, claims on the public sector stood at \$37.5bn at the end of June, down by 0.9% from end-2015 and by 1.3% from end-June 2015. The dollarization rate in private sector lending regressed to 74.4% at the end of June 2016 from 74.8% a year earlier. Further, the average lending rate in Lebanese pounds was 8.31% in June 2016, while the same rate in US dollars stood at 7.2%.

In parallel, private sector deposits totaled \$154.7bn at the end of June 2016, constituting an increase of 2% from the end of 2015 and a rise of 4.1% from end-June 2015. Deposits in Lebanese pounds reached \$54.3bn, growing by 2.1% from end-2015 and by 4.7% from a year earlier; while deposits in foreign currencies totaled \$100.3bn, constituting a rise of 2% from the end of 2015 and an increase of 3.7% from end-June 2015. Aggregate non-resident deposits reached \$32.2bn at the end of June and grew by 1% from end-2015 and by 1.6% from a year earlier. In nominal terms, total private sector deposits regressed by \$88.9m in January and by \$80.9m in February, while they grew by \$1bn in March, by \$486.2m in April, by \$959.2m in May and by \$768.8m in June 2016. In comparison, they declined by \$274m in January, and increased by \$577.8m in February, by \$731.7m in March, by \$2bn in April, by \$393.4m in May and by \$690m in June 2015. As such, total private sector deposits rose by \$3.1bn in the first half of 2016 compared to an increase of \$4.2bn in the same period of 2015. Resident private sector deposits grew by \$2.76bn in the first half of 2016 relative to a rise of \$2.78bn in the same period of 2015, while non-resident deposits increased by \$313.1m in the first half of the year compared to a rise of \$1.4bn in the first half of 2015. Further, deposits of non-resident banks reached \$6.2bn at the end of June 2016, down by 5.1% from end-2015 and by 2% from a year earlier.

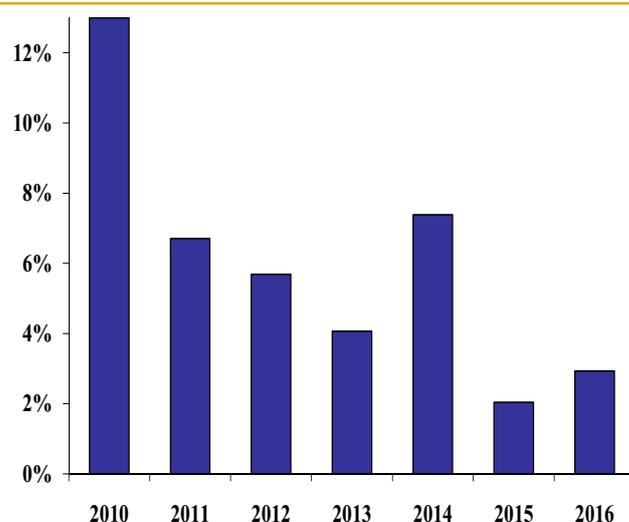
The dollarization rate of deposits was 64.9% at the end of June 2016, down from 65.1% a year earlier. Further, the average deposit rate in Lebanese pounds was 5.56% in June 2016, while the same rate in US dollars was 3.31%. In addition, the ratio of private sector loans-to-deposits in foreign currency stood at 41.5%, well below the Central Bank's limit of 70% and compared to 40% a year earlier. In comparison, the same ratio in Lebanese pounds was 26.3% at end-June 2016 relative to 25.1% at the end of June 2015. The ratio of total private sector loans-to-deposits was 36.1% relative to 34.8% a year earlier. The banks' aggregate capital base stood at \$17.4bn, up by 4.3% from \$16.7bn at end-2015 and by 5.5% from \$16.5bn at end-June 2015.

Balance sheet of financial institutions down 9% in first half of 2016

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,370bn, or \$1.57bn at the end of June 2016, constituting a decrease of 8.7% from end-2015 and an increase of 4.5% from end-June 2015. On the assets side, financial institutions' cash and bank deposits totaled \$627.3m at the end of June 2016, constituting a decline of 1.2% from end-2015 and a growth of 1.3% from a year earlier. Claims on the private sector reached \$811.6m at end-June 2016, reflecting a drop of 14.2% from end-2015 and an increase of 6.9% from a year earlier. Also, investments in government securities totaled \$143m as at the end of June 2016, constituting a decrease of 3.5% from end-2015 and an increase of 1.4% from end-June 2015.

In parallel, liabilities to the private sector totaled \$286m at the end of June 2016, down by 34.3% from the end of 2015 but up by 15% from end-June 2015; while those to the financial sector reached \$690.8m at end-June 2016, representing a decrease of 1.6% from end-2015 and a decline of 0.3% from a year earlier. Further, the aggregate capital accounts of financial institutions amounted to \$467.5m at the end of June 2016, reflecting an increase of 1.3% from end-2015 and a rise of 2% from end-June 2015. There were 52 financial institutions with a total of 72 branches operating in Lebanon as at the end of 2015.

Resident Private Sector Lending Growth* (% Change)



* in the first half of each year

Source: Association of Banks in Lebanon, Byblos Research

New car sales down 1% in first seven months of 2016

Figures released by the Association of Automobile Importers in Lebanon (AIA) show that dealers sold 22,144 new passenger cars in the first seven months of 2016, constituting a marginal decrease of 0.6% from 22,288 cars sold in the same period of 2015. Consumers purchased 2,411 new cars in January, 2,793 automobiles in February, 2,786 cars in March, 3,109 vehicles in April, 3,165 automobiles in May, 4,180 cars in June and 3,700 automobiles in July 2016. Japanese automobiles accounted for 37.4% of total sales in the first seven months of 2016, followed by Korean cars with a 35.4% share, European automobiles (20.2%), American vehicles (6.3%) and Chinese cars (0.7%). The sales of new American vehicles increased by 15.4% year-on-year in the first seven months of the year and sales of Korean cars grew by a marginal 0.6%; while the number of Chinese cars sold dropped by 8.5% year-on-year, that of Japanese cars regressed by 3.3% and that of European automobiles declined by 1.6%. Kia is the leading brand in the Lebanese market with 4,355 vehicles sold in the first seven months of 2016, followed by Hyundai with 3,437 in new car sales, Toyota (3,061), Nissan (2,272), Renault (1,082) and Mitsubishi (932). In parallel, 1,540 new commercial vehicles were sold in the first seven months of 2016, up by 18.4% from 1,301 vehicles sold in the same period of 2015. Overall, car dealers sold 23,684 new passenger automobiles and commercial vehicles in the first seven months of 2016, constituting a marginal rise of 0.4% from 23,589 cars sold in the same period of 2015.

The AIA indicated that 90% of new cars sold were small-engine automobiles with a low selling price. It added that the trend of the market toward buying small cars is due to the absence of an adapted and structured public transportation system.

In parallel, the number of new vehicles sold by Lebanon's top five distributors reached 16,281 in the first seven months of 2016 and accounted for 68.7% of new car sales. NATCO sal sold 4,355 vehicles, equivalent to 18.4% of the total, followed by Century Motor Co. sal with 3,496 (14.8%), Boustany United Machineries sal with 3,404 vehicles (14.4%), Rasamny Younis Motor Co. sal with 2,757 (11.6%) and Bassoul Heneiné sal with 2,269 (9.6%).

Allianz SNA's net profits up 5% to \$7m in 2015

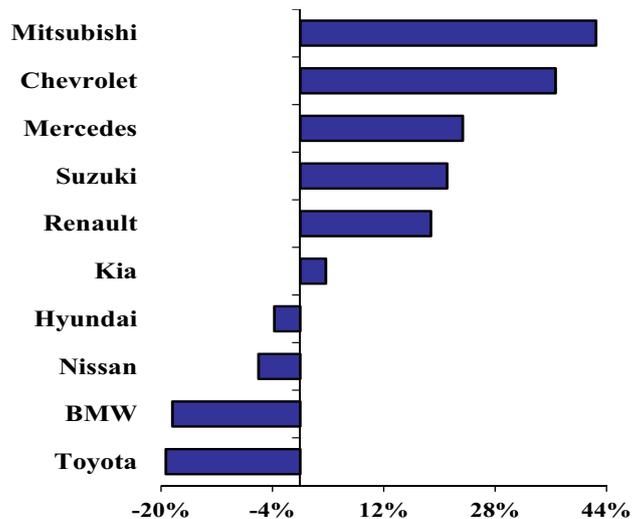
Allianz SNA sal announced audited net profits of \$7.2m in 2015, constituting an increase of 5.1% from net earnings of \$6.8m in 2014. Its audited balance sheet shows total assets of \$455.6m at the end of 2015, reflecting an increase of 7.9% from \$422m at end-2014. On the assets side, general company investments totaled \$364.1m and grew by 8.5% from a year earlier. They included \$282.2m in fixed income investments that rose by 10.9% year-on-year, \$28.4m in policy loans that increased by 21.2%, \$11m in cash and cash equivalents that declined by 32.6% and \$4.8m in mutual funds that regressed by 9.4% from a year earlier. Also, \$32.9m were in blocked bank deposits and deposits with maturity of more than three months, of which \$2.1m were blocked in favor of the Ministry of Economy as guarantees.

Unit-linked contracts investments totaled \$24.9m at end-2015, and decreased by 1.8% from \$25.3m a year earlier. They included \$24.1m in cash & similar investments, \$0.5m in fixed income investments, \$0.2m of placements in mutual funds and \$90,744 in variable income investments. Cash & similar investments grew by 15.7 times and variable income investments rose by a marginal 0.3%, while unit-linked investments in mutual funds dropped by 127.4 times and fixed income investments were nearly unchanged year-on-year. Further, the reinsurance share in technical reserves for the non-life category rose by 17% to \$11.7m in 2015; while that for the life category regressed by 7.2% to \$2.1m last year.

On the liabilities side, technical reserves for the life segment increased by 11.5% to \$302.6m in 2015, while technical reserves for the non-life category reached \$45m at end-2015 and rose by 4.8% from a year earlier. Non-life technical reserves included outstanding claims reserves of \$23.8m that grew by 11.6% year-on-year, unearned premium reserves of \$14.3m that dropped by 2%, \$3.7m in premium deficiency reserves that were unchanged year-on-year, and \$2.1m in reserves incurred but not reported that dropped by 6.6% from a year earlier. Provisions for risks and charges reached \$1.4m in 2015 and contracted by 6.6% from the previous year. Also, the firm's shareholders' equity totaled \$57.7m at end-2015, down by 7.7% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Allianz SNA in third and sixth place in 2015 in terms of life and non-life premiums, respectively. The firm's life premiums reached \$63.4m and non-life premiums amounted to \$60.5m, constituting increases of 9% and 4.4%, respectively. It had a 13.5% share of the life market and a 5.7% share of the local non-life market in 2015.

Sales of Top 10 Car Brands in First Seven Months of 2016 (% change*)



* from the same period of 2015

Source: AIA, Byblos Research

Lebanese company to develop three F&B projects

Lebanon-based Venture Group announced plans to invest about \$56m to build and develop three Food & Beverage (F&B) cluster projects in the cities of Jounieh, Jbeil and in Ramlet el Bayda. It said that it has completed the design phase of the projects and expected the clusters to start operating by 2019. It added that the upcoming projects will be added to its portfolio that includes "The Backyard Hazmieh" and "The Village Dbayeh", among others.

First, Venture Group said that it will invest about \$25m in the Jbeil project that will be built on a 34,000 square-meter land plot. It will consist of 10 to 12 F&B outlets, including restaurants, cafés, bars, outdoor space and a cinema complex, among other recreational facilities. Second, it noted that the \$16m project in the Haret Sakher area of Jounieh will consist of about 13 F&B outlets, a supermarket, a gym, as well as a beauty spa, among other amenities, and will extend across 4,000 square meters of land.

Third, it estimated its investment in the project in Ramlet el Bayda to reach about \$15m, which will consist of 15 F&B outlets, a gym, football and tennis courts, as well as other amenities. The project will be developed across a 10,000 square-meter land plot with 15,000 square meters of built-up area. Venture Group noted that the concept of each project reflects the identity of the region it is located in. Established in 2004, Venture Group is a development and consulting company that specializes in the fields of leisure, tourism and real estate.

Top five freight forwarders' import activity up 6% in first half of 2016, exports up 10%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 178,612 20-foot equivalent units (TEUs) in the first half of 2016, constituting an increase of 6.2% from 168,145 TEUs in the same period of 2015. The top five freight forwarders accounted for 88.9% of imports to the Lebanese market and for 62.7% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 58,066 TEUs in imports in the first half of 2016, equivalent to a 20.4% share of the total freight forwarding import market. Metz Group followed with 35,952 TEUs (12.6%), then Merit Shipping with 32,412 TEUs (11.4%), Sealine Group with 31,646 TEUs (11.1%) and Gezairy Transport with 20,536 TEUs (7.2%). Further, Gezairy Transport registered a year-on-year increase of 46% in import shipping volume, the highest among the top five freight forwarders, while Sealine Group posted the steepest decline at 18.4%.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 41,124 TEUs in the first half of 2016, constituting an increase of 9.5% from 37,548 TEUs in the same period of 2015. The top five freight forwarders accounted for 97.8% of exported Lebanese cargo and for 14.5% of the total export freight forwarding market in the first half of 2016. Merit Shipping handled 18,713 TEUs of freight in the covered period, equivalent to 44.5% of the Lebanese cargo export market. Sealine Group followed with 9,349 TEUs (22.2%), then Metz Group with 8,867 TEUs (21.1%), MSC with 2,333 TEUs (5.5%) and Gezairy Transport with 1,862 TEUs (4.4%). Further, Merit Shipping registered a year-on-year rise of 46.3% in export shipping volume, while MSC posted the steepest decline at 21.1%.

Arab Bank's net income in Lebanon up 1% to \$21m in 2015

The Jordan-based Arab Bank plc announced audited net profits of \$21.4m in 2015 for its branches in Lebanon, constituting an increase of 1% from net earnings of \$21.2m in 2014. Net operating income rose by 2.4% to \$59.3m in 2015, with net interest income growing by marginal 0.9% to \$47.1m and net fees & commissions receipts increasing by 2.4% to \$8.1m. Total operating expenditures grew by 3.4% to \$31.5m in 2015, with staff expenses increasing by 2.1% to \$16.7m. The bank's cost-to-income ratio increased to 52.1% in 2015 from 51.7% in 2014. The Arab Bank's in Lebanon return on assets reached 1.3% in 2015 relative to 1.4% in 2014, while its return on equity reached 20.2% last year, down from 21.6% in 2014.

In parallel, total assets reached \$1.65bn at the end of 2015, reflecting an increase of 6.1% from \$1.56bn at end-2014; while loans & advances to customers, excluding loans & advances to related parties, rose by 8.6% to \$745.3m. Also, customer deposits, excluding deposits from related parties, totaled \$1.37bn at end-2015, up by 2.2% from a year earlier. The loans-to-deposits ratio increased to 54.4% at end-2015 from 51.1% at end-2014. The bank's shareholders' equity reached \$106.1m at end-2015 and grew by 8.1% from a year earlier.



Ratio Highlights

(in % unless specified)	2013	2014	2015	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	18.8	(322)
Fiscal Expenditures / GDP	28.9	28.3	26.6	(167)
Fiscal Balance / GDP	(8.9)	(6.2)	(7.8)	(154)
Primary Balance / GDP	(0.5)	2.6	1.4	(122)
Gross Foreign Currency Reserves / M2	69.5	66.5	58.7	(780)
M3 / GDP	235.4	238.4	243.0	462
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	Oct 2014	Sep 2015	Oct 2015	Change**	Risk Level
Political Risk Rating	52.0	54.5	54.5	▼	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	63.25	▼	Moderate

MENA Average*	Oct 2014	Sep 2015	Oct 2015	Change**	Risk Level
Political Risk Rating	57.1	57.6	57.7	▼	High
Financial Risk Rating	40.6	39.2	39.3	▲	Low
Economic Risk Rating	35.6	31.3	31.2	▲	Moderate
Composite Risk Rating	66.6	64.0	64.1	▲	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	Stable	B-		Stable
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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