

LEBANON THIS WEEK

In This Issue

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

Consumer confidence retreats in third quarter of 2019

Banque du Liban can manage obligations to external parties in 2020

Banque du Liban takes measures to reduce interest rates on loans

United Nations approves compensation to Lebanon from oil spill damages during 2006 war

Net foreign assets of financial sector down by \$198m in October 2019

Banque du Liban's foreign assets at \$38bn, gold reserves at \$13.4bn at end-November 2019

Remittance inflows to Lebanon up 5% to \$1.88bn in first quarter of 2019

BCCL requires money dealers to provide weekly record of foreign exchange transactions

Lebanon ranks 116th globally, 13th among Arab economies in ease of paying taxes

Tourist arrivals up 5% in first 10 months of 2019

Compensation of public-sector personnel absorbs 42% of fiscal spending in first eight months of 2019

Trade deficit narrows by 3.5% to \$12.5bn in first nine months of 2019

Borrowers to benefit from lower rates

Consumer Price Index up 2.5% in first 10 months of 2019

Corporate Highlights10

Banking sector assets at \$263bn at end-October 2019

Stock market index down 27% in first 11 months of 2019

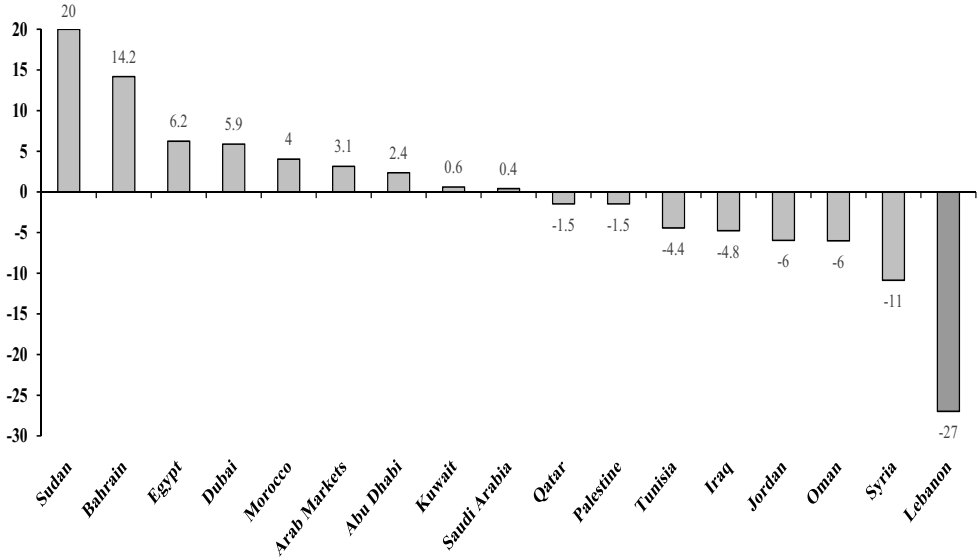
Ratio Highlights.....11

Risk Outlook11

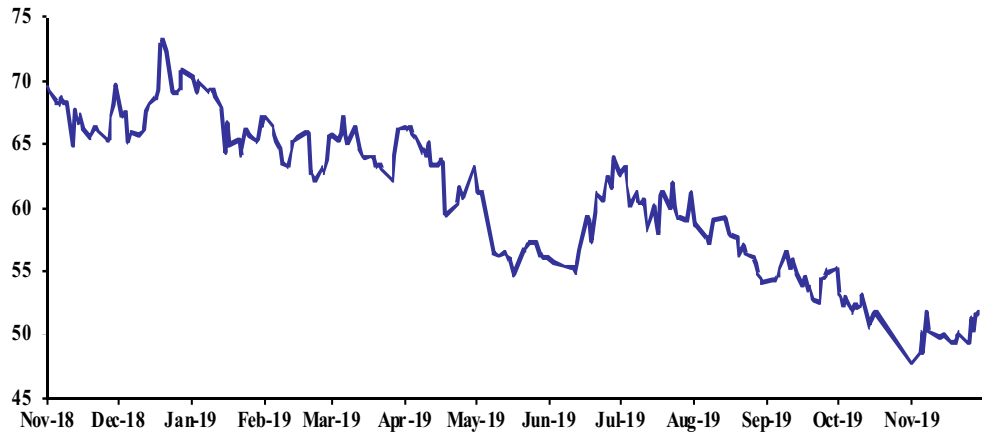
Ratings & Outlook.....11

Charts of the Week

Performance of Arab Stock Markets in First 11 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

"Lebanon would need to accelerate the adoption of structural reforms in order to anchor confidence and boost prospects of regional financial support."

Barclays Capital, on the necessity to implement much-needed reforms

Number of the Week

122: Lebanon's rank among 167 countries in terms of public sector governance, according to the Legatum Institute's Prosperity Index for 2019

Lebanon in the News

\$m (unless otherwise mentioned)	2018	Jan-Oct 2018	Jan-Oct 2019	% Change*	Oct-18	Sep-19	Oct-19
Exports**	2,952	2,199	2,806	27.61	264	342	-
Imports**	19,980	15,156	15,304	0.98	1,718	1,466	-
Trade Balance**	(17,028)	(12,957)	(12,498)	(3.54)	(1,454)	(1,124)	-
Balance of Payments	(4,823)	(3,122)	(4,653)	49.06	(1,810)	(59)	(198)
Checks Cleared in LBP	22,133	18,235	17,511	(3.97)	2,064	2,060	1,378
Checks Cleared in FC	44,436	37,500	27,982	(25.38)	4,017	2,940	1,717
Total Checks Cleared	66,569	55,735	45,493	(18.38)	6,081	5,000	3,095
Fiscal Deficit/Surplus***	(6,246)	(3,382)	(2,951)	(12.74)	(226)	-	-
Primary Balance***	(636)	74	368.9	397.2	189	-	-
Airport Passengers	8,842,442	7,536,392	7,701,296	2.19	684,617	818,339	659,737
Consumer Price Index****	6.1	6.3	2.5	(380bps)	6.3	1.1	1.3

\$bn (unless otherwise mentioned)	Dec-17	Oct-18	Dec-18	Aug-19	Sep-19	Oct-19	% Change*
BdL FX Reserves	35.81	34.62	32.51	30.60	29.30	30.98	(10.51)
In months of Imports	18.57	20.15	20.72	20.35	19.99	-	-
Public Debt	79.53	84.04	85.14	86.29	86.78	87.08	3.62
Bank Assets	219.86	242.61	249.48	261.90	262.20	262.80	8.32
Bank Deposits (Private Sector)	168.66	173.25	174.28	172.54	170.30	168.36	(2.82)
Bank Loans to Private Sector	59.69	59.15	59.39	55.16	54.50	54.17	(8.43)
Money Supply M2	52.51	52.06	50.96	48.52	46.73	45.77	(12.07)
Money Supply M3	138.62	140.24	141.29	140.40	138.83	138.37	(1.33)
LBP Lending Rate (%)	8.09	9.60	9.97	11.24	10.92	11.19	159bps
LBP Deposit Rate (%)	6.41	7.74	8.30	8.95	9.13	9.03	129bps
USD Lending Rate (%)	7.67	8.30	8.57	10.03	10.26	10.05	175bps
USD Deposit Rate (%)	3.89	4.63	5.15	6.20	6.57	6.61	198bps

*year-on-year **year-to-date figures reflect results for first nine months of each year ***year-to-date figures reflect results for first eight months of each year

****year-on-year percentage change; 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"	5.28	(4.52)	74,777	7.03%
Solidere "B"	5.35	(1.29)	17,705	4.63%
HOLCIM	9.50	0.00	1,000	2.47%
Byblos Common	1.09	0.00	-	8.21%
Audi GDR	3.53	0.00	-	5.63%
BLOM GDR	6.07	0.00	-	5.98%
Audi Listed	3.50	0.00	-	18.64%
BLOM Listed	7.07	0.00	-	20.25%
Byblos Pref. 08	60.00	0.00	-	1.60%
Byblos Pref. 09	63.00	0.00	-	1.68%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2020	6.38	82.13	93.96
Apr 2021	8.25	57.13	58.63
Oct 2022	6.10	49.00	36.59
Jun 2025	6.25	46.25	24.57
Nov 2026	6.60	46.38	21.99
Feb 2030	6.65	46.13	18.62
Apr 2031	7.00	44.25	19.23
May 2033	8.20	50.26	18.22
Nov 2035	7.05	44.75	17.38
Mar 2037	7.25	46.25	16.92

Source: Byblos Bank Capital Markets, Refinitiv

	Dec 2-6	Nov 25-29	% Change	November 2019	November 2018	% Change
Total shares traded	879,482	111,759	687	321,620	14,323,108	(97.8)
Total value traded	\$20,144,750	\$731,185	2,655	\$3,555,692	\$85,065,154	(95.8)
Market capitalization	\$7.51bn	\$7.54bn	(0.4)	\$7.54bn	\$9.72bn	(22.4)

Source: Beirut Stock Exchange (BSE)

CDS Lebanon	Nov 29, 2019	Dec 6, 2019	% Change**
CDS 1-year*	6,807	6,888	1.2
CDS 3-year*	4,509	4,421	(2.0)
CDS 5-year*	3,500	3,393	(3.1)

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

CDX EM 30*	Nov 29, 2019	Dec 6, 2019	% Change***
CDS 5-year**	191.6	190.4	(0.6)

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

mid-spread in bps *week-on-week

Consumer confidence retreats in third quarter of 2019

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2019 show that the Index retreated by 6.6% in July 2019 from the preceding month, while it increased by 2% in August and regressed by 0.4% in September 2019. The Index averaged 69 in the third quarter of 2019 and declined by 2.7% from 70.9 in the second quarter of 2019 and by 8.3% from 75.3 in the third quarter of 2018. Further, the Byblos Bank/AUB Present Situation averaged 62.3 in the third quarter of 2019 and increased by 0.8% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 73.5 and regressed by 4.6% from the second quarter of 2019. In addition, the average monthly score of the Index in the third quarter of 2019 was 34.8% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and was 28.6% below the annual peak of 96.7 reached in full year 2009.

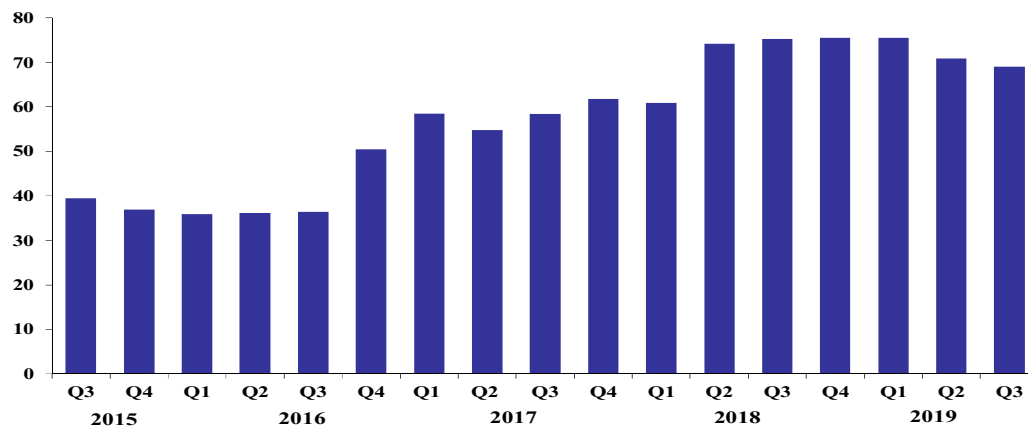
The detailed results of the Index's monthly survey reflect the level of frustration of Lebanese households and the weakening of their expectations, as only 3% of Lebanese polled in September 2019 considered that their personal financial conditions improved from March 2019, while 64% of respondents said that their financial situation deteriorated from March 2019. Further, 9% of the Lebanese polled in September believed that their personal financial conditions would improve in the coming six months, while 63% of households considered that their financial conditions will deteriorate by March 2020. In parallel, 5% of the Lebanese surveyed in September 2019 considered that the economic situation in Lebanon improved from March 2019, while 69% indicated that economic conditions deteriorated from March 2019. In addition, 9% of Lebanese households anticipated the economic situation to improve in the coming six months, while 70% of respondents expected economic conditions to deteriorate by March 2020.

The Byblos Bank/AUB Consumer Confidence Index has been sending warning signals about the receding expectations of Lebanese households since at least June 2017. Since this date, 65% of surveyed Lebanese, on average, said that their personal financial conditions have deteriorated from the six months that preceded the monthly poll, with a high of 72% in September 2017 and a low of 58% in May 2018. As such, households remain skeptical about the seriousness of the traditional political class to deliver the much-needed reforms that would improve the country's prospects and, in turn, raise the households' quality of living and economic well-being. Further, citizens continue to feel that politicians are prioritizing their personal or partisan agendas over the national interest, instead of facilitating the implementation of immediate and radical measures to address the prevailing socio-economic emergencies.

In addition, the confidence level of residents in Beirut regressed by 10.4% in the third quarter of 2019 from the preceding quarter, followed by households in the South (-5.8%), the North (-4.1%) and Mount Lebanon (-1.9%); while the sentiment of residents in the Bekaa region increased by 4.9% in the covered quarter. Also, the level of sentiment of residents in the Bekaa region was the highest among all geographic regions during the third quarter of 2019, followed by households in the North, Mount Lebanon, the South and Beirut. Further, the confidence level of Druze households dropped by 8% quarter-on-quarter in the third quarter of 2019, followed by the sentiment of Christian households (-3%), Shiite households (-2.1%) and Sunni households (-0.9%).

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers toward the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, geographical region, and religious affiliation. The Byblos Bank Economic Research and Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

Byblos Bank/AUB Consumer Confidence Index*



* Quarterly Average Score

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



Banque du Liban can manage obligations to external parties in 2020

Global investment bank Morgan Stanley indicated that Banque du Liban's (BdL) gross foreign currency reserves, excluding gold reserves and its holdings of Lebanese Eurobonds, decreased by \$1.2bn in the second half of November 2019 and reached \$32.4bn at end-November. It attributed the decline mostly to BdL's payment on behalf of the government of the principal of a \$1.5bn Eurobond that matured on November 28, 2019, as well as of interest payments on external debt. It noted that BdL held \$800m of the maturing Eurobond, which means that the Eurobond redemption reduced BdL's reserve position by only \$700m. Also, it said that BdL paid \$465m in interest payments on behalf of the government in the second half of November, but it estimated that BdL held part of the underlying Eurobonds. As such, it estimated the net drag on BdL's foreign currency reserves from interest payments at \$360m in the covered period. It pointed out that Eurobond-related payments totaled \$1,060m in the last two weeks of November, which means that the impact of import financing and capital outflows on foreign currency reserves was only \$170m in the covered period.

Further, it indicated that the government has \$2.5bn in principal payments and \$1.9bn in coupon payments on Eurobonds in 2020. It said that the government's external obligations in 2020 include a \$1.2bn Eurobond that matures in March, a \$700m Eurobond that comes due in April, and a \$600m Eurobond that matures in June. However, it projected the net payment to foreigners at about \$2.7bn in 2020, due in part to the fact that the June 2020 Eurobond is mostly held domestically. It considered that the \$2.7bn in external obligations would be manageable for BdL, given that principal payments are all front-loaded, and in case gross foreign currency reserves stabilize at about \$30bn and deposit outflows remain modest.

In parallel, Morgan Stanley pointed out that deposit withdrawals constitute a key risk to Lebanon's external liquidity. It noted that the monetary aggregate data for the period between October and mid-November shows about \$2.4bn in resident deposit withdrawals from banks, mainly from deposits denominated in local currency. But it said that the gross figure, which excludes the impact of accrued interest rates on deposits during this period, would be slightly higher. It also indicated that currency in circulation increased by a significant \$1.7bn in the past two months. Further, it pointed out that deposit withdrawals have not impacted BdL's foreign currency reserves yet.

Banque du Liban takes measures to reduce interest rates on loans

Banque du Liban (BdL) issued Intermediate Circular 536 on December 4, 2019 that amends Basic Circular 14 issued on September 17, 1993, about the opening of deposit accounts in foreign currency at BdL, as well as Basic Circular 67 issued on March 2, 2000, about the issuance of Certificates of Deposits, and Basic Circular 147 issued on September 3, 2019 about the opening of bank accounts.

First, the circular indicated that BdL will, exceptionally and for a period of six months, apply new rules on the interest income it pays on term deposits that banks placed in US dollars at BdL and on the Certificates of Deposits that it issued in US dollars. Specifically, BdL will pay 50% of the interest income in US dollars and 50% in Lebanese pounds.

Second, it capped the interest rates at 5% on bank deposits in foreign currency and at 8.5% on deposits in Lebanese pounds. It noted that the new cap on interest rates will apply on deposits placed at banks after December 4, 2019 or on blocked deposits that will mature after the date of the circular.

Third, the circular pointed out that the interest rates on bank deposits blocked prior to December 5, 2019 will not be amended before maturity. However, it noted that banks will pay 50% of the interest income on foreign currency deposits in Lebanese pounds, while it will disburse the other 50% in the same currency as the deposit accounts. According to the circular, all the aforementioned measures on deposits will apply for six months.

Fourth, the circular asked banks to reflect the decline in deposit interest rates on the Beirut Reference Rate (BRR), which constitutes the basis for calculating the Beirut Prime Lending Rate after adding the cost of liquidity and refinancing, credit risk, and the profitability of banks. BdL indicated that these measures aim to preserve the public interest and protect bank deposits during the exceptional period that Lebanon is going through.

United Nations approves compensation to Lebanon from oil spill damages during 2006 war

The Economic and Financial Committee of the United Nations General Assembly approved draft resolution "Oil Slick on Lebanese Shores", which calls on Israel to compensate Lebanon for the environmental damages that it caused from bombing the Jiyeh power station in the south of Beirut during the July 2006 war. The United Nations said that the oil leakages from the power plant to the sea have adversely impacted biological diversity, fishing, crops, health and tourism in Lebanon, and have weighed on the country's sustainable development efforts. A total of 158 member states voted in favor of the draft resolution, nine voted against, while another six abstained.

The Permanent Representative of Lebanon to the United Nations indicated that Lebanon will continue to mobilize resources and legal means to make sure that the compensation is paid in full. A study conducted by the United Nations Development Program in July 2014 estimated the damages from the Jiyeh oil spill at \$856.4m, which include \$448.8m in direct and indirect damages, as well as \$407.6m in "passive use values" that cover the future irreversible damages of the oil spill.



Net foreign assets of financial sector down by \$198m in October 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, regressed by \$197.9m in October 2019, compared to a decline of \$58.5m in September 2019 and to a decrease of \$1.8bn in October 2018.

The month-on-month decline in October 2019 was caused by a decrease of \$583.7m in the net foreign assets of BdL, which was partly offset by an increase of \$385.8m in those of banks and financial institutions.

In parallel, the net foreign assets of the financial sector declined by \$4.65bn in the first 10 months of 2019 compared to a decrease of \$3.1bn in the same period of 2018. The cumulative deficit in the first 10 months of 2019 was caused by a drop of \$2.91bn in the net foreign assets of banks and financial institutions and by a decline of \$1.75bn in those of BdL. BdL paid at least \$3.2bn on behalf of the government in the year-to-October 2019 to cover the principal and coupons of maturing Eurobonds, including \$1.25bn for maturing principal and coupons in May 2019 and \$500m for a Eurobond that matured on April 23, 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. They 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.

Banque du Liban's foreign assets at \$38bn, gold reserves at \$13.4bn at end-November 2019

Banque du Liban's (BdL) interim balance sheet totaled \$139.8bn at the end of November 2019, constituting an increase of 1.6% from \$137.6bn at mid-November 2019 and a decline of 0.6% from \$140.6bn at end-2018. The decline so far this year is mainly due to the "netting" on the assets and liabilities' sides of BdL's balance sheet that took place in March 2019, as part of the implementation of the new international accounting standard IFRS 9. The "netting" affected loans to the financial sector on the assets side and financial sector deposits on the liabilities side.

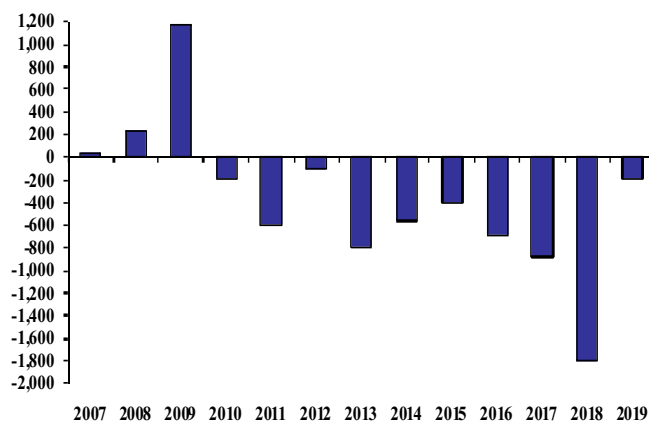
Assets in foreign currency reached \$38.1bn at the end of November 2019, up by 2.6% from \$37.1bn at mid-November of this year and by 0.4% from the end of October 2019, but down by 4% from \$39.7bn at end-2018. Also, assets in foreign currency declined by \$799m in the first two weeks of November 2019, while they rose by \$965.5m in the second half of the month. The rise in BdL's assets in foreign currency in the second half of November is largely due to the private placement at BdL of \$3bn worth of Eurobonds that the Ministry of Finance issued towards the end of the month. As such, BdL's holdings of Eurobonds reached \$5.7bn at the end of November. Excluding Lebanese Eurobonds, BdL's assets in foreign currency declined by \$900m in the first two weeks of November and by \$1.2bn in the second half of the month to \$32.4bn. The decrease in BdL's assets in foreign currency, excluding Lebanese Eurobonds, in the second half of November is due to the fact that BdL paid \$2.1bn on behalf of the government for a \$1.5bn maturing Eurobond and for external debt servicing.

In comparison, assets in foreign currency, including Lebanese Eurobonds, increased by \$690.5m in July, by \$1.6bn in August and by \$166.5m in November, while they declined by \$394.7m in January, by \$391.3m in February, by \$320.1m in March, by \$589.3m in April, by \$1.4bn in May, by \$203m in June, by \$164.2m in September, and by \$583.1m in October 2019. This resulted in an aggregate decline of \$1.57bn in the first 11 months of 2019, compared to a decrease of \$1.1bn in the same period of 2018.

In parallel, the value of BdL's gold reserves rose by 14.1% from the end of 2018 to reach \$13.4bn at the end of November 2019. The value of gold reserves reached a peak of \$16.7bn at the end of August 2011. Also, the securities portfolio of BdL grew by 2.1% from mid-November of this year and by 16.3% from the end of 2018 to \$35.85bn at end-November 2019.

In addition, loans to the local financial sector were nearly unchanged from mid-November 2019 and decreased by \$18.65bn, or by 55.5%, from end-2018 to \$15bn at the end of November of this year, due to the "netting" procedure on the assets side. Further, deposits of the financial sector reached \$111.46bn at end-November 2019, as they grew by \$422.85m, or by 0.4% from mid-November of this year and decreased by \$8.3bn, or by 6.9%, from end-2018 due to the "netting" on the liabilities side. Also, public sector deposits at BdL totaled \$4.1bn at the end of November 2019, as they rose by \$313.7m, or by 8.3% from mid-November 2019 and declined by \$931.5m, or by 18.5% from end-2018.

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



Source: Banque du Liban

Remittance inflows to Lebanon up 5% to \$1.88bn in first quarter of 2019

Figures released by Banque du Liban show that the inflows of expatriates' remittances to Lebanon totaled \$1.88bn in the first quarter of 2019, constituting an increase of 4.7% from \$1.79bn in the first quarter of 2018, and a rise of 9.7% from \$1.71bn in the fourth quarter of 2018.

The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances. Banque du Liban's figures are the only official data on remittance flows to and from Lebanon.

In addition, remittance inflows to Lebanon in the first three months of 2019 reached their highest level in the first quarter of a year between 2002 and 2019. Remittance inflows to the country averaged \$1.79bn during the first quarter of each year between 2009 and 2019.

In parallel, remittance outflows from Lebanon amounted to \$1.18bn in the first quarter of 2019, down by 7.4% from \$1.27bn in the previous quarter and by 2.7% from \$1.21bn in the first quarter of 2018.

Remittance outflows in the covered quarter reached their third highest level for the first quarter of a year during the 2002-19 period. They averaged \$1.05bn during the first quarter of each year between 2009 and 2019, and reached a high of \$1.3bn in the first three months of 2013.

As such, net remittance inflows to Lebanon totaled \$698.5m in the first quarter of 2019, constituting a growth of 20.1% from \$581.4m in the first quarter of 2018, and a rise of 59.4% from \$438.3m in the fourth quarter of 2018. Net remittance inflows to Lebanon in the first three months of 2019 reached their ninth highest level for the first quarter of a year between 2002 and 2019.

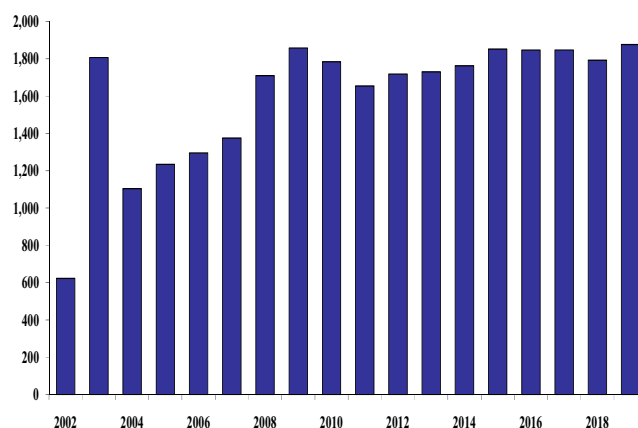
BCCL requires money dealers to provide weekly record of foreign exchange transactions

The Banking Control Commission of Lebanon (BCCL) issued a memo that asks all money dealers to provide it with a list of executed foreign exchange transactions on a weekly basis. First, the memo stipulates that money dealers have to issue receipts for all transactions related to the sale or purchase of foreign currency. Second, it requires money dealers to provide the BCCL with a weekly record of all foreign exchange transactions that exceed \$10,000, including the names of the customers; the beneficial owner; the value, date and type of the transaction; the exchange rate used for the transaction, and the source of funds, among other specifications.

Third, it calls on money dealers to organize the receipts for all executed foreign exchange transactions on a daily basis in order to make it easier for the BCCL to conduct field studies related to money dealers. Fourth, the memo indicates that money dealers that have not executed a transaction that exceeds \$10,000 in a given week are required to inform the BCCL through a written and signed letter that such transactions did not take place. Fifth, it requires money dealers to provide the breakdown by currency type of the total amount of currency transactions that are below \$10,000. The BCCL issued the memo based on Law 347 that regulates the profession of money dealers in Lebanon, as well as on Law 44 about the fight against money laundering and terrorism financing activities in the country. The Syndicate of Currency Exchange Dealers estimated the aggregate amount of currency transactions at money dealers at about \$10m to \$15m per day.

According to the BCCL's annual report for 2018, there are 305 money exchange institutions that are subject to the BCCL's supervision. In addition, the Special Investigation Commission (SIC) against money laundering and terrorism financing indicated that it conducted in 2018 on-site examination of 90 money dealers, or 30% out of the 305 money dealers under the BCCL's supervision, in order to ensure their full compliance with Law 44. According to Banque du Liban, there are 46 Category A money dealers, while the remaining are classified under Category B. BdL defines money dealer institutions in Category A as firms that are allowed to deal with cash, transfers, checks, traveler checks and precious metals. It defines Category B money dealers as firms that are allowed to deal with cash and traveler checks of up to \$10,000, uncollected traveler checks, and precious metal bars not exceeding 1,000 grams each.

Remittance Inflows to Lebanon* (US\$m)



*in the first quarter of each year

Source: Banque du Liban, Byblos Research

Lebanon ranks 116th globally, 13th among Arab economies in ease of paying taxes

The PricewaterhouseCoopers/World Bank Group Paying Taxes for 2020 ranked Lebanon in 116th place among 189 countries and jurisdictions worldwide and in 13th place among 20 Arab economies included in the survey. Also, Lebanon ranked in 33rd place among 55 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank regressed by three spots from 113th place in the 2019 survey, while its regional rank decreased by one notch from 12th place last year.

The index measures the direct impact on a medium-sized firm of the taxes and contributions it has to pay, and reflects the government-mandated tax burden that a standard business incurs. The index has four sub-indicators that consist of the number of tax payments incurred by a business, the total time to comply, the total tax rate as a percentage of commercial profits, and the processes that might take place after a firm files a tax return. Taxes include corporate, labor and other sub-categories.

Also, the ease of paying taxes rankings are based on the distance to frontier (DTF) score, instead of a simple percentile distribution. The DTF measures how far economies have progressed towards the best performer around the world on each sub-indicator, rather than simply looking at how they compare to other economies. The DTF scores range from zero to 100, with a score of 100 representing the "frontier", or the best performer. Lebanon's DTF score is 67.5 in the 2020 survey, down from 67.9 in the 2019 survey.

Globally, it is easier for companies in Lebanon to pay taxes than firms in Papua New Guinea, Mexico and Peru, but it is more difficult than firms in West Bank & Gaza, Côte d'Ivoire and India among economies with a GDP of \$10bn or more. Also, it is easier for Lebanese companies to pay their taxes than firms in Mexico, Peru and Albania, and more difficult than firms in Belarus, Guatemala and China among UMICs.

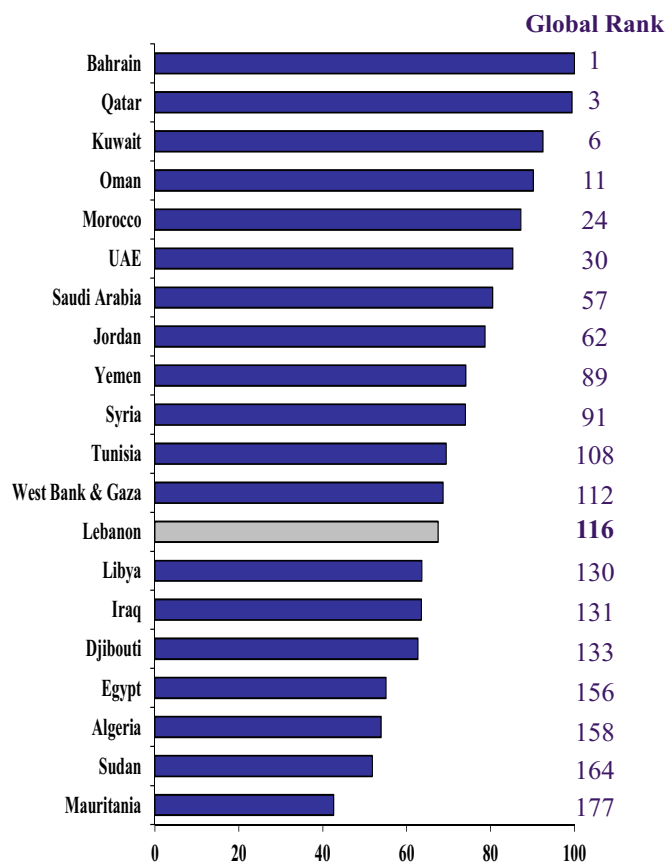
The survey shows that a medium-sized Lebanese firm pays its corporate income taxes once a year, performs 12 labor tax payments per year, and pays all of its other mandatory taxes seven times a year. In comparison, businesses in OECD countries pay corporate taxes 1.4 times per year, labor taxes 2.4 times and other mandatory taxes 6.3 times a year, relative to global averages of 2.8 times, nine times and 11.3 times per year, respectively.

Also, a standard Lebanese firm needs 40 hours to prepare, file and pay its corporate income taxes; 100 hours per year to process its labor taxes; and 41 hours to process its consumption taxes. In comparison, it takes a medium-sized firm in OECD countries 42 hours to prepare, file and pay its corporate income taxes; 66 hours for its labor taxes and 54 hours for its consumption taxes, relative to the worldwide averages of 59 hours, 85 hours and 90 hours, respectively.

Further, the corporate income tax rate for a medium-sized Lebanese business represents 6.9% of its commercial profits, the labor tax rate is equivalent to 24.9% of its profits, and the non-corporate and non-labor tax rates represent 0.4% of corporate profits. In comparison, the tax rate as a percentage of commercial profits at a standard firm in OECD countries is 14.9% for corporate tax, 23.5% for labor tax and 2% for other taxes, relative to global averages of 16.1%, 16.3% and 8.1%, respectively.

Finally, it takes a medium-sized Lebanese firm 47 hours to prepare a VAT refund, 43.6 weeks to obtain a VAT refund, 23 hours to comply with a corporate income tax audit and 25.1 weeks to complete a corporate income tax correction. In comparison, medium-sized firms globally need an average of 18.2 hours to submit a VAT refund, 27.3 weeks to obtain a VAT refund, 14.6 hours to comply with a corporate income tax audit and 25.5 weeks to complete a corporate income tax correction.

Ease of Paying Taxes in 2020
DTF Scores & Rankings of Arab Countries



Source: PricewaterhouseCoopers, World Bank, Byblos Research

Indicators for the 2020 Ease of Paying Taxes for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Average	Arab Average	UMICs Average
Number of Tax Payments	98	12	33	20.0	23.1	18.8	21.2
Time to Comply*	84	13	21	181.0	234.0	207.3	284.1
Total Tax & Contribution Rate**	62	11	24	32.2	40.5	33.7	39.1
Post-Filing Index***	154	13	47	27.5	60.9	51.3	58.0

*Measured in hours **As a percentage of commercial profits ***As distance to frontier

Source: PricewaterhouseCoopers, World Bank, Byblos Research

Tourist arrivals up 5% in first 10 months of 2019

The number of incoming visitors to Lebanon totaled 1,755,690 in the first 10 months of 2019, constituting an increase of 5% from 1,671,891 tourists in the same period of 2018 and a decline of 5.2% from 1,851,922 visitors in the first 10 months of 2010, the record year for tourist arrivals in Lebanon. Also, the number of incoming visitors reached 142,624 in October 2019, decreasing by 17% from 171,567 in September 2019 and declining by 14.2% from 166,146 in October 2018. The figures exclude Lebanese, Syrian and Palestinian arrivals. Visitors from European countries accounted for 36.7% of the total in the first 10 months of 2019, followed by those from Arab countries with 30.6%, the Americas with 18.8%, Asia with 6.8%, Oceania with 4%, and Africa with 3.2%. Further, tourists from Iraq accounted for 10.3% of total visitors in the first 10 months of 2019, followed by visitors from the United States (10%), France (9.2%), Canada (5.8%), Germany (5.5%), Egypt (4.9%), Saudi Arabia (4.8%), Jordan (4.6%), the United Kingdom (3.8%), Kuwait and Sweden (2.4% each), Italy (1.9%), Turkey (1.7%), Brazil (1.4%), Venezuela (0.6%), and the UAE (0.1%).

In parallel, the number of visitors from Arab countries increased by 14.1% in the first 10 months of 2019 from the same period last year, followed by those from Europe (+7.3%), the Americas (+6.4%), and Asia (+2.5%); while the number of visitors from Africa contracted by 43.2% year-on-year, and those from Oceania regressed by 6.7%.

On a country basis, the number of tourists from Saudi Arabia grew by 73.2% in the covered period, followed by visitors from the UAE (+73.1%), Kuwait (+26.3%), Brazil (+17%), Turkey (+16%), Egypt (+14.7%), Sweden (+11.2%), Italy (+8.4%), the United States (+6.1%), Germany (+5.5%), the United Kingdom (+4.2%), France (+3.9%), Jordan (+3.6%), Canada (+3.4%), and Venezuela (+1.2%). In contrast, the number of incoming visitors from Iraq regressed by 1.8% in the first 10 months of 2019.

Compensation of public-sector personnel absorbs 42% of fiscal spending in first eight months of 2019

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled \$4.44bn in the first eight months of 2019, constituting an increase of 8.2% from \$4.1bn in the same period of 2018. Salaries, wages and related benefits accounted for 60.6% of the total in the covered period, followed by retirement benefits (26.2%), end-of-service indemnities (9%), and transfers to public institutions to cover salaries (4.3%). The rise in the compensation of public-sector personnel is due to a 36% increase in retirement benefits, and to a growth of 12.5% in end-of-service indemnities, which were partly offset by a decline of 10.6% in transfers to public institutions to cover salaries, as salaries, wages & related benefits were nearly unchanged year-on-year. The Finance Ministry attributed the increase in the payment of end-of-service indemnities partly to the implementation of the new salary scale, which encouraged public sector employees to retire before reaching the legal retirement age. The compensation of public-sector personnel represented the largest component of current primary spending and accounted for 73.1% of such expenditures in the first eight months of 2019 compared to 65.5% in the same period last year. It accounted for 41.7% of fiscal spending in the covered period relative to 35.8% in the first eight months of 2018; while it absorbed 57.6% of public revenues in the first eight months of 2019 relative to 51% of government receipts in the same period of 2018.

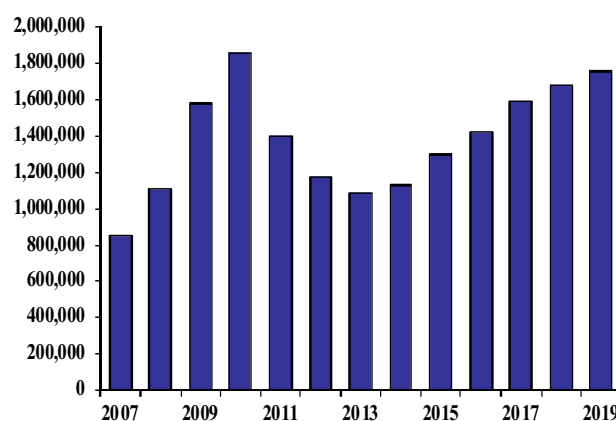
In parallel, salaries, wages & related benefits paid to public-sector employees amounted to \$2.69bn in the first eight months of 2019, almost unchanged from \$2.68bn in the same period of 2018. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament.

Salaries and benefits of military personnel reached \$1.69bn and accounted for 62.7% of salaries, wages & related benefits paid to the public sector in the first eight months of 2019. The salaries and benefits of personnel in public education followed with \$602.3m (22.4% of the total), then civil staff with \$264m (9.8%), the government's contribution to the employees' cooperative with \$112.1m (4.2%), and the salaries and benefits of customs employees with \$25.2m (0.9%).

Also, the Lebanese Army's salaries totaled \$1.1bn in the first eight months of 2019 and represented 65.6% of military personnel's salaries and benefits. The salaries of the Internal Security Forces followed with \$436.5m (25.9%), those of the General Security Forces with \$106.8m (6.3%), and the salaries of State Security Forces with \$37.8m (2.2%).

In addition, the breakdown of salaries, wages & related benefits paid to public-sector employees show that allowances decreased by \$68.3m; and benefits and other payments, such as bonuses, given to non-military bodies, declined by \$46.4m; while basic salaries increased by \$123.4m. Overall, basic salaries grew by 6.2% to \$2.1bn in the first eight months of 2019, allowances fell by 18% year-on-year to \$314.4m, and benefits and other payments declined by 16.8% to \$229.5m in the first eight months of 2019.

Number of Tourist Arrivals to Lebanon*



*in first 10 months of each year

Source: Ministry of Tourism, Central Administration of Statistics, Byblos Research

Trade deficit narrows by 3.5% to \$12.5bn in first nine months of 2019

Total imports reached \$15.3bn in the first nine months of 2019, constituting an increase of 1% from \$15.2bn in the same period of 2018; while aggregate exports grew by 27.6% to \$2.8bn in the covered period. As such, the trade deficit narrowed by 3.5% to \$12.5bn in the first nine months of 2019 due to a rise of \$607.1m in exports that was partly offset by an increase of \$148.4m in imports in the covered period.

The rise in imports during the first nine months of 2019 was mainly due to an increase of \$2bn, or 62.7%, in the imports of oil & mineral products, which was partly offset by a drop of \$1.86bn, or 15.6%, in imported non-hydrocarbon products. Lebanon imported 10.15 billion tons of oil & mineral fuels in the covered period relative to 6 billion tons in the first nine months of 2018. Imported oil & mineral fuels reached \$5.2bn in the first nine months of 2019, and accounted for 34.1% of total imports in the covered period.

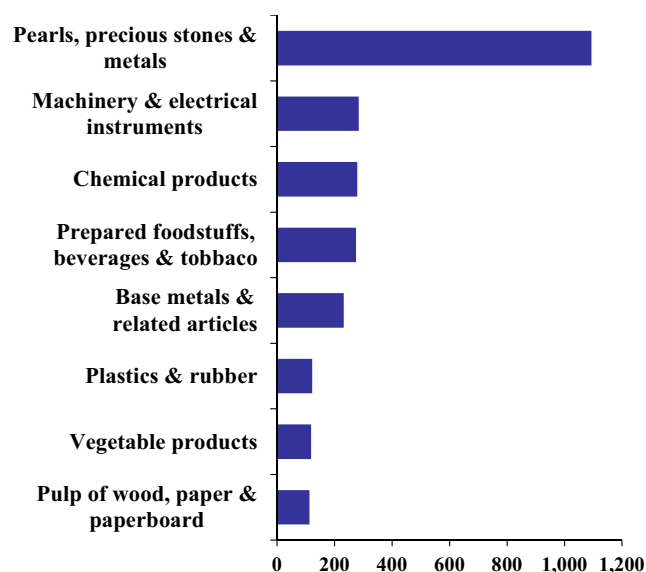
Also, the increase in exports in the covered period was mainly due to a rise of \$588.2m, or 2.2 times, in the exports of jewelry; an expansion of \$57.9m (+25.6%) in the exports of machinery & electrical instruments; a growth of \$32.3m (+152.1%) in exported mineral products; and an increase of \$11.7m (+4.4%) in the exports of chemical products. They were partly offset by a drop of \$63.2m, or 21.4%, in exported base metals; a decline of \$19.3m (-6.6%) in the exports of prepared foodstuff; and a decrease of \$8.1m (-6.2%) in the exports of plastics & rubber.

Further, exported goods to Switzerland jumped by 7.3 times year-on-year in the first nine months of 2019, those to Greece surged by 91%, exports to Egypt expanded by 24.1%, those to Saudi Arabia rose by 18%, exports to Syria grew by 11.6%, those to Jordan increased by 7.4%, exports to Iraq expanded by 4.5%, and those to the UAE increased by 2.8%. In contrast, exported goods to South Africa dropped by 58.4% and those to Qatar regressed by 1% year-on-year in the covered period. Re-exports totaled \$410.2m in the first nine months of 2019 compared to \$246.1m in the same period of 2018. The Hariri International Airport was the exit point for 47.7% of Lebanon's exports in the first nine months of 2019, followed by the Port of Beirut (37.1%), the Port of Tripoli (6.5%), and the Masnaa crossing point (6%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$1.6bn in the first nine months of 2019 and declined by 5.9% from the same period of 2018. Imported machinery & electrical instruments followed at \$1.3bn (-24.8%); then vehicles, aircraft & vessels at \$966.8m (-23.8%); prepared foodstuff at \$956.4m (-4.2%); jewelry, mostly gold bars, at \$740.6m (-26.7%), vegetable products at \$733.6m (+3.6%); base metals at \$686.3m (-28.8%), animal products at \$656.4m (-12.8%), plastics & rubber at \$526.5m (-6.6%), and textiles at \$497.4m (-13.4%). The Port of Beirut was the entry point for 75% of Lebanon's merchandise imports in the first nine months of 2019, followed by the Hariri International Airport (17.8%), and the Port of Tripoli (5.1%).

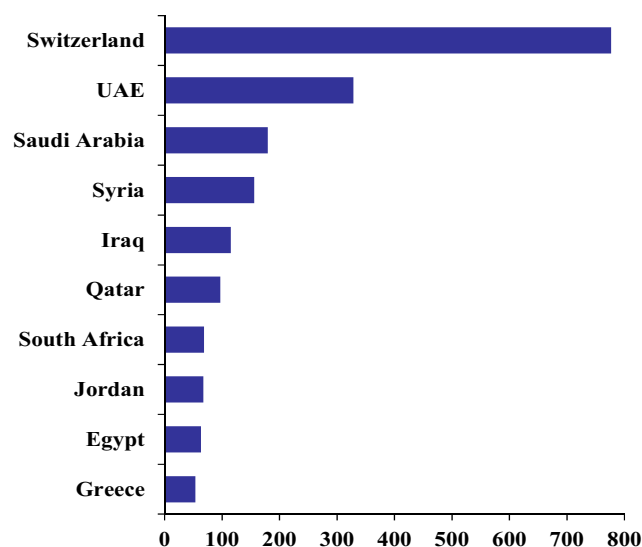
The U.S. was the main source of imports with \$1.32bn, or 8.7% of the total, in the first nine months of 2019, followed by China with \$1.31bn (8.6%), Russia with \$1.17bn (7.7%), Greece with \$1.06bn (6.9%), Italy with \$1.04bn (6.8%), Germany with \$760.7m (5%), Turkey with \$634.2m (4.1%), and France with \$619.1m (4%). Imported goods from Russia surged by 124%, those from France expanded by 22%, and imports from the U.S. rose by 19.1%, year-on-year in the first nine months of 2019. In contrast, imported goods from Greece dropped by 17.7%, those from China fell by 14.8%, imports from Turkey decreased by 14.2%, those from Germany contracted by 12.8%, and imported goods from Italy declined by 10.6% in the covered period.

Main Lebanese Exports in First Nine Months of 2019 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in First Nine Months of 2019 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Borrowers to benefit from lower rates

In the monthly meeting between Banque du Liban (BdL), the Banking Control Commission of Lebanon (BCCL) and the Association of Banks in Lebanon (ABL), Governor Riad Salamé indicated that BdL and ABL will not introduce any measure that would affect the principal of deposits in the banking sector, such as forced conversion to Lebanese pounds of between 10% to 15% of deposits denominated in foreign currency as rumored. He said that reducing the interest rates on deposits and, in turn, on loans would help support economic activity and contain the growth in non-performing loans that has increased in line with the rise in the cost of borrowing. He called on borrowers to benefit from lower rates by partially paying off their loans, which would also increase the banks' liquidity in foreign currency.

Further, Governor Salamé indicated that BdL does not intend to put restrictions on Lebanese pound withdrawals from banks. He noted that rumors about such limits were due to the high amounts of cash withdrawals in local currency that averaged about LBP165bn per day during the past two months, which required BdL to order new banknotes that will arrive to the country on December 20. As such, he said that any shortage of Lebanese pound banknotes in the market is temporary and is entirely due to logistical reasons.

In addition, the governor pointed out that BdL will issue new directives to banks about the limits that financial institutions imposed on clients' transfers from Lebanon and on their withdrawals in foreign currency, given BdL's responsibility to preserve the proper functioning of the payment system and the safety of the banking sector. He reiterated that these measures are temporary, until a new government is formed and economic and financial conditions normalize.

Consumer Price Index up 2.5% in first 10 months of 2019

The Central Administration of Statistics' Consumer Price Index increased by 2.5% in the first 10 months of 2019 from the same period of 2018, compared to a growth of 6.3% in the first 10 months of 2018. Also, the CPI expanded by 1.3% in October 2019 from the same month of 2018. The prices of clothing & footwear grew by 11.3% in October 2019 from the same month of 2018, followed by recreation & entertainment costs (+7.7%), the prices of furnishings & household equipment (+7.6%), the cost of education (+4%), the cost of miscellaneous goods & services (+3.7%), the prices of alcoholic beverages & tobacco (+2.7%), actual rents (+2.1%), imputed rents (+1.6%), as well as the prices of food & non-alcoholic beverages and prices at restaurants & hotels (+1.2% each). In contrast, the prices of water, electricity, gas & other fuels declined by 4.3%, and transportation costs regressed by 1.5% year-on-year in October 2019, while communication and healthcare costs were nearly unchanged from the same month last year. Also, the distribution of actual rents shows that old rents grew by 2.5% and new rents increased by 1.8% annually in October 2019.

Further, the CPI increased by 1.4% in October 2019 from the previous month, compared to a marginal month-on-month growth of 0.3% in September 2019. The prices of clothing & footwear grew by 8.5% month-on-month in October 2019, followed by the cost of education (+4%), the prices of alcoholic beverages & tobacco (+2.5%), the cost of water, electricity, gas & other fuels and the prices of furnishings & household equipment (+1.4% each), recreation & entertainment costs (+1.1%), the cost of miscellaneous goods & services and the prices of food & non-alcoholic beverages (+1% each), transportation costs (+0.7%), and imputed and actual rents (+0.2% each). In parallel, prices at restaurants & hotels, and communication and healthcare costs, were nearly unchanged in the covered month. Further, the CPI increased by 2.5% in October in the Bekaa region, by 1.7% in the North, by 1.2% in each of the South and Mount Lebanon, by 1.1% in the Nabatieh region and by 0.9% in Beirut. In parallel, the Fuel Price Index rose by 2.6% month-on-month in October 2019, while the Education Price Index grew by 3.9% in the covered month.



Banking sector assets at \$263bn at end-October 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$262.8bn at the end of October 2019, constituting an increase of 5.3% from \$249.5bn at the end of 2018 and an expansion of 8.3% from \$242.6bn at end-October 2018. Loans extended to the private sector reached \$54.2bn at the end of October 2019, regressing by 8.8% from end-2018 and by 8.4% from a year earlier. Loans to the resident private sector totaled \$47.6bn, constituting a decrease of 9% from the end of 2018 and of 9.1% from end-October 2018. Also, credit to the non-resident private sector reached \$6.6bn at end-October 2019, declining by 7.4% from end-2018 and by 3.7% from a year earlier. In nominal terms, credit to the private sector contracted by \$5.2bn in the first 10 months of 2019 relative to a decrease of \$533.3m in the same period of 2018, as lending to the resident private sector declined by \$4.7bn and credit to the non-resident private sector regressed by \$523.8m in the covered period. The dollarization rate of private sector loans rose from 68% at end-October 2018 to 70.4% at end-October 2019.

In addition, claims on non-resident financial institutions reached \$8.4bn at the end of October 2019 and declined by \$3.6bn, or 30%, from the end of 2018, and by \$1.25bn, or 13%, from the end of October 2018. Also, claims on the public sector stood at \$31.5bn at end-October 2019, down by 6.3% from end-2018. The average lending rate in Lebanese pounds was 11.19% in October 2019 compared to 9.6% a year earlier, while the same rate in US dollars was 10.05% relative to 8.3% in October 2018. Further, the deposits of commercial banks at Banque du Liban totaled \$154.3bn at the end of October 2019, constituting an increase of 22.2% from \$126.3bn a year earlier.

In parallel, total private sector deposits reached \$168.4bn at the end of October 2019. They decreased by 3.4% from the end of 2018 and by 2.8% from end-October 2018. Deposits in Lebanese pounds reached the equivalent of \$44.7bn at end-October 2019, down by 12.7% from end-2018 and by 15.3% from a year earlier; while deposits in foreign currency totaled \$123.6bn, as they rose by 0.5% from end-2018 and by 2.7% from end-October 2018. Resident deposits totaled \$132.8bn at the end of October 2019, decreasing by \$2.9bn, or 2.2% from a year earlier. Also, non-resident deposits reached \$35.5bn at end-October 2019, as they regressed by \$2.2bn or 5.8% from end-2018, and by \$2bn or 5.2% from end-October 2018. In nominal terms, private sector deposits declined by \$2.18bn in January, by \$133m in February, by \$1.86bn in May, by \$2.24bn in September and by \$1.94bn in October, while they increased by \$550.6m in March, by \$186.4m in April, by \$1.28bn in June, by \$220.6m in July and by \$190m in August 2019. As such, aggregate private sector deposits regressed by \$5.92bn in the first 10 months of 2019 relative to an increase of \$4.58bn in the same period of 2018, with deposits in Lebanese pounds dropping by \$6.48bn and foreign-currency deposits growing by \$564.1m. The dollarization rate of private sector deposits was 73.4% at end-October 2019, up from 70.6% at the end of 2018, and compared to 69.5% a year earlier.

In parallel, deposits of non-resident financial institutions reached \$9.7bn at the end of October 2019 and increased by 11.4% from end-October 2018. Further, the average deposit rate in Lebanese pounds was 9.03% in October 2019 compared to 7.74% a year earlier, while the same rate in US dollars was 6.61% relative to 4.63% in October 2018. The ratio of private sector loans to deposits in foreign currency stood at 30.8% at the end of October 2019 compared to 33.4% a year earlier, well below Banque du Liban's limit of 70%. The same ratio in Lebanese pounds reached 35.8% at end-October 2019, unchanged from a year earlier. As such, the total private sector loans-to-deposits ratio reached 32.2% compared to 34.1% at end-October 2018. The banks' aggregate capital base stood at \$20.6bn at end-October 2019, up by 2.9% from \$20bn a year earlier.

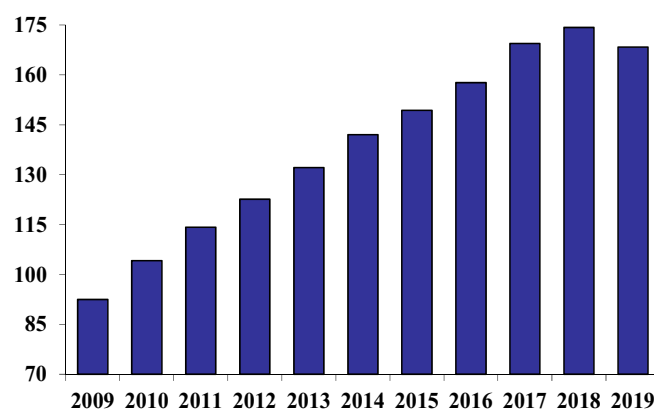
Stock market index down 27% in first 11 months of 2019

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 198,063,633 shares in the first 11 months of 2019, constituting an increase of 134.1% from 84,607,010 shares traded in the same period last year; while aggregate turnover amounted to \$877m, up by 44.8% from a turnover of \$605.8m in the first 11 months of 2018. The surge in the trading volume and turnover is mostly due to a block trade in the common shares of a listed bank. The trade consisted of 119,924,761 shares exchanged for a total of \$557.7m last February.

The market capitalization of the BSE regressed by 22.4% from \$9.7bn at the end of November 2018 to \$7.5bn at end-November 2019, with banking stocks accounting for 84.7% of the total, followed by real estate equities (12%), industrial shares (2.8%), and trading firms' equities (0.5%). The market liquidity ratio was 11.6% in the covered period compared to 6.2% in the first 11 months of 2018.

Banking stocks accounted for 97.1% of the aggregate trading volume in the first 11 months of 2019, followed by real estate equities with 2.9% and industrial shares with 0.05%. Also, banking stocks accounted for 96% of the aggregate value of shares traded, followed by real estate equities with 3.9% and industrial stocks with 0.1%. The average daily traded volume for the period was 956,829 shares for an average daily value of \$4.24m. The figures reflect a year-on-year increase of 2.5 times in average daily traded volume, and an annual rise of 54.6% in the average value in the first 11 months of the year. In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE declined by 27% in the first 11 months of 2019, while the CMA's Banks Market Value-Weighted Index regressed by 24% in the covered period.

Total Deposits of Banking Sector* (US\$bn)



*at end-October 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	Oct 2017	Sep 2018	Oct 2018	Change**	Risk Level
Political Risk Rating	55.5	54.0	54.0	▲	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	57.75	57.75	▲	High

MENA Average*	Oct 2017	Sep 2018	Oct 2018	Change**	Risk Level
Political Risk Rating	57.9	57.9	57.9	➔	High
Financial Risk Rating	38.6	38.8	38.9	▼	Low
Economic Risk Rating	30.9	33.1	33.5	▼	Moderate
Composite Risk Rating	63.7	64.9	65.2	▼	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	Caa2	NP	Under Review*	Caa2		Under Review*
Fitch Ratings	CCC	C	-	CCC	C	-
S&P Global Ratings	CCC	C	Negative	CCC	C	Negative
Capital Intelligence Ratings	C+	C	Negative	C+	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

Banking Sector Ratings	Outlook
Moody's Investors Service	Stable

Source: Moody's Investors Service



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

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

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

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

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island - Sky Tower - Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

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

NIGERIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

CYPRUS

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

ADIR INSURANCE

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