

LEBANON THIS WEEK

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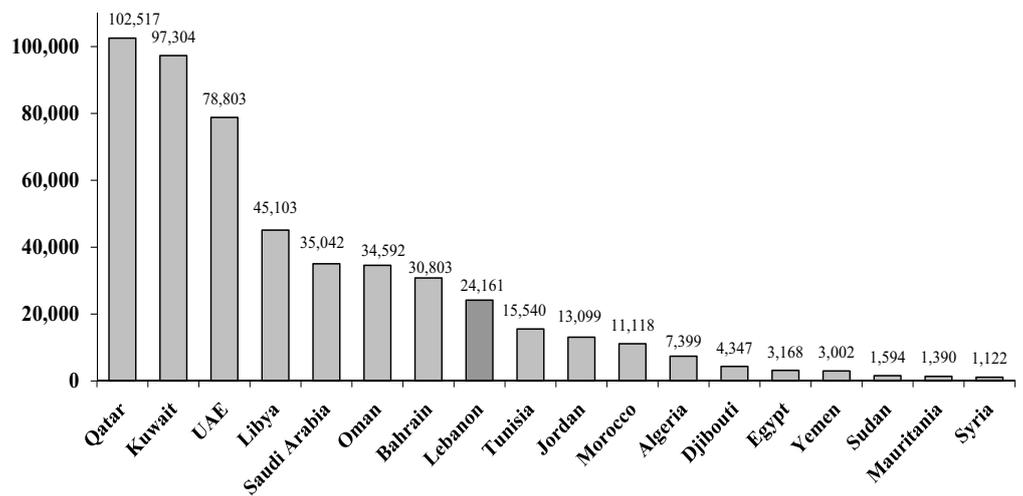
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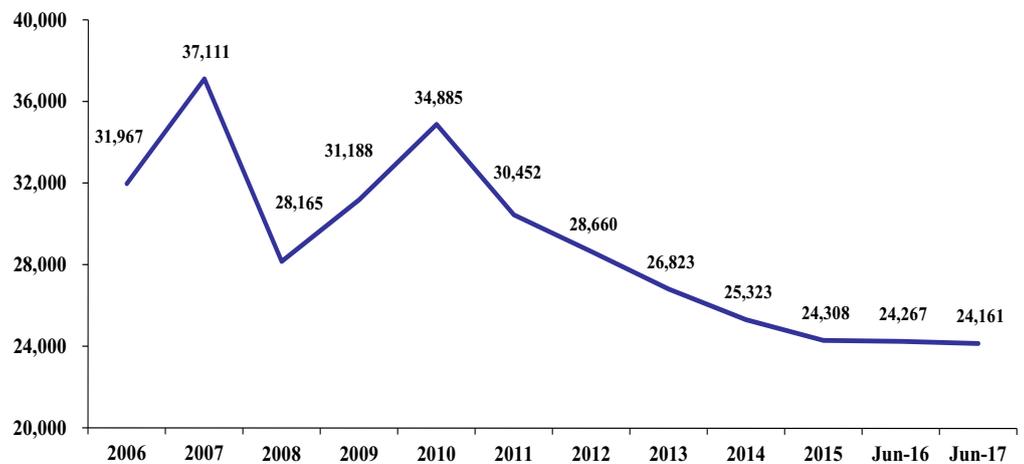
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Charts of the Week

Net Wealth per Adult in Arab Countries as at June 2017 (US\$)



Net Wealth per Adult in Lebanon (US\$)



Source: Credit Suisse, Byblos Bank

Quote to Note

“Lebanon's adequate banking supervision has been vital to sustaining depositors' confidence, steady deposit flows, and the government's financing capabilities.”

S&P Global Ratings, on the advanced regulatory and supervisory capabilities of Banque du Liban

Number of the Week

20%: Government employment in Lebanon as a percentage of the working-age population in the country, according to the International Monetary Fund

Lebanon in the News

\$m (unless otherwise mentioned)	2016	Sep 2016	Jun 2017	Jul 2017	Aug 2017	Sep 2017	% Change*
Exports	2,977	254	214	217	251	210	(17.58)
Imports	18,705	1,448	1,454	1,619	1,594	1,297	(10.44)
Trade Balance	(15,728)	(1,194)	(1,240)	(1,402)	(1,343)	(1,087)	(8.91)
Balance of Payments	1,238	189	(758)	100	368	457	142.29
Checks Cleared in LBP	19,892	1,722	1,681	1,845	1,869	1,475	(14.33)
Checks Cleared in FC	48,160	4,054	3,882	4,310	4,100	3,010	(25.75)
Total Checks Cleared	68,052	5,776	5,563	6,155	5,969	4,485	(22.35)
Budget Deficit/Surplus	(3,667.15)	(548)	(496.83)	31.76	(513.46)	(651.25)	18.84
Primary Balance	1,297.65	(29.21)	(71.52)	300.34	(192.77)	(145.72)	398.87
Airport Passengers***	7,610,231	819,886	652,852	975,003	1,067,441	861,828	5.12

\$bn (unless otherwise mentioned)	2016	Sep 2016	Jun 2017	Jul 2017	Aug 2017	Sep 2017	% Change*
BdL FX Reserves	34.03	34.17	33.89	33.04	34.03	35.06	2.60
In months of Imports	21.83	23.60	23.31	20.41	21.35	27.03	14.55
Public Debt	74.89	74.73	76.45	76.89	77.27	78.15	4.57
Bank Assets	204.31	198.10	208.16	208.48	209.39	213.42	7.74
Bank Deposits (Private Sector)	162.50	158.50	167.73	168.39	169.16	169.09	6.68
Bank Loans to Private Sector	57.18	56.65	58.42	58.61	58.67	58.93	4.02
Money Supply M2	54.68	54.68	55.12	55.02	55.59	55.50	1.50
Money Supply M3	132.80	129.12	137.51	138.01	138.92	138.87	7.56
LBP Lending Rate (%)****	8.23	8.44	8.39	8.33	8.10	8.31	(13bps)
LBP Deposit Rate (%)	5.56	5.58	5.51	5.56	5.55	5.53	(5bps)
USD Lending Rate (%)	7.35	7.20	7.27	7.25	7.29	7.53	33bps
USD Deposit Rate (%)	3.52	3.43	3.58	3.64	3.63	3.65	22bps
Consumer Price Index**	(0.80)	1.0	3.50	3.10	5.10	4.10	310bps

* 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
Solidere "A"	8.22	1.61	219,695	7.07%
Solidere "B"	8.15	(0.37)	96,628	4.56%
BLOM GDR	12.90	0.39	47,865	8.20%
Byblos Common	1.62	0.00	38,407	7.88%
Audi GDR	5.86	(1.51)	12,200	6.04%
BLOM Listed	11.50	(4.96)	11,608	21.27%
Byblos Pref. 09	102.70	(1.15)	2,400	1.77%
Byblos Pref. 08	102.10	0.00	2,000	1.76%
Audi Listed	5.99	3.28	1,000	20.60%
HOLCIM	15.48	0.00	200	2.60%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Nov 2018	5.15	100.00	5.14
May 2019	6.00	100.75	5.39
Mar 2020	6.38	101.38	5.67
Oct 2022	6.10	100.00	6.10
Jun 2025	6.25	96.38	6.88
Nov 2026	6.60	97.88	6.92
Feb 2030	6.65	94.50	7.34
Apr 2031	7.00	96.50	7.42
Nov 2035	7.05	95.88	7.47
Mar 2037	7.25	96.63	7.59

Source: Byblos Bank Capital Markets

	Jan 22-26	Jan 15-19	% Change	December 2017	December 2016	% Change
Total shares traded	1,122,437	440,308	154.9	11,929,343	17,811,981	(33)
Total value traded	\$4,992,373	\$4,775,836	4.5	\$116,215,896	\$121,409,329	(4.3)
Market capitalization	\$11.63bn	\$11.68bn	(0.47)	\$11.47bn	\$11.90bn	(3.6)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 60th globally, seventh in Arab region in terms of talent competitiveness

INSEAD's Global Talent Competitiveness Index (GTCI) for 2018 ranked Lebanon in 60th place among 119 countries around the world and in seventh place among 13 countries in the Arab region. Lebanon also came in 14th place among 34 upper middle-income countries (UMICs) included in the 2018 survey. Based on the same set of countries included in the 2017 and 2018 surveys, Lebanon's global rank improved by two spots from 61st place to 59th place in the 2018 survey.

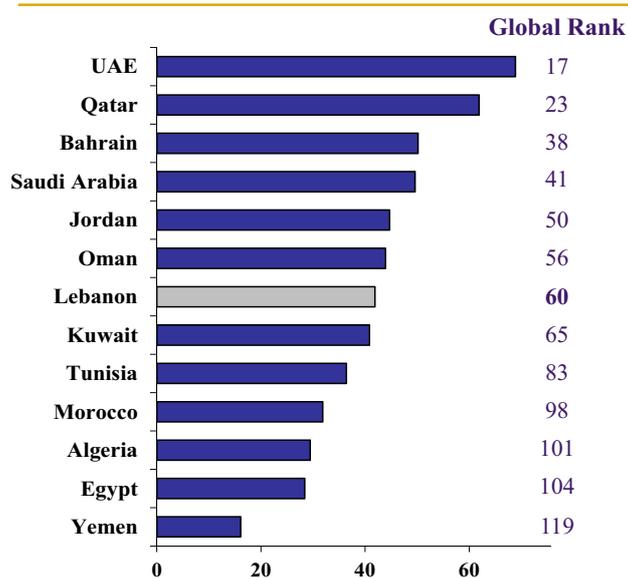
The GTCI measures a country's ability to attract, develop and retain talent. It assesses the steps and decisions that countries take to develop and acquire talented individuals, as well as a country's ability to provide the set of skills required to have a productive, innovative and competitive economy. The GTCI is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. A country's score is the simple average of its scores on the six pillars, with a higher score reflecting a better performance in terms of talent competitiveness. The countries included in the GTCI represent 89% of the world's population and 98% of global GDP.

Globally, the talent level in Lebanon is more competitive than its counterparts in Ukraine, Botswana and South Africa and is less competitive than talent in Oman, Azerbaijan and Macedonia among economies with a GDP of \$10bn or more. Lebanon ranked ahead of Botswana, South Africa and Romania, and came behind Russia, Azerbaijan and Macedonia among UMICs; while it came ahead of Kuwait, Tunisia, Morocco, Algeria, Egypt and Yemen in the Arab region. Lebanon received a score of 41.91 points compared to 43.02 points in the 2017 survey. Lebanon's score was lower than the global average score of 45.48 points, but it was higher than the UMIC's average score of 40.93 points and the Arab region's average score of 41.86 points. Also, Lebanon's score was lower than the Gulf Cooperation Council's (GCC) average score of 52.56 points, but was higher than the non-GCC countries' average score of 32.69 points.

Lebanon ranked ahead of Ecuador, Serbia and Laos and came behind Ukraine, Mongolia and Sri Lanka on the Talent Competitiveness Input Sub-Index. This category covers the policies, resources and efforts that a country can use to promote its talent competitiveness. It includes four pillars that reflect how much the regulatory, market, and business environments support a favorable climate for talent to develop and thrive. It also focuses on what countries are doing to attract, grow and retain talented individuals. Lebanon ranked ahead of only Ecuador, Serbia, Paraguay, Bosnia & Herzegovina, Iran, Algeria and Venezuela among UMICs. Regionally, it came ahead of Tunisia, Morocco, Algeria, Egypt and Yemen.

Also, Lebanon ranked ahead of Russia, Greece and Spain, and came behind Qatar, Poland and Portugal on the Talent Competitiveness Output Sub-Index. This category measures the quality of talent in a country that results from domestic policies, resources and efforts. It is composed of two pillars that assess the current situation of a particular country in terms of vocational and technical skills, as well as in terms of global knowledge skills. Lebanon ranked behind only Malaysia among UMICs; while it came behind only the UAE and Qatar in the Arab world.

**Global Talent Competitiveness Index for 2018
Scores & Rankings in Arab Countries**



Source: INSEAD, Byblos Research

Components of the 2018 Talent Competitiveness Index

	Global Rank	Arab Rank	UMICs Rank
Talent Competitiveness Input	82	8	27
Enablers	87	8	26
Attract	79	8	22
Grow	62	5	15
Retain	91	12	31
Talent Competitiveness Output	35	3	2
Vocational & Technical Skills	41	4	5
Global Knowledge Skills	34	1	3

Source: INSEAD, Byblos Research

Tourist arrivals up 10% in 2017

The number of incoming visitors to Lebanon totaled 1,856,795 in 2017, constituting an increase of 10% from 1,688,357 tourists in 2016 and a decline of 14.4% from 2,167,989 visitors in 2010. Also, the number of incoming visitors reached 141,983 in December 2017, nearly unchanged from 141,537 in December 2016 and down by 6.7% from 152,234 in December 2010. Visitors from European countries accounted for 34.4% of the total in 2017, followed by those from Arab economies with 30.2%, the Americas with 17.6%, Asia with 7.4%, Africa with 5.9% and Oceania with 4.4%. Further, tourists from Iraq accounted for 12.2% of total visitors in 2017, followed by visitors from the U.S. (9.2%), France (8.9%), Canada (5.8%), Germany (5.2%), Jordan (4.9%), Egypt (4.4%), the United Kingdom (3.7%) and Saudi Arabia (3.5%).

In parallel, the number of visitors from Europe increased by 13.3% in 2017, followed by those from the Americas (+10.3%), Oceania (+9.2%), Asia (+8.9%), the Arab region (+7.3%) and African countries (+5.9%). On a country basis, the number of tourists from Kuwait grew by 59.4% in 2017, followed by visitors from Saudi Arabia (+59.1%), Brazil (+24.3%), Turkey (+17.1%), Italy (+13.8%), France (+13.2%), Sweden (+12.5%), the U.S. (+11%), Germany (+10.4%), the United Kingdom (+10.3%), Canada (+7.6%) and Jordan (+3.9%). In contrast, the number of visitors from the UAE fell by 10.5% in 2017, followed by visitors from Venezuela (-4.5%), Iraq (-3.8%) and Egypt (-1.3%).

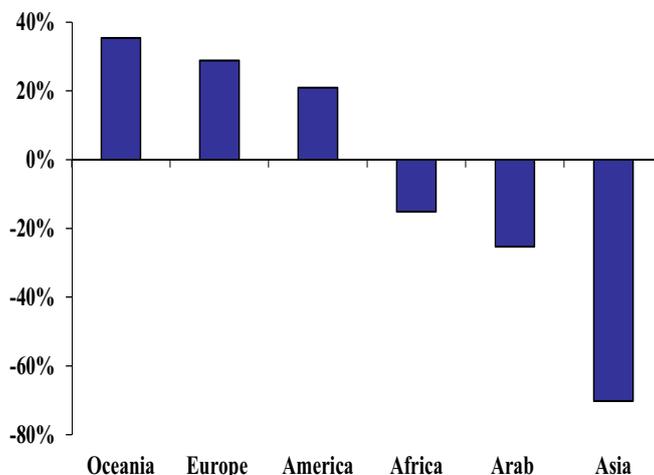
Occupancy rate at Beirut hotels at 65%, room yields up 18% in first 11 months of 2017

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 64.8% in the first 11 months of 2017, up from 59.1% in the same period of 2016 and compared to an average rate of 62.2% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the seventh highest in the region in the first 11 months of 2017, while it was the sixth lowest in the same period of 2016. Also, the occupancy rate at hotels in Beirut rose by 5.6 percentage points year-on-year, constituting the second largest increase among the 14 Arab markets, behind Kuwait (+6.1 percentage points). In comparison, the average occupancy rate in Arab markets grew by 1.3% year-on-year in the covered period. Occupancy rates at Beirut hotels were 56.7% in January, 66.7% in February, 62% in March, 68.8% in April, 70% in May, 45.3% in June, 74.9% in July, 68.7% in August, 74.1% in September, 68.3% in October and 54.4% in November 2017. In comparison, occupancy rates at Beirut hotels were 55.7% in January, 57% in February, 51.1% in March, 55.6% in April, 66.8% in May, 44.1% in June, 65.3% in July, 63% in August, 71.5% in September, 54.8% in October and 65.6% in November 2016.

The average rate per room at Beirut hotels was \$152 in the first 11 months of 2017, ranking the capital's hotels as the fourth least expensive in the region relative to Cairo (\$84), Abu Dhabi (\$119) and Amman (\$144). The average rate per room at Beirut hotels increased by 7.8% year-on-year in the covered period. Beirut, along with Cairo and Makkah, were the only markets to post an increase in their average rate per room in the covered period. The average rate per room in Beirut came below the regional average of \$186.9 that regressed by 3.2% from the same period of 2016.

Further, revenues per available room (RevPAR) were \$99 in Beirut in the first 11 months of 2017, up from \$84 in the same period of 2016. They were the fifth lowest in the region relative to Cairo (\$58), Amman (\$72), Abu Dhabi (\$91) and Riyadh (\$93). However, Beirut's RevPAR grew by 18.1% year-on-year and posted the second highest increase, behind Cairo (+88.5%). Beirut posted RevPARs of \$82 in January, \$91 in February, \$86 in March, \$102 in April, \$101 in May, \$73 in June, \$127 in July, \$111 in August, \$123 in September, \$101 in October and \$72 in November 2017. In comparison, RevPAR at hotels in Beirut were \$79 in each of January and February, \$68 in March, \$72 in April, \$95 in May, \$55 in June, \$97 in July, \$91 in August, \$107 in September, \$75 in October and \$88 in November 2016. Makkah posted the highest average rate per room in the region at \$309, while Dubai posted the highest occupancy rate at 77.2% and the highest RevPAR at \$185 in the first 11 months of 2017.

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



*from 2010

Source: Ministry of Tourism, Byblos Research

Hotel Sector Performance in First 11 Months of 2017

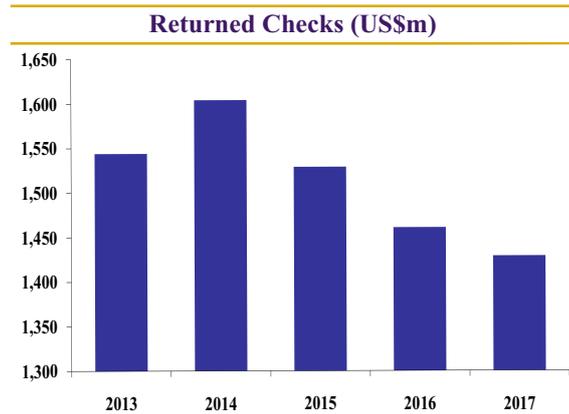
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai	77.2	185	(5.6)
Jeddah	65.3	177	(14.3)
Madina	48.5	150	9.8
Riyadh	60.5	130	(7.8)
Ras Al Khaimah	74.4	115	0.9
Kuwait City	48.8	111	9.0
Muscat	69.6	111	(6.9)
Doha	59.8	106	(12.7)
Manama	51.5	101	(7.5)
Beirut	64.8	99	18.1
Makkah	55.6	93	(15.7)
Abu Dhabi	76.8	91	(3.8)
Amman	49.7	72	(10.5)
Cairo City	68.2	58	88.5

Source: EY, Byblos Research

Value of cleared checks unchanged, returned checks down 2.2% in 2017

The value of cleared checks reached \$68.2bn in 2017, constituting a marginal increase of 0.3% from \$68.1bn in 2016. In comparison, the value of cleared checks regressed by 2.2% in 2016 and by 6.8% in 2015. The value of cleared checks in Lebanese pounds grew by 9% year-on-year to the equivalent of \$21.7bn in 2017, while the value of cleared checks in US dollars declined by 3.3% to \$46.6bn in 2017. The dollarization rate of cleared checks regressed from 70.8% in 2016 to 68.2% in 2017. Further, there were 12.2 million cleared checks in 2017, down by 0.8% from 12.3 million in 2016.

In parallel, the value of returned checks in domestic and foreign currency was \$1.43bn in 2017 compared to \$1.46bn in 2016 and \$1.53bn in 2015. This constituted a decrease of 2.2% year-on-year in 2017 relative to a drop of 4.4% in 2016 and a decline of 4.7% in 2015. Also, there were 234,300 returned checks in the covered period, up by 2.8% from 227,900 returned checks in 2016.



Source: Association of Banks in Lebanon

Consumer Price Index up 4.5% in 2017

The Central Administration of Statistics' Consumer Price Index increased by 4.5% in 2017 compared to a decline of 0.8% in 2016. The CPI increased by 5% in December 2017 from the same month of 2016. The prices of clothing & footwear grew by 17.4% year-on-year in December 2017, followed by the cost of water, electricity, gas & other fuels (+8.9%), the prices of alcoholic beverages & tobacco (+7.6%), transportation costs (+5.9%), actual rents (+5.3%), recreation & entertainment costs (5.1%), the cost of furnishings & household equipment and healthcare costs (+4.6% each), prices at restaurants & hotels (+4%), imputed rents and the prices of food & non-alcoholic beverages (+3.7% each), miscellaneous goods & services (+3.1%), the cost of education (+3%) and communication costs (+0.8%). The distribution of actual rents shows that new rents increased by 3.8% annually in December 2017, while old rents grew by 7.1% from the same month of 2016.

Further, the CPI grew by 0.8% in December 2017 from the preceding month, following an increase of 0.6% in November 2017. The cost of water, electricity, gas & other fuels grew by 2.6% month-on-month in December 2017, followed by recreation & entertainment costs (+1.8%), the cost of food & non-alcoholic beverages (+1%), transportation costs (+0.5%), imputed rents (+0.3%), prices of clothing & footwear, actual rents and miscellaneous goods & services (+0.2% each) and the cost of furnishings & household equipment and prices at restaurants & hotels (+0.1% each). In parallel, the prices of alcoholic beverages & tobacco, communication costs, healthcare costs and the cost of education were unchanged in the covered month. The CPI grew by 1.5% month-on-month in the North in December 2017, by 1% in Nabatieh, by 0.8% in Mount Lebanon, by 0.7% in the Bekaa, by 0.5% in the South and by 0.4% in Beirut. In parallel, the Fuel Price Index increased by 2.1% in December 2017, while the Education Price Index was unchanged from the previous month.

Term savings attract 89% of customer deposits at end-September 2017

Figures issued by Banque du Liban about the distribution of bank deposits show that term savings were the preferred type of account for resident and non-resident depositors in Lebanese pounds and in foreign currencies at the end of September 2017. Term saving deposits in all currencies reached \$150.5bn at the end of September 2017, constituting an increase of 7.6% from \$139.8bn at end-September 2016. They accounted for 89% of total deposits in Lebanese pounds and foreign currencies at end-September 2017 relative to an 88.4% share a year earlier.

In parallel, resident term saving deposits in foreign currencies totaled \$71.3bn and accounted for 86.4% of resident deposits in foreign currencies at end-September 2017. Checking and current accounts followed with \$9.8bn (11.9%), then sight saving accounts with \$1.2bn (1.5%) and other creditor accounts with \$174.9m (0.2%). Further, term saving accounts attracted the equivalent of \$47.1bn, or 91.2% of resident deposits in Lebanese pounds, followed by checking and current accounts with \$3.9bn (7.5%), then sight saving accounts with \$641.7m (1.2%) and other creditor accounts with \$53.4m (0.1%).

Non-residents also favored term saving accounts, as their term deposits in foreign currencies totaled \$27.8bn and represented for 91.1% of their deposits in foreign currencies at the end of September 2017. Checking and current accounts followed with \$2.3bn (7.5%), then sight saving accounts with \$230.3m (0.8%) and other creditor accounts with \$200m (0.7%). Further, term saving accounts attracted the equivalent of \$4.2bn, or 96.7% of non-resident deposits in Lebanese pounds. Checking and current accounts followed with \$113m (2.6%), then sight saving accounts with the equivalent of \$32.1m (0.7%) and other creditor accounts with \$0.29m (0.01%).

Beirut and its suburbs attracted 68.7% of private sector deposits and 47.7% of depositors at the end of September 2017. Mount Lebanon followed with 14.1% of deposits and 18.7% of beneficiaries, then South Lebanon with 6.7% of deposits and 12.6% of depositors, North Lebanon with 5.8% of deposits and 12.2% of depositors, and the Bekaa with 4.7% of deposits and 8.9% of depositors.

Revenues through Port of Beirut at \$223m in first 11 months of 2017

Figures released by the Port of Beirut show that the port's overall revenues were \$223m in the first 11 months of 2017, nearly unchanged from \$223.4m in the same period of 2016. The Port of Beirut handled an aggregate freight of 7.9 million tons in the covered period, down by 1.8% from 8.1 million tons in the first 11 months of 2016. Imported freight amounted to 6.9 million tons in the first 11 months of 2017 and accounted for 87.5% of the total, while the remaining 990,000 tons, or 12.5%, consisted of export cargo. A total of 1,743 ships docked at the port in the covered period compared to 1,865 vessels in the first 11 months of 2016.

In parallel, revenues generated through the Port of Tripoli reached \$15.1m in the first 11 months of 2017, constituting an increase of 15% from \$13.2m in the same period of 2016. The Port of Tripoli handled an aggregate of 1,804,753 tons of freight in the covered period, up by 2.2% from 1,765,128 tons in the first 11 months of 2016. Imported freight amounted to 1,428,475 tons and accounted for 79.2% of the total, while the remaining 376,278 tons, or 20.8%, were export cargo. A total of 713 vessels docked at the port in the first 11 months of 2017, constituting a decrease of 4.4% from 746 ships in the same period of 2016.

Industrial exports down 3% to \$2bn in first 10 months of 2017

Figures released by the Ministry of Industry show that industrial exports totaled \$2.05bn in the first 10 months of 2017, constituting a decrease of 3.2% from \$2.12bn in the same period of 2016. Industrial exports reached \$226.7m in October 2017, up by 35.3% from \$167.6m in the preceding month and by 3% from \$220m in October 2016. Exports of machinery & mechanical appliances totaled \$400.5m and accounted for 19.6% of aggregate industrial exports in the first 10 months of 2017, followed by prepared foodstuffs & tobacco with \$391.2m (19.1%), chemical products with \$340.5m (16.6%), base metals with \$276.5m (13.5%), plastics & rubber with \$128.7m (6.3%), paper & paperboard with \$121.3m (5.9%), and pearls & precious or semi-precious stones & metals with \$112.5m (5.5%). Arab countries were the destination of 55.1% of Lebanese industrial exports in the first 10 months of 2017, followed by European economies with 14.4%, Asian countries with 12.5%, African economies with 11.1%, countries in the Americas with 5.2% and markets in Oceania with 0.6%. On a country basis, Saudi Arabia was the main destination of Lebanese industrial exports and accounted for 10% of the total in the first 10 months of 2017, followed by the UAE with 9.8%, Iraq with 9.1%, Syria with 8.4%, Turkey with 4.6% and Jordan with 3.5%. In October 2017, 13 Arab states, 11 European economies, nine African countries, four Asian economies, two countries in the Americas and one country in Oceania imported \$1m or more each in Lebanese industrial products.

In parallel, imports of industrial equipment and machinery reached \$216.6m in the first 10 months of 2017, up by 9.6% from \$197.5m in the same period of 2016. China was the main source of such imports and accounted for 22.2% of the total in the first 10 months of 2017, followed by Italy with 19.4% and Germany with 13.5%. Further, imports of industrial equipment and machinery amounted to \$22.4m in October 2017, up by 54.5% from \$14.5m in the same month of 2016. China was the main source of such imports with \$5.5m and accounted for 24.5% of the total in the covered month, followed by Romania with \$4.6m (20.5%) and Italy with \$2.6m (11.5%).

Construction activity regresses year-on-year in third quarter of 2017

Banque du Liban's quarterly business survey of the opinions of business managers shows that general construction activity deteriorated year-on-year in the third quarter of 2017, with the balance of opinions standing at -21 compared to -10 in the third quarter of 2016. However, general construction activity improved quarter-on-quarter, as the balance of opinions was -33 in the second quarter of 2017. 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 for construction activity was -21 compared to -31 in the second quarter of 2017 and to -13 in the third quarter of 2016. The balance of opinions indicates that construction activity was the highest in the North at +2, followed by the South (-13), Beirut & Mount Lebanon (-17) and the Bekaa (-61). Also, the balance of opinions for public works stood at -4 in the third quarter of 2017 compared to -37 in the preceding quarter, and to -14 in the third quarter of 2016. Opinions about the level of public works were the highest in the South region at +60, followed by the North and Beirut & Mount Lebanon (+9 each), and the Bekaa (-59).

In parallel, the balance of opinions for the portfolio of projects was -39 in the third quarter of 2017 relative to -36 in the previous quarter and to -27 in the third quarter of 2016. The balance of opinions for the portfolio of projects was the highest in the South at -13, followed by the North and Beirut & Mount Lebanon (-34 each), and the Bekaa (-64). Further, the balance of opinions for construction costs reached +13 in the covered quarter, relative to zero in the second quarter of 2017 and to +7 in the third quarter of 2016. 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.

Construction and Public Work Activity: evolution of opinions				
Aggregate results	Q3-14	Q3-15	Q3-16	Q3-17
General activity	-5	-20	-10	-21
Construction	-7	-25	-13	-21
Public work	-9	-14	-14	-4
Portfolio of projects	-22	-34	-27	-39
Construction costs	31	-17	7	13
Investments (% of yes)	42%	32%	35%	29%

Source: Banque du Liban Business Survey for Third Quarter of 2017

Lebanon ranks 47th in emerging markets, last in Arab world in terms of logistics infrastructure

Transport Intelligence, an analysis and research firm for the logistics industry, ranked Lebanon in 45th place among 50 emerging markets (EMs) on its 2018 Agility Emerging Markets Logistics Index. Also, Lebanon came in last place among 13 Arab countries and in 18th place among 19 upper middle-income countries (UMICs) included in the survey. In comparison, Lebanon came in 47th place globally and in 13th place regionally in the 2017 survey. Lebanon's global rank improved by two spots from the previous survey, while its regional rank was unchanged from the 2017 survey.

The index ranks emerging markets based on the size of their economy, business conditions, infrastructure and other factors that make them attractive for logistics firms, air cargo carriers, shipping lines, freight forwarders and distribution companies. The index is a weighted average of three sub-indices that are Market Size & Growth Attractiveness with a weight of 50%, Market Compatibility with a weight of 25% and Market Connectedness with a 25% weight. A higher score reflects a better performance on the index.

Lebanon has a more developed logistics infrastructure than only Cambodia, Myanmar, Venezuela, Mozambique and Angola among EM countries. It received a score of 3.48 points in the 2018 index, down 0.6% from a score of 3.5 points on the 2017 index. Lebanon's score was lower than the EM average score of 5 points, the UMICs' average of 5.2 points and the Arab average of 5.1 points. It was also lower than the Gulf Cooperation Council (GCC) countries' average score of 5.86 points and that of non-GCC Arab countries of 4.45 points.

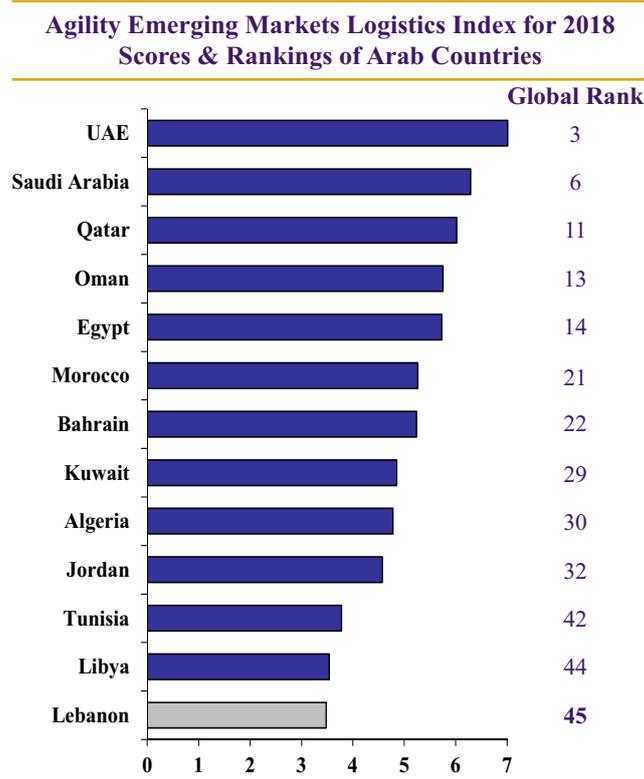
Lebanon ranked in second to last place, ahead of only Venezuela, among EMs and UMICs on the Market Size & Growth Attractiveness Sub-Index, which reflects a country's economic output, projected real GDP growth rate, financial stability, and population size. Further, Lebanon ranked ahead of the Philippines, Venezuela and South Africa, and came behind Thailand, Cambodia and Tunisia on the Market Compatibility Sub-Index. This category assesses markets based on their accessibility, business regulations, level of foreign direct investment, market risks, security threats, and the level of potential demand for logistics services. Lebanon ranked ahead of only Venezuela, South Africa, Colombia and Libya among UMICs; while it came ahead of only Libya among Arab countries in this category.

Finally, Lebanon ranked ahead of the Philippines, Bangladesh and Venezuela, and came behind Algeria, Bolivia and Tunisia on the Market Connectedness Sub-Index, which assesses a country's domestic and international transport infrastructure and how well they are connected. Lebanon ranked ahead of only Venezuela among UMICs and came in last place regionally.

In parallel, Transport Intelligence's survey of 529 professionals in the logistics industry, which it conducted between September and November 2017, shows that Lebanon has the 14th lowest potential to become a logistics hub among emerging economies. Also, respondents ranked Syria as the market with the lowest potential.

Components of the 2018 Agility Emerging Markets Logistics Index							
	EM Rank	Arab Rank	UMICs Rank	Lebanon Score	EM Avg Score	Arab Avg Score	UMICs Avg Score
Market Size & Growth Attractiveness	49	13	18	2.69	5.00	4.37	5.38
Market Compatibility	38	12	15	4.02	5.01	5.99	4.87
Market Connectedness	42	13	18	4.11	4.99	5.46	5.14

Source: Transport Intelligence, Byblos Research



Source: Transport Intelligence, Byblos Research

Census shows 174,422 registered Palestinian refugees in Lebanon

The Lebanese Palestinian Dialogue Committee published in December 2017, in cooperation with the Central Administration of Statistics and the Palestinian Central Bureau of Statistics, the results for the first National Population and Housing Census of Palestinian Camps and Agglomerations in Lebanon. The census was conducted in 12 Palestinian camps across Lebanon and in agglomerations that include 15 or more Palestinian families. The survey defined Palestinian refugees as registered Palestinians with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in Lebanon, and/or Palestinians registered with the directorate of Political Affairs and Refugees at the Ministry of Interior & Municipalities. The survey consisted of about 90 questions that inquire about the respondents' economic and social conditions, such as education and employment, among others. It was conducted in July 2017.

The census indicated that about 237,614 persons live in the surveyed camps and agglomerations, including Palestinians and other nationalities. It noted that there were 174,422 Palestinian refugees registered in Lebanon, accounting for 73.4% of the total population in the surveyed areas, followed by 30,368 Syrians (12.8%), 18,601 Palestinian refugees displaced from Syria (7.8%), 12,832 Lebanese (5.4%) and 1,390 individuals from other nationalities.

Further, the census showed that 45% of registered Palestinian refugees live in 12 Palestinian camps, while the remaining 55% reside in Palestinian agglomerations that are either next to the camps or distant from them. It noted that 35.8% of Palestinian refugees live in Sidon, 25.1% in the North, 14.7% in Tyre, 13.4% in Beirut, 7.1% in the Chouf area and 4.1% in the Bekaa. The breakdown of registered Palestinian refugees living in camps indicates that 25.1% live in the Ein El Hilweh camp in the South of Lebanon, 13% in El Beddawi camp in North Lebanon, 11.6% in El Rashidieh camp in the South of Lebanon, 11% in Burj El Barajneh in the southern suburbs of Beirut, 10.9% in Burj El Shemali in the South of Lebanon and 10.8% in the Nahr El Bared camp in northern Lebanon.

In addition, the census estimated the labor force among registered Palestinians in Lebanon at 51,393 individuals, with an average unemployment rate of 18.4%. The unemployment rate was 43.7% among Palestinians in the 15 to 19 year-old bracket, 28.5% for the population aged between 20 and 29 years, 11.2% for Palestinians in the 30 to 44 year-old bracket, and 8.9% for the population between 45 and 64 years. The breakdown of the labor force shows that 6,629 individuals are in the 15 to 19 year-old bracket, 16,400 individuals are aged between 20 and 29 years, 16,940 individuals are in the 30 to 44 year-old bracket, and 14,424 individuals are aged between 45 and 64 years.

In parallel, the survey indicated that 19.4% of surveyed households had four members, 17.7% had five members, 15.9% of households had three members and 15.6% had two members. Moreover, there were 4,926 families with mixed marriages, of which 3,707 families with a Palestinian husband and a Lebanese wife and 1,219 families with a Lebanese husband and a Palestinian wife. Further, 4.9% of registered Palestinian refugees in Lebanon hold a second nationality. Also, the survey pointed out that the average illiteracy rate among registered Palestinians in Lebanon is 7.2%.

Stock market activity posts sixth lowest performance in Arab world in fourth quarter of 2017

Figures released by the Arab Federation of Exchanges indicate that market activity on the Beirut Stock Exchange (BSE) regressed by 0.12% in the fourth quarter of 2017 from the previous quarter and by 5.2% from the fourth quarter of 2016, constituting the sixth lowest performance among 16 Arab equity markets. Also, the BSE outperformed the Arab equity markets (-1.54%) in the covered period, while it underperformed the emerging equity markets (+7.09%) and global equity markets (+5.37%).

The Beirut bourse posted higher returns than the Muscat Securities Market (-0.74%), the Saudi Stock Exchange (-0.78%), the Iraq Stock Exchange (-1.14%), the Bursa Kuwait (-5.33%) and the Dubai Financial Market (-5.44%) in the covered quarter; while it underperformed the Damascus Securities Exchange (+83.92%), the Khartoum Stock Exchange (+23.54%), the Egyptian Exchange (+8.65%), the Bahrain Bourse (+3.76%), the Qatar Stock Exchange (+2.54%), the Casablanca Stock Exchange (+2.05%), the Tunis Bourse (+1.64%), the Palestine Exchange (+1.19%), the Amman Stock Exchange (+0.25%) and the Abu Dhabi Securities Exchange (+0.02%).

In parallel, the market capitalization of the BSE reached \$11.47bn at the end of 2017 and accounted for 1% of the aggregate market capitalization of Arab stock markets. It was higher than the market capitalization of the Iraq Stock Exchange (\$8.9bn), the Tunis Bourse (\$8.8bn), the Palestine Exchange (\$3.9bn), the Khartoum Stock Exchange (\$3bn) and the Damascus Securities Exchange (\$1.5bn).

Further, the value of shares traded on the BSE totaled \$238.5m in the fourth quarter of 2017 and accounted for 0.27% of the total value of shares traded on Arab equity markets. It was higher than the turnover on the Iraq Stock Exchange (\$231m), the Palestine Exchange (\$136.8m), the Bahrain Bourse (\$43.3m), the Khartoum Stock Exchange (\$39.1m) and the Damascus Securities Exchange (\$16.7m).

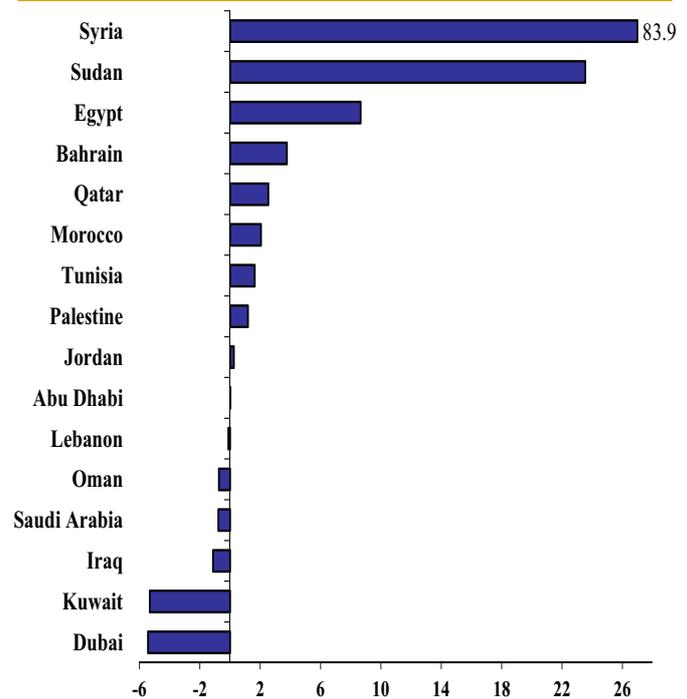
EIP Levant Fund receives capital commitments from international organizations

Emerging Investment Partners (EIP), a Beirut-based private equity fund management company, announced that its EIP Levant Fund has received investment commitments from the International Finance Corporation, the private sector arm of the World Bank Group, and from the Dutch Good Growth Fund (DGGF). According to IFC's Summary of Investment Information, the IFC proposed an equity investment of up to \$7.5m in the EIP Levant Fund. Also, DGGF proposed an investment of around \$8m in the EIP Levant Fund.

The DGGF invests in small- and medium-sized enterprises (SMEs) in developing countries and emerging markets. It noted that the fund, which has a target size of between \$50m and \$60m, aims to fund eight to 10 investments of between \$5m and \$8m each in the coming three to four years, through commitments from international and regional investors. It added that the EIP Levant Fund aims to invest in SMEs in a number of sectors, which include healthcare, education, agribusiness, industry and logistics in Lebanon, Egypt, Jordan and Iraq. EIP expected the fund to hold a first close during the first quarter of 2018.

The Beirut-based Obegi Group and the Switzerland-based Generation Alfa, along with two other individual investors, established EIP in December 2014. The vehicle aims to invest in various companies, mainly those specialized in consumer-driven sectors, which include financial services, food & beverage, education and healthcare in the Levant, North Africa and selected African countries. EIP has invested in the entertainment cluster Backyard Hazmieh in Lebanon, the Diamond Meat Processing company in the UAE and in the firm General Cable Egypt, among others.

Performance of Arab Stock Markets in Fourth Quarter of 2017 (% change)



Source: Arab Federation of Exchanges

Foreign investments of financial sector down 7% to \$4.7bn at end-June 2017

Figures issued by Banque du Liban show that the net investment portfolio of Lebanese banks and financial institutions in foreign debt and equity securities totaled \$4.65bn at the end of June 2017, constituting a decrease of 7.4% from \$5bn at the end of June 2016. Investments in equities reached \$2.4bn at the end of June 2017 and accounted for 52.1% of the total, followed by investments in long-term debt securities at \$2.2bn (47.3%) and in short-term debt securities at \$27.7m (0.6%). According to Banque du Liban, the figures cover the net assets of resident banks and financial institutions in foreign tradable debt and equity instruments. They help provide a clearer picture about the flow of funds from Lebanon and, therefore, about the balance of payments.

Commercial banks' net portfolio of long-term debt securities, including banks' investments for their own account, on behalf of their clients and on a custodial basis, totaled \$1.43bn and accounted for 64.8% of the financial sector's aggregate investments in such securities at the end of June 2017. Medium- and long-term banks followed with \$501.8m (22.8%), then insurance companies with \$153.8m (7%) and financial institutions with \$118.7m (5.4%). In parallel, commercial banks represented 90.6% of investments in short-term debt securities, followed by insurance companies with 6%, medium- and long-term banks with 2.6%, and financial institutions with 1%. Further, commercial banks' investments in equities reached \$841.3m and accounted for 34.7% of the financial sector's investments in such securities at end-June 2017. Financial institutions followed with \$755.8m (31.2%), medium- and long-term banks with \$709.8m (29.3%), insurance companies with \$111.6m (4.6%) and financial intermediaries with \$3.4m (0.1%).

The distribution of investments by destination shows that the United States was the main recipient of equity investments by banks and financial institutions operating in Lebanon with \$1.1bn, or 43.7% of the total, at the end of June 2017. Luxembourg followed with equity investments worth \$241.1m (10%), then Bahrain with \$234.8m (9.7%), France with \$196.2m (8.1%) and Jordan with \$122.1m (5%), while other countries accounted for the remaining 23.5% of total equity investments. In parallel, the United States received \$578.4m or 26.3% of investments in long-term debt securities, followed by the United Kingdom with \$463.2m (21%), France with \$213.9m (9.7%), the UAE with \$110.4m (5%) and the Cayman Islands with \$108.1m (4.9%), while other countries accounted for the remaining 33%. Further, Australia accounted for 40.3% of investments by Lebanese banks and financial institutions in short-term debt securities, followed by Argentina (20.9%), Jordan (10.1%), the United States (7.4%) and Venezuela (5.8%), while other countries represented the remaining 15.6% of investments in short-term debt securities.

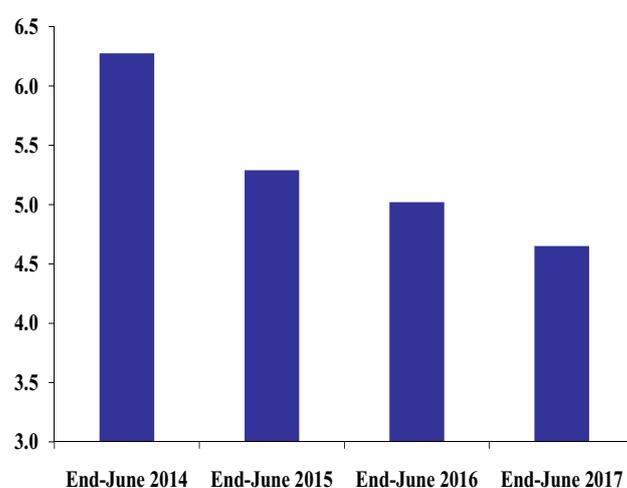
Credit Bank completes capital increase

Credit Bank sal announced that it raised its capital from LBP159.62bn (\$105.9m) to LBP174.62bn (\$115.8m) through the issuance of 300,000 new Preferred Shares Series 6 at a par value of LBP50,000 (\$33.2) each and at an issue price of \$100 each. The bank's Extraordinary General Assembly validated and ratified the capital increase on August 17, 2017. The new shares were not listed on the Beirut Stock Exchange, in line with previous issuances. The bank's share capital currently consists of 2,242,383 common shares, as well as 200,000 Preferred Shares Series 2; 300,000 Preferred Shares Series 3; 200,000 Preferred Shares Series 4; 250,000 Preferred Shares Series 5 and 300,000 Preferred Shares Series 6.

The Series 6 Preferred Shares are perpetual, non-cumulative and redeemable and each will carry a dividend of 7.5% of the issue price, which will be paid net of a 10% withholding tax. Credit Bank has the option to redeem and cancel the shares in case a regulatory event occurs, or within 60 days after each Ordinary General Assembly meets to approve the financials for the preceding fiscal year.

Credit Bank sal posted unaudited consolidated net profits of \$16.6m in the first nine months of 2017, down by 49.6% from the same period of 2016. Its assets reached \$3.8bn at the end of September 2017, up by 7.3% from end-2016. The bank's loans & advances to customers, excluding loans & advances to related parties, amounted to \$1.8bn at end-September and regressed by 0.5% from the end of 2016; while its customer deposits, excluding deposits from related parties, increased by 6.3% from end-2016 to \$3.2bn at the end of September 2017.

Foreign Investments of Financial Sector (US\$bn)



Source: Banque du Liban, Byblos Research

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	Apr 2016	Mar 2017	Apr 2017	Change**	Risk Level
Political Risk Rating	55.5	56.5	56.0	▼	High
Financial Risk Rating	36.5	33.0	33.0	▲	Low
Economic Risk Rating	30.5	27.5	27.5	▲	Moderate
Composite Risk Rating	61.25	58.5	58.2	▲	High

MENA Average*	Apr 2016	Mar 2017	Apr 2017	Change**	Risk Level
Political Risk Rating	57.7	57.9	57.9	▼	High
Financial Risk Rating	39.7	38.4	38.2	▲	Low
Economic Risk Rating	31.1	29.6	29.7	▲	High
Composite Risk Rating	64.3	63.0	62.9	▲	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	B3	NP	Negative	B3		Stable
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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