

LEBANON THIS WEEK

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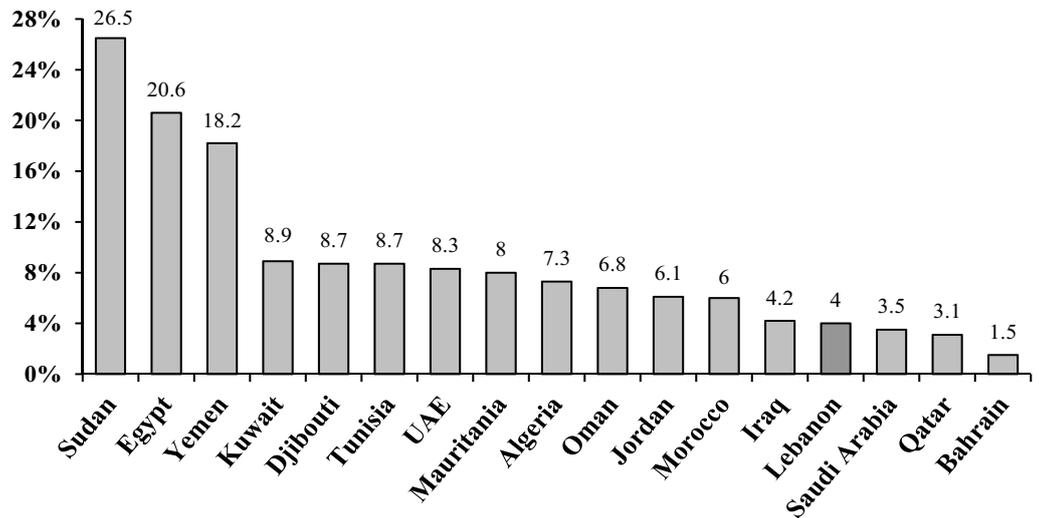
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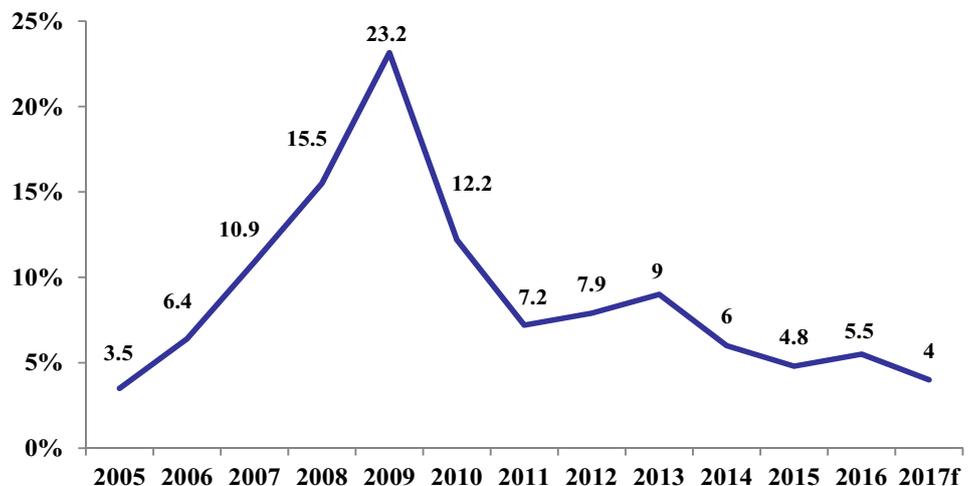
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Charts of the Week

Projected Broad Money Growth in Arab Countries in 2017 (%)



Broad Money Growth in Lebanon (%)



Source: International Monetary Fund - April 2017, Byblos Bank

Quote to Note

"A more stable policy environment, which would support the development of, and commitment to implementing reforms that reduce the fiscal deficit; and a significant improvement in the country's large external imbalances."

Moody's Investor Services, on the two factors that would trigger an upgrade of its outlook on Lebanon's sovereign ratings from 'negative' to 'stable'

Number of the Week

\$21.7bn: Outstanding amount of US dollar-denominated Certificates of Deposits issued by Banque du Liban as at the end of March 2017, according to the Association of Banks in Lebanon

Lebanon in the News

\$m (unless otherwise mentioned)	2015	Dec 2015	Sep 2016	Oct 2016	Nov 2016	Dec 2016	% Change*
Exports	2,952	236	254	257	247	244	3.4
Imports	18,069	1,841	1,448	1,479	1,450	1,536	(16.6)
Trade Balance	(15,117)	(1,605)	(1,194)	(1,222)	(1,203)	(1,292)	(19.5)
Balance of Payments	(3,354)	(372)	189	(680)	453	910	-
Checks Cleared in LBP	18,714	1,709	1,722	1,780	1,684	1,879	10.0
Checks Cleared in FC	50,845	4,265	4,054	4,216	3,968	3,880	(9.0)
Total Checks Cleared	69,559	5,974	5,776	5,996	5,652	5,759	(3.6)
Budget Deficit/Surplus	(3,952)	(711.58)	(548.00)	(163.91)	(706.12)	(513.35)	(27.86)
Primary Balance	724.40	(338.61)	(29.21)	281.60	(40.58)	(111.56)	(67.05)
Airport Passengers***	7,240,397	616,258	819,886	554,122	555,931	598,009	(3.0)

\$bn (unless otherwise mentioned)	2015	Dec 2015	Sep 2016	Oct 2016	Nov 2016	Dec 2016	% Change*
BdL Gross FX Reserves	30.64	30.64	34.17	34.74	34.38	34.03	11.06
<i>In months of Imports</i>	<i>20.35</i>	<i>16.64</i>	<i>23.60</i>	<i>23.49</i>	<i>23.71</i>	<i>22.15</i>	<i>33.1</i>
Public Debt	70.33	70.33	74.73	74.52	74.55	74.89	6.48
Bank Assets	185.99	185.99	198.07	199.67	200.95	204.3	9.85
Bank Deposits (Private Sector)	151.59	151.59	158.15	157.66	159.19	162.5	7.20
Bank Loans to Private Sector	54.22	54.22	56.65	56.69	56.49	57.18	5.45
Money Supply M2	52.15	52.15	54.17	53.83	54.12	54.68	4.84
Money Supply M3	123.62	123.62	129.12	128.74	130.04	132.8	7.42
LBP Lending Rate (%)****	7.45	7.45	8.44	8.35	8.26	8.23	78bps
LBP Deposit Rate (%)	5.56	5.56	5.58	5.53	5.54	5.56	-
USD Lending Rate (%)	7.06	7.06	7.20	7.06	7.16	7.35	29bps
USD Deposit Rate (%)	3.17	3.17	3.43	3.43	3.48	3.52	35bps
Consumer Price Index**	(3.75)	(3.40)	1.03	1.13	1.78	3.14	-

* Year-on-Year ** Year-on-Year percentage change ***includes arrivals, departures, transit

**** Starting January 2016, lending rates in Lebanese pounds are reported before any subsidy or facility from reserve requirements according to Intermediate Circular No 389, and as such they are not comparable year-on-year

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	10.80	0.93	6,878,596	20.05%
Byblos Common	1.61	(3.01)	514,162	7.86%
Audi Listed	6.01	(1.48)	112,422	20.74%
BLOM GDR	11.80	0.85	75,890	7.53%
Solidere "A"	8.95	1.94	42,046	7.73%
Solidere "B"	8.69	2.24	41,806	4.88%
Audi GDR	6.10	(4.09)	37,267	6.32%
Byblos Pref. 09	102.00	1.09	2,118	1.76%
Byblos Pref. 08	101.50	0.69	750	1.75%
HOLCIM	12.36	0.00	-	2.08%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Dec 2017	4.00	99.75	4.76
Nov 2018	5.15	100.75	4.61
May 2019	6.00	101.75	5.06
Mar 2020	6.38	102.50	5.39
Oct 2022	6.10	101.25	5.83
Jun 2025	6.25	99.13	6.39
Nov 2026	6.60	100.25	6.56
Feb 2030	6.65	99.00	6.77
Apr 2031	7.00	100.25	6.97
Nov 2035	7.05	100.25	7.03

Source: Byblos Bank Capital Markets

	May 22-26	May 15-19	% Change	April 2017	April 2016	% Change
Total shares traded	7,721,537	8,737,951	(11.6)	5,417,218	3,131,933	73.0
Total value traded	\$77,923,123	\$56,250,757	38.5	\$35,834,027	\$34,700,460	3.3
Market capitalization	\$11.58bn	\$11.62bn	(0.28)	\$11.77bn	\$11.05bn	6.5

Source: Beirut Stock Exchange (BSE)



Demand for housing declines in first quarter of 2017

Demand for residential real estate in Lebanon decelerated in the first quarter of 2017, as reflected by the results of the Byblos Bank Real Estate Demand Index. The Index posted a monthly average of 43.5 points in the first quarter of 2017, constituting a decline of 6.3% from 46.5 points in the fourth quarter of 2016 and an increase of 2.4% from 42.5 points in the first quarter of 2016. The results for the first quarter constitute the 12th lowest level in 39 quarterly readings.

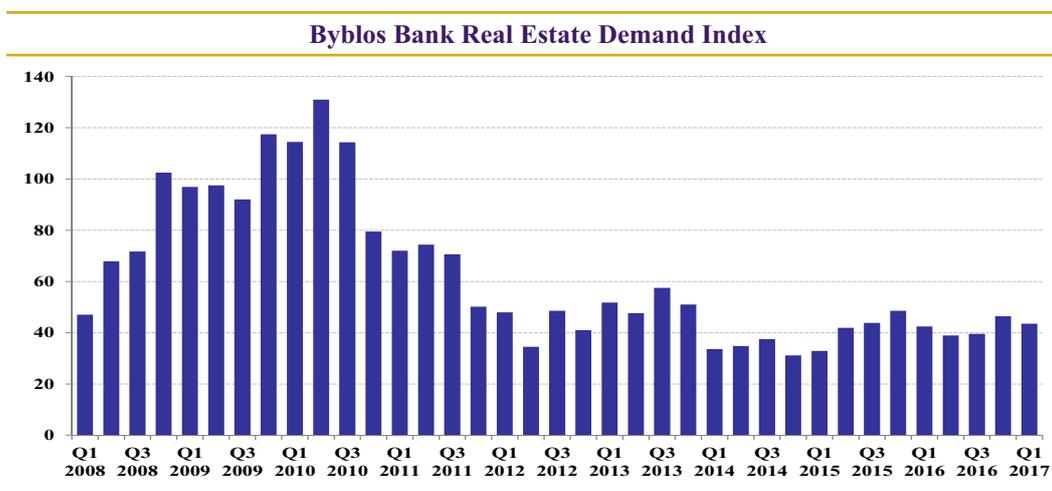
Demand for residential real estate in Lebanon regressed in the first quarter of 2017 following a 17% surge in the fourth quarter of 2016, as the government's focus on increasing taxes on consumption, income and profits in the first three months of the year, as well as the endless bickering over a new parliamentary elections law, halted the momentum in consumer confidence that started in the fourth quarter of 2016. In turn, these developments impacted the residential real estate sector, given that demand for housing in Lebanon is primarily correlated to the levels of consumer confidence, political stability and economic activity.

As a result, the Index decelerated in each of the first three months of the year, with the March outcome representing a retreat of 54% from the recent peak of 65.9 points that the Index reached in December 2016. Further, the Index's average monthly score in the first quarter of 2017 was 66.8% lower than the peak of 131 points registered in the second quarter of 2010, and remained 60.4% below the annual peak of 109.8 points posted in 2010. Also, it is 29.7% lower than the Index's monthly trend average score of 61.9 points since the Index's inception in July 2007.

In parallel, the answers of respondents to the Index's survey questions in the first quarter show that only 4.9% of Lebanese residents had plans to either buy or build a residential property in the coming six months. The share of residents who had plans to buy or build a house in Lebanon gradually decreased from 7.5% in December 2016 to 6.4% in January, 5% in February and 3.4% in March 2017. In comparison, 7% of residents in Lebanon, on average, had plans to buy or build a residential property in the country between July 2007 and March 2017, with this share peaking at nearly 15% in the second quarter of 2010.

Demand for housing in the first quarter of 2017 was the highest in Mount Lebanon, as 5.8% of its residents had plans to build or buy a house in the coming six months, compared to 5.7% in the preceding quarter. The North followed with 5.3% of its residents planning to build or buy a residential unit in the coming six months relative to 5.6% in the fourth quarter of 2016; while 4.4% of residents in Beirut had plans to buy an apartment, down from 4.8% in the preceding quarter. In addition, 4.3% of residents in the Bekaa intend to buy or build a house, down from 4.8% in the fourth quarter, while 3.3% of residents in the South had plans to build or buy a residential unit, down from 4.6% in the preceding quarter.

The Byblos Bank Real Estate Demand Index is a measure of local demand for residential units and houses in Lebanon. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading indices worldwide. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon, whereby residents are asked about their plans to buy or build a house in the coming six months. The data segregates the Index based on age, gender, income, profession, administrative district, and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with November 2009 as its base month. The survey has a margin of error of $\pm 2.83\%$, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.



Source: Byblos Bank Economic Research & Analysis Department, based on surveys conducted by Statistics Lebanon



Lebanese technology startups attract 37 investments totaling \$56m in 2016, second highest in Arab world

Figures released by ArabNet, a hub for Arab digital professionals and entrepreneurs, show that investment funds based in the Middle East & North Africa (MENA) region made 37 investments in technology startups in Lebanon for a total amount of \$56m in 2016. In comparison, Lebanon attracted 31 investments for an aggregate amount of \$30m in 2015, 21 deals totaling \$26m in 2014, and 11 investments for a total of \$7m in 2013.

In addition, Lebanon attracted 17% of the number of investments in technology startups in the MENA region in 2016, up from 15.4% in 2015, 10.1% in 2014 and 7.8% in 2013. Also, the amount of investments in Lebanon accounted for 6.1% of total investments in the region in 2016, compared to 12.1% of total deals in 2015, 6.9% of total investments in 2014 and 3.7% of the total in 2013.

Lebanon attracted the second-highest number of investments in technology startups among 14 MENA countries in 2016, the third highest in 2015, and the fifth largest in each of 2013 and 2014. Also, Lebanon attracted the second-highest value of investments in the MENA region in each of 2016 and 2015, the fourth largest in 2014 and the fifth highest in 2013. ArabNet indicated that it surveyed six venture capital (VC) funds, five corporates, two seed funds, two growth-stage VC funds, two networks of angel investors and one accelerator fund in Lebanon.

In parallel, MENA-based funds made 100 equity-based investments for a total of \$119m in technology startups in Lebanon between 2013 and 2016. The number of investments in Lebanese technology startups was the fourth highest among the 14 MENA countries, behind the UAE (234 deals), Jordan (118 transactions) and Egypt (101 investments) during the covered period. Also, the amount of investments in Lebanese technology startups was the third highest in the MENA region during the 2013-16 period, behind the UAE (\$1.1bn) and Egypt (\$251m).

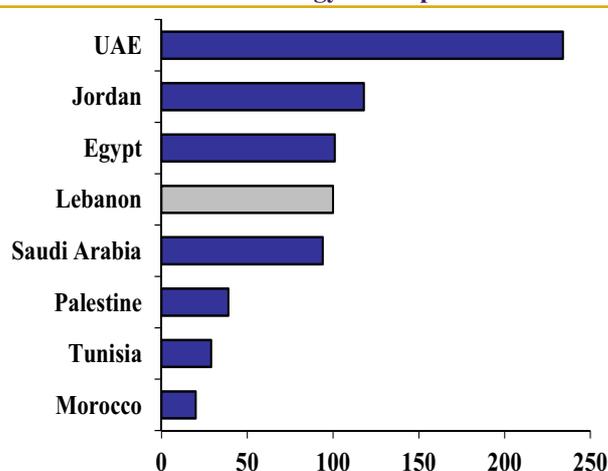
Further, the number of investments in Lebanon accounted for 13% of total investments in the 14 MENA markets between 2013 and 2016, while the value of investments in Lebanon represented 6.9% of total equity-based investments during the covered period. ArabNet said that Banque du Liban's Intermediate Circular 331 has supported VC activity in the country. The findings are based on data collected from 75 investors and accelerators in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Palestine, Saudi Arabia, Tunisia and the UAE.

Consumer Price Index up 5% in first four months of 2017

The Central Administration of Statistics' Consumer Price Index increased by 4.8% year on-year in the first four months of 2017 compared to a decline of 3% in the same period of 2016. The CPI increased by 4.4% in April 2017 from the same month of 2016. The prices of clothing & footwear grew by 15.4% year-on-year in April 2017, followed by the cost of water, electricity, gas & other fuels (+12.7%), prices of alcoholic beverages & tobacco (+6.8%), actual rents (+6.1%), transportation costs (+5.3%), the prices of food & non-alcoholic beverages (+4.4%), recreation & entertainment costs (+3.4%), imputed rents (+3.2%), the cost of education (+2.7%), prices at restaurants & hotels (+2.1%), miscellaneous goods & services (+1.9%), the cost of furnishings & household equipment (+1.5%) and communication costs (+0.4%). The distribution of actual rents shows that old rents grew by 11.4% annually in April 2017, while new rents increased by 2.4% from the same month of 2016. In contrast, healthcare costs regressed by 2.3% year-on-year in April 2017.

Further, the CPI grew by 0.1% in April 2017 from the preceding month, relative to a month-on-month increase of 0.7% in March 2017. Prices of clothing & footwear increased by 6.8% month-on-month in April 2017, followed by the cost of alcoholic beverages & tobacco and prices at restaurants & hotels (+0.3% each), miscellaneous goods & services (+0.2%), and prices of food & non-alcoholic beverages and actual rents (+0.1% each). In contrast, the prices of water, electricity, gas & other fuels regressed by 1.1% month-on-month in April 2017, followed by healthcare costs (-0.7%), transportation costs (-0.5%) and prices of furnishings & household equipment (-0.4%). In parallel, communication costs, imputed rents, recreation & entertainment costs and the cost of education were unchanged month-on-month in April 2017. The CPI grew by 0.4% month-on-month in each of the North and the South, while it increased by 0.1% in each of Beirut and Mount Lebanon. In contrast, the CPI regressed by 0.3% in the Bekaa, and by 0.1% in Nabatieh. In parallel, the Fuel Price Index declined by 2.2% month-on-month in April 2017, while the Education Price Index remained unchanged from the preceding month.

Number of Investments by MENA Funds in Technology Startups*



* Between 2013 and 2016

Source: ArabNet, Byblos Research



Council of Ministers renews term of Banque du Liban's Governor Riad Salamé

The Council of Ministers renewed the mandate of Banque du Liban's Governor Riad Salamé for a six-year term, constituting the Governor's fifth consecutive term. Governor Salamé was first appointed to his current post in 1993, and his term was renewed in 1999, 2005 and 2011. The Governor manages all aspects of Banque du Liban and is assisted by four Vice-Governors and by the Central Council. He is entrusted with the enforcement of the Code of Money and Credit and the implementation of the Central Council's resolutions, among other responsibilities. The current four Vice-Governors have been in office since April 2009. The Council of Ministers renewed in 2014 the five-year mandate of three Vice-Governors, while it extended the term of the Fourth Vice-Governor until a new replacement is found.

Governor Salamé is widely credited for decision-making that maintained the stability of the Lebanese pound and helped the country overcome major financial and political crises. He has received at least 28 awards, including the 2006 Euromoney Award as the best Central Bank Governor in the World, *The Banker* magazine's Central Banker of the Year Award in 2009. Also, the World Union of Arab Bankers gave Governor Salamé the award for Best Arab Central Bank Governor for the year 2012-13, while *Global Finance* magazine's Central Banker Report Cards for 2016 named Governor Salamé among the best central bank governors in the world.

Ministry of Tourism launches Visit Lebanon 2017 initiative

The Ministry of Tourism launched the Visit Lebanon 2017 initiative, which is a forum to promote Lebanon as a tourism destination to foreign companies in the tourism sector. The initiative consisted of inviting 150 tour operators, event organizers and incentive houses from countries in Asia, Europe, the Middle East, North Africa, North America and South America to Lebanon to meet with local players. As such, the 150 firms met with Lebanese hotels, tour operators, production companies, catering companies and representatives of various touristic venues, as well as with flag carrier Middle East Airlines. The ministry also organized tours across Lebanon to introduce visiting companies to different tourist destinations in the country, including in the North and the Bekaa regions. Overall, visiting companies had the opportunity to evaluate the country's tourism infrastructure, hotel industry, touristic sites, prevailing prices, and to explore the possibility of offering packages to attract foreign visitors to the country.

Lebanon is fourth largest Arab market in new ads broadcast on local TV stations

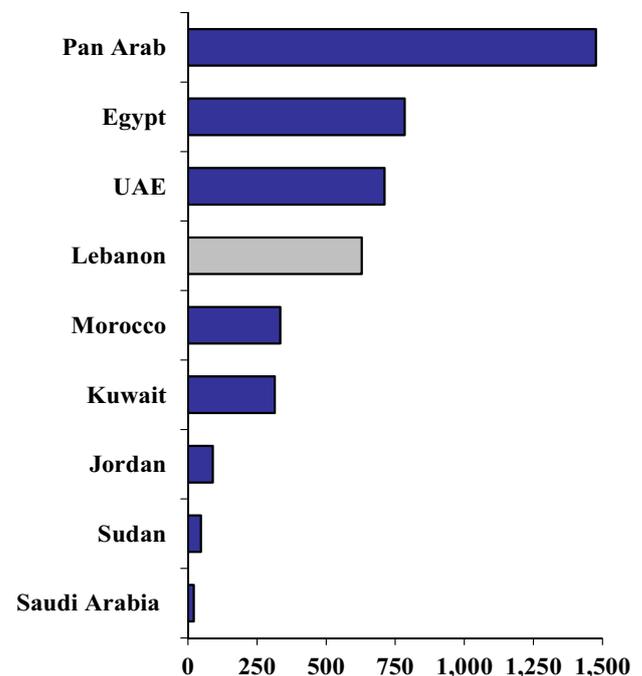
Figures issued by MartPoint Marketing Research Consultants show that 629 newly-produced television commercials (TVCs) were broadcast on Lebanese television stations in 2016, constituting a decrease of 3.2% from 650 TVCs in 2015. In comparison, Lebanese TV stations aired 682 newly-produced TVCs in 2012, 674 TVCs in 2013 and 632 TVCs in 2014. In parallel, the number of newly-produced TVCs in Lebanon grew at a compound annual growth rate (CAGR) of 1.6% between 2011 and 2016 compared to a CAGR of 12.5% between 2006 and 2011. In comparison, the number of newly-produced TVCs in 14 Arab markets grew at a CAGR of 1.7% during the 2011-16 period.

Lebanon had the fourth highest number of newly-produced TVCs broadcast in 2016 among the 14 Arab markets, behind Pan Arab TV satellite stations with 1,476 TVCs, Egypt with 784 TVCs and the UAE with 711 TVCs. Also, the number of TVCs aired on Lebanese TV stations accounted for 14.1% of aggregate TVCs aired in Arab markets last year, unchanged from 2014 and 2015, and relative to 15.1% in 2012 and 16.1% in 2013.

In parallel, Lebanese TV stations broadcast 120 new commercials in the food category, which accounted for 19.1% of total ads that aired in Lebanon in 2016. The beverages category followed with 64 TVCs (10.2%), then the financial segment with 59 TVCs (9.4%), the toiletries category with 57 TVCs (9.1%), the retail segment with 56 TVCs (8.9%) and the fashion industry with 30 TVCs (4.8%).

Lebanese TV stations broadcast the fourth highest number of new food TVCs in the Arab world in 2016, behind Pan Arab TV satellites with 313 TVCs, Egypt with 205 TVCs and the UAE with 147 TVCs. Also, Lebanese TV stations aired the fourth highest number of commercials for beverages last year, behind Pan Arab TV satellites (111 TVCs), Egypt (72 TVCs) and the UAE (65 TVCs); while Lebanese TV stations aired the highest number of financial commercials in the region. In addition, Lebanese TV broadcast the fourth largest number of toiletries ads in the Arab world, behind Pan Arab TV satellites (194 TVCs), the UAE (136 TVCs) and Egypt (63 TVCs). In addition, Lebanese TV stations broadcasted the second highest number of retail commercials in the region in 2016, behind Pan Arab TV satellite stations (71 TVCs), while they aired the second highest number of fashion ads behind Pan Arab TV channels (35 TVCs).

Newly Produced TVCs aired in Main Arab Markets in 2016



Source: MartPoint, Byblos Research

Occupancy rate at Beirut hotels at 63.4%, room yields up 20.5% in first four months of 2017

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 63.4% in the first four months of 2017, up from 54.8% in the same period of 2016 and compared to an average rate of 65.4% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the seventh highest in the region in the first four months of 2017, while it was the fourth lowest in the same period of 2016. Also, the occupancy rate at hotels in Beirut rose by 8.6 percentage points year-on-year, constituting, along with Kuwait City, the second largest increase, behind Cairo (+9.8 percentage points), among the 14 Arab markets. In comparison, the average occupancy rate in Arab markets was nearly unchanged year-on-year in the covered period. Occupancy rates at Beirut hotels were 56.7% in January, 66.7% in February, 62% in March and 68.8% in April 2017, compared to 55.7% in January, 57% in February, 51.1% in March and 55.6% in April 2016.

The average rate per room at Beirut hotels was \$142 in the first four months of 2017, ranking the capital's hotels as the third least expensive in the region relative to Cairo (\$84) and Abu Dhabi (\$131). The average rate per room at Beirut hotels increased by 4.2% year-on-year in the first four months of 2017. Beirut, along with Cairo, Makkah and Ras Al-Khaimah, were the only markets to post an increase in their average rate per room in the first four months of the year. The average rate per room in Beirut came below the regional average of \$182.3 that declined by 3% from the same period of 2016.

Further, revenues per available room (RevPAR) were \$90 in Beirut in the first four months of 2017, up from \$75 in the same period of 2016. They were the third lowest in the region relative to Cairo (\$59) and Amman (\$72). Beirut's RevPAR grew by 20.5% year-on-year and posted the second highest increase among Arab markets behind Cairo (+113%). Beirut posted RevPARs of \$82 in January, \$91 in February, \$86 in March and \$102 in April 2017, compared to \$79 in each of January and February, \$68 in March and \$72 in April 2016. Dubai posted the highest average rate per room in the region at \$292, the highest RevPAR at \$254, and the highest occupancy rate at 87.1% in the first four months of 2017.

Tourist arrivals up 17.5% in first four months of 2017

The number of incoming visitors to Lebanon totaled 503,805 in the first four months of 2017, constituting an increase of 17.5% from 428,947 tourists in the same period of 2016, and a decline of 10.5% from 562,623 visitors in the first four months of 2010. Also, the number of incoming visitors reached 158,637 in April 2017, up by 29.6% from 122,431 in April 2016 and down by 6.4% from 169,411 in April 2010. Visitors from Arab countries accounted for 35.7% of the total in the first four months of 2017, followed by visitors from European economies with 32.4%, the Americas with 13.9%, Asia with 8.3%, Africa with 6.1% and Oceania with 3.6%. Further, tourists from Iraq accounted for 16% of total visitors in the covered period, followed by visitors from France (8.4%), the U.S. (7%), Egypt (5.1%), Jordan (5%), Canada (4.7%), Germany (4.2%), Saudi Arabia (3.9%) and the United Kingdom (3.7%).

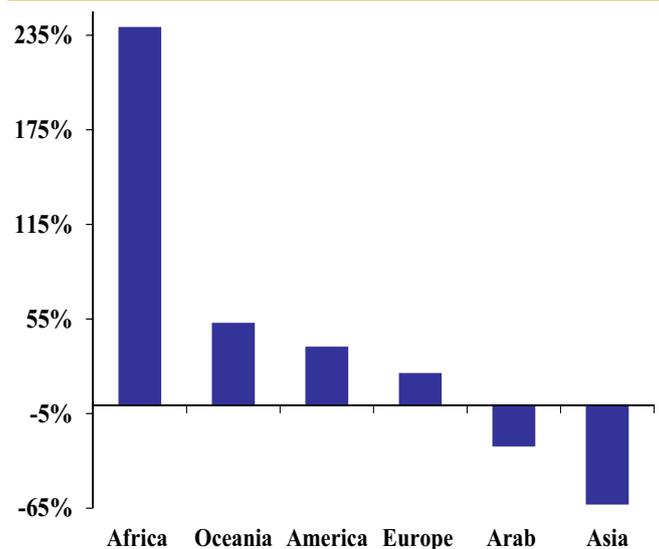
In parallel, the number of visitors from the Arab region increased by 28.2% year-on-year in the first four months of 2017, followed by visitors from Oceania (+16.3%), Europe (+13.8%), Asia and the Americas (+10.6% each) and African countries (+7.6%). On a country basis, the number of tourists from Saudi Arabia doubled year-on-year in the first four months of 2017, followed by visitors from Kuwait (+95.4%), Iraq (+31.8%), Turkey (+27.6%), Brazil (+26.3%), Germany (+14.6%), Sweden (+14%), France (+12.6%), Italy (+12.2%), the U.S. (+11%), Jordan (+9%), the United Kingdom (+7.4%), Venezuela (+7.3%) and Canada (+5.5%). In contrast, the number of visitors from the UAE fell by 34.7% and arrivals from Egypt regressed by 1.6%.

Hotel Sector Performance in First Four Months of 2017

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai	87.1	254	0.3
Ras Al Khaimah	77.9	136	3.9
Kuwait City	56.8	134	12.6
Doha	71.3	132	(8.4)
Muscat	77.4	131	(14.3)
Jeddah	56.4	128	(24)
Manama	54.9	116	(8.4)
Riyadh	62.0	109	(20.1)
Abu Dhabi	82.1	108	(4.2)
Makkah	59.9	104	(21.9)
Madina	48.1	98	7.7
Beirut	63.4	90	20.5
Amman	48.5	72	(8.4)
Cairo City	70.4	59	113.1

Source: EY, Byblos Research

Change in the Number of Tourist Arrivals from Main Sources in First Fourth Months of 2017*



* from the same quarter of 2010

Source: Ministry of Tourism, Byblos Research



Value of real estate transactions up 9% in first four months of 2017

Figures released by the Ministry of Finance indicate that there were 22,966 real estate transactions in the first four months of 2017, constituting an increase of 12.5% from 20,413 deals in the same period of 2016. In comparison, the number of real estate transactions rose by 14.6% year-on-year in the first four months of 2016, while it decreased by 19.2% in the first four months of 2015. There were 4,679 real estate transactions in the Baabda area in the first four months of 2017, representing 20.4% of the total. The North followed with 3,929 transactions (17.1%), then the Zahlé region with 2,711 transactions (11.8%), the Metn district with 2,480 transactions (10.8%), the South with 2,317 transactions (10.1%), the Keserwan area with 2,300 transactions (10%), Nabatieh with 2,170 transactions (9.4%) and Beirut with 1,641 transactions (7.1%).

Also, the aggregate value of real estate transactions reached \$3.1bn in the first four months of 2017 and increased by 8.9% from \$2.8bn in the same period of 2016. In comparison, the value of real estate deals increased by 25.6% in the first four months of 2016 relative to the same period of 2015, while it declined by 21% year-on-year in the first four months of 2015. The value of real estate transactions in Beirut reached \$794.4m and accounted for 26% of the total in the first four months of 2017. The Baabda district followed with \$654.1m (21.3%), then the Metn region with \$542.2m (17.7%), the Keserwan area with \$316.8m (10.3%), the North with \$275.1m (9%), the South with \$242.9m (7.9%), the Zahlé area with \$110.6m (3.6%) and Nabatieh with \$93.9m (3.1%).

In parallel, the average value per real estate transaction was \$133,463 in the first four months of 2017, down by 3.2% from an average value of \$137,832 in the same period of 2016 and relative to \$125,702 in the first four months of 2015. Further, there were 382 real estate transactions executed by foreigners in the first four months of 2017, reflecting an increase of 13.7% from 336 deals in the same period of 2016, and compared to an annual decrease of 21.3% in the first four months of 2016 and a rise of 33.4% in the same period of 2015.

The number of real estate transactions by foreigners accounted for 1.7% of total real estate deals in the first four months of 2017 compared to 1.6% of deals in the same period of 2016 and to 2.4% of deals in the first four months of 2015. In parallel, 28.8% of the real estate transactions executed by foreigners were in the Baabda district in the first four months of 2017, followed by the Metn region (16%), Beirut (14.9%), the South (13.1%), Zahlé and the Keserwan area (9.7% each), the North (6.8%) and Nabatieh (1%).

Term savings attract 88% of customer deposits at end-September 2016

Figures issued by Banque du Liban about the distribution of bank deposits show that term savings was the preferred type of account for resident and non-resident depositors in Lebanese pounds and in foreign currencies at the end of September 2016. Term saving deposits in all currencies reached \$139.8bn at the end of September 2016, constituting an increase of 6.5% from \$131.2bn at end-September 2015. Also, they accounted for 88.4% of deposits in Lebanese pounds and foreign currencies at end-September 2016 relative to an 88% share a year earlier.

In parallel, term saving deposits in foreign currencies totaled \$63.1bn and accounted for 84.8% of resident deposits in foreign currencies at end-September 2016. They were followed by checking and current accounts with \$9.7bn (13.1%), sight saving accounts with \$1.3bn (1.8%) and other creditor accounts with \$224.7m (0.3%). Further, term saving accounts attracted the equivalent of \$46.6bn, or 91.7% of resident deposits in Lebanese pounds, followed by checking and current accounts with \$3.5bn (7%), sight saving accounts with \$603.4m (1.2%) and other creditor accounts with \$49.5m (0.1%).

Non-residents also favored term saving accounts, as their term deposits in foreign currencies totaled \$25.7bn and accounted for 90.7% of their deposits in foreign currencies at the end of September 2016. Current accounts followed with \$2.1bn (7.5%), then sight saving accounts with \$279.6m (1%) and other creditor accounts with \$240.3m (0.8%). Further, term saving accounts attracted the equivalent of \$4.4bn, or 95.4% of non-resident deposits in Lebanese pounds. They were followed by checking and current accounts with \$180.1m (3.9%), sight saving accounts with the equivalent of \$32.6m (0.7%) and other creditor accounts with \$0.6m (0.01%).

Beirut and its suburbs attracted 68.9% of private sector deposits and 48.1% of depositors at the end of September 2016. Mount Lebanon followed with 13.9% of deposits and 18.6% of beneficiaries; then South Lebanon with 6.6% of deposits and 12.4% of depositors; North Lebanon with 5.8% of deposits and 12.1% of depositors; and the Bekaa with 4.8% of deposits and 8.7% of depositors.



Industrial exports down 12% to \$373m in first two months of 2017

Figures released by the Ministry of Industry show that industrial exports totaled \$372.6m in the first two months of 2017, down by 11.7% from \$422.3m in the same period of 2016. Industrial exports reached \$196.8m in February 2017, up by 11.9% from \$175.9m in the preceding month and down by 11.7% from \$222.8m in February 2016. Exports of machinery & mechanical appliances totaled \$80m and accounted for 21.5% of aggregate industrial exports in the first two months of 2017, followed by prepared foodstuffs & tobacco with \$72.6m (19.5%), chemical products with \$59.5m (16%), base metals with \$51.2m (13.7%) and paper and paper-related articles with \$23.4m (6.3%). Arab countries were the destination of 57% of Lebanese industrial exports in the first two months of 2017, followed by European economies with 13%, African countries with 11%, Asian economies with 9.8%, countries in the Americas with 7.4%, and markets in Oceania with 0.5%. On a country basis, the UAE was the main destination of Lebanese industrial exports and accounted for 10.4% of the total in the first two months of 2017, followed by Saudi Arabia and Syria with 9.3% each, Iraq with 8.4%, Turkey with 4.4% and Jordan with 4.1%. In February 2017, 13 Arab states, nine European economies, eight African countries, four Asian economies, three countries in the Americas and one market in Oceania imported \$1m or more each in industrial products from Lebanon.

In parallel, imports of industrial equipment and machinery reached \$31.7m in the first two months of 2017, down by 25.6% from \$42.6m in the same period of 2016. Italy was the main source of such imports and accounted for 29.2% of the total in the first two months of 2017, followed by China with 20% and Germany with 13.7%. Further, imports of industrial equipment and machinery reached \$10.7m in February 2017 down by 38.3% from \$17.3m in the same month of 2016. China was the main source of such imports with \$3m and accounted for 28.2% of the total in the covered month, followed by Germany with \$1.6m (15%) and Italy with \$1.4m (13.2%).

Industrial activity improves slightly in third quarter of 2016

Banque du Liban's quarterly business survey shows that industrial production slightly improved in relative terms during the third quarter of 2016 from the preceding quarter, with the balance of opinions standing at -4 compared to -9 during the second quarter of 2016 and -5 in the third quarter of 2015. The balance of opinions was the lowest in Beirut & Mount Lebanon at -25, followed by the North (+1), the Bekaa (+20) and the South (+30). The business survey reflects the opinions of managers of industrial enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for overall demand for industrial goods stood at -7 in the third quarter of 2016 compared to -12 in the preceding quarter and to -11 in the same quarter of 2015. The balance of opinions about demand for industrial goods was the lowest in Beirut & Mount Lebanon at -28, followed by the North (zero), the Bekaa (+17) and the South (+18).

In parallel, the balance of opinions for the volume of investments in the industrial sector stood at -8 in the third quarter of 2016 compared to -7 in the preceding quarter and to -13 in the third quarter of 2015. The balance of opinions about the volume of investments was the lowest in Beirut & Mount Lebanon at -13, followed by the North (-12), the Bekaa (-1) and the South (+3). Also, the balance of opinions for foreign demand of industrial goods stood at -15 during the third quarter of 2016 compared to -19 in the preceding quarter and to -23 in the same quarter of 2015. The balance of opinions for foreign demand of industrial goods was the lowest in the South at -69, followed by Beirut & Mount Lebanon (-21), the North (-15) and the Bekaa (+19). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Industrial Activity: Evolution of opinions				
Aggregate results	Q3-13	Q3-14	Q3-15	Q3-16
Production	5	5	-5	-4
Total demand	2	1	-11	-7
Foreign demand	-13	-8	-23	-15
Volume of investments	-2	0	-13	-8
Inventories of finished goods	-7	0	-12	-2
Inventories of raw material	-7	-3	-6	-4
Registered orders	-5	-8	-14	-9

Source: Banque du Liban's Business Survey for Third Quarter of 2016

Byblos Bank's ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed Byblos Bank's long- and short-term foreign currency ratings (FCRs) at 'B', and the Bank's Financial Strength Rating (FSR) at 'BBB-'. It maintained the Support Level at '3', given the high likelihood of official support, in case of need, due to Byblos Bank's systemic importance. It said that the outlook on all the ratings is 'stable' and noted that the bank's FCRs continue to be constrained by Lebanon's sovereign ratings.

The agency pointed out that Byblos Bank's FSR is supported by its strong and improved capital adequacy, sound asset quality metrics, comfortable liquidity level and good franchise. It noted that Byblos Bank has good access to capital markets, which has allowed it to diversify its sources of funding significantly more than most Lebanese banks. Further, it noted that the Bank's non-performing loans (NPL) ratio continued to regress in 2016 due to higher transfers of fully provisioned NPLs off the balance sheet, as well as to higher write-offs. It added that the Bank's loan-loss reserve coverage is very sound and is among the highest in the sector. In addition, it said that Byblos Bank's strong capital adequacy is among the best in the sector and provides an additional buffer against rising credit risks.

In parallel, the agency pointed out that the Bank's FSR is constrained by factors such as its exposure to the sovereign, Lebanon's country risk level and subdued economic activity. Overall, CI noted that Byblos Bank follows a universal banking model, offers services in commercial and retail banking through one of the largest branch networks in Lebanon, and operates in 11 markets abroad.

Solidere to de-list Global Depositary Receipts from London Stock Exchange

Solidere, The Lebanese Company for the Development and Reconstruction of the Beirut Central District sal, announced that it applied for the de-listing of its Global Depositary Receipts (GDRs) from the Official List of the UK Financial Conduct Authority, and for the cancellation of the GDRs' trading on the London Stock Exchange (LSE) starting on June 29, 2017. It attributed its decision to the low trading volume of its GDRs on the LSE. It added that the cost and administrative burden of maintaining the GDRs listing on the LSE outweigh the benefits. Solidere indicated that each GDR is equivalent to one Solidere 'Class A' share and that GDR holders may replace their GDRs with the equivalent number of Solidere 'Class A' shares.

Further, Solidere pointed out that it intends to terminate the Deposit Agreements in respect of the GDRs between Solidere and the Bank of New York Mellon following the delisting of the GDRs. It added that it will issue more details about the termination at a later stage. It indicated that it agreed with the Bank of New York Mellon to pay the cancellation fees under the Deposit Agreements.

The price of Solidere 'Class A' shares closed at \$8.95 per share on May 26, 2017, down by 13.8% from \$10.38 per share at the end of 2016. Also, the trading volume of Solidere A reached 2,637,690 shares in the first four months of 2017, up 2.3 times from 1,139,565 shares traded in the same period of 2016; while the turnover of Solidere 'Class A' shares amounted to \$24.4m, up 2.1 times from a turnover of \$11.5m in the first four months of 2016.

Solidere announced consolidated audited net profits of \$75.3m in 2016 relative to net losses of \$87.2m in 2015. The consolidated results reflect Solidere's standalone financials and those of its subsidiaries (the Group), which mainly include Solidere International Limited, and other subsidiaries such as Solidere Management Services sal, BCD Cinemas sal, Beirut Waterfront Development sal and Beirut Hospitality Company Holding sal. In parallel, Solidere's standalone financials showed net profits of \$63.1m last year compared to net losses of \$118.9m in 2015.

The Group's consolidated revenues from land and real estate sales increased by 7.6 times to \$203.3m in 2016, while revenues from rented properties regressed by 0.9% to \$56.4m last year. Also, the consolidated revenues from services rendered decreased by 6.7% to \$6.52m last year. The Group recorded total net operating revenues of \$188.9m in 2016 and grew by 3.4 times year-on-year. Further, Solidere stated that its consolidated assets reached \$2.88bn at the end of 2016 and decreased by 1.3% from \$2.92bn at end-2015, with the inventory of land and projects in progress totaling \$1.1bn.

In parallel, the Board of Directors of Solidere invited its 'Class A' and 'Class B' shareholders to attend an Annual General Assembly meeting on June 19, 2017. The meeting, which was initially scheduled for May 26, 2017, did not take place due to the lack of quorum.



Ratio Highlights

(in % unless specified)	2014	2015	2016e	Change*
Nominal GDP (\$bn)	50.0	51.1	52.0	
Public Debt in Foreign Currency / GDP	51.2	53.0	54.2	1.26
Public Debt in Local Currency / GDP	81.9	84.6	89.6	4.98
Gross Public Debt / GDP	133.1	137.6	144.0	6.42
Total Gross External Debt / GDP**	170.0	174.7	176.6	1.90
Trade Balance / GDP	(34.4)	(29.5)	(30.0)	(0.47)
Exports / Imports	16.2	16.6	16.1	(0.49)
Fiscal Revenues / GDP	21.8	18.7	19.1	0.30
Fiscal Expenditures / GDP	27.9	26.5	28.6	2.1
Fiscal Balance / GDP	(6.1)	(7.7)	(9.5)	(1.8)
Primary Balance / GDP	2.6	1.4	0.04	(1.4)
Gross Foreign Currency Reserves / M2	66.5	58.7	62.7	3.94
M3 / GDP	235.4	241.9	250.0	8.11
Commercial Banks Assets / GDP	351.4	364.0	392.9	28.9
Private Sector Deposits / GDP	288.9	296.6	312.5	15.8
Private Sector Loans / GDP	101.8	106.1	108.7	3.85
Private Sector Deposits Dollarization Rate	65.7	64.9	65.0	0.10
Private Sector Lending Dollarization Rate	75.6	74.8	73.6	(1.23)

*Change in percentage points 15/16

**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	June 2015	May 2016	June 2016	Change**	Risk Level
Political Risk Rating	54.5	55.5	55	▼	High
Financial Risk Rating	39.0	36.5	36.5	▲	Low
Economic Risk Rating	33.0	30.5	30.5	▲	Moderate
Composite Risk Rating	63.25	61.25	61.0	▲	Moderate

MENA Average*	June 2015	May 2016	June 2016	Change**	Risk Level
Political Risk Rating	57.4	57.6	57.6	▼	High
Financial Risk Rating	39.3	39.4	39.2	▲	Low
Economic Risk Rating	31.9	30.5	30.0	▲	Moderate
Composite Risk Rating	64.3	63.7	63.4	▲	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	Stable	B	B	Stable

Source: Rating agencies

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



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