Issue 463
September 26 - October 1, 2016

BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

In This Issue

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

Lebanon ranks 101st globally, 11th among Arab countries in terms of competitiveness

Cost of sending remittances from the U.S. increases in third quarter of 2016

Occupancy rate at Beirut hotels at 56%, room yields down 20% in first eight months of 2016

Central Bank considering options to absorb Lebanese pound liquidity at banks

Launch of first artificial queen bee breeding center in Arab region

Industrial exports down 16% to $1.3bn in first half of 2016

New industrial licenses down 15% in first half of 2016

Corporate Highlights 6

Insurance premiums up 4% to $830m in first half of 2016, claims and benefits up 17% to $428m

Stock market index down 14% in first nine months of 2016

Lebanon joins the International Organization of Securities Commissions

Holcim's net profits at $21.8m in first half of 2016

IFC extends $4m loan to support microfinance in Lebanon

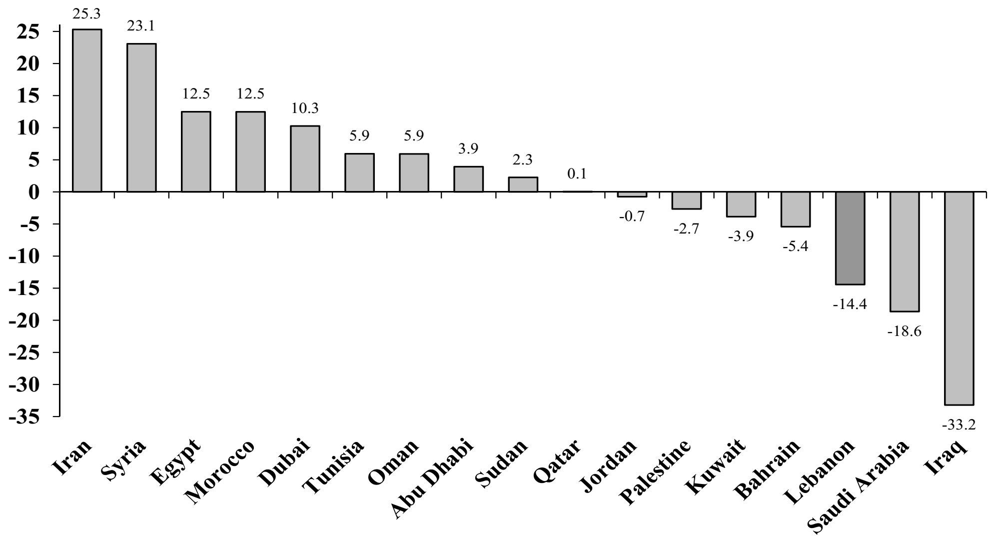
Ciments Blancs' net income up 14% to $2.5m in first half of 2016

Banque Libano-Française's net earnings down 6% to $52m in first half of 2016

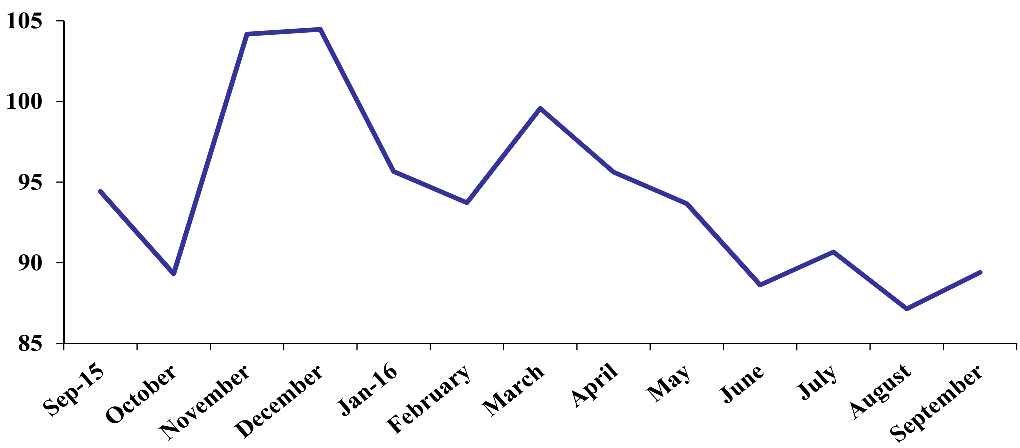
Ratio Highlights............................9
Risk Outlook 9
Ratings & Outlook.......................9

Charts of the Week

Performance of MENA Stock Markets in the First Nine Months of 2016 (% change)



Performance of the Beirut Stock Exchange*



** Capital Markets Authority Value Weighted Index end of month values*
Source: Local Stock Markets, Dow Jones Indices, Capital Markets Authority, Byblos Bank

Quote to Note

"E-commerce ventures in Lebanon remain limited due to the continuing lack of a legal and regulatory framework for electronic transactions."

The United States Department of Commerce, on the opportunity cost to the Lebanese economy of not ratifying laws related to electronic commerce

Number of the Week

45: 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**	**Jun 2015**	**Mar 2016**	**Apr 2016**	**May 2016**	**Jun 2016**	**% Change***
Exports	2.952	281	220	237	237	274	(2.49)
Imports	18,069	1,690	1,750	1,610	1,629	1,533	(9.29)
Trade Balance	(15,117)	(1,409)	(1,530)	(1,373)	(1,392)	(1,259)	(10.65)
Balance of Payments	(3,354)	(794)	(288)	(225)	(862)	(13)	(98.36)
Checks Cleared in LBP	18,714	1,593	1,609	1,698	1,591	1,577	(1.00)
Checks Cleared in FC	50,845	4,504	3,983	3,959	4,018	4,076	(9.50)
Total Checks Cleared	69,559	6,097	5,592	5,657	5,609	5,653	(7.28)
Budget Deficit/Surplus	(3,952)	(64.56)	(713.34)	(192.17)	(40.18)	(263.20)	307.7
Primary Balance	724.40	289.34	(156.28)	249.64	542.95	103.48	(64.24)
Airport Passengers***	7,241,463	594,221	534,954	557,763	618,581	572,461	(3.66)

$bn *(unless otherwise mentioned)*	**2015**	**Jun 2015**	**Mar 2016**	**Apr 2016**	**May 2016**	**Jun 2016**	**% Change***
BdL Gross FX Reserves	30.64	34.11	30.37	31.16	32.03	33.20	(2.68)
In months of Imports	*20.35*	*20.18*	*17.35*	*19.36*	*19.66*	*21.65*	7.29
Public Debt	70.31	69.03	71.05	71.68	71.49	72.89	5.59
Bank Assets	185.99	180.08	187.66	187.92	188.63	190.36	5.70
Bank Deposits (Private Sector)	151.59	148.58	152.44	152.93	153.89	154.66	4.09
Bank Loans to Private Sector	54.22	51.74	55.06	55.20	55.52	55.88	8.00
Money Supply M2	52.15	50.59	52.52	52.79	52.98	53.25	5.25
Money Supply M3	123.62	120.44	124.51	125.11	125.65	126.38	4.94
LBP Lending Rate (%)	7.45	7.12	8.62	8.40	8.53	8.31	119bps
LBP Deposit Rate (%)	5.56	5.51	5.59	5.60	5.58	5.56	5bps
USD Lending Rate (%)	7.06	7.03	7.36	7.17	7.29	7.20	17bps
USD Deposit Rate (%)	3.17	3.16	3.27	3.29	3.26	3.31	15bps
Consumer Price Index**	(3.75)	(3.37)	(3.57)	(2.35)	(2.45)	(0.98)	239bps

** 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
BLOM Listed	10.00	0.00	916,965	19.34%
Solidere "A"	9.30	3.22	88,645	8.37%
Audi Listed	6.20	(0.80)	65,800	22.30%
Solidere "B"	9.45	3.50	59,127	5.53%
BLOM GDR	10.30	0.00	37,238	6.85%
Byblos Common	1.64	1.86	25,086	5.30%
Audi GDR	6.15	(0.81)	15,840	6.36%
HOLCIM	14.50	0.00	2,905	2.55%
Byblos Pref. 08	100.60	0.00	1,350	1.81%
Byblos Pref. 09	100.50	0.50	1,000	1.81%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar 2017	9.00	101.63	5.39
Nov 2018	5.15	98.88	5.72
May 2019	6.00	99.75	6.10
Mar 2020	6.38	100.75	6.13
Apr 2021	8.25	108.25	6.13
Oct 2022	6.10	98.50	6.40
Jun 2025	6.25	96.75	6.75
Nov 2026	6.60	98.50	6.81
Feb 2030	6.65	97.13	6.98
Nov 2035	7.05	99.25	7.12

Source: Byblos Bank Capital Markets

	Sep 26-30	Sep 19-23	% Change	September 2016	September 2015	% Change
Total Shares Traded	1,225,446	5,609,813	(78.16)	17,493,508	10,044,627	74.16
Total Value Traded	$12,432,538	$37,593,230	(66.93)	$129,513,460	$96,050,554	34.84
Market Capitalization	$11.11bn	$11.07bn	0.42	$11.11bn	$11.02bn	0.83

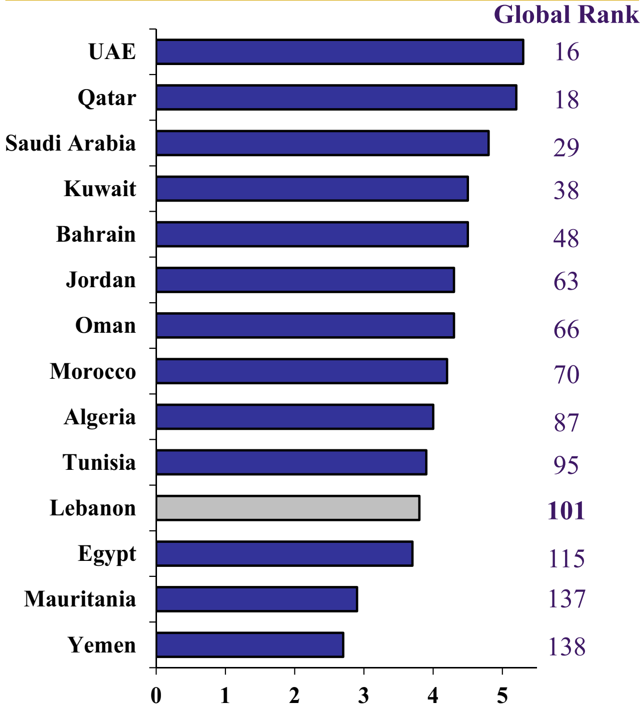
Source: Beirut Stock Exchange (BSE)

Lebanon ranks 101st globally, 11th among Arab countries in terms of competitiveness

The World Economic Forum ranked Lebanon in 101st place among 138 countries globally and in 11th place among 14 Arab countries on its Global Competitiveness Index for 2016-17. Lebanon also ranked in 30th place among 34 upper middle-income countries (UMICs) included in the survey. Lebanon came in 101st place globally and in 11th place among 13 countries regionally in the 2015-16 survey.

The index measures the ability of a country and its enterprises to compete in global markets by assessing the country's institutions, infrastructure, macroeconomic environment, and education and healthcare systems. It also evaluates the country's capacity for innovation, its overall market efficiency, technological readiness, and the sophistication of domestic markets and business practices. The index is based on 12 pillars grouped into three sub-indices that are the Basic Requirements Sub-Index, the Efficiency Enhancers Sub-Index, and the Innovation & Sophistication Sub-Index. It scores countries on a scale from zero to seven, with seven representing the highest level of competitiveness.

Global Competitiveness Index for 2016-17



Source: World Economic Forum, Byblos Research

Globally, Lebanon has a more competitive economy than Mongolia, Nicaragua and Argentina, and is less competitive than Kenya, Nepal and Côte d'Ivoire among economies with a GDP of $10bn or more. Also, the Lebanese economy is more competitive than its counterparts in only Mongolia, Bosnia & Herzegovina, Gabon and Paraguay among UMICs; while it is more competitive than Egypt, Mauritania and Yemen in the Arab world. Lebanon received a score of 3.84 points, lower than the global average of 4.27 points, the UMICs' average of 4.23 points of 4.23 points and the Arab average of 4.15 points. Also, Lebanon's score came lower than the average score of 4.77 points among Gulf Cooperation Council (GCC) countries, but was higher than the average of 3.69 points among non-GCC Arab countries.

The World Economic Forum indicated that Lebanon has competitive advantages in healthcare, the quality of primary and higher education, the soundness of banks, the ease of access to loans, the availability of venture capital, the intensity of local competition, the corporate income tax level, the effect of taxation on incentives to work, business sophistication and the capacity to innovate. It noted, however, that Lebanon ranks poorly in terms of the quality of its physical infrastructure, macroeconomic stability and the institutional environment.

Lebanon ranked ahead of Pakistan and the Democratic Republic of Congo and came behind Ghana and Mali on the Basic Requirements Sub-Index, which covers institutions, infrastructure, the macroeconomic environment and health & primary education. Further, Lebanon ranked in last place among UMICs, while it came ahead of only Mauritania and Yemen among Arab countries on this category. In addition, Lebanon ranked ahead of Macedonia and Ukraine, and came behind Kuwait and Cyprus on the Efficiency Enhancers Sub-Index that covers higher education & training, the market efficiency of goods and labor, financial market development, technological readiness and market size. Lebanon came ahead of Morocco, Egypt, Tunisia, Algeria, Yemen and Mauritania in the Arab world. Finally, Lebanon ranked ahead of the Philippines and Poland, and came behind Azerbaijan and Mexico on the Innovation & Sophistication Sub-Index. Lebanon ranked behind only Qatar, the UAE, Saudi Arabia, Jordan and Bahrain in the Arab world on this category.

In parallel, the results of the Executive Opinion Survey show that executives in Lebanon consider that corruption is the most problematic factor for doing business in the country, followed by government instability, inadequate infrastructure, inefficient government bureaucracy and policy instability.

Components of the 2016-17 Global Competitiveness Index for Lebanon

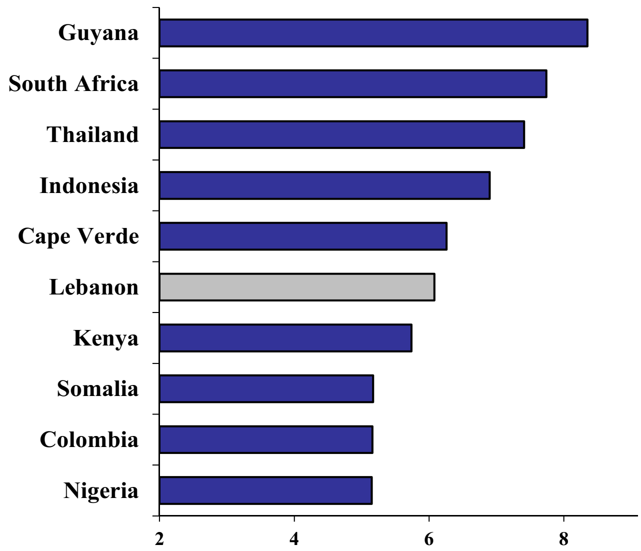
	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avge Score	Arab Avge Score	UMIC Avge Score
Basic Requirement	125	12	34	3.60	4.60	4.55	4.51
Efficiency	72	8	18	4.00	4.17	4.00	4.10
Innovation & Sophistication	52	6	11	3.58	3.81	3.65	3.56

Source: World Economic Forum, Byblos Research

Cost of sending remittances from the U.S. increases in third quarter of 2016

Figures issued by the World Bank show that the cost of sending $500 in remittances from the United States to Lebanon reached 6.08% in the third quarter of 2016, constituting an increase from 5.46% in the second quarter of 2016 and from 5.91% in the third quarter of 2015. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending $500 from the U.S. to Lebanon was $30.38 in the third quarter of 2016 relative to $27.3 in the preceding quarter. Lebanon is the sixth most expensive destination for sending $500 from the U.S. among 42 countries with available data.

Costliest Destinations of Remittances from the United States* (%)



**Cost of sending $500 from the U.S.*
Source: World Bank, Byblos Research

Further, the cost of sending remittances from Canada to Lebanon was 7.6% in the third quarter of 2016 for a transfer of CAD500, relative to 8.46% in the third quarter of 2015. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD38.01 in the third quarter of 2016 relative to CAD42.28 in the same quarter of 2015. Lebanon is the second most expensive destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.52% in the third quarter of 2016 compared to 7.47% in the third quarter of 2015. The cost of sending AUD500 from Australia to Lebanon was AUD37.60 in the third quarter of 2016 relative to AUD37.36 in the third quarter of 2015. Lebanon is the fifth most expensive destination for sending AUD500 from Australia among 16 countries with available data.

In addition, the cost of sending remittances from France to Lebanon was 6.88% in the third quarter of 2016 for a transfer of EUR345, down from 6.29% in the preceding quarter. In nominal terms, the cost of sending EUR345 from France to Lebanon was EUR23.74 in the third quarter of 2016 relative to EUR21.71 in the previous quarter. Lebanon is the most expensive destination for sending EUR345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 9.60% in the third quarter of 2016 for a transfer of GBP300, down from 9.79% in the preceding quarter. In nominal terms, the cost of sending GBP300 from the UK to Lebanon was GBP28.79 in the third quarter of 2016 relative to GBP29.36 in the previous quarter. Lebanon is the third most expensive destination for sending GBP300 from the UK among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 7.22% in the third quarter of 2016 for a transfer of EUR345, down from 7.58% in the preceding quarter and relative to 7.14% in the third quarter of 2015. In nominal terms, the cost of sending EUR345 from Germany to Lebanon was EUR24.89 in the third quarter of 2016 relative to EUR26.14 in the previous quarter. Lebanon is the fourth most expensive destination for sending EUR345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.08% in the third quarter of 2016 for a transfer of SAR1,870, equivalant to $500, down from 2.14% in the preceding quarter. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR38.97 in the third quarter of 2016 relative to SAR39.98 in the previous quarter. Lebanon is the second least expensive destination for sending SAR1,870 from Saudi Arabia among 16 countries with available data.

Occupancy rate at Beirut hotels at 56%, room yields down 20% in first eight months of 2016

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 56% in the first eight months of 2016, down from 58% in the same period of 2015 and compared to an average rate of 60.7% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fifth lowest in the region in the first eight months of 2016, while it was the sixth lowest in the same period of 2015. Also, the occupancy rate at hotels in Beirut dropped by two percentage points year-on-year, constituting, along with Jeddah, the third smallest decrease among 10 Arab markets that posted a decline in their occupancy rates. In comparison, the average occupancy rate in Arab markets fell by 1.8 percentage points year-on-year in the first eight months of 2016. Occupancy rates at Beirut hotels were 53% in January, 57% in February, 51% in March, 55% in April, 66% in May, 44% in June, 63% in July and 63% in August 2016, compared to 50% in January, 56% in February, 56% in March, 58% in April, 64% in May, 58% in June, 58% in July and 64% in August 2015.

Hotel Sector Performance in First Eight Months of 2016

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Jeddah	76	222	0.7
Dubai	79	193	(7.5)
Madina	63	143	(11.9)
Doha	62	134	(18.5)
Makkah	48	133	(6.3)
Muscat	62	117	(12.1)
Riyadh	58	114	(15.5)
Ras Al Khaimah	72	113	13.5
Kuwait City	38	103	(18.3)
Manama	49	99	3.7
Abu Dhabi	76	93	(16.2)
Cairo City	62	80	51.5
Beirut	**56**	**78**	**(19.9)**
Amman	49	78	(11.3)

Source: EY, Byblos Research

The average rate per room at Beirut hotels was $137 in the first eight months of 2016, ranking the capital's hotels as the third least expensive in the region relative to Abu Dhabi ($123) and Cairo ($128). The average rate per room at Beirut hotels regressed by 17.5% year-on-year, the steepest drop among all markets in the region. The average rate per room in Beirut came below the regional average of $200.6 that decreased by 3.3% from the same period of 2015.

Further, revenues per available room (RevPAR) were $78 in Beirut in the first eight months of 2016, down from $98 in the same period of 2015 and were, along with Amman, the lowest in the region. Beirut's RevPAR decreased by 20% year-on-year and posted the steepest decline among Arab markets. Beirut posted RevPARs of $79 in January, $78 in February, $68 in March, $72 in April, $94 in May, $55 in June, $92 in July and $88 in August 2016, compared to $92 in January, $91 in February $90 in March, $97 in April, $108 in May, $89 in June, $111 in July and $103 in August 2015. Jeddah posted the highest average rate per room in the region at $291 and the highest RevPAR at $222, while Dubai posted the highest occupancy rate at 79% in the first eight months of 2016.

Central Bank considering options to absorb Lebanese pound liquidity at banks

In the monthly meeting between the Central Bank and the Association of Banks in Lebanon (ABL), Governor Riad Salamé indicated that the revision by S&P Global Ratings of its outlook on Lebanon's sovereign ratings from 'negative' to 'stable' occurred simultaneously with the improvement in the commercial banks' balance sheets following the Central Bank's recent swap operations. He added that these operations benefited the Central Bank, the Treasury and the banking sector, without any additional cost to the economy. In addition, he said that the domestic currency and interest rate markets are stable, and he did not expect any change in either market. He noted that the growth in the banking sector's deposits so far this year is slightly higher than the growth rate during the same period last year.

In parallel, the ABL indicated that the Central Bank's recent operations resulted in a high level of liquidity in Lebanese pounds at banks. It hoped that the Central Bank would address this issue, but Governor Salamé pointed out that banks should use the liquidity primarily to extend loans to the private sector. He added that the Bank is currently studying various options that would help absorb part of this excess liquidity. He noted that the options will take into account the banks' obligations in local currency related to the implementation of IFRS 9, and the latter's impact on the banks' capital and general provisions.

Further, the ABL asked about the consequences that would result from the non-ratification by Lebanon of the automatic exchange of tax information agreement with OECD countries by the September 2016 deadline. Governor Salamé considered that the OECD would extend the deadline to allow Lebanese authorities to take the necessary measures. He added that Lebanon is not considered to be a tax haven country and that the Fighting Money Laundering and Terrorist Financing Law (Law 44/2015), which was ratified on November 24, 2015, designated tax evasion as a money laundering crime. Also, he noted that Lebanon can respond, as per Law 44, to tax requests that are addressed to the Special Investigation Commission against money laundering and terrorism financing.

Launch of first artificial queen bee breeding center in Arab region

The United States Agency for International Development (USAID) launched the Golden Queen Center in Hosrayel, in the Jbeil district, the first artificial insemination queen bee center in the Arab world. The center, which produces high-quality queen bees, was established through a partnership between the USAID-funded Lebanon Industry Value Chain Development (LIVCD) project and the Afif Abi Chedid Est. for Agriculture and Commerce. The center includes laboratory facilities and a modern honey extraction line. The LIVCD project has invested more than $2m in the Lebanese honey sector since 2012, and contributed directly to the increase in Lebanon's honey production, which is expected to reach about 4,000 tons, worth over $70m, in 2016.

The five-year $41.7m LIVCD project, which extends until 2017, aims to strengthen competitive value chains in Lebanon and to provide income-generating opportunities for small businesses in rural areas. The project provides financial support to small businesses, facilitates their access to markets, introduces them to new technologies, improves their marketing, as well as establishes ties between producers, suppliers and processors. A major component of the project is to upgrade and increase the competitiveness of the honey value chain in Lebanon. The LIVCD aims to increase production of high quality honey through training on improved beekeeping practices, leveraged investments in beehives, and increasing beekeepers' access to inputs. Also, it intends to increase the access of high quality Lebanese honey in the local and export markets, improve quality of bee breeds through artificial and natural insemination, enforce newly-introduced honey import regulations, and raise awareness about the health benefits of Lebanese honey through media and educational campaigns. The project has so far provided training to more than 3,290 beekeepers in more than 70 villages across Lebanon.

In parallel, less than 1% of Lebanon's annual honey production is exported, despite rising demand for honey in bordering countries, due to the lack of technical knowledge on best bee-keeping practices, to the poor quality of imported and locally-produced queen bees, and to the absence of consumer trust in Lebanese-branded honey. Lebanon's honey exports totaled $526,000 in the first seven months of 2016 and are expected to reach $1m for the full year. In comparison, honey exports reached $680,000 in 2015 and $629,000 in 2014. In early 2016, authorities banned the import of honey that does not meet Lebanese standards, in an attempt to protect the country's honey industry.

Industrial exports down 16% to $1.3bn in first half of 2016

Figures released by the Ministry of Industry show that industrial exports totaled $1.3bn in the first half of 2016, constituting a decrease of 15.5% from $1.54bn in the first half of 2015. Industrial exports totaled $225.3m in June 2016, up by 7% from $210.6m in the preceding month and down by 23% from $292.1m in June 2015. The fluctuations in industrial exports over the first half of the year was due to the increasing cost and challenges faced by land and maritime exporters, as well as to lower demand from Lebanon's key export markets. Exports of machinery & mechanical appliances totaled $334.1m and accounted for 25.7% of aggregate industrial exports in the first half of 2016, followed by prepared foodstuffs with $239.5m (18.4%), chemical products with $200.1m (15.4%), base metals with $129.9m (10%), and plastics & articles with $67.8m (5.2%). Arab countries were the destination of 56.5% of Lebanese industrial exports during the first half of 2016, followed by European economies with 16.4%, African countries with 13.5%, Asian economies with 8.6%, countries in the Americas with 3.3% and markets in Oceania with 0.5%. On a country basis, Saudi Arabia was the main destination of Lebanese industrial exports and accounted for 13.6% of the total in the first half of 2016, followed by the UAE with 11%, Iraq with 8.8%, Syria with 6.1% and Jordan with 3.8%. During the second quarter of 2016, 21 African countries, 16 Arab states, 16 European economies, nine Asian countries, three economies in the Americas and one country in Oceania imported $1m or more each in industrial products from Lebanon. Overall, Lebanon exported its industrial products to 44 European economies, 41 African countries, 27 Asian economies, 20 countries in the Americas, 19 Arab economies and four markets in Oceania during the second quarter of 2016.

In parallel, industrial imports reached $131m in the first half of 2016, down by 2.2% from $134m in the first half of 2015. Italy was the main source of such imports and accounted for 22.8% of the total in the first half of 2016, followed by China with 19.5% and Germany with 13.8%. Further, imports of industrial equipment and machinery reached $20m in June 2016, decreasing by 15.5% from the same month of 2015. Italy was the main source of imports of industrial equipment in June and accounted for 23.1% of the total, followed by China with 22.7% and Germany with 9.6%.

New industrial licenses down 15% in first half of 2016

The Ministry of Industry issued 304 new licenses in the first half of 2016, constituting a decrease of 14.8% from 357 licenses in the same period of 2015. The Ministry issued 179 industrial licenses in the first quarter of 2016, up by 37.7% from the first quarter of 2015; and granted 125 licenses in the second quarter of 2016, reflecting a decline of 45% from the same period last year. Construction licenses accounted for 34.5% of issued licenses in the first half of 2016, followed by investment licenses with 22.4% and construction & investment licenses with 20.4%.

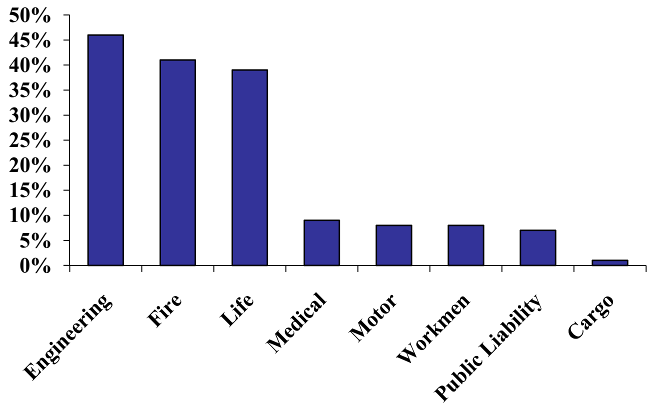
The ministry issued 141 new licenses for Mount Lebanon in the first half of 2016, or 46.4% of the total; followed by the Bekaa with 81 licenses (26.6%); the North with 36 licenses (11.8%); the South with 20 licenses (6.6%); Nabatieh with 18 licenses (6%) and Beirut with 8 licenses (2.6%). Also, the ministry issued 86 licenses in the food processing sector, or 28.3% of the total; followed by construction materials with 46 licenses (15.1%); the chemicals industry with 34 licenses (11.2%); the furniture & wood sector with 28 licenses (9.2%); mining & quarrying products with 23 licenses (7.6%); rubber & plastics and metal products & electrical appliances with 14 licenses each (4.6%); primary metals with 12 licenses (3.9%). and the publishing, printing & media sector with 9 licenses (3%).

Insurance premiums up 4% to $830m in first half of 2016, claims and benefits up 17% to $428m

Figures released by the Association of Insurance Companies in Lebanon (ACAL) indicated that insurance premiums generated in Lebanon totaled $829.8m in the first half of 2016, constituting an increase of 4% from $798.5m in the same period of 2015. Premiums reached $424.7m in the first quarter and $405.1m in the second quarter of 2016.

Medical insurance premiums totaled $279.7m in the first half of 2016 and accounted for 33.7% of the sector's aggregate premiums. They were followed by life premiums with $236m (28.4%), motor premiums with $175.1m (21.1%), fire insurance premiums with $60m (7.2%), workmen compensation with $28.3m (3.4%), cargo premiums with $15.4m (1.9%), public liability premiums with $9.28m (1.1%) and engineering premiums with $4.4m (0.5%), while insurance premiums from other categories amounted to $21.6m and accounted for 2.6% of the total.

Change in Paid Claims in First Half of 2016



Source: ACAL, Byblos Research

ACAL noted that medical insurance premiums covering Lebanese citizens grew by 4% to $272.5m in the first half of 2016, while premiums covering expatriates increased by 10% annually to $7.2m. Also, it indicated that non-compulsory motor insurance premiums increased by 6% to $146.1m in the first half of 2016, while compulsory motor insurance premiums improved by 12% to $29m.

The report shows that life insurance premiums grew by 7% in the first half of 2016, posting the largest increase among all categories, followed by motor premiums (+6%), and premiums from other categories and medical premiums (+4% each). In contrast, cargo premiums declined by 15% in the covered period, posting the steepest drop among all segments, followed by engineering premiums (-13%), fire premiums and workmen compensation (-3% each), and public liability premiums (-1%).

In parallel, ACAL indicated that total benefits and claims paid by insurance companies stood at $427.5m in the first half of 2016, constituting a rise of 17% from $364m in the first half of 2015. Benefits and claims paid for the non-life categories reached $309.8m in the first six months of the year, constituting an increase of 10.8% from $279.6m in the same period of 2015, while claims disbursed for the life insurance category amounted to $117.7m and grew by 39.4% from the first half of 2015. Medical claims accounted for 38.6% of total claim payments in the first half of 2016, followed by life insurance claims (27.5%), motor claims (22.2%), fire claims (4.4%), workmen compensation claims (3.7%), cargo claims (1%), public liability claims (0.7%) and engineering claims (0.4%). Engineering claims surged by 46% in the first half of 2016, fire claims increased by 41%, life insurance claims rose by 39%, medical claims expanded by 9%, workmen and motor claims grew by 8%, public liability claims rose by 7% and cargo claims increased by 1%, while claims from other categories surged by 72% year-on-year.

Further, unit-linked policies accounted for 61.7% of total life insurance premiums and for 18.4% of the number of life insurance contracts in the first half of 2016, while life protection plans represented 38.3% of total life insurance premiums and 81.6% of the total number of life contracts during the covered period.

Stock market index down 14% in first nine months of 2016

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 73.3 million shares in the first nine months of 2016, constituting an increase of 20.3% from 61 million shares traded in the same period of 2015; while aggregate turnover amounted to $628.5m, up by 23.1% from a turnover of $510.5m in the first nine months of 2015. Market capitalization grew by 0.8% from the end of September 2015 to $11.11bn, with banking stocks accounting for 83% of the total, followed by real estate shares (13.9%), industrial firms (2.8%) and trading stocks (0.3%). The market liquidity ratio was 5.7% in the covered period compared to 4.6% in the first nine months of 2015. Banking stocks accounted for 93.4% of aggregate trading volume in the first eight months of the year, followed by real estate equities with 6.5% and industrial shares with 0.1%. Also, banking stocks represented 92.9% of the aggregate value of shares traded, followed by real estate equities with 7.5% and industrial stocks with 0.2%. The average daily traded volume for the period was 402,818 shares for an average daily value of $3.5m. The figures reflect an increase of 20.3% in volume and a rise of 23.1% in value year-on-year. In parallel, the Capital Markets Authority's Market Value-Weighted Index for stocks traded on the BSE decreased by 14.4% in the first nine months of 2016, while the Capital Markets Authority's Banks Market Value-Weighted Index increased by 1.6% from end-2015.

Lebanon joins the International Organization of Securities Commissions

The International Organization of Securities Commissions (IOSCO) approved in August 2016 Lebanon's accession to the organization as an Associate Member. The Capital Markets authority (CMA), the country's securities regulator, will represent Lebanon in the IOSCO. The CMA noted that its accession to the IOSCO as an Associate Member came after Lebanon signed a number of agreements with IOSCO members. Further, the IOSCO's associate membership provides the CMA with access to organizational and technical support from existing members, in case of need. Further, the CMA became a member of the Growth and Emerging Markets Committee (GEM) within the IOSCO, which aims to promote the development and increase the efficiency of emerging securities and futures markets, among other functions. CMA also became a non-voting Associate Member in the Africa/Middle-East Regional Committee (AMERC) that focuses on the regional issues relating to securities regulation in the Middle East & Africa region. There are currently five securities regulators in the Arab world with an Associate Member status in the IOSCO. They are the Financial Services Regulatory Authority in Abu Dhabi, the Dubai Financial Services Authority, the Capital Markets Authority in Lebanon, the Qatar Financial Centre Regulatory Authority in Qatar, and the Union of Arab Securities Authorities in the UAE.

In parallel, the CMA indicated that it is in the process of completing the procedures to become an Ordinary Member of the IOSCO, as it is preparing to sign a Multilateral Memorandum of Understanding in 2017. It said that the latter move would give Lebanon voting rights in the IOSCO, which, in turn, would allow it to exchange information with international regulatory bodies of IOSCO member states, and generate more transparency and confidence in the Lebanese capital markets.

The CMA in Lebanon is an independent, autonomous regulatory body established by the Capital Markets Law No. 161 in August 2011. It aims to promote and develop the Lebanese capital markets and protect investors from fraudulent activities through the issuance of regulations in line with international best practices.

Established in 1983, the IOSCO develops, implements and promotes adherence to internationally-recognized standards for securities regulation, and has about 214 members worldwide. There are 11 regulators from the Arab world with an ordinary member status, consisting of La Commission d'Organisation et de Surveillance des Opérations de Bourse in Algeria, the Central Bank of Bahrain, the Egyptian Financial Supervisory Authority, the Jordan Securities Commission, the Capital Market Authority in Oman, the Palestine Capital Market Authority, the Qatar Financial Markets Authority, the Capital Market Authority in Saudi Arabia, the Syrian Commission on Financial Markets and Securities, Le Conseil du marché financier in Tunisia, and the Securities and Commodities Authority in the UAE.

Holcim's net profits at $21.8m in first half of 2016

Cement producer Holcim (Liban) sal posted unaudited net profits of $21.8m in the first half of 2016, constituting an increase of 10.7 times from net earnings of $2m in the same period of 2015. The substantial increase in profits is mainly due to higher sale revenues, lower cost of goods sold, and to a 54% drop in administrative expenses. The firm's sales totaled $78.6m in the first half of the year, up by 18% from $66.7m in the same period of 2015; and its gross profit margin reached 49.2% in the first half of 2016 relative to 27.9% in the same period of 2015. Holcim's assets reached $287.6m at the end of June 2016, constituting an increase of 5.5% from $272.6m at end-2015. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 3.47x at the end of June 2016, up from 2.37x at end-2015 and 3.21x a year earlier.

Holcim's shareholders' equity was $236.1m at end-June 2016, up by 10.2% from $214.4m at the end of 2015. The company's debt-to-equity ratio was 21.8% at end-June 2016 relative to 27.2% at the end of 2015 and 21.1% at end-June 2015. The firm is engaged in the production and sale of cement and other related products. Holcim's share price closed at $14.5 on September 30, 2016, nearly unchanged from $14.52 at end-2015.

IFC extends $4m loan to support microfinance in Lebanon

The International Finance Corporation, the private sector arm of the World Bank Group, announced that it extended a $4m loan to Vitas sal, one of the largest microfinance institutions in Lebanon. The loan would allow Vitas to expand its lending capacity to micro-enterprises, to support job creation, and to expand its outreach to low-income and economically-active individuals, including women and the poor. The investment marks IFC's second financial engagement with Vitas, following its extension of a $2m loan previously.

The majority of Vitas clients are located in rural areas, including border regions and regions with a high concentration of Syrian refugees. The loan is part of IFC's strategy in Lebanon to expand financial services to underserved regions and individuals, as well as to facilitate access to finance. Established in 1999, Vitas sal is the first microfinance institution to receive a license from the Central Bank of Lebanon. It focuses on women, youth, and rural-based businesses. Vitas became part of the Vitas Group in 2011, a global network of microfinance institutions operating in Lebanon, Jordan and Romania, with affiliates in Iraq, the West Bank & Gaza, Bosnia, Colombia and Ghana.

Corporate Highlights

Ciments Blancs' net income up 14% to $2.5m in first half of 2016

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim (Liban) sal, declared net profits of $2.5m in the first half of 2016, constituting an increase of 14.4% from net earnings of $2.17m in the same period last year. The company generated total sales of $6.7m in the first half of this year compared to $6.1m in the same period of 2015; while the firm's gross profit margin reached 49.5% in the first half of 2016 relative to 41.9% in the same period of 2015.

Ciments Blancs' assets reached $27.2m at the end of June 2016, constituting an increase of 8.2% from $25.2m at end-2015. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.88x at the end of June 2016 compared to 1.4x at the end of 2015 and to 3.14x at end-June 2015.

Ciments Blancs' shareholders' equity reached $19.8m at end-June 2016, up by 14.3% from $17.3m at the end of 2015. The firm's debt-to-equity ratio was 37.6% at end-June 2016 relative to 45.3% at the end of 2015 and to 18.9% a year earlier. The company is engaged in the production and sale of white cement. The price of Ciments Blancs' bearer shares closed at $2.7 on September 30, 2016, down by 30.8% from $3.9 at the end of 2015, while the price of Ciments Blancs' nominal shares closed at $3.1 on September 30, unchanged from end-2015.

Banque Libano-Française's net earnings down 6% to $52m in first half of 2016

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of $52m in the first half of 2016, constituting a decrease of 6.2% from $55.5m in the same period of 2015. Net operating income grew by 1.7% year-on-year to $121.2m in the first half of the year, with net interest income increasing by 14.3% to $81.6m and net fees & commissions receipts declining by 12.1% year-on-year to $19.2m. Non-interest income accounted for 24.58% of total income, down from 31.26% in the same period last year; with net fees & commissions representing 64% of non-interest earnings relative to 58.2% in the first half of 2015. Further, the bank's interest margin was 1.63% in the first half of 2016 relative to 1.52% in the same period last year; while its spread reached 1.58% in the first half of 2016, up from 1.46% in the same period of 2015. Total operating expenditures increased by 5.6% to $61.5m, with administrative & other operating expenses growing by 5.7% to $18.3m and staff expenses rising by 5.8% to $39.1m. Also, the bank's return on average assets decreased to 0.89% in June 2016 on an annualized basis from 0.98% in June 2015; while its return on average equity regressed to 9.45% on an annualized basis from 10.75% in June 2015. The cost-to-income ratio increased to 50.24% in the first half of the year from 48.35% in the same period of 2015.

In parallel, total assets reached $11.7bn at the end of June 2016, constituting an increase of 1.2% from end-2015 and a rise of 3.7% from a year earlier. Loans & advances to customers, excluding those to related parties, decreased by 2.8% from end-2015 to $4bn. Also, customer deposits, excluding those from related parties, totaled $9.7bn at the end of June 2016, and grew by 1.6% from end-2015. The loans-to-deposits ratio rose to 41% at end-June 2016 from 40.7% a year earlier. In parallel, the bank's shareholders' equity stood at $1.1bn at the end of June 2016, nearly unchanged from end-2015.

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	Stable	B-	B	Stable
Capital Intelligence	B	B	Negative	B	B	Negative

Source: Rating agencies

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

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

BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

IRAQ

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

CYPRUS

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

BELGIUM

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

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

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

SUDAN

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

ADIR INSURANCE

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