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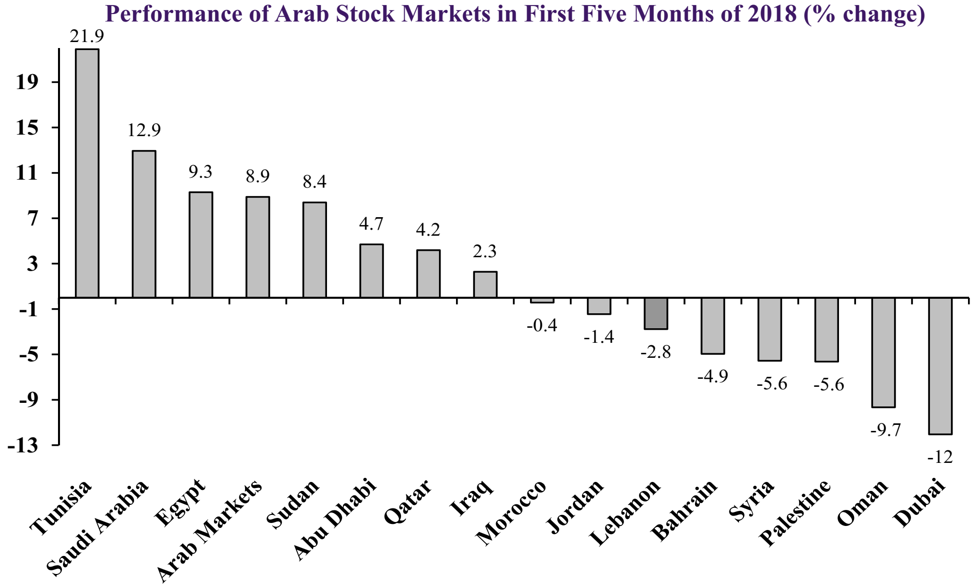
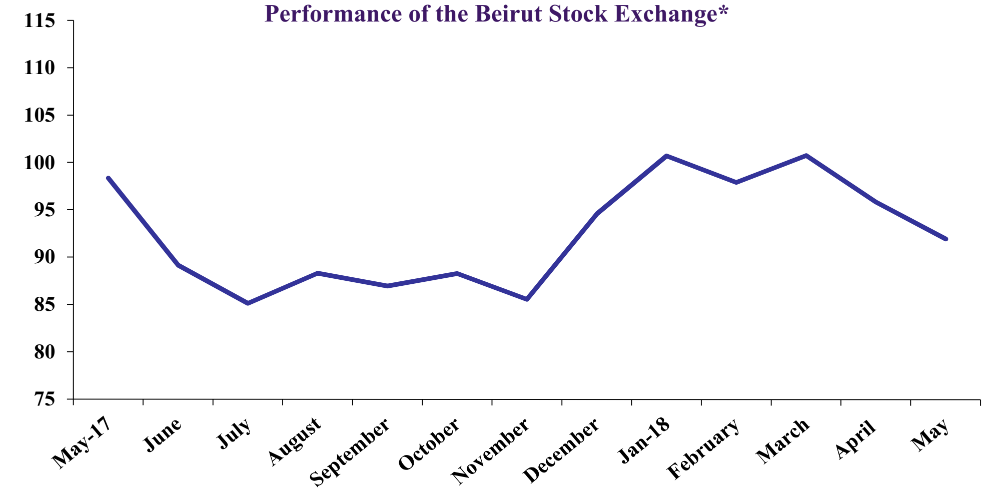
LEBANON THIS WEEK

In This Issue

Charts of the Week

Performance of Arab Stock Markets in First Five Months of 2018 (% change)





**Capital Markets Authority Value Weighted Index end of month values*
Source: Local Stock Markets, Capital Markets Authority, S&P Dow Jones Indices, Arab Federation of Exchanges, Byblos Bank

Quote to Note

"We expect deposit inflows to remain resilient despite the latest political headwinds in the region."

Moody's Investor Services, on the steadiness of deposit growth in the Lebanese banking sector

Number of the Week

$1.3bn: Household expenditures on tuition at private schools in Lebanon in 2015, according to the World Bank

Lebanon in the News

$m *(unless otherwise mentioned)*	2017	Dec 2016	Sep 2017	Oct 2017	Nov 2017	Dec 2017	% Change*
Exports	2,844	244	210	251	229	251	2.70
Imports	19,582	1,536	1,297	1,690	1,726	2,278	48.3
Trade Balance	(16,739)	(1,292)	(1,087)	(1,439)	(1,497)	(2,027)	56.88
Balance of Payments	(156)	910	457	(888)	68	854	(6.16)
Checks Cleared in LBP	21,677	1,879	1,475	1,993	1,880	2,131	13.41
Checks Cleared in FC	46,578	3,880	3,010	4,147	3,687	4,127	6.37
Total Checks Cleared	68,255	5,759	4,485	6,140	5,567	6,258	8.67
Budget Deficit/Surplus	(3,300.82)	(513.35)	(651.25)	(273.18)	(865.19)	(350.41)	(31.74)
Primary Balance	1,882.86	(111.56)	(145.72)	166.63	(119.74)	15.77	-
Airport Passengers***	8,235,845	598,001	861,828	616,742	592,890	626,866	4.83

$bn *(unless otherwise mentioned)*	2017	Dec 2016	Sep 2017	Oct 2017	Nov 2017	Dec 2017	% Change*
BdL FX Reserves	35.80	34.03	35.06	36.77	35.69	35.80	5.21
In months of Imports	18.57	22.15	27.03	21.76	20.68	6.15	(72.25)
Public Debt	79.52	74.90	78.16	78.47	79.37	79.52	6.17
Bank Assets	219.86	204.31	213.42	215.79	216.21	219.86	7.61
Bank Deposits (Private Sector)	168.67	162.50	169.09	169.40	166.81	168.67	3.80
Bank Loans to Private Sector	60.32	57.18	58.93	59.13	59.55	60.32	5.49
Money Supply M2	52.48	54.68	55.50	55.07	51.96	52.48	(4.02)
Money Supply M3	138.38	132.80	138.87	138.68	136.99	138.38	4.20
LBP Lending Rate (%)****	8.09	8.23	8.31	8.24	7.98	8.09	(14bps)
LBP Deposit Rate (%)	6.41	5.56	5.53	5.56	5.88	6.41	85 bps
USD Lending Rate (%)	7.67	7.35	7.53	7.39	7.32	7.67	32 bps
USD Deposit Rate (%)	3.89	3.52	3.65	3.72	3.80	3.89	37 bps
Consumer Price Index**	4.40	3.10	4.10	4.60	4.80	5.00	190 bps

** 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 "B"	8.25	(1.43)	260,864	4.90%
Solidere "A"	8.25	(3.28)	220,362	7.53%
BLOM GDR	10.82	(3.82)	112,080	7.30%
BLOM Listed	10.75	(2.27)	104,890	21.10%
Audi GDR	5.60	(1.58)	52,979	6.13%
Byblos Common	1.47	0.00	30,300	7.59%
HOLCIM	15.03	(3.03)	15,221	2.68%
Audi Listed	5.60	(2.44)	5,000	20.44%
Byblos Pref. 09	95.00	(2.01)	2,367	1.73%
Byblos Pref. 08	94.00	(2.08)	676	1.72%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov 2018	5.15	99.875	5.425
May 2019	6.00	98.875	7.229
Mar 2020	6.38	97.500	7.912
Oct 2022	6.10	90.750	8.708
Jun 2025	6.25	84.875	9.223
Nov 2026	6.60	83.875	9.401
Feb 2030	6.65	81.000	9.349
Apr 2031	7.00	82.125	9.423
Nov 2035	7.05	82.125	9.116
Mar 2037	7.25	82.625	9.209

Source: Byblos Bank Capital Markets

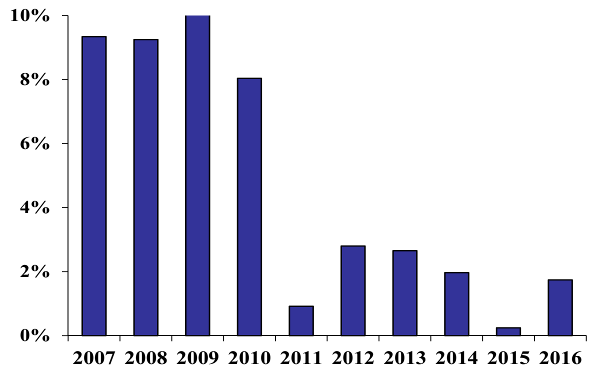
	May 28-Jun 1	May 21-24	% Change	May 2018	May 2017	% Change
Total shares traded	833,639	507,845	64.2	3,629,854	18,564,676	(80.4)
Total value traded	$7,676,382	$3,841,640	99.8	$28,799,512	$157,326,100	(81.7)
Market capitalization	$10.95bn	$11.16bn	(1.87)	$10.97bn	$11.72bn	(6.4)

Source: Beirut Stock Exchange (BSE)

Real GDP growth rate at 0.2% in 2015 and 1.7% in 2016 according to national accounts

The Central Administration for Statistics (CAS) released national economic data that covers official figures for gross domestic product (GDP) and its structure and components for 2016, and revised its previous figures for the 2012-15 period. The CAS indicated that its national accounts figures include the informal sector that it estimated at around 30% of recorded output, even though the precise level is uncertain. It indicated that it could not produce a full set of sectoral accounts, especially for the households and non-financial corporate sectors, given the limited amount of data on incomes. Further, the CAS stated that its estimates are subject to a wide range of uncertainty. It added that the uncertainty derives from the lack of regular surveys and detailed data on the cost of production, consumer spending, employment, visitors' expenditures and other transactions. It cautioned that its estimates are not as accurate as national accounts are supposed to be. The CAS estimated economic growth at 1.7% in real terms in 2016, while it reduced Lebanon's real GDP growth for 2015 to 0.2% from 0.8% previously.

Real GDP Growth in Lebanon (%)



Source: Central Administration of Statistics

Lebanon's nominal GDP stood at $51.5bn in 2016 relative to $49.9bn in 2015. Also, aggregate consumption spending reached $51.8bn in 2016, up from $49.4bn in 2015. It included $45.6bn in household expenditures and $6.3bn in government spending in 2016. Further, gross fixed capital formation by the private sector reached $9.6bn and that of the public sector totaled $841.2m in 2016. The results show that private consumption expanded by 6% in real terms in 2016, while public consumption grew by 1% year-on-year. Further, gross fixed capital formation by the private sector increased by 4% in real terms in 2016, while that of the public sector rose by 47%, leading to an overall 8% growth in gross fixed capital formation during the year. Overall, household consumption contributed 5.4 percentage points and government consumption contributed 0.2 percentage points to real GDP growth in 2016, while gross capital formation contributed 1.6 percentage points. In parallel, exports of goods and services had a negative contribution of -0.9 percentage points, while imports of goods and services contributed 4.5 percentage points to real GDP growth in 2016.

In parallel, real estate services accounted for 15.1% of output in 2016, followed by commercial trade & motor vehicle repairs (12.8%), the public administration (8.9%), financial services (8.7%), manufacturing (8.5%), education (7%), construction and professional services (4.1% each), health & social care (3.5%), transport activity (3.3%), hotels & restaurants and agriculture & livestock (2.9% each), personal & community services (2.8%), information & communication (2.7%), and administrative services and mining & utilities (2.5% each). Further, the output of the financial services sector grew by 17.7% in real terms in 2016, followed by the construction sector (+9.3%), output of agriculture & livestock (+6.1%), transport activity (+5.9%), mining & utilities (+5.1%), the real estate sector (+3.7%), education (+2.4%), personal & community services (+2.3%), and the health & social care segment (+1.8%). In contrast, activity in administrative services contracted by 18.4%, followed by output in the manufacturing sector (-6.6%), activity in professional services (-5.1%), commercial trade & motor vehicles (-4.8%), the hotels & restaurants sector (-3%), the information & communication sector (-1.1%) and the public administration (-0.5%).

Gross Domestic Product (Expenditure components in billions of LBP)

	2015*	2016*	% change in price	% change in real terms
Gross domestic product at market prices	**75,240**	**77,612**	**1.4%**	**1.7%**
Total final consumption expenditures	**74,519**	**78,163**	**-1%**	**6%**
by households	65,108	68,722	-1%	6%
by government	9,411	9,441	-1%	1%
Gross capital formation	**15,928**	**16,162**	**-6%**	**8%**
Gross fixed capital formation	15,550	15,738	-5%	7%
private	14,640	14,470	-5%	4%
public	909	1,268	-5%	47%
Acquisition less disposal of valuables	378	424	-	-
Net exports	**(15,208)**	**(16,714)**	**-**	**-**
Export of goods and services	19,632	18,590	-2%	-4%
Exports of goods (fob)	6,005	5,926	-3%	2%
Exports of services	13,627	12,663	-1%	-6%
Import of goods and services	34,840	35,304	-8%	10%
Imports of goods (fob)	25,997	26,724	-8%	12%
Imports of services	8,843	8,579	-6%	4%

**at current prices*
Source: Central Administration of Statistics

Banks buy $3bn in Eurobonds, Banque du Liban's assets in foreign currency up $2.5bn

Banque du Liban (BdL) announced that it sold to Lebanese banks $3bn in Lebanese Eurobonds from its portfolio, exceeding the $1bn that it intended to sell originally, due to high local demand. It indicated that it sold $1.2bn of a Eurobond that matures on March 20, 2028 and that carries a coupon rate of 7%, $1.05bn of a bond maturing on May 17, 2033 carrying a coupon rate of 8.2%, and $752.5m of a Eurobond that matures on May 17, 2034 and that carries a coupon rate of 8.25%. It pointed out that banks that held Certificates of Deposits issued by BdL discounted them at par value to cover the cost of the acquired Eurobonds. BdL said that the transaction reduced its liabilities by $3bn and increased its assets in US dollars by $2.5bn. It added that it still holds about $4.7bn in Lebanese Eurobonds in its portfolio, equivalent to about 8.2% of its total assets in US dollars, and that it does not intend to sell additional Eurobonds during the remainder of 2018. In addition, BdL noted that it will pay in cash all maturing Eurobonds and related debt servicing cost in 2018, upon instructions from the Ministry of Finance. BdL acquired the four Eurobonds through two separate swap operations with the Ministry of Finance. In November 2017, the Ministry of Finance issued $1.7bn in Eurobonds and exchanged them with Lebanese pound-denominated Treasury bills from BdL's portfolio. In May 2018, the ministry issued a $5.5bn four-tranche Lebanese Eurobonds and exchanged them with LBP8,250bn worth of Lebanese pound-denominated Treasury bills from BdL's portfolio.

In parallel, global financial services firm Bank of America Merrill Lynch (BofAML) considered that the Eurobond sale eases near-term sovereign liquidity constraints, and does not erode the profitability of BdL and of local banks. It added that local banks acquired the Eurobonds from BdL at a yield that is one percentage point below market rates, which means that banks are unlikely to sell them to the market now and would hold them at amortized cost in their hold-to-maturity books. Also, it anticipated the Eurobonds' technicals to improve in the near term. However, it noted that the Eurobond sale did not attract foreign currency inflows, as local banks swapped their existing foreign currency-denominated assets for the Eurobonds without tapping their foreign currency liquidity abroad.

Further, BofAML estimated that local banks discounted with BdL at least $1.7bn worth of foreign-currency denominated Certificate of Deposits (CDs) that mature by 2021 from their portfolio in order to cover the cost of the Eurobond sale. As such, it said that, following the transaction with BdL, local banks would have extended the duration of their holdings and raised their yields by between 1% and 2%. Under the assumption that Lebanese banks discounted $1.7bn in foreign currency-denominated CDs with BdL, BofAML considered that local banks generated the remaining $1.3bn through discounting their holdings of the $700m Eurobond that matures in June 2018 and the $1bn Eurobond that matures in November 2018. As such, it said that local banks held about 75% of the $1.7bn U.S.-denominated Eurobonds maturing in 2018.

In addition, BofAML estimated that BdL generated a modest profit of around $50m from the Eurobond sale, which constitutes between 15% to 25% of BdL's annual historical profits that range between $200m and $300m. It added that the sale decreases BdL's foreign currency-denominated liabilities by between $1.7bn and $3bn, as the discounted CDs would be withdrawn, which supports its net foreign currency reserves.

National Social Security Fund reduces fines and penalties on arrears

The National Social Security Fund (NSSF) issued clarifications about the implementation of a clause in the 2018 Budget Law that reduces the fines and penalties on delayed payments by employers to the NSSF, as well as about facilitating the settlement of arrears. First, the NSSF reduced by 90% the fines and penalties on payment arrears that employers incurred, provided that they settle their dues before October 19, 2018. Second, it allowed employers to pay their arrears in several installments with an annual interest rate of 5% on the amount in arrears over a period of up to five years. It noted that the first installment must amount to at least 20% of the outstanding arrears and 10% of penalties on delayed payments. It added that, in case the installments are not paid on time, the outstanding payments will be subject to a 12% interest rate. Third, it allowed employers to request a rescheduling of existing debt owed to the NSSF, and fixed the deadline to submit the request at October 19, 2018. In this context, it reduced by 90% the penalties on the delayed payments of existing debt and allowed debtors to benefit from the previously-mentioned installment terms.

Established in 1964, the NSSF provides insurance coverage to employees for sickness & maternity care, family allowances, end-of-service pensions, as well as work-related accidents and diseases. It mainly covers Lebanese citizens who are workers and employees in the private non-agricultural sector, permanent employees in the agricultural sector, employees of public institutions and independent offices who are not enrolled in the civil service and teachers in public schools, among other employees and workers. The most recent figures released by the NSSF indicate that there were about 620,656 Lebanese who are covered by the NSSF and about 1.4 million who benefit from its services as at end-September 2014.

Coincident Indicator up 4% year-on-year in first quarter of 2018

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, reached 321.4 points in March 2018 compared to 313 in February 2018 and 306.2 in March 2017. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 2.7% month-on-month and by 5% year-on-year in March 2018. The indicator averaged 314.6 in the first quarter of 2018, up by 3.9% from 302.9 in the same period of 2017. Also, the indicator averaged 308.8 in the 12 months ending March 2018, compared to 307.5 in the 12-month period ending February 2018 and 292.7 in the 12 months ending March 2017. As a result, the 12-month average coincident indicator increased marginally by 0.4% month-on-month and grew by 5.5% year-on-year. In parallel, the indicator improved 16 times and regressed 10 times on a monthly basis in the month of March since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.8 points in 2012, 264.7 points in 2013, 273.2 points in 2014, 278.6 points in 2015, 289.5 points in 2016 and 305.9 points in 2017.

Economy Ministry takes restrictive measures against Turkish imports

The Council of Ministers approved the request of the Ministry of Economy & Trade to ban the import of some Turkish products in an attempt to protect local production. The decision came in response to several official letters sent by the Association of Lebanese Industrialists about the challenges that some industrial segments are facing due to unfair competition from Turkish imports. The Cabinet noted that there are no agreements between Lebanon and Turkey that prohibit the implementation of trade restrictive measures.

The Cabinet banned the import of Turkish biscuits and cleaning products, and called on Lebanese Customs to take tighter control measures on imported egg cartons, test liner papers and clothing from Turkey. Lebanon imported 10,835 tons of biscuits from Turkey in 2017, constituting an increase of 18.6% from 9,137 tons in 2016, and accounting for 53% of total biscuits imported to Lebanon last year. Further, Lebanon's imports of cleaning products from Turkey reached 6,663 tons in 2017, up by 37.4% from 4,851 tons in 2016, and accounted for 15.5% of total imports of cleaning products last year.

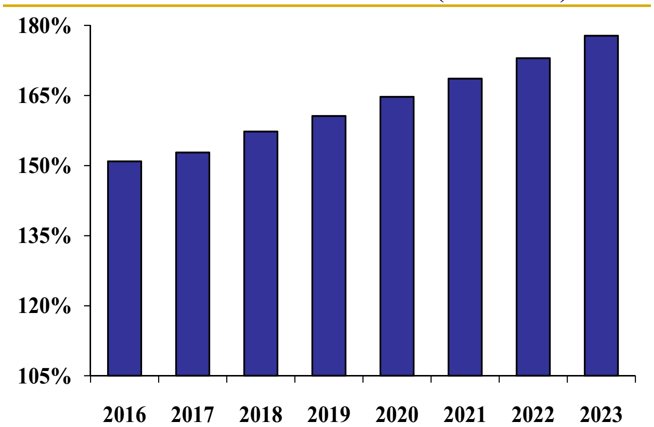
In contrast, the Cabinet did not approve the ministry's request to ban the import of bulgur wheat. Lebanon's entire bulgur wheat imports last year were sourced from Turkey. Imports of bulgur wheat from Turkey reached 10,665 tons in 2017, and grew by 24% from 8,615 tons in 2016.

Turkey was the sixth largest source of imports to Lebanon in 2017, with total imports reaching $777.2m, up by 17% from $664.7m in 2016, and accounted for 4% of total imports to Lebanon last year. Imports of base metals reached $164.9m in 2017, equivalent to 21.2% of total imports from Turkey, while imports of textiles reached $123.3m (16%) and prepared foodstuff and beverages reached $120.3m (15.5%).

Gross public debt at $82bn at end-March 2018

Lebanon's gross public debt reached $81.9bn at the end of March 2018, constituting an increase of 2.9% from $79.5bn at end-2017 and a growth of 6.1% from $77.2bn at end-March 2017. In nominal terms, the gross public debt grew by $2.3bn in the first quarter of 2018, similar to the increase in the same quarter of 2017. Debt denominated in Lebanese pounds totaled $51.3bn at end-March 2018, up by 4.4% from the end of 2017 and by 8.4% from end-March 2017; while debt denominated in foreign currency stood at $30.6bn, constituting a marginal increase of 0.7% from the end of 2017 and a rise of 2.4% from end-March 2017. Local currency debt accounted for 62.6% of the gross public debt at the end of March 2018 compared to 61.3% a year earlier, while foreign currency-denominated debt represented the balance of 37.4% relative to 38.7% at end-March 2017. The weighted interest rate on outstanding Treasury bills was 6.61% and that on Eurobonds was 6.49% in March 2018. Further, the weighted life on Eurobonds was 6.83 years, while that on Treasury bills was 1,422 days.

Lebanon's Gross Public Debt* (% of GDP)



**Excluding reforms and Capital Investment Program*
Source: International Monetary Fund

Commercial banks held 37.6% of the public debt as at end-March 2018 relative to 48.9% of the total at end-March 2017. Banque du Liban (BdL) held 52.5% of the Lebanese pound-denominated public debt at the end of March 2018 relative to 39.2% a year earlier, while commercial banks held 33.5% of the local debt compared to 45.4% at end-March 2017. Also, public agencies, financial institutions and the public held 14% of the local debt at end-March 2018 relative to 15.4% a year earlier. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 92.6% of foreign currency-denominated debt holders at the end of March 2018, followed by multilateral institutions with 4.5% and foreign governments with 2.9%. In addition, the net public debt, which excludes public sector deposits at the BdL and at commercial banks from overall debt figures, grew by 7.3% annually to $71.1bn at end-March 2018. Further, the gross market debt accounted for about 60% of the total public debt. Gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II related debt.

Government extends contracts of power generation ships

The Council of Ministers amended its contract with Greek Cypriot firm JP Avax, which won in February 2013 the tender to build a power plant in Deir Ammar in the north of the country, from an engineering, procurement, and construction (EPC) agreement to a build-operate-transfer (BOT) contract. An EPC agreement allows a private company to design, acquire and build at a fixed price, and then hand over a plant to the government. In comparison, the BOT agreement requires a private company to finance, build and operate a project, as well as to recover its investment by selling electricity to the government, and then hand over the plant to the government at the end of the contract period. In this case, the BOT agreement will allow the Lebanese government to purchase electricity at 2.95 cents per kilowatthour from JP Avax until the termination of the contract in 20 years. JP Avax provides services in the construction, civil engineering, building, hydraulic, electromechanical, energy, and industrial sectors, among other industries.

Further, the Council of Ministers approved the launch of a new tender to secure 850 megawatts in electricity, in order to cover electricity demand until the construction of the new power plant in Deir Ammar. In addition, it approved the three-year extension of the contract for the Turkish-owned Fatmagül and Orhan Bey power generation ships. The Fatmagül and Orhan Bey power production ships have been connected to the Lebanese electricity grid since 2013. In July 2012, the Lebanese government signed a $370m power purchase agreement with Turkish company Karadeniz Powership Co. that owns the two power generation ships, which allowed the ships to supply a total of 270 megawatts of electricity to Lebanon daily.

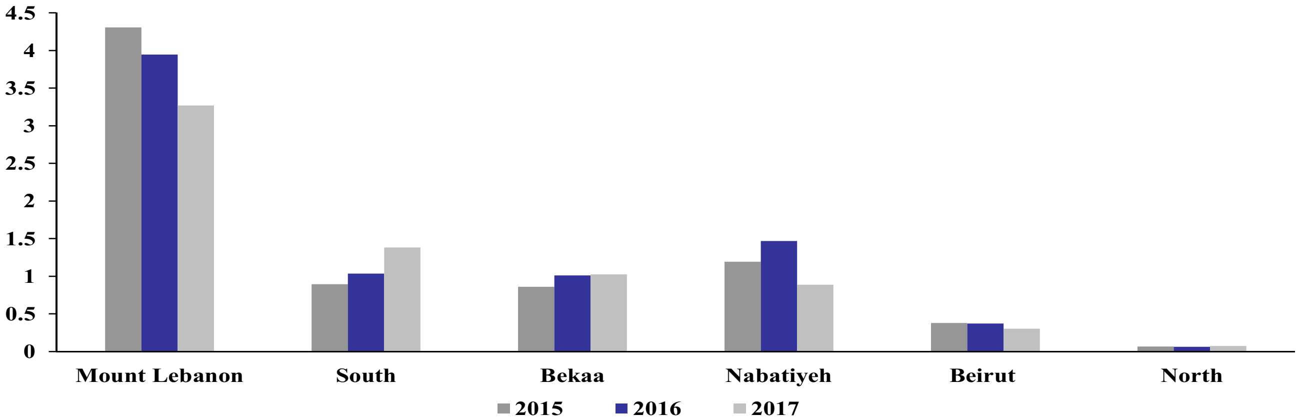
Residential buildings represent 80% of surface area of new construction permits in 2017

Figures released by the Order of Engineers & Architects of Beirut show that the surface area of construction permits for new buildings totaled 6.85 million square meters (sqm) in 2017, constituting a decrease of 8.7% from 7.5 million sqm in 2016. The surface area of construction permits for new residential buildings was 5.4 million sqm last year, equivalent to 79.5% of the total. Commercial buildings & offices followed with 685,051 sqm, or 10% of the total, then industrial- and agricultural-related buildings with 333,851 sqm (4.9%), general service buildings such as hospitals and schools with 140,360 sqm (2%), general purpose buildings with 107,698 sqm (1.6%) and hotel- and tourism-related buildings with 64,251 sqm (0.9%). The distribution of the surface area of construction permits for new residential buildings shows that Mount Lebanon accounted for 48.4% of the total, followed by the South with 19.8%, Nabatieh with 13.6%, the Bekaa with 12.1%, Beirut with 4.9% and the North with 1.2%. The figures for the North region include only those registered in the Order of Engineers & Architects of Beirut.

In parallel, the Order of Engineers & Architects issued 6,319 authorizations to start construction work in 2017, constituting a decrease of 9.5% from 6,983 in 2016 and relative to an increase of 10.8% in 2016. All construction permits for new buildings, as well as for modifications or extensions of buildings and for restorations are subject to the mandatory authorization for the start of the actual construction. Applications for the authorizations should be filed during a period of up to one year after receiving the construction permit, depending on the surface area of the project. Mount Lebanon accounted for 36.4% of total authorizations in 2017, followed by the South (26.9%), Nabatieh (20.4%), the Bekaa (14%), Beirut (1.2%) and the North (1.1%).

In parallel, the surface area of issued authorizations reached 6.95 million sqm last year, constituting a decrease of 12.1% from 7.9 million sqm in 2016 and compared to an increase of 2.6% in 2016. Mount Lebanon accounted for 3.27 million sqm or 47.1% of the total in 2017. The South followed with 1.38 million sqm (19.9%), then the Bekaa with 1.03 million sqm (14.8%), Nabatieh with 886,619 sqm (12.8%), Beirut with 305,043 sqm (4.4%) and the North with 74,718 sqm (1.1%). The surface area of issued authorizations for new residential units consisted of 4.7 million sqm for residential buildings and 1.15 million sqm for individual houses last year, equivalent to 67.6% and 16.5% of the total respectively. Commercial buildings & offices followed with 587,424 sqm, or 8.5% of the total, then industrial- and agricultural-related buildings with 239,334 sqm (3.4%), general service buildings such as hospitals and schools with 107,144 sqm (1.5%), hotel- and tourism-related buildings with 94,193 sqm (1.4%) and general purpose buildings with 34,541 sqm (0.5%).

Surface area of issued authorizations (in millions of square meters)



Source: Order of Engineers & Architects of Beirut, Byblos Research

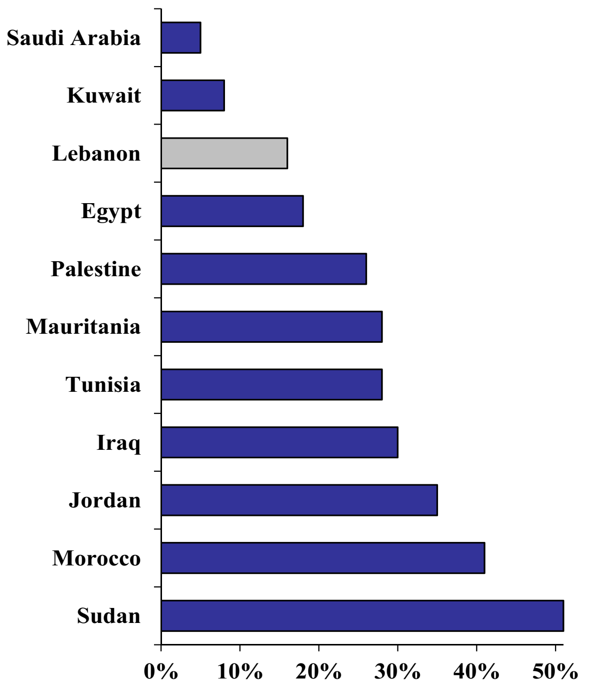
Nine out of 10 of Lebanese consider the country's economic situation to be 'bad' or 'very bad'

A survey conducted by the Doha-based Arab Center for Research & Policy Studies indicated that 48% of Lebanese consider that the economic situation in Lebanon is 'bad', 42% say that it is 'very bad', while only 9% believe that it is 'good' and 1% consider it to be 'very good'. The perception about economic conditions in Lebanon improved from the 2016 survey when 65% of Lebanese respondents believed that the economic situation was 'very bad', and from the 2015 survey when 71% of respondents said the economy was 'very bad'.

Overall, 90% of Lebanese respondents believe that the economic situation in Lebanon is 'bad' or 'very bad', nearly unchanged from 89% of respondents in the 2016 survey and relative to 95% in the 2015 survey. The percentage of respondents in Lebanon who consider that the economic situation in the country is 'bad' or 'very bad' is, along with that in Tunisia, the highest among 11 Arab economies covered in the survey, and is significantly higher than the average of 59% of respondents in the Arab region who share similar views.

In parallel, the survey showed that 84% of Lebanese do not wish to emigrate to another country, compared to 69% of respondents who did not wish to emigrate in the 2016 survey. The percentage of respondents in Lebanon who wish to emigrate to another country is the third lowest regionally, and is lower than the average of 26% of respondents in the Arab region who wish to emigrate to another country. Respondents in the Arab world indicated that the main reason behind their desire to emigrate is to improve their financial situation.

Percentage of respondents who wish to emigrate from their country



Source: Arab Center for Research & Policy Studies

The survey was conducted in 11 Arab countries through face-to-face interviews as part of the Arab Center for Research & Policy Studies' 2017-2018 Arab Opinion Index. It covered a sample of 18,830 respondents in Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Palestine, Saudi Arabia, Sudan and Tunisia.

Stock market index down 3% in first five months of 2018

Figures released by the Beirut Stock Exchange (BSE) indicate that trading volume reached 52,743,268 shares in the first five months of 2018, constituting an increase of 42.1% from 37,130,048 shares traded in the same period of 2017; while aggregate turnover amounted to $386.6m, up by 28.5% from a turnover of $300.8m in the first five months of 2017. Market capitalization regressed by 6.4% from the end of May 2017 to $11bn, with banking stocks accounting for 84.3% of the total, followed by real estate equities (12.4%), industrial shares (2.9%) and trading firms' equities (0.3%). The market liquidity ratio was 3.5% in the covered period compared to 2.6% in the first five months of 2017.

Banking stocks accounted for 83.1% of the aggregate trading volume in the first five months of 2018, followed by real estate equities with 14.4%, industrial shares with 2.4% and trading stocks with 0.1%. Also, banking stocks represented 78.2% of the aggregate value of shares traded, followed by real estate equities with 17.2%, industrial stocks with 4.5% and trading stocks with 0.03%. The average daily traded volume for the period was 538,197 shares for an average daily value of $3.9m. The figures reflect a rise of 44.9% in volume and an increase of 31.2% in value year-on-year in the first five months of the year. In parallel, the Capital Markets Authority's Market Value-Weighted Index for stocks traded on the BSE regressed by 2.8% in the first five months of 2018, while the CMA's Banks Market Value-Weighted Index dropped by 7.3% in the covered period.

Balance sheet of investment banks up 1% in first quarter of 2018

Figures released by Banque du Liban show that the consolidated balance sheet of investment banks in Lebanon reached LBP7,782.4bn, or $5.16bn at the end of March 2018, constituting a marginal increase of 0.6% from LBP7,723bn, or $5.13bn, at end-2017, and a growth of 7.4% from LBP7,249.4bn or $4.81bn at the end of March 2017.

On the assets side, claims on resident customers reached $1.57bn at end-March 2018, while claims on non-resident customers totaled $48.8m at the end of the first quarter of 2018, nearly unchanged from end-2017. In addition, claims on the resident financial sector reached $766.4m at end-March 2018, down by 18.3% from end-2017; while claims on the non-resident financial sector totaled $66.2m at the end of March 2018 and decreased by 11% from end-2017. Also, claims on the public sector totaled $757,258 at end-March 2018, constituting an increase of 25.2% from end-2017; while the securities portfolio, which includes Lebanese Treasury Bills and Eurobonds, reached $952.4m at end-March 2018, down by 8.8% in the first quarter of the year. In parallel, currency and deposits with local and foreign central banks totaled $1.37bn at the end of March 2018 and increased by 28.2% from $1.07bn at end-2017.

On the liabilities side, deposits of resident customers totaled $1.62bn at the end of March 2018, constituting a decrease of 3.9% in the first quarter of 2018; while deposits of non-resident customers reached $277.3m at the end of March 2018, representing a decrease of 9.4% from end-2017. Liabilities to the resident financial sector amounted to $247m at end-March 2018, up by 15% from end-2017; while those to the non-resident financial sector decreased by 10.5% from end-2017 to $261m. Also, public sector deposits regressed by 7.8% in the first quarter of 2018 to $173m, while debt securities issued totaled $30.1m at end-March 2018 and declined by 3% from end-2017. Further, the aggregate capital account of financial institutions amounted to $1.73bn at the end of March 2018, constituting an increase of 8.3% from end-2017, and a rise of 11.8% from end-March 2017.

LIA's net profits down 21% to $10.5m in 2017

LIA Insurance sal announced audited net profits of $10.5m in 2017, constituting a decline of 20.6% from net earnings of $13.3m in 2016. The company's audited balance sheet shows total assets of $373.4m at end-2017, down by 9.6% from $413m at end-2016. On the assets side, general company investments totaled $288.7m at the end of 2017, down by 9.8% from end-2016. They included $76.4m in fixed income investments, $29.1m in cash & cash equivalents, $6.3m in investments in subsidiaries and associates, and $5.2m in variable income investments. They also included $163.65m in blocked bank deposits and deposits with maturity of more than three months, of which $2.1m, or 1.3%, were blocked in favor of the Ministry of Economy & Trade as guarantees. Further, the reinsurance share in technical reserves for the life category regressed by 16.2% to $10.4m in 2017, while those for the non-life category dropped by 22% to $21m last year.

On the liabilities side, technical reserves for the life segment decreased by 17.3% to $191.5m in 2017, while technical reserves for the non-life category reached $70.6m at end-2017 and regressed by 3.9% from the preceding year. Non-life technical reserves included unearned premium reserves of $45.9m that increased by 7.1% and outstanding claims reserves of $20.6m that dropped by 24.5% year-on-year. Provisions for risks and charges reached $2.1m and decreased by 23.3% from a year earlier. Also, the firm's shareholders' equity totaled $90.5m at the end of 2017, up by a marginal 0.7% from end-2016.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked LIA in fourth and seventh place in 2017 in terms of life and non-life premiums, respectively. The firm's life premiums amounted to $50.8m in 2017, constituting a rise of 15% from a year earlier; while its non-life premiums increased by 7.1% year-on-year to $66m. It had a 9.7% share of the life market and a 5.9% share of the local non-life market. LIA had a 7.1% share of the overall insurance market and ranked in fourth place in total premiums in 2017.

Banque BEMO approves dividends for 2017, payout ratio at 35.3%

The Ordinary General Assembly of Banque BEMO sal that was held on May 28, 2018 approved the distribution of LBP9,792m, or $6.5m, in gross dividends for common and preferred shares for 2017, representing a payout ratio of 35.3% relative to a ratio of 36.2% in 2016. The bank allocated LBP100 ($0.066) per share to holders of common shares, and $7 per share for the holders of Preferred Shares Issuance of Year 2013. The bank will start paying dividends on June 12, 2018 net of a 10% withholding tax. Banque BEMO's share capital consists of 62,000,000 common shares and 350,000 Preferred Shares Class 2013.

Banque BEMO sal declared audited net profits of $18.4m in 2017, constituting an increase of 17% from net earnings of $15.8m in 2016. Also, the Bank's aggregate assets reached $1.77bn at the end of 2017 and grew by 0.6% from $1.76bn at end-2016. Net loans & advances to customers totaled $761.9m at the end of 2017 and expanded by 10.7% from end-2016, while net loans & advances to related parties reached $719,388. Also, total customer deposits amounted to $1.32bn at the end of 2017 and declined by 4.1% from end-2016, while deposits from related parties stood at $58.5m and regressed by 20.5% from a year earlier. Banque BEMO's listed share price closed at $1.57 on June 1, 2018, up by 20.8% from $1.3 at the end of 2017.

BLC Bank distributes dividends for 2017

BLC Bank sal, one of Lebanon's listed banks, announced that its Ordinary General Assembly held on May 31, 2018 approved the distribution of dividends for 2017 to the holders of preferred shares. The bank will pay gross dividends of $6.75 per share, equivalent to LBP10,176 per share, to the holders of both Class "C" and Class "D" Preferred Shares. BLC will start paying the dividends on June 7, 2018 net of a 10% withholding tax. The bank currently has 213,650,000 common shares, 350,000 Class "C" Preferred Shares and 750,000 Class "D" Preferred Shares listed on the Beirut Stock Exchange.

BLC Bank declared consolidated net profits of $46.5m in 2017, down by 1.8% from net earnings of $47.3m in 2016. Its aggregate assets reached $5.87bn at the end of 2017 and increased by 2.1% from a year earlier. The bank's loans & advances to customers stood at $1.6bn at end-2017, up by 6.3% from $1.5bn a year earlier; while net loans & advances to related parties reached $2.3m and dropped by 16.7% from end-2016. Also, customer deposits totaled $3.9bn at the end of 2017, down by 3.3% from $4.05bn at end-2016. BLC Bank's share price closed at $0.93 on June 1, 2018, unchanged from end-2017.

CMA CGM posts net losses of $67.2m in first quarter of 2018

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net losses of $67.2m in the first quarter of 2018 relative to net profits of $91.7m in the same quarter of 2017, due to a sharp increase in fuel oil bunker prices. The firm's core earnings before interest and taxes (EBIT), excluding disposals and impairment charges, reached $88.3m in the first quarter of 2018 relative to profits of $251.9m in the same period of 2017. Also, the company's revenues grew by 17.1% to $5.4bn in the first quarter of 2018, mainly due to a 16.4% increase in the company's container shipping segment. In parallel, the firm's operating expenses rose by 22.5% to $5.2bn in the first quarter of 2018. CMA CGM indicated that it transported 4.95 million twenty-foot equivalent units (TEUs) in the first quarter of the year, up by 15.1% from 4.3 million TEUs in the same period of 2017. Also, CMA CGM indicated that the growth in volumes transported by the company's carriers was higher than the industry's global growth.

Further, the firm's consolidated assets reached $19.7bn at the end of March 2018, nearly unchanged from end-2017. The value of its property and equipment increased by 1.4% from end-2017 to $10.3bn at the end of March 2018, with vessels accounting for $8.7bn or 85.3% of the total, followed by containers at $548m (5.3%), land & buildings at $513.1m (5%), and other properties & equipment at $448.4m (4.4%).

Also, CMA CGM's return on invested capital, which measures how well the company is using its money to generate returns, regressed from 12.1% in full year 2017 to 10.9% in the first quarter of 2018. The company's gearing ratio, which measures financial leverage, increased from 119% at end-2017 to 126% at the end of March 2018.

CMA CGM is one of the largest container shipping company in the world and operates a fleet of 494 vessels, with a capacity of 2.53 million TEUs that serves over 420 commercial ports. On January 26, 2018, the firm added to its fleet the CMA CGM Antoine de Saint Exupéry, its new flagship carrier and the world's biggest containership with a capacity of 20,600 TEUs. In October 2017, S&P Global Ratings upgraded CMA CGM's long-term corporate credit rating from 'B' to 'B+', with a 'stable' outlook on the ratings. During the same month, Moody's Investors Service affirmed CMA CGM's corporate family rating at 'B1', its probability of default rating at 'B1-PD' and its senior unsecured bond ratings at 'B3'. Moody's also revised the outlook on all the ratings from 'stable' to 'positive'.

Ratio Highlights

(in % unless specified)	2015	2016	2017e	Change*
Nominal GDP ($bn)	49.5	49.7	52.5	
Public Debt in Foreign Currency / GDP	54.7	56.6	57.9	1.30
Public Debt in Local Currency / GDP	87.4	94.1	93.6	(0.54)
Gross Public Debt / GDP	142.1	150.7	151.5	0.76
Total Gross External Debt / GDP	175.8	183.9	185.6	1.70
Trade Balance / GDP	(31.6)	(32.5)	(31.9)	0.60
Exports / Imports	15.9	15.6	14.5	(1.04)
Fiscal Revenues / GDP	19.3	20.0	22.1	2.17
Fiscal Expenditures / GDP	27.3	29.9	29.3	(0.62)
Fiscal Balance / GDP	(8.0)	(9.9)	(7.2)	2.79
Primary Balance / GDP	1.5	0.0	2.7	2.68
Gross Foreign Currency Reserves / M2	58.7	62.2	68.2	5.98
M3 / GDP	249.7	267.2	263.6	(3.61)
Commercial Banks Assets / GDP	375.7	411.1	418.8	7.69
Private Sector Deposits / GDP	306.2	327.0	321.3	(5.69)
Private Sector Loans / GDP	109.5	115.0	114.9	(0.16)
Private Sector Deposits Dollarization Rate	64.9	65.8	68.7	2.88
Private Sector Lending Dollarization Rate	74.8	72.6	71.0	(1.61)

**Change in percentage points 16/17*
***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*
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	Nov 2016	Oct 2017	Nov 2017	Change**	Risk Level
Political Risk Rating	54.5	55.5	54.5	↔	High
Financial Risk Rating	36.5	33.0	33.0	▲	Moderate
Economic Risk Rating	30.5	27.5	27.5	▲	High
Composite Risk Rating	60.75	58.0	57.5	▲	High

MENA Average*	Nov 2016	Oct 2017	Nov 2017	Change**	Risk Level
Political Risk Rating	57.6	57.9	58.0	▼	High
Financial Risk Rating	38.1	38.6	38.5	▼	Low
Economic Risk Rating	29.6	30.9	31.0	▼	Moderate
Composite Risk Rating	62.6	63.7	63.8	▼	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	B3	NP	Stable	B3		Stable
Fitch Ratings	B-	B	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence Ratings	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Outlook
Moody's	Stable

Source: Moody's Investor Services

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