

## LEBANON THIS WEEK

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Banking sector assets at \$256bn at end-June 2019

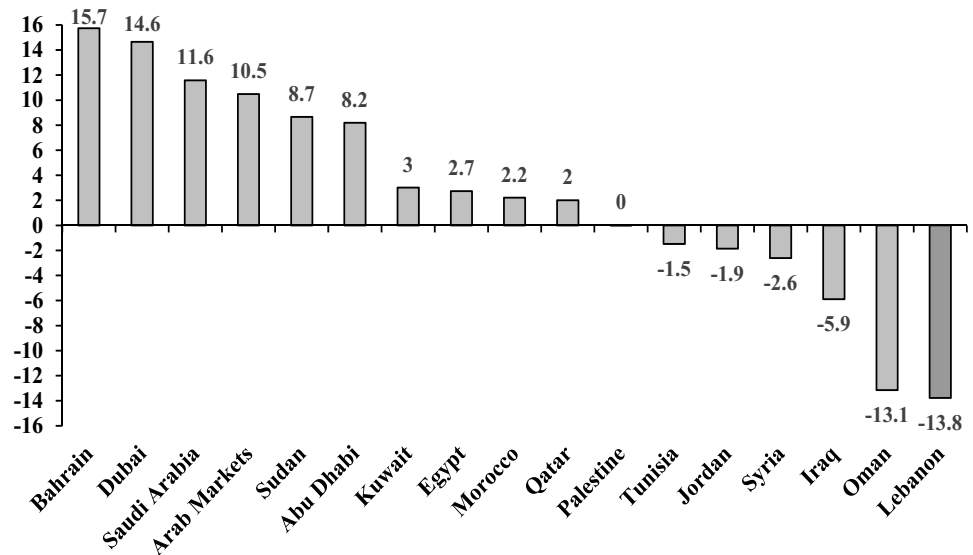
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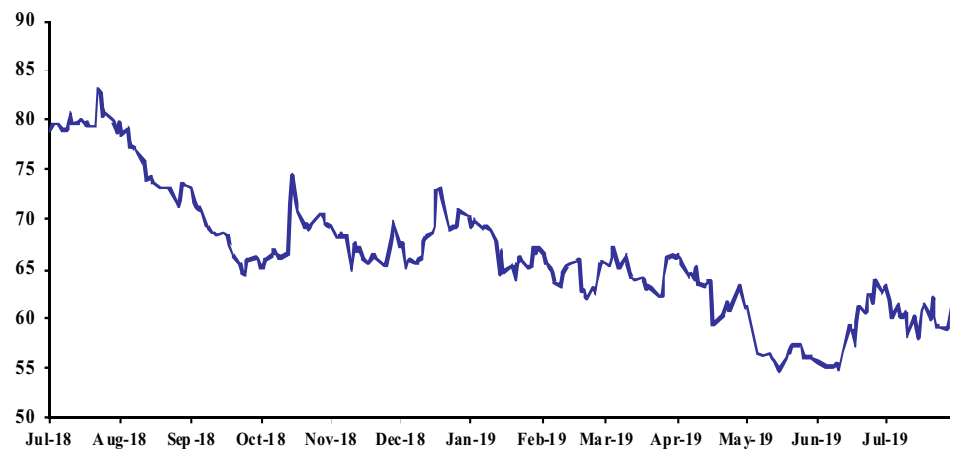
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### Charts of the Week

Performance of Arab Stock Markets in First Seven Months of 2019 (% change)\*



Performance of the Beirut Stock Exchange\*



\*Capital Markets Authority Value Weighted Index

Source: Local Stock Markets, Capital Markets Authority, S&P Dow Jones Indices, Byblos Bank

### Quote to Note

"We would like it to be an opportunity to go much farther in the implementation of reforms."

*H.E. Mr. Bruno Fouchet, Ambassador of France in Lebanon, on expectations about the Lebanese government's budget for 2020*

### Number of the Week

**3.53%:** Retirement salaries and end-of-service indemnities, in % of GDP, that the government paid to public sector retirees in 2018, according to the Ministry of Finance

## Lebanon in the News

\$m (unless otherwise mentioned)	2018	Jan-May 2018	Jan-May 2019	% Change*	May-18	Apr-19	May-19
Exports	2,952	1,324	1,446	9.20	254	266	324
Imports	19,980	7,964	8,762	10.02	1,591	1,357	2,456
Trade Balance	(17,028)	(6,640)	(7,316)	10.18	(1,337)	(1,091)	(2,132)
Balance of Payments	(4,823)	430	(5,186)	-	1,204	(1,300)	(1,882)
Checks Cleared in LBP	22,133	8,951	8,732	(2.5)	1,725	1,633	1,623
Checks Cleared in FC	44,429	18,742	14,680	(21.7)	3,841	2,802	2,531
Total Checks Cleared	66,562	27,693	23,412	(15.5)	5,566	4,435	4,154
Fiscal Deficit/Surplus	(6,246)	(2,921)	(2,386)	(18.3)	(1,008)	(411)	(1,006)
Primary Balance	(636)	(354)	(38)	(89.4)	11	(7)	(60)
Airport Passengers**	8,842,442	3,058,157	3,139,690	2.67	598,602	817,121	572,876
Consumer Price Index***	6.1	5.7	3.6	(210bps)	6.5	4.0	3.5

\$bn (unless otherwise mentioned)	Dec-17	May-18	Dec-18	Mar-19	Apr-19	May-19	% Change*
BdL FX Reserves	35.81	34.65	32.51	31.09	31.53	29.72	(14.23)
In months of Imports	18.57	21.78	20.72	14.26	23.23	12.10	(44.44)
Public Debt	79.53	82.50	85.14	86.22	85.84	85.37	3.48
Bank Assets	219.86	232.29	249.48	252.75	253.51	253.63	9.19
Bank Deposits (Private Sector)	168.66	172.38	174.28	172.52	172.71	170.85	(0.89)
Bank Loans to Private Sector	59.69	59.45	59.39	57.33	56.97	56.32	(5.27)
Money Supply M2	52.51	53.77	50.96	50.40	49.95	49.23	(8.45)
Money Supply M3	138.62	140.49	141.29	140.20	140.18	139.33	(0.86)
LBP Lending Rate (%)	8.09	8.65	9.97	10.58	10.74	10.75	210bps
LBP Deposit Rate (%)	6.41	6.71	8.30	8.75	8.60	8.72	201bps
USD Lending Rate (%)	7.67	7.87	8.57	9.31	9.34	9.54	167bps
USD Deposit Rate (%)	3.89	4.11	5.15	5.69	5.68	5.79	168bps

\*year-on-year \*\*includes arrivals, departures, transit \*\*\*year-on-year percentage change

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
Audi Listed	3.80	(1.30)	537,953	18.73%
Byblos Common	1.18	(1.67)	238,823	8.23%
Solidere "A"	6.24	0.48	100,772	7.69%
Audi GDR	3.75	(5.06)	40,969	5.55%
Solidere "B"	6.22	1.14	40,075	4.99%
Byblos Pref. 09	68.60	0.00	3,125	1.69%
Byblos Pref. 08	66.00	1.54	1,000	1.63%
HOLCIM	10.12	(12.00)	700	2.44%
BLOM Listed	7.30	(8.64)	500	19.35%
BLOM GDR	7.40	0.00	-	6.74%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2020	6.38	97.00	11.72
Apr 2021	8.25	92.87	13.08
Oct 2022	6.10	83.75	12.47
Jun 2025	6.25	77.88	11.55
Nov 2026	6.60	76.63	11.39
Feb 2030	6.65	74.00	10.84
Apr 2031	7.00	74.25	10.95
May 2033	8.20	83.63	10.47
Nov 2035	7.05	74.13	10.38
Mar 2037	7.25	74.50	10.44

Source: Byblos Bank Capital Markets

	Jul 29- Aug 2	Jul 22-26	% Change	July 2019	July 2018	% Change
Total shares traded	964,658	570,391	69.1	1,969,484	2,161,984	(8.9)
Total value traded	\$3,729,174	\$2,166,183	72.2	\$9,821,149	\$22,895,761	(57.1)
Market capitalization	\$8.11bn	\$8.33bn	(2.66)	\$8.21bn	\$10.35bn	(20.6)

Source: Beirut Stock Exchange (BSE)

CDS Lebanon	Jul 26, 2019	Aug 2, 2019	% Change**
CDS 1-year*	901.94	971.85	7.8
CDS 3-year*	955.27	1,012.83	6.0
CDS 5-year*	934.31	974.22	4.3

Source: ICE CMA; \*mid-spread in bps \*\*week-on-week

CDX EM 30*	Jul 26, 2019	Aug 2, 2019	% Change***
CDS 5-year**	97.65	97.00	(0.7)

Source: ICE CMA; \* CDX Emerging Market CDS Index-Series 30

\*\*mid-spread in bps \*\*\*week-on-week

### Budget law forecasts deficit of 7.6% of GDP in 2019

The 2019 Budget Law that the Lebanese Parliament enacted on July 19, 2019 shows budget expenditures of LBP25,606bn or \$17bn, and budget revenues of LBP18,783bn or \$12.5bn, leading to a deficit of LBP6,823bn or \$4.53bn. Based on the government's estimates for nominal GDP, the projected budget deficit would be 7.6% of GDP for 2019.

The breakdown of budgetary spending for 2019, excluding Treasury outlays, shows that current expenditures amount to LBP24,149bn (\$16bn), equivalent to 94.3% of such spending. Also, capital spending, which includes investing in infrastructure, land expropriation and the purchase of equipment, reaches LBP1,456bn (\$966m), or 5.7% of total expenditures in 2019. Interest payments on Lebanese sovereign debt totals LBP8,312bn, or \$5.5bn (32.5% of total budget spending), retirement salaries and end-of-service indemnities for public sector employees are estimated at LBP2,981bn, or \$2bn (11.6% of total budget spending), and transfers to Electricité du Liban (EdL) amount to LBP2,500bn, or \$1.7bn (9.8% of total budget spending) this year. In addition, LBP10,356bn, or \$6.9bn (40.4% of total budget spending), consist mostly of the public-sector's wage bill, transfers to public institutions to cover salaries, and other social benefits extended to public sector employees, as well as some other general expenditures.

Also, the breakdown of budget revenues for 2019 shows tax receipts of LBP14,570bn (\$9.7bn). Receipts from the value-added tax and the excise tax on goods & services would generate LBP6,232bn or 42.8% of total tax revenues, followed by receipts from the tax on income, profits & capital gains LBP5,437bn (37.3%), income from the property tax LBP1,143bn (7.8%), and revenues from customs duties LBP1,055bn (7.2%), while stamp duties would generate the remaining 4.8%. The 2019 budget projects non-tax revenues at LBP4,212bn, including LBP1,889bn in transfers from the Ministry of Telecommunications.

Budgeted tax revenues for 2019 would increase by LBP1,805bn (\$1.2bn) from the taxes collected in 2018. Receipts from the tax on interest income are anticipated to rise by LBP622bn, equivalent to 34.5% of the total increase in tax receipts this year, followed by the value-added tax and the excise tax with a growth of LBP452bn (25% of the rise in tax receipts), revenues from customs with LBP310bn (17.2%), the tax on profits with LBP172bn (9.5%), stamp duties with LBP102bn (5.7%), the tax on wages & salaries with LBP73.4bn (4.1%), and the tax on capital gains with LBP58.6bn (3.2%). Revenues from property taxes and from other income taxes are expected to rise by LBP18.2bn and to account for 1% of the anticipated increase in tax revenues.

In parallel, the 2019 budget estimated Treasury receipts at LBP1,112bn, or \$737.4m, in 2019. As a result, total public revenues, which consist of budget revenues and Treasury receipts, reach LBP19,895bn, or \$13.2bn, in 2019 relative to LBP17,405bn, or \$11.55bn, in 2018. Total public revenues would be equivalent of 22.1% of GDP in 2019 compared to 20.6% of GDP last year.

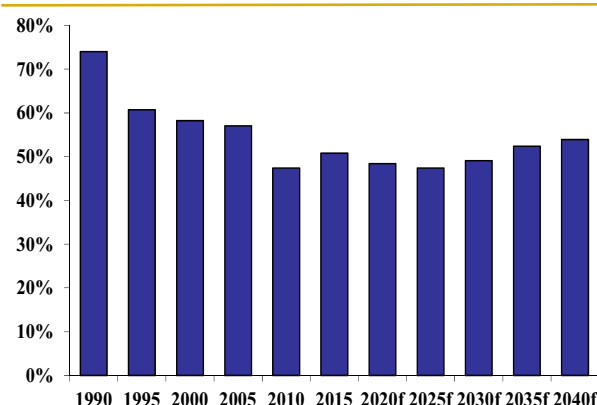
Projected Revenues & Expenditures in 2019 Budget			
	2019 Budget (US\$m)	Actual 2018 (US\$m)	Change (%)
<b>Budget Revenues</b>	<b>12,460</b>	<b>10,739</b>	<b>16%</b>
Tax Revenues	9,665	8,468	14.1%
Non-Tax Revenues	2,794	2,271	23%
<i>of which Telecom revenues</i>	<i>1,253</i>	<i>1,071</i>	<i>17%</i>
<b>Budget Expenditures</b>	<b>16,985</b>	<b>16,361</b>	<b>3.8%</b>
Current Spending, of which	16,020	15,359	4.3%
<i>Interest payments</i>	<i>5,514</i>	<i>5,410</i>	<i>1.9%</i>
<i>Retirement salaries</i>	<i>1,679</i>	<i>1,558</i>	<i>7.8%</i>
<i>Transfers to EdL</i>	<i>1,658</i>	<i>1,756</i>	<i>(5.6%)</i>
<i>End of service indemnities</i>	<i>299</i>	<i>568</i>	<i>(47.4%)</i>
Capital Spending	966	917	5.3%
<b>Budget Deficit</b>	<b>(4,526)</b>	<b>(5,622)</b>	<b>(19.5%)</b>
Treasury Receipts	737	807	(8.6%)
Treasury Expenditures	-	1,431	-
<b>Total Revenues</b>	<b>13,197</b>	<b>11,546</b>	<b>14.3%</b>
<b>Total Expenditures</b>	<b>-</b>	<b>17,792</b>	<b>-</b>

Source: Ministry of Finance, Byblos Research

### Lebanon's population to reach 6.4 million at the end of 2025

The United Nations projected the total population of Lebanon to reach 6.86 million at the end of 2019, compared to 2.8 million at end-1990, 3.84 million at end-2000 and 4.95 million at end-2010. The increase of 1.9 million persons between 2010 and 2019 reflects mainly the presence of a large number of Syrian refugees in the country. The UN expects the country's total population to account for 1.7% of the Arab population and for 0.09% of the world's population at end-2019. In comparison, Lebanon's population represented 1.4% of the Arab population at the end of 2000 and 2010, while it accounted for 0.06% of the world population at the end of 2000 and for 0.07% of the global population at end-2010. Lebanon's population at the end of 2019 would be larger than the populations of Libya (6.78 million), Palestine (4.98 million), Oman (4.97 million), Mauritania (4.53 million), Kuwait (4.21 million), Qatar (2.83 million), Bahrain (1.64 million) and Djibouti (973,560) in the Arab world.

### Evolution of Lebanon's Age Dependency Ratio (%)



Source: United Nations, Byblos Research

The United Nations also forecast the number of persons in Lebanon to decline to 6.4 million by the end of 2025, and to account for 1.4% of the region's population and for 0.08% of the global population. In addition, the UN projected the country's population to reach 6.2 million at the end of 2030, and to account for 1.2% of the region's inhabitants and for 0.07% of the global population. The expected decline in Lebanon's population in the next decade could be attributed to the anticipated return of Syrian refugees to their country. Also, the population of Lebanon at end-2030 would be larger than the population of Mauritania (6 million), Oman (5.9 million), Kuwait (4.75 million), Qatar (3.3 million), Bahrain (2 million) and Djibouti (1.1 million).

Further, the population of Lebanon is projected to grow at a compound annual growth rate (CAGR) of 3.3% between 2010 and 2020, the fifth highest growth rate among Arab countries, and to post a CAGR of -1% during the 2020-30 period, the only decline in the region. In comparison, Lebanon's population grew by a CAGR of 3.2% between 1990 and 2000, the fifth highest growth rate among Arab countries, while it expanded by a CAGR of 2.6% during the 2000-10 period and posted the 10<sup>th</sup> slowest increase in the region.

In terms of demographic trends, the UN projected the age dependency ratio in Lebanon at 48.4% at the end of 2020 and at 49.1% at end-2030, compared to the global rates of 53.3% and 54.5%, respectively. The age dependency ratio equals the number of persons aged below 14 years and above 65 years relative to the number of inhabitants in the 15 to 64 years-old bracket. In comparison, the country's dependency ratio was 74% in 1990, 58.2% at end-2000 and 47.4% at the end of 2010.

### Ministry of Finance clarifies operations of offshore companies

The Ministry of Finance issued Decree 5148, which was published in the Official Gazette on July 11, 2019, to clarify the implementation of Article 2 of Legislative Decree 46/83 and its amendments about the establishment and operations of offshore companies.

The decree indicated that Lebanese offshore firms are prohibited from engaging in any type of insurance operations inside or outside Lebanon, as well as in any operations that are carried out by banks, financial institutions or by companies that require an operating license from Banque du Liban. In addition, it noted that Lebanese offshore companies are not allowed to conduct any operations other than the ones specified in Article 1 of Legislative Decree 46/83 and its amendments. For example, Article 1 allows Lebanese offshore firms to negotiate and sign contracts and agreements related to transactions that are executed outside Lebanon and that are financed with funds from abroad or from Lebanese free zones. It also permits offshore companies to manage, from Lebanon, institutions and companies that are located outside Lebanon and that are active in foreign markets. Further, it allows offshore firms to provide companies based outside Lebanon with professional, administrative, managerial, as well as information and computer software services. According to Article 1, Lebanese offshore firms are allowed to engage in foreign trade transactions that involve multiple parties as well as to engage in maritime transport activities. They can also open branches or representative offices abroad, as well as rent offices in Lebanon and own properties related to their activities in the country.

Further, the decree prohibits Lebanese offshore companies from generating any profits or revenues through movable or immovable assets in Lebanon, or through providing services to resident institutions, with the exception of collecting interest income from their bank accounts and from revenues derived from the subscription and trading of Lebanese Treasury bonds.

### Fiscal deficit narrows by 18% to \$2.4bn in first five months of 2019

Figures released by the Ministry of Finance show that the fiscal deficit reached \$2.4bn in the first five months of 2019 and narrowed by 18.3% from a deficit of \$2.9bn in the same period of 2018. The deficit was equivalent to 34.8% of total budget and Treasury expenditures relative to 38% of spending in the same period of 2018. Government expenditures reached \$6.85bn in the first five months of 2019 and declined by 11.2% from the same period of 2018, while revenues regressed by 7% to \$4.46bn. As such, the narrowing of the deficit reflects an annual drop of \$866.4m in overall expenditures, which was partly offset by a decrease of \$331m in total revenues in the covered period. The decline in spending is due to a drop of \$379.7m in general expenditures, a decrease of \$158.5m in transfers to municipalities, and a contraction of \$218.7m in debt servicing outlays in the first five months of 2019.

On the revenues side, tax receipts grew by 0.6% year-on-year to \$3.55bn in the first five months of 2019, of which 28.5%, or \$1bn, were in VAT receipts that decreased by 8.5% annually. Tax receipts accounted for 83.3% of budgetary revenues and for 79.6% of Treasury and budgetary income in the covered period. The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains rose by 18.8% annually to \$1.4bn in the first five months of 2019; revenues from customs regressed by 3.5% to \$527.5m; receipts from property taxes dropped by 20.2% to \$285.6m; while revenues from taxes on goods & services decreased by 3.2% to \$168.7m, and receipts from stamp fees declined by 6% to \$166.4m.

The distribution of income tax receipts shows that the tax on interest income accounted for 46.7% of income tax revenues in the first five months of 2019, followed by taxes on wages & salaries with 21.5%, the tax on profits with 20.8% and the capital gains tax with 10.1%. Receipts from the tax on interest income surged by 57.5%, while revenues from taxes on capital gains declined by 5.1%, revenues from taxes on profits decreased by 1%, while receipts from taxes on wages & salaries were nearly unchanged year-on-year in the covered period. Also, the distribution of property taxes indicates that revenues from real estate registration fees fell by 28% year-on-year to \$146.8m and receipts from the built property tax decreased by 16% to \$103.8m in the first five months of 2019, while revenues from the inheritance tax grew by 14% to \$35m.

Further, non-tax budgetary receipts declined by 9.2% year-on-year to \$710.1m in the covered period. They mainly included \$413.8m in revenues generated from government properties that regressed by 2.1% year-on-year, as well as \$226.7m in receipts from administrative fees and charges that dropped by 17.1% annually. Receipts from telecommunication services declined by 8.5% to \$291.3m, and accounted for 70.4% of income from government properties and for 41% of non-tax budgetary revenues.

On the expenditures side, total budgetary spending, which includes general expenditures and debt servicing, declined by 8.6% year-on-year to \$6.34bn in the first five months of 2019. General spending fell by 8.7% to \$4bn in the covered period, and included \$605.6m in transfers to Electricité du Liban (EdL) that decreased by 3.6% year-on-year, and \$1bn in outlays from previous years that regressed by 0.8% annually, among other general spending items. Also, debt servicing totaled \$2.35bn in the first five months of 2019 and declined by 8.5% from the same period of 2018. Interest payments on Lebanese pound-denominated debt decreased by 15.3% year-on-year to \$1.2bn in the first five months of 2019, while debt servicing on foreign currency debt grew by 1.1% to \$1bn. In addition, Treasury expenditures, excluding transfers to EdL, declined by 34.6% year-on-year to \$506.3m in the covered period, as transfers to municipalities dropped by 41.8% to \$220.7m in the first five months of 2019. Further, the primary budget balance posted a surplus of \$268m in the first five months of 2019, or 4.2% of budgetary expenditures, while the overall primary balance registered a deficit of \$37.6m, or 0.5% of spending.

Fiscal Results in First Five Months of each Year			
	2018 (US\$m)	2019 (US\$m)	Change (%)
Budget Revenues	4,315	4,264	(1.2%)
Tax Revenues	3,533	3,553	0.6%
Non-Tax Revenues	782	710	(9.2%)
<i>of which Telecom revenues</i>	318	291	(8.5%)
Budget Expenditures	6,942	6,344	(8.6%)
<b>Budget Surplus/Deficit</b>	<b>(2,627)</b>	<b>(2,081)</b>	<b>(20.8%)</b>
<i>In % of budget expenditures</i>	<i>-37.8%</i>	<i>-32.8%</i>	
<b>Budget Primary Surplus</b>	<b>(60)</b>	<b>268</b>	
<i>In % of budget expenditures</i>	<i>-0.9%</i>	<i>4.2%</i>	
Treasury Receipts	480	201	(58.2%)
Treasury Expenditures	774	506	(34.6%)
Total Revenues	4,795	4,464	(6.9%)
Total Expenditures	7,717	6,850	(11.2%)
<b>Total Deficit</b>	<b>(2,921)</b>	<b>(2,386)</b>	<b>(18.3%)</b>
<i>In % of total expenditures</i>	<i>-37.9%</i>	<i>-34.8%</i>	
<b>Total Primary Surplus/Deficit</b>	<b>(354.2)</b>	<b>(37.6)</b>	<b>(89.4%)</b>
<i>In % of total expenditures</i>	<i>-4.6%</i>	<i>-0.5%</i>	

Source: Ministry of Finance, Byblos Research



### Net foreign assets of financial sector down by \$204m in June 2019

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$5.4bn in the first half of 2019 compared to a decrease of \$208.3m in the same period of 2018. The net foreign assets of the financial sector regressed by \$204.3m in June 2019, compared to a decline of \$1.9bn in May 2019 and a decrease of \$638.5m in June 2018. The month-on-month decline in June 2019 was caused by a drop of \$210m in the net foreign assets of BdL which was partly offset by an increase in \$5.6m in those of banks and financial institutions. Also, the cumulative deficit in the first half of 2019 was caused by a decline of \$3.3bn in the net foreign assets of BdL and by a decrease of \$2.1bn in those of banks and financial institutions.

BdL indicated that it paid \$2.15bn to cover maturing principal and coupons on Lebanese Eurobonds in the first half of 2019, including \$1.25bn for maturing principal and coupons in May 2019, \$500m for a Eurobond that matured on April 23, 2019, and \$402m for maturing coupons in the first four months of 2019.

The net foreign assets of the financial sector grew by \$1.2bn in 2016, while they decreased by \$155.7m in 2017 and by \$4.8bn in 2018. The net foreign assets of the financial sector declined by the equivalent of 8.6% of GDP in 2018, and 0.3% of GDP in 2017, relative to an increase equivalent to 2.4% of GDP in 2016.

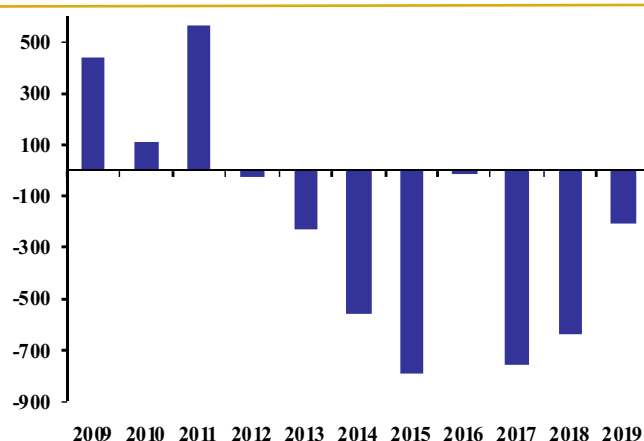
### Payment cards reach 2.81 million at end-March 2019, ATMs total 2,014

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,812,741 cards at the end of March 2019, constituting an increase of 1.2% from 2,778,510 cards at end-2018 and a rise of 132,739 card, or 5%, from 2,680,002 cards at end-March 2018. Cards held by residents accounted for 96.4% of total cards issued in Lebanon at end-March 2019. The distribution of payment cards by type shows that debit cards with residents reached 1,607,526 and accounted for 57.2% of the total, followed by credit cards with residents at 557,932 (19.8%), prepaid cards with residents at 449,848 (16%), charge cards with residents at 97,401 (3.5%), debit cards held by non-residents at 67,806 (2.4%), credit cards with non-residents at 22,821 (0.8%), charge cards held by non-residents at 7,802 (0.3%), and prepaid cards with non-residents at 1,605 (0.1%).

Further, the aggregate number of points-of-sales accepting payment cards reached 46,279 at the end of March 2019, constituting an increase of 2.5% from 45,142 at end-2018 and a growth of 3,001 points-of-sales, or 6.9%, from 43,278 at the end of March 2018. As a result, there were 4.4 points-of-sales per square kilometer in Lebanon at the end of March 2019.

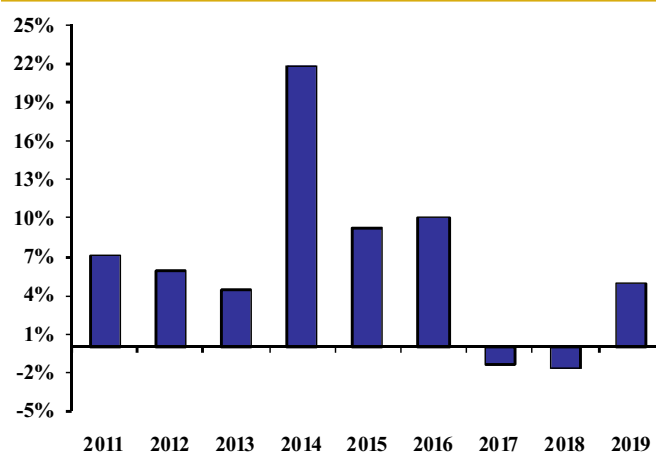
In parallel, there were 2,014 ATMs across Lebanon at the end of March 2019, constituting an increase of 16 ATMs from the end of 2018, and a rise of 97 ATMs from 1,917 ATMs a year earlier. The Greater Beirut area had 753 ATMs at end-March 2019, equivalent to 37.4% of the total; followed by Mount Lebanon with 731 ATMs (36.3%), the North with 198 ATMs (9.8%), the South with 159 ATMs (7.9%), the Bekaa region with 140 ATMs (7%), and the Nabatieh area with 33 ATMs (1.6%). As such, there were 193 ATMs per 1,000 square kilometers in Lebanon at the end of March 2019.

Change in Net Foreign Assets of Financial Sector in June of Each Year (US\$m)



Source: Banque du Liban

Growth in the Number of Payment Cards\* (%)



\*year-on-year change in the first quarter of each year

Source: Banque du Liban, Byblos Research

### Lebanon ranks 77<sup>th</sup> globally, seventh among Arab countries in terms of readiness for change

The 2019 KPMG Change Readiness Index (CRI) ranked Lebanon in 77<sup>th</sup> place among 140 countries around the world and in seventh place among 13 Arab countries. Lebanon also came in 26<sup>th</sup> place among 40 upper middle-income countries (UMICs) included in the survey. In comparison, Lebanon ranked in 92<sup>nd</sup> place among 136 countries worldwide and in seventh place among 14 Arab countries in the 2017 survey.

The CRI measures how effectively a country's government, private and public enterprises, as well as people and civil society, anticipate, prepare for, manage and respond to change and cultivate opportunities. Examples of change include shocks, such as natural disasters and financial or social instability, as well as economic and political opportunities and risks, such as changes in demographics and technology, among others. The index is based on 150 variables grouped into three equally-weighted pillars that are Enterprise Capability, Government Capability, and People & Civil Society Capability.

Globally, Lebanon is more capable to adapt to change than Ukraine, the Dominican Republic and Sri Lanka, while it is less capable than Peru, Jamaica and Botswana among economies with a GDP of \$10bn or more. Also, the level of readiness to change in Lebanon is higher than in the Dominican Republic, Sri Lanka and Albania, and is lower than in Peru, Jamaica and Botswana among UMICs.

Lebanon ranked ahead of Colombia and Rwanda, and came behind Macedonia and Greece globally on the Enterprise Capability pillar. This category assesses the ability of private and state-owned organizations to manage change and grow within a dynamic economic environment. Lebanon ranked ahead of Colombia and Peru, and came behind Mexico and Macedonia among UMICs. Lebanon came ahead of Tunisia, Algeria, Mauritania, Sudan, Yemen, and Libya regionally on this category.

In addition, Lebanon ranked ahead of Tajikistan and Gabon, and came behind Brazil and Iran worldwide on the People & Civil Society capability pillar. This category assesses the ability of individual citizens and the wider society to cope with change and respond to opportunities. Lebanon ranked ahead of Gabon and South Africa, and came behind Brazil and Iran among UMICs. Lebanon trailed the UAE, Qatar, Saudi Arabia Tunisia and Jordan regionally on this category.

Further, Lebanon preceded Sri Lanka and Zambia globally, and trailed Cambodia and Jamaica on the Government Capability pillar. This category measures the ability of the government and public regulatory institutions to manage and influence change. Lebanon ranked ahead of Sri Lanka and Mexico, and came behind Peru and Jamaica among UMICs. It ranked ahead of only Algeria, Mauritania, Yemen, Sudan and Libya among Arab countries on this category.

#### Components of the 2019 Change Readiness Index For Lebanon

	Global Rank	Arab Rank	UMIC Rank
Enterprise Capability	71	7	23
Government Capability	93	8	27
People & Civil Society Capability	76	6	28

Source: KPMG, Byblos Research

### Lebanon launches campaign to support industrial sector

The Ministry of Industry, in cooperation with the Association of Lebanese Industrialists, launched the "Support the Nation by Buying Local Products" initiative, which is a national campaign to support the Lebanese industrial sector. The campaign aims to raise awareness about the quality and competitiveness of locally-produced products, and to encourage the population to prioritize these products in their purchases. The initiative includes a media campaign about the industrial sector and locally-manufactured products, as well as exhibitions in several regions across Lebanon. It will also support the participation of industrialists in trade shows. The ministry said that the development of the industrial sector would support economic activity, increase employment and help narrow the trade deficit.

According to the most recent national accounts for Lebanon, the manufacturing sector's contribution to GDP, at current prices, increased gradually from 7.7% of GDP in 2013 to 8.6% in 2017. However, the sector's activity posted a compound annual growth rate of -4.9% in the 2013-17 period, when taking constant 2010 prices, which reflects declining output. Also, industrial exports totaled \$2.55bn in 2018, constituting an increase of 3% from \$2.47bn in 2017, compared to \$3.6bn in 2012, the recent record year for Lebanese industrial exports.

#### Change Readiness Index for 2019

Country	Arab Rank	Global Rank	Change in Rank*
UAE	1	5	-2
Qatar	2	12	+7
Saudi Arabia	3	30	-3
Jordan	4	42	-1
Morocco	5	67	-7
Tunisia	6	68	-10
<b>Lebanon</b>	<b>7</b>	<b>77</b>	<b>+18</b>
Egypt	8	81	+22
Algeria	9	111	-2
Mauritania	10	126	+10
Yemen	11	131	-
Libya	12	135	-12
Sudan	13	136	+2

\*based on the same set of countries from 2017 survey; (+) denotes improvement in rank

Source: KPMG, Byblos Research

### Lebanon and Iraq sign healthcare cooperation agreement

The Ministry of Public Health signed a Memorandum of Understanding (MoU) with the Iraqi Ministry of Health to promote bilateral cooperation in the healthcare and pharmaceuticals fields. The MoU recognizes the quality of pharmaceutical products that are manufactured in Lebanon and improves the access of Lebanese pharmaceutical companies to the Iraqi market. In addition, the MoU will allow the Iraqi healthcare sector to benefit from Lebanese expertise in the field, as the Lebanese side will provide training to Iraqi doctors and nurses, and will help upgrade the nursing program in Iraq, among other plans. It also allows hospitals in Iraq to request the expertise and medical services of Lebanese medical staff in case of emergencies and critical cases. The Ministry of Public Health indicated that it will establish a hotline for Iraqi citizens who are seeking medical treatment in Lebanon in order to receive their inquiries and complaints.

The imports of pharmaceutical products to Lebanon totaled \$1.33bn in 2018, constituting an increase of 3.2% from 2017; while the exports of such products grew by 8.4% to \$56.9m last year. In addition, imports of pharmaceutical products increased by a compound annual growth rate (CAGR) of 5.6% during the 2010-18 period, while exports of such products expanded by a CAGR of 16.5% over the same period.

Lebanon's pharmaceutical exports to Iraq amounted to \$7.6m in 2018, constituting a decrease of 38% from \$12.3m in 2017. Iraq accounted for 13.4% of Lebanon's pharmaceutical exports in 2018, the third largest export market behind the UAE (27.1%) and Saudi Arabia (19%). But Iraq was the main destination of Lebanese pharmaceutical exports in 2017 with a share of 23.4% of total pharmaceutical exports.

### Construction activity remains subdued in first quarter of 2019

Banque du Liban's quarterly business survey about the opinions of business managers shows that general construction activity was subdued in the first quarter of 2019, with the balance of opinions standing at -58 compared to -59 in the fourth quarter of 2018 and to -45 in the first quarter of 2018. The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the trend of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an increase in a particular indicator and the proportion of those who reported a decline in the same indicator.

The balance of opinions about construction activity was -62 in the first quarter of 2019 compared to -60 in the fourth quarter of 2018 and to -44 in the first quarter of 2018. The balance of opinions about construction activity was the lowest in the Bekaa at -86, followed by the South (-75), Beirut & Mount Lebanon (-63), and the North (-29). Also, the balance of opinions about public works stood at -45 in the first quarter of 2019 compared to -49 in the preceding quarter and to -45 in the first quarter of 2018. Opinions about the level of public works were the lowest in the South at -80, followed by the Bekaa (-66), Beirut & Mount Lebanon (-41), and the North (-18).

In parallel, the balance of opinions about the portfolio of projects was -63 in the first quarter of 2019 relative to -53 in the fourth quarter of 2018 and to -39 in the first quarter of 2018. The balance of opinions about the portfolio of projects was the lowest in the Bekaa at -92, followed by the South (-62), Beirut & Mount Lebanon (-55), and the North (-51). Further, the balance of opinions about construction costs reached +1 in the first quarter of 2019, compared to +4 in the fourth quarter of 2018 and +1 in the first quarter of 2018.

<b>Construction and Public Work Activity: Evolution of Opinions</b>				
<b>Aggregate results</b>	<b>Q1-16</b>	<b>Q1-17</b>	<b>Q1-18</b>	<b>Q1-19</b>
General activity	-24	-39	-45	-58
Construction	-23	-35	-44	-62
Public work	-7	-42	-45	-45
Portfolio of projects	-25	-30	-39	-63
Construction costs	-2	+1	+1	+1
Investments (% of yes)	36%	20%	26%	15%

*Source: Banque du Liban Business Survey for First Quarter of 2019*



### **Byblos Bank's net profits at \$60m in first half of 2019, foreign currency liquidity at 15.6% of deposits**

Byblos Bank sal declared unaudited net profits of \$59.9m in the first half of 2019 relative to \$66.9m in the same period of 2018. The results show a narrowing in net interest margins amid volatile market conditions, as well as the Bank's continued commitment to a conservative risk management strategy as reflected by its high liquidity ratios. In fact, the Bank maintained a high level of immediate foreign-currency liquidity, equivalent to 15.57% of deposits in foreign currency at the end of June 2019, in the form of short-term placements with above investment-grade institutions and at levels exceeding the local and international benchmarks. Further, Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's Basel III solvency ratio stood at 18.4%, which significantly exceeds Banque du Liban's regulatory requirement of 15%.

The Bank's net interest income reached \$124.1m in the first half of 2019 compared to \$150.2m in the same period of 2018; while revenues from net fees & commissions stood at \$46.3m in the covered period relative to \$47.1m in the first half of 2018. The Bank's net operating income totaled \$194.8m in the first six months of 2019 relative to \$203m in the same period of 2018.

In parallel, Byblos Bank's operating expenditures reached \$120.5m in the first half of 2019 relative to \$119m in the same period of 2018, with personnel cost accounting for 58.1% of the total. The Bank continued to efficiently manage its costs, as it reduced its ratio of operating expenses to average assets from 1.03% at the end of June 2018 to 0.96% at the end of June 2019.

Also, the Bank's aggregate assets reached \$25.65bn at the end of June 2019, growing by 2.6% from \$25bn at end-2018 and by 8% from \$23.8bn at end-June 2018. Net loans & advances to customers totaled \$5.1bn at the end of June 2019 compared to \$5.4bn at end-2018, while net loans & advances to related parties reached \$15.8m. Byblos Bank maintained adequate provisioning with a coverage ratio of 90.23% at the end of June 2019, while its non-performing loans ratio was 4.37%. Further, customer deposits amounted to \$18.3bn and deposits from related parties stood at \$193.4m at the end of June 2019. As a result, aggregate deposits stood at \$18.5bn at end-June 2019, up from \$18.3bn a year earlier. In parallel, the Bank's equity was \$2.15bn at the end of June 2019 relative to \$2.1bn a year earlier.

### **Stock market index down 14% in first seven months of 2019**

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 189,467,757 shares in the first seven months of 2019, constituting an increase of 3.1 times from 60,683,990 shares traded in the same period last year; while aggregate turnover amounted to \$811.5m, up by 81% from a turnover of \$448.6m in the first seven months of 2018. The surge in the trading volume and turnover is mostly due to a block trade of the common shares of a listed bank. The trade consisted of 119,924,761 shares exchanged for a total of \$557.7m in February 2019.

Market capitalization regressed by 20.6% from the end of July 2018 to \$8.2bn, with banking stocks accounting for 83.6% of the total, followed by real estate equities (13.2%), industrial shares (2.7%) and trading firms' equities (0.4%). The market liquidity ratio was 9.9% in the covered period compared to 4.3% in the first seven months of 2018.

Banking stocks accounted for 97.4% of the aggregate trading volume in the first seven months of 2019, followed by real estate equities with 2.5% and industrial shares with 0.04%. Also, banking stocks accounted for 96.3% of the aggregate value of shares traded, followed by real estate equities with 3.6% and industrial stocks with 0.1%. The average daily traded volume for the period was 1.38 million shares for an average daily value of \$5.92m. The figures reflect a year-on-year increase of 3.2 times in average volume, and an annual rise of 85% in the average value in the first seven months of the year. In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE declined by 13.8% in the first seven months of 2019, while the CMA's Banks Market Value-Weighted Index regressed by 19.2% in the covered period.

### **Kafalat loan guarantees down 85% to \$4.3m in first half of 2019**

Figures released by the Kafalat Corporation show that loans extended to small- and medium-sized enterprises (SMEs) under the guarantee of Kafalat reached \$4.3m in the first half of 2019, constituting a decrease of 85.1% from \$28.8m in the same period of 2018. Kafalat provided 36 loan guarantees in the first half of the year, down by 84% from 223 guarantees in the first half of 2018. The average loan size was \$119,508 in the first half of 2019 compared to \$129,094 in the same period of 2018. Mount Lebanon accounted for 50% of the total number of guarantees in the first half of 2019, followed by the Bekaa region with 25%, Beirut with 11.1%, the North and the South with 5.6% each, and Nabatieh with 2.8%. Also, the industrial sector accounted for 36.1% of the total number of guarantees in the covered period, followed by the tourism and agricultural sectors with 27.8% each, specialized technologies with 5.6% and the handicraft sector with 2.8%.

Kafalat is a state-sponsored organization that provides financial guarantees for loans earmarked for the setup and expansion of SMEs in productive sectors. It offers various financial products for SMEs in the industry, agriculture, tourism, high technology, crafts and energy sectors. It guarantees up to 90% of the loan amount and a similar percentage of the accrued interest. The Ministry of Finance subsidizes interest rates and Banque du Liban administers the subsidies. The National Institute for the Guarantee of Deposits holds a 75% stake in Kafalat, while the remaining 25% is held by 50 Lebanese banks.



### Aggregate net profits of five listed banks down 5.5% to \$570m in first half of 2019

The financial results of five out of six banks listed on the Beirut Stock Exchange, which are Byblos Bank, BLOM Bank, BLC Bank, Bank Audi, and Banque BEMO, show that the banks' aggregate net profits reached \$570.5m in the first half of 2019, constituting a decline of 5.5% from net earnings of \$603.9m in the first half of 2018. The figures exclude the results of Bank of Beirut, as the bank issued its balance sheet and income statement for the first half of 2019 after netting the leverage arrangements with Banque du Liban as per international accounting standard IFRS 9, and after deconsolidating mutual funds as per IFRS 10. Also, the bank restated its balance sheet and income statement for the first half of 2018 and for full year 2018 to reflect the accounting changes.

Further, the aggregate pre-tax profits of the five banks decreased by 7.8% year-on-year to \$696.3m in the first half of 2019. The net interest income of the five banks, including net interest revenues on financial instruments, totaled \$1.1bn in the covered period, and decreased by 7.2% from \$1.2bn in the first half of 2018; while their receipts from net fees & commissions declined by 7% year-on-year to \$217.8m. Also, the total operating income of the listed banks, excluding Bank of Beirut, reached \$1.4bn in the first half of 2019 and regressed by 6.9% from \$1.5bn in the same period of 2018. Further, the five banks' cost-to-income ratio increased from 45.4% in the first half of 2018 to 46.1% in the same period of 2019.

In parallel, the aggregate assets of the five publicly-listed banks reached \$118.7bn at the end of June 2019, up by 2.3% from end-2018 and by 6.8% from end-June 2018; while their total loans, including those to related parties, stood at \$26.1bn at end-June 2019 and regressed by 7.5% from end-2018 and by 12.6% year-on-year. Also, total deposits, excluding the deposits of Bank of Beirut, reached \$83.1bn at end-June 2019, and grew by 0.6% from end-2018. Further, the five banks' aggregate equity, including subordinated notes, stood at \$10.8bn at the end of June 2019, down by 1.7% from end-2018 but up by 0.5% from a year earlier.

The five banks' aggregate loans-to-deposits ratio stood at 31.4% at the end of June 2019 compared to 34.2% at end-2018. BLOM Bank had a loans-to-deposits ratio of 23.9%, down from 26.6% at end-2018; followed by Byblos Bank with a ratio of 27.8% at the end of June 2019 relative to 29.5% at end-2018; Bank Audi with 38.1% at the end of June 2019 relative to 41.5%; BLC Bank with 40.4% at end-June 2019, down from 41.1% at end-2018; and Banque BEMO with 55.1% at the end of June 2019 relative to 55.7% at end-2018. In parallel, Bank of Beirut's loans-to-deposits ratio was 41.6% at end-June 2019 compared to 44.3% at end-2018.

#### Results of Listed Banks in First Half of 2019

	Bank Audi	BLOM Bank	Byblos Bank	Bank of Beirut	BLC Bank	Banque BEMO
Net Profits (\$m)	250.4	238.7	59.9	65.9	12.5	9.0
% Change*	-5.7%	-2.1%	-10.5%	-16.1%	-36.2%	10%
Total Assets (\$bn)	47.5	38.5	25.6	17.4	5.0	2.0
% Change**	0.6%	4.9%	2.6%	-1.6%	-1.3%	0.8%
Loans (\$bn)	12.1	6.7	5.1	5.4	1.5	0.7
% Change**	-8.7%	-7.1%	-5.7%	-9.6%	-5.2%	-6.9%
Deposits (\$bn)	31.8	27.8	18.5	12.9	3.8	1.2
% Change**	-0.5%	3.4%	-	-3.7%	-3.5%	-5.8%

\* year-on-year; \*\* from end-2018

Bank of Beirut's financials reflect its financial position after netting the leverage arrangements with Banque du Liban as per IFRS 9, and deconsolidating the mutual funds as per IFRS 10

Source: Banks' financial statements, Byblos Research

### Assurex's net earnings at \$2.8m in 2018

Assurex Insurance & Reinsurance sal announced audited net profits of \$2.8m in 2018, constituting an increase of 27.5% from net earnings of \$2.2m in 2017. The firm's audited balance sheet shows total assets of \$85.3m at the end of 2018, up by 1.2% from \$84.3m a year earlier. On the assets side, general company investments totaled \$30.4m and increased by 9.7% from end-2017. They included \$5.3m in cash & cash equivalents, \$4.6m in fixed income investments, \$4.4m in land and real estate investments, and \$0.86m in variable income investments. They also included \$14.8m in blocked bank deposits and deposits with maturity of more than three months, of which \$2.06m, or 14%, were blocked in favor of the Ministry of Economy & Trade as guarantees. Also, the reinsurance share in technical reserves for the life category was \$0.97m at the end of 2018, down by 30.6% from end-2017, while technical reserves for the non-life category amounted to \$14.6m, and declined by 13.5% from end-2017.

On the liabilities side, technical reserves for the life segment decreased by 8.7% from end-2017 to \$3.3m at the end of 2018, while technical reserves for the non-life category reached \$38.7m at end-2018 and regressed by 1.5% from a year earlier. Non-life technical reserves included unearned premium reserves of \$18.9m that increased by 1.7% and outstanding claims reserves of \$15.6m that regressed by 9.3% year-on-year. Provisions for risks and charges reached \$1.2m at the end of 2018 and decreased by 3.1% from end-2017. Also, shareholders' equity totaled \$31.6m at end-2018, up by 7.5% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Assurex in 11<sup>th</sup> and 22<sup>nd</sup> place in 2018 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$37.9m in 2018, constituting a rise of 3.1% from the previous year; while life premiums increased by 10.8% year-on-year to \$1.85m. It had a 3.2% share of the local non-life market and a 0.3% share of the life market in 2018. Overall, Assurex ranked in 15<sup>th</sup> place in terms of life and non-life premiums in 2018, and had a 2.3% share of total life and non-life premiums.

### Banking sector assets at \$256bn at end-June 2019

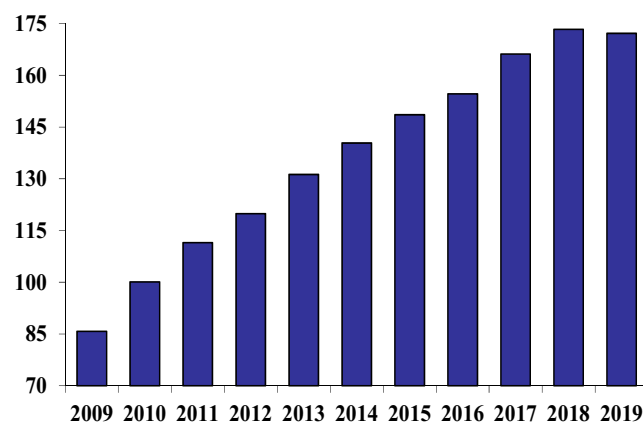
The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$256bn at the end of June 2019, constituting an increase of 2.6% from \$249.5bn at the end of 2018 and an expansion of 9.1% from \$234.6bn at end-June 2018. Loans extended to the private sector reached \$56bn at the end of June 2019, regressing by 5.7% from end-2018 and by 6% from a year earlier. Loans to the resident private sector totaled \$49.4bn, constituting decreases of 5.5% from the end of 2018 and of 7% from end-June 2018. Also, credit to the non-resident private sector reached \$6.6bn at end-June 2019, declining by 6.9% from end-2018 and growing by 2.8% from a year earlier. In nominal terms, credit to the private sector regressed by \$3.38bn in the first half of 2019 relative to a decrease of \$127.8m in the same period of 2018, as lending to the resident private sector contracted by \$2.89bn and credit to the non-resident private sector regressed by \$492.4m in the covered period. The dollarization rate in private sector lending rose from 67.6% at end-June 2018 to 70% at end-June 2019.

In addition, claims on non-resident financial institutions reached \$9.8bn at the end of June 2019 and declined by \$2.2bn, or 18.3%, from the end of 2018. Also, claims on the public sector stood at \$32.4bn at end-June 2019, down by 3.5% from end-2018. The average lending rate in Lebanese pounds was 10.94% in June 2019 compared to 8.82% a year earlier, while the same rate in US dollars was 9.49% relative to 7.93% in June 2018. Further, the deposits of commercial banks at Banque du Liban totaled \$143.2bn at the end of June 2019, constituting an increase of 22.3% from \$117.1bn a year earlier.

In parallel, total private sector deposits reached \$172.1bn at the end of June 2019. They decreased by 1.2% from the end of 2018 and by a marginal 0.7% from end-June 2018. Deposits in Lebanese pounds reached the equivalent of \$49.1bn at end-June 2019, down by 4.2% from end-2018 and by 10.4% from a year earlier; while deposits in foreign currency totaled \$123.1bn, as they were unchanged year-on-year and grew by \$4.5bn, or 3.8%, from \$118.6bn a year earlier. Resident deposits totaled \$135.2bn at the end of June 2019, decreasing by 1% or \$1.4bn from end-June 2018. Also, non-resident deposits reached \$36.9bn at end-June 2019, as they regressed by 2.1% or \$804m from end-2018, and increased by 0.5% or \$174.2m from a year earlier. In nominal terms, private sector deposits declined by \$2.18bn in January, by \$133m in February and by \$1.86bn in May, while they increased by \$550.6m in March, by \$186.4m in April, and by \$1.28bn in June 2019. As such, aggregate private sector deposits regressed by \$2.15bn in the first half of 2019 relative to an increase of \$4.65bn in the same period of 2018, with deposits in Lebanese pounds dropping by \$3.22bn and foreign-currency deposits declining by \$13.2m. The dollarization rate of private sector deposits was 71.5% at the end of June 2019, up from 70.6% at the end of 2018, and compared to 68.4% a year earlier.

In parallel, deposits of non-resident financial institutions reached \$9.4bn at the end of June 2019 and increased by 13.7% from end-June 2018. Further, the average deposit rate in Lebanese pounds was 8.8% in June 2019 compared to 6.72% a year earlier, while the same rate in US dollars was 5.84% relative to 4.09% in June 2018. The ratio of private sector loans to deposits in foreign currency stood at 31.9% at the end of June 2019 compared to 34% a year earlier, well below Banque du Liban's limit of 70%. The same ratio in Lebanese pounds reached 34.3% at end-June 2019, relative to 35.2% at the end of June 2018. As such, the total private sector loans-to-deposits ratio reached 32.5% compared to 34.4% at end-June 2018. The banks' aggregate capital base stood at \$21bn at end-June 2019, up by 2.6% from \$20.4bn a year earlier.

### Total Private Sector Deposits\* (US\$bn)



\*at end-June of each year

Source: Banque du Liban, Byblos Research

## Ratio Highlights

(in % unless specified)	2016	2017	2018	Change*
Nominal GDP (\$bn)	51.2	53.4	56.1	
Public Debt in Foreign Currency / GDP	54.9	56.9	59.7	2.82
Public Debt in Local Currency / GDP	91.3	92.0	92.1	0.10
Gross Public Debt / GDP	146.2	149.0	151.9	2.92
Total Gross External Debt / GDP**	182.0	183.1	184.7	0.88
Trade Balance / GDP	(31.5)	(31.3)	(30.4)	1.11
Exports / Imports	15.6	14.5	14.8	0.25
Fiscal Revenues / GDP	19.4	21.8	20.6	(1.2)
Fiscal Expenditures / GDP	29.0	28.8	31.7	2.9
Fiscal Balance / GDP	(9.6)	(7.0)	(11.1)	(4.1)
Primary Balance / GDP	0.04	2.7	(1.1)	-
Gross Foreign Currency Reserves / M2	62.2	68.2	63.8	(4.39)
M3 / GDP	259.2	259.6	252.1	(7.55)
Commercial Banks Assets / GDP	398.7	411.8	445.1	33.32
Private Sector Deposits / GDP	317.1	315.9	310.9	(4.97)
Private Sector Loans / GDP***	111.6	111.8	105.9	(5.84)
Private Sector Deposits Dollarization Rate	65.8	68.7	70.6	1.90
Private Sector Lending Dollarization Rate	72.6	68.6	69.2	0.57

\*change in percentage points 18/17

\*\*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 \*\*\* in January 2018, Lebanese banks started reporting their financials based on international accounting standard IFRS 9, and revised the 2017 figures accordingly

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	Jul 2017	Jun 2018	Jul 2018	Change**	Risk Level
Political Risk Rating	55.5	55.0	55.0	▲	High
Financial Risk Rating	33.0	33.0	33.0	✂	Moderate
Economic Risk Rating	27.5	28.5	28.5	▼	High
Composite Risk Rating	58.0	58.25	58.25	▼	High

MENA Average*	Jul 2017	Jun 2018	Jul 2018	Change**	Risk Level
Political Risk Rating	57.9	57.9	58.0	▼	High
Financial Risk Rating	37.9	38.8	38.7	▼	Low
Economic Risk Rating	30.7	32.8	33.0	▼	Moderate
Composite Risk Rating	63.2	64.7	64.8	▼	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 Investors Service	Caa1	NP	Stable	Caa1		Stable
Fitch Ratings	B-	B	Negative	B-		Negative
S&P Global Ratings	B-	B	Negative	B-	B	Negative
Capital Intelligence Ratings	B	B	Negative	B	B	Negative

Source: Rating agencies

### Banking Ratings

Banking Ratings	Outlook
Moody's	Stable

Source: Moody's Investors Service



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