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LEBANON PLANS FRESH EUROBONDS, FURTHER FISCAL AUSTERITY

- **Draft 2020 budget law suggests further fiscal consolidation**
- **Most banks already prepared for sovereign rating downgrade - IIF**
- **Exports surged by 18.9% yoy to $2.1bn by July 2019**

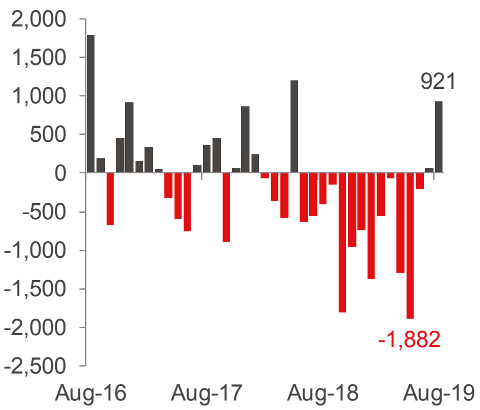
Lebanon is gearing up for a return to international debt markets after the Ministry of Finance (MoF) announced plans to issue new Eurobonds in coming weeks, according to various media reports. The government has not tapped markets since March 2017 when it raised $3bn in an issue that was six times oversubscribed; instead, it has since turned to debt exchanges with the central bank to secure its foreign currency needs. Funds would likely be used to partially offset bridge loans provided by the Banque du Liban (BdL) in the first half of the year and help settle a $1.5bn Eurobond maturing in November.

New bonds, however, face challenges from the downgrade of Lebanon's long-term sovereign foreign currency credit ratings to 'CCC' by Fitch Ratings and to 'Caa1' by Moody's Investors Service in August 2019 and January 2019 respectively. Standard & Poor's (S&P), another ratings agency, had affirmed in August Lebanon's 'B-' rating but kept its outlook negative. As a result, 10-year bond yields widened to 14.2% at the end of September from 10.7% at the start of the year despite declines in global rates over the same period.

Nonetheless, the government is looking to capitalize on recent policy achievements and improvement in monetary conditions. Parliament ratified in July an austerity budget law that aims to slash the fiscal deficit in 2019 to 7.8% of GDP from 11.1% in 2018. The draft 2020 budget law under review by the Cabinet points to continued fiscal consolidation through 2020, which would help unlock a portion of nearly $11bn in concessional loans pledged for Lebanon at the CEDRE.

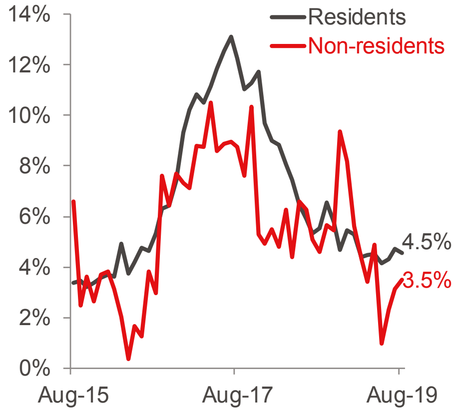
Budget measures and a strong summer tourism season brought some relief to financial markets. BdL grew its non-gold foreign assets by $2.1bn to $39.5bn in the third quarter, its biggest increase in two years, swinging the balance of payments to a combined surplus of $994m in July and August, the latest months for which data are available.

Balance of payments ($m)



Source: BdL, Economena, SGBL Research

Private sector deposits in FC (%yoy)



Source: BdL, Economena, SGBL Research

The recent credit downgrades could still strain banks' capital adequacy levels, but most banks have already taken safety measures, stated the Institute of International Finance (IIF) in a September report. Regulatory Tier 1 capital to risk-weighted assets grew to a decade-high of 15.5% at the end of 2018, according to the International Monetary Fund's Financial Soundness Indicators, aided by conservative lending practices and a greater allocation of liquidity to lower-risk assets at BdL.

Deposits of residents in foreign currencies grew by 4.5% yoy through August 2019.

Private sector deposits in foreign currencies have also accelerated in recent months, driven by conversions from local currency and more attractive rates on US dollar deposit accounts. In particular, deposits of residents in foreign currencies grew by 4.5% yoy through August 2019, similar to their pace since the formation of a new cabinet in February 2019. Non-residents' deposits also picked up steam, rising by 3.5% yoy in August from a three-year low of 1% yoy in May 2019.

Banking activity could strengthen further in 2020 as economic growth rebounds. Deposits should get some uplift in the coming months from ongoing fiscal adjustment, attractive spreads between dollar deposits and U.S. interest rates, and on local currency deposits over local dollar deposits, according to the IIF. Claims on the resident private sector are projected to increase by 2% in 2020 and by 4% in the following two years, according to S&P.

In the near term, credit and investment activity would benefit from BdL's decision in September to expand its stimulus package for housing loans and to offer industrial companies additional financial incentives as it looks to stimulate exports and respond to the buildup in housing loan demand.

BdL expanded the size of local currency housing loans benefiting from incentives in 2019 to $308.5m from $199m allocated to the program at the start of the year. It also raised the working capital loan limit for industrialists against their exports to $5m from $3m. New loans will now qualify for an interest subsidy of up to 6.66%, up from 2.6% previously, in an attempt by the central bank to stimulate investment in the industrial sector and promote export growth.

EXPORTS MAKING COMEBACK, CONSTRUCTION STILL SLOW

Exports are making a gradual comeback as shipping logistics improve and demand from key regional markets strengthens. Merchandise exports grew by 18.9% yoy to $2.1bn in the first seven months, buoyed by the revival of trade in gold, pearls, and precious stones. Other industries, such as pharmaceuticals, are also growing their foreign market footprint. Pharmaceutical exports surged by 18% yoy to $33.5m in the first seven months of 2019, a decade high, helping narrow the country's trade deficit in the drug market by 4.2% yoy to $735.2m through July, Customs data showed.

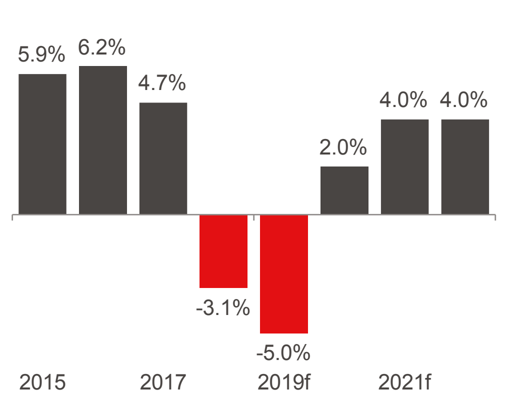
The reopening in October 2018 of the Nasib/Jaber border crossing between Syria and Jordan followed in September 2019 by the Qaim/Boukamal border crossing with Iraq could help revive somewhat Lebanese export activity to Iraq and the Gulf Cooperation Council. However, the impact is likely tempered by high transit costs and elevated security risks.

Real estate sales registrations surged by 54.9% yoy to $913m in August 2019, ending a 10-month streak of negative growth.

Meanwhile, real estate sales registrations rebounded across most districts in August after Parliament approved in July a 2019 budget that extended bold tax incentives in the property market. The value of sales registrations surged by 54.9% yoy to $913m during the month, ending a 10-month streak of negative growth, according to data by the General Directorate of Land Registry and Cadastre, the real estate unit of MoF.

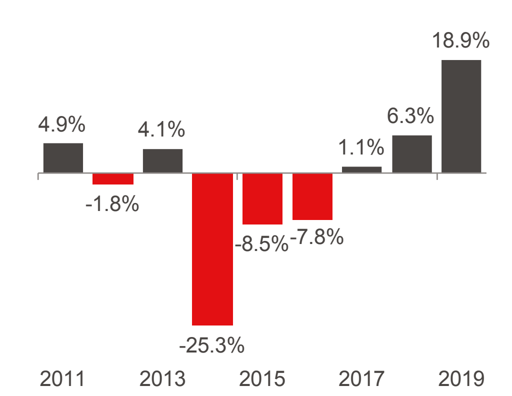
Prospects for real estate and construction, however, have yet to turn the corner as rising borrowing rates and a credit crunch continue to weigh on investment demand. Total property sales fell by 23.5% yoy to $3.9bn in the first eight months of 2019 and cement deliveries, a proxy for ongoing construction activity, fell by 32.4% yoy to a 14-year low of 1.6m tons in the first half.

Claims on resident private sector (% change)



Source: S&P, Economena, SGBL Research

Exports (Jan-Jul, %yoy)



Source: Customs, Economena, SGBL Research

PROPERTY SALES SURGE IN BUDGET'S AFTERMATH

- **Sales transactions grew by 54.9% yoy to $913m in August**
- **Budget law slashed registration fees by up to 65% for legacy contracts**
- **Settlement of construction violations projected to bring in $33.2m in 2019**

Real estate sales registrations rebounded across most districts in August after Parliament approved in July a 2019 budget that extended bold tax incentives in the property market. The value of sales registrations surged by 54.9% yoy to $913m during the month, ending a 10-month streak of negative growth, according to data by the General Directorate of Land Registry and Cadastre (GDLRC), the real estate unit of the Ministry of Finance (MoF).

The budget law slashed registration fees for properties sold under notarized contracts prior to August 2019 but not registered at MoF. It also mandated the sharing by notaries of all future sales contracts executed at their offices in a bid to clamp down on the evasion of registration fees. Under the new law, the portion of the contract for residential units under LBP375m ($248,756) is taxed at a discounted rate of 2%, compared with 5.8% previously, while the rest of the amount is taxed at a rate of 3%. Non-residential properties are subject to the 3% tax rate.

The measures aim to bring in $520.1m in revenues from property registrations in 2019 after the latter slumped by 22.8% to $493.4m in 2018 on shrinking real estate demand. Still, total property taxes, which include registrations, inheritance, and built-up fees are projected to come in at $757.9m in 2019, virtually unchanged from $755.4m in 2018.

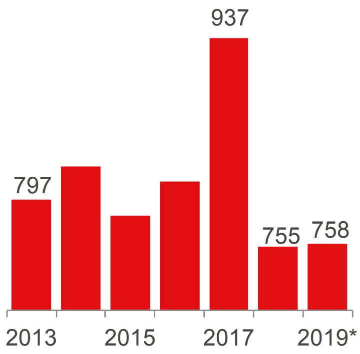
The reduction in registration fees follows a similar move to resolve long-standing violations in the real estate sector. The government approved in June 2019 sweeping measures for the settlement of construction violations dating back to 1971 with the aim of generating an additional $33.2m in fees during the year.

Revenues generated from the settlement of violations would be provisionally allocated to the Public Corporation for Housing's subsidized housing loan program targeting low-income households. The 2019 budget law also authorized up to $66.3m in support for PCH subsidies, but a third of those funds were later moved by Parliament to social works programs.

The country's real estate and construction activity had stalled after the central bank scaled back its stimulus package for housing in early 2018 in order to preserve its foreign currency reserves and safeguard the peg to the US dollar. Political uncertainty and runaway government spending have also been gradually eroding local and foreign investor confidence, leading to a spike in risk premia and funding costs.

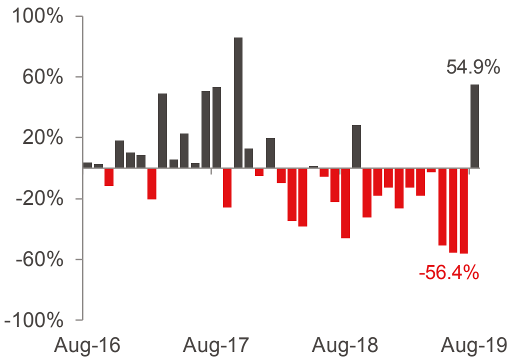
Total property sales fell by 23.5% yoy to $3.9bn in the first eight months of 2019, with the number of sales deals to foreigners shedding 12.9% yoy to 646 transactions, GDLRC data showed. Muted activity and rising borrowing rates prompted developers to cancel or delay projects; cement deliveries, a proxy for ongoing construction activity, fell by 32.4% yoy to a 14-year low of 1.6m tons in the first half of 2019.

Property taxes ($m)



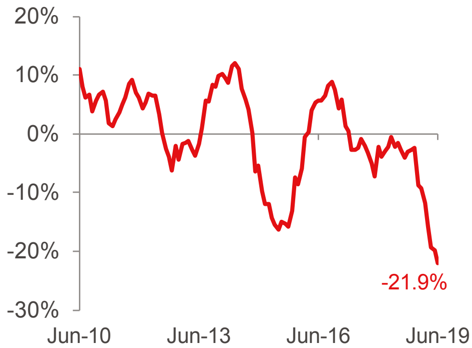
*Note: *Budget projection.*
Source: MoF, Economena, SGBL Research

Real estate sales registrations (%yoy)



Source: MoF, Economena, SGBL Research

Cement deliveries (12-months, %yoy)



Source: BdL, Economena, SGBL Research

BDL EXPANDS STIMULUS FOR HOUSING, INDUSTRY

- **Subsidized housing loans package for 2019 increased to $308.5m from $199m**
- **Cap raised to $5m for subsidized industrial working capital loans against exports**
- **Borrowing rates continue to pose a challenge for industrial investment**

Lebanon's central bank expanded in September its stimulus package for housing loans and offered industrial companies additional financial incentives as it looks to stimulate exports and respond to the buildup in housing loan demand. Lebanese political leaders had declared in early September a state of economic emergency, promising credible steps to kick start vital infrastructure projects, approve an austerity 2020 budget, and accelerate public sector reform, especially in the power sector.

In particular, Banque du Liban (BdL) raised the size of local currency housing loans benefiting from incentives in 2019 to $308.5m up from $199m allocated to the program at the start of the year. Under the housing stimulus mechanism, banks are required to sell foreign currencies to BdL to take advantage of interest subsidies, but loans would be exempt from the regulatory ceiling of 25% on local currency loans-to-deposits ratio.

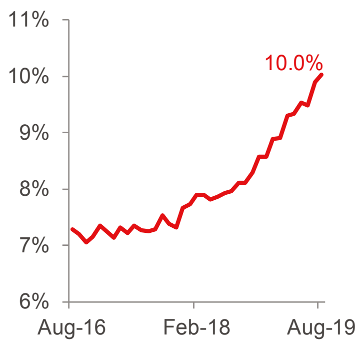
Growth in housing loans had slowed under the weight of rising borrowing rates and stagnating economic activity, triggering a downturn in credit to property developers. Credit utilized for housing shrank for the fourth quarter in a row by 3% yoy to $12.8bn by March 2019, alongside a decrease of 5.5% yoy to $10.7bn in construction loans, BdL data showed. Housing loans extended under the protocol with the Public Corporation for Housing (PCH) and benefiting from deductions in banks' reserve requirements are down by $367.4m from their peak of $2.4bn in 2017 to $2bn in March 2019.

In addition to expanding its housing loan stimulus program, the central bank raised the limit for industrialists on their working capital loans against exports. Loans of up to $5m instead of $3m will now qualify for an interest subsidy of up to 6.66%, up from 2.6% previously, in an attempt to stimulate investment in the industrial sector and promote export growth. Credit flows to industry are already on the mend, rising from 9.7% of total private sector credit in May 2017 to 10.7% by June 2019.

Political stability along with fiscal and structural reforms and access to CEDRE loans would gradually improve net exports and investment, stated the Institute of International Finance which sees real GDP growing by 2.5% in 2020. An expected pickup in economic activity at regional economic heavyweight Saudi Arabia should also bode well for Lebanese exporters; growth had slowed to 1.9% in 2019 from 2.2% in 2018 but is projected by the International Monetary Fund to bounce back to 3% in 2020.

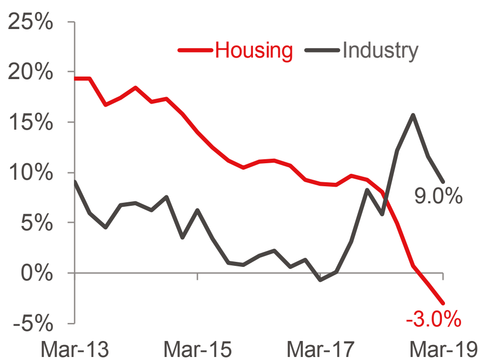
Interest rates, however, will continue to pose a challenge to industrial investment. Borrowing rates in US dollar increased by 146 basis points since the start of 2019 to reach 10% by August 2019, their highest level since 2002, according to BdL.

Average interest rate on USD discount and loans



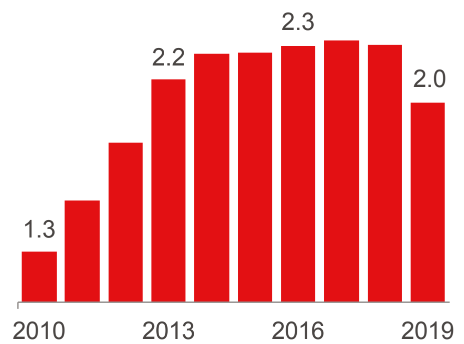
Source: BdL, Economena, SGBL Research

Utilized credit (%yoy)



Source: BdL, Economena, SGBL Research

Housing loans under PCH protocol (Mar, $bn)



Note: Benefiting from deductions in reserve requirements.
Source: BdL, Economena, SGBL Research

EXPORTS BOOMING IN THE PHARMACEUTICAL INDUSTRY

- **Pharmaceutical exports surged by 18% yoy to $33.5m by July 2019**
- **Drug prices fell by 14.5% in the five-year period through August 2019**
- **Pricing reforms would stimulate sales of generic medicine - McKinsey**

Lebanon's pharmaceuticals industry is booming on the back of greater exports from rising demand in populous regional markets. Exports surged by 18% yoy to $33.5m in the first seven months of 2019, a decade high for the period, helping narrow the country's trade deficit in the drug market by 4.2% yoy to $735.2m through July, Customs data showed.

The industry is capitalizing on rapid population growth in large Arab countries particularly Iraq and Saudi Arabia alongside a rise in the incidence of non-communicable diseases. Pharmaceutical exports to Saudi Arabia grew more than 13x over the past 10 years, reaching $10.8m in 2018 compared with $819,167 in 2008, Customs data showed. Still, it was the United Arab Emirates which topped the list of foreign destinations for Lebanese drug sales in the first seven months of 2019 with a market share of 25.7%. Exports of $4.8m to France by July 2019 came in third place after Saudi Arabia followed by Jordan at $3m.

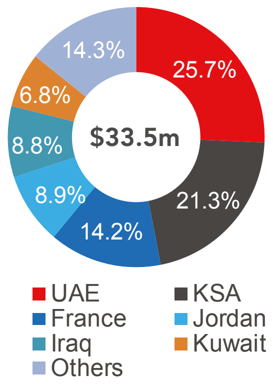
Local producers, however, have yet to make meaningful inroads in the local market where patented drugs enjoy a market share of 49% versus just 30% for generic drugs and 21% for over-the-counter drugs, according to estimates by McKinsey, a management consulting firm. As a result, Lebanon's share of pharmaceutical expenditure out of total healthcare expenditure is more than twice higher than the global average, stated McKinsey in its Lebanon Economic Vision report.

McKinsey proposed the introduction of drug pricing reforms and the development of a pharmaceutical prescription regulatory framework to increase transparency for, and sales of, generic drugs. The consulting firm also called for limits on spending by the National Social Security Fund on drugs with available substitutes.

Indeed, the country's sizeable pharmaceutical bill is adding to strained public finances; the budget law for 2019 authorized up to $111.5m in spending on medicine by the Ministry of Public Health (MoPH), up by 6.3% from a budget of $104.8m in 2018. The draft budget for 2020 projects further growth of 6% to $178m in spending on pharmaceutical products by MoPH. The ministry provides drugs free of charge for uninsured patients diagnosed with several types of chronic disease, including cancer.

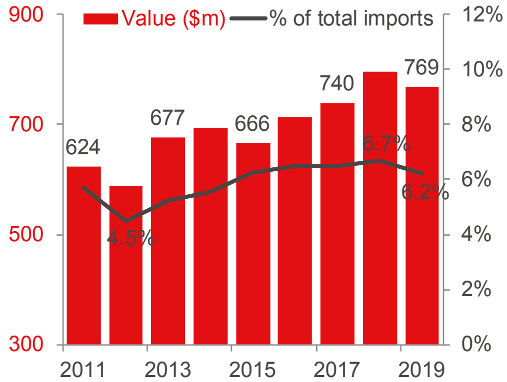
Still, Lebanon's pharmaceutical import bill found some respite in recent months in a stronger US dollar, to which the local currency is fixed. Imports fell by 3.4% yoy to $768.7m in the first seven months, but the drop in the volume was more pronounced at 11.5% yoy to 5,869 tons, suggesting growing demand for higher-priced drug products. Increased regulation also led to a decrease of 14.5% in consumer prices of pharmaceutical products over the five-year period through August 2019, data by the Central Administration of Statistics showed.

Pharmaceutical exports (Jan-Jul 2019, $m)



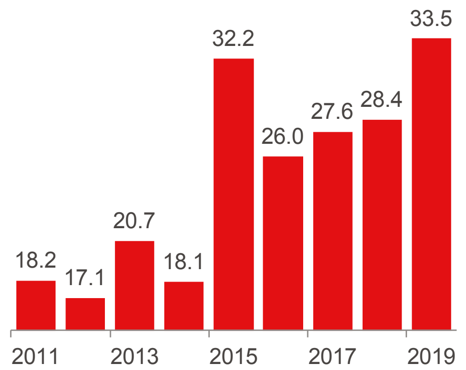
Source: Customs, Economena, SGBL Research

Pharmaceutical imports (Jan-Jul)



Source: Customs, Economena, SGBL Research

Pharmaceutical exports (Jan-Jul, $m)



Source: Customs, Economena, SGBL Research

CAPITAL ADEQUACY AT ALPHA BANKS CUSHIONED BY PROFITS, CAUTIOUS LENDING

- **Profits came in at over $1bn in the first half despite challenging environment**
- **Tight monetary conditions drove up liquidity in local and foreign currencies**
- **Ratings downgrades could strain banks' capital adequacy, but most already prepared - IIF**

Profits at Alpha banks, Lebanon's 16 lenders with over $2bn in deposits, slid for the second year in a row in the first half of 2019 under the weight of higher taxes, tightening spreads, and scarce lending opportunities. Net profits decreased by 6.6% yoy to $1bn, according to Bankdata Financial Services, even as foreign operations brought in 2.9% more in earnings over the period amid signs of turnaround in key foreign markets.

The majority of Alpha banks reported positive growth in their aggregate deposits alongside shrinking loan portfolios. Customer deposits grew by 1% yoy to $186.9bn by June 2019 while loans and advances contracted by 7.3% yoy to $60bn. Instead, assets under management and fiduciary accounts at Alpha banks surged by 9.3% yoy to $30.3bn, an increase of $2.6bn over the 12 months through June.

Tighter credit prompted a sharp improvement in liquidity as Alpha banks beef up their placements at the central bank. Net primary liquidity in local currency hit 100% of local currency deposits by June 2019, and foreign currency liquidity hit 45.8% compared with 74.5% and 41.8% respectively in June 2018.

Banking activity should see some recovery starting in 2020 as economic growth rebounds. Claims on the resident private sector are projected to increase by 2% in 2020 and by 4% in the following two years, according to Standard & Poor's (S&P).

Meanwhile, deposits should get some uplift in the coming months from ongoing fiscal adjustment, attractive spreads between dollar deposits and U.S. interest rates, and on local currency deposits over local dollar deposits, stated the Institute of International Finance (IIF).

Alpha Group, 1H 2019

	Assets ($bn)	Net profit ($m)
Bank Audi	47.51	250.36
BLOM Bank	38.53	238.71
SGBL	26.46	77.78
Byblos Bank	25.65	59.89
Fransabank	22.58	47.86
BankMed	18.85	21.68
Bank of Beirut	17.45	65.89
BLF	14.81	56.07
Credit Libanais	12.94	27.03
IBL Bank	8.64	61.55
BBAC	8.03	22.52
LGB Bank	6.41	22.85
First National Bank	5.26	10.14
Creditbank	4.61	20.67
Saradar Bank	3.31	4.59
Lebanese Swiss Bank	2.91	15.64
Alpha Group	**263.95**	**1,003.23**

Source: Bankdata Financial Services, Economena, SGBL Research

CAPITAL ADEQUACY SUFFICIENT DESPITE DOWNGRADES

Resilient profitability should help shield banks' capital adequacy ratios following the downgrade of Lebanon's long-term sovereign foreign currency credit ratings to 'CCC' by Fitch Ratings and to 'Caa1' by Moody's Investors Service in August 2019 and January 2019 respectively. S&P had affirmed in August Lebanon's 'B-' rating but maintained its negative outlook.

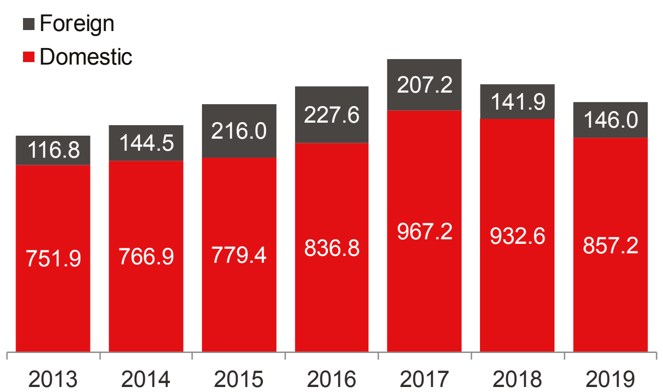
The recent credit downgrades could strain banks' capital adequacy levels, but most banks have already taken safety measures, the IIF pointed out in a September report. Regulatory Tier 1 capital to risk-weighted assets grew to a decade-high of 15.5% at the end of 2018, according to the International Monetary Fund's Financial Soundness Indicators, driven by conservative lending practices and a greater allocation of liquidity to lower-risk assets at Banque du Liban (BdL).

Following the second downgrade, BdL had raised its regulatory risk weights for sovereign Eurobonds to 150% from 100%, adding to capital requirements for banks holding the securities. Risk weights for BdL-issued foreign currency certificates of deposit (CDs) remained unchanged at 50% as did local currency bonds and CDs which have no risk weight.

Commercial banks were already scaling back their allocations to sovereign debt and have also recently moved away from BdL CDs in favor of placing more of their liquidity with the central bank in the form of deposits. Banks held an estimated $15.4bn in public debt denominated in foreign currencies at the end of the second quarter, almost entirely in the form of Eurobonds, representing slightly more than half of the $29.8bn in outstanding market-issued Eurobonds.

Sovereign Eurobonds held by the 16 Alpha banks slid by 3.5% yoy to $14.6bn in the first half of the year and local currency bill holdings fell by 1.9% to $14.5bn. The aggregate securities portfolio of the 16 banks also includes $13.5bn in US dollar CDs and $13.4bn in local currency CDs.

Aggregate net profits at Alpha Group banks (H1, $m)



Source: Bankdata Financial Services, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	4.08	5.07	4.84	-11.0	37.41	44.11
Real estate transactions	$bn	8.13	0.29	0.30	0.91	54.9	3.94	5.15
Construction permits	Sqm, m	9.02	0.42	n.a.	n.a.	-32.1	3.48	5.02
Cement deliveries	Tons, m	4.70	0.28	n.a.	n.a.	-27.3	1.56	2.31
Tourist arrivals	m	1.96	0.23	0.28	0.24	5.4	1.44	1.34
Airport traffic	m	8.84	0.84	1.03	1.22	4.8	6.22	6.00
Balance of payments	$bn	-4.82	-0.20	0.07	n.a.	-	-5.32	-0.76
Money supply: M3	$bn	141.29	139.93	140.34	n.a.	-0.4	-0.95	2.24
BSE volumes	m	90.01	1.69	1.97	1.09	-29.8	190.55	62.23
Passenger car sales		33,012	2,616	2,948	n.a.	-19.6	16,124	20,873
Hotel occupancy (average)	%	65.05	76.7	75.4	n.a.	2.4	70.26	61.03

Indices	Unit	2018	Jun-19	Jul-19	Aug-19	%Y/Y	%YTD
CMA Market Value Weighted Index		113.25	63.91	61.07	54.11	-26.4	-23.6
Consumer Price Index		106.65	109.00	108.50	108.51	1.2	0.5
Purchasing Managers' Index		46.28	46.30	47.70	47.80	4.8	3.5
BdL Coincident Indicator		307.72	293.10	n.a.	n.a.	-1.6	-2.5

Trade	Unit	2018	May-19	Jun-19	Jul-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	2.46	1.38	2.20	-5.3	12.33	11.90
Exports	$bn	2.95	0.32	0.28	0.36	67.3	2.09	1.76
Trade balance	$bn	-17.03	-2.14	-1.09	-1.83	-12.8	-10.25	-10.14
Port of Beirut volumes	TEUs, m	1.31	0.10	0.12	0.12	1.3	0.74	0.76

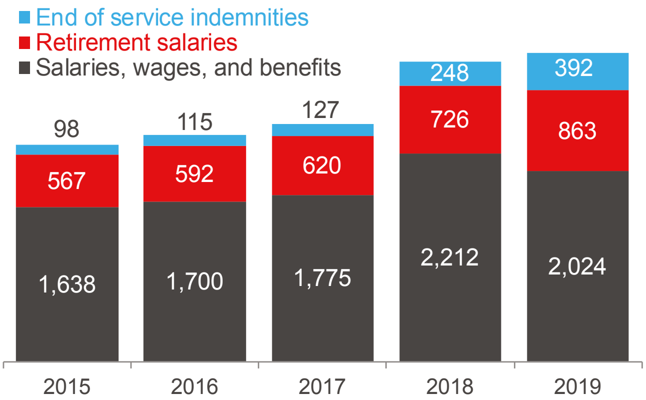
Financial and monetary	Unit	2018	May-19	Jun-19	Jul-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	253.63	255.98	259.18	9.7	9.70	3.9
Claims on the resident private sector	$bn	51.80	49.26	48.96	48.40	-7.2	-3.40	-6.6
Claims on the non-resident private sector	$bn	7.12	6.64	6.62	6.49	-0.2	-0.62	-8.8
Claims on the public sector including securities	$bn	33.60	32.64	32.43	32.02	-3.8	-1.58	-4.7
Resident private sector deposits	$bn	136.56	134.54	135.21	135.48	-0.7	-1.08	-0.8
Dollarization rate (average)	%	63.83	66.47	66.72	66.97	3.5	1.32	1.3
Non-resident private sector deposits	$bn	37.72	36.32	36.92	36.87	0.7	-0.85	-2.3
Dollarization rate (average)	%	87.63	88.81	88.96	89.22	2.1	0.66	0.7
Private sector deposits with commercial banks	$bn	174.28	170.85	172.13	172.35	-0.4	-1.93	-1.1
Private loans / deposits	%	38.48	36.61	36.21	35.73	-2.5	-2.20	-2.2
Public sector deposits	$bn	9.30	8.60	9.16	8.84	-14.1	-0.46	-4.9
BdL foreign assets	$bn	44.28	41.66	42.80	44.27	-2.6	-0.02	0.0
BSE market capitalization	$bn	9.68	8.51	8.58	8.21	-20.6	-1.46	-15.1
Gross public debt	$bn	85.14	85.38	85.73	86.00	3.7	0.87	1.0

Public finance	Unit	2018	Apr-19	May-19	Jun-19	%Y/Y	YTD	PYTD
Revenues	$bn	11.55	0.88	1.00	1.29	12.5	5.75	5.94
Value Added Tax	$bn	2.55	0.23	0.21	0.11	-17.7	1.12	1.24
Telecommunications	$bn	1.07	0.00	0.08	0.07	-	0.36	0.32
Income taxes	$bn	2.99	0.28	0.36	0.77	15.9	2.16	1.84
Customs taxes	$bn	1.34	0.11	0.12	0.10	-16.3	0.63	0.66
Expenditures	$bn	17.79	1.30	2.01	1.32	4.8	8.17	8.98
Transfers to EdL	$bn	1.76	0.21	0.10	0.11	1.3	0.72	0.74
Debt service	$bn	5.41	0.39	0.91	0.36	19.7	2.63	2.78
Primary balance	$bn	-0.64	-0.01	-0.06	0.35	74.3	0.31	-0.16
Fiscal balance	$bn	-6.25	-0.41	-1.01	-0.03	-71.6	-2.42	-3.04

YTD: year-to-date, PYTD: previous year-to-date. Source: MoF, BdL, BSE, ARA, Customs, Markit, EY, RHIA, CAS, Economena, SGBL Research

Public sector personnel costs (Jan-Jun, $m)

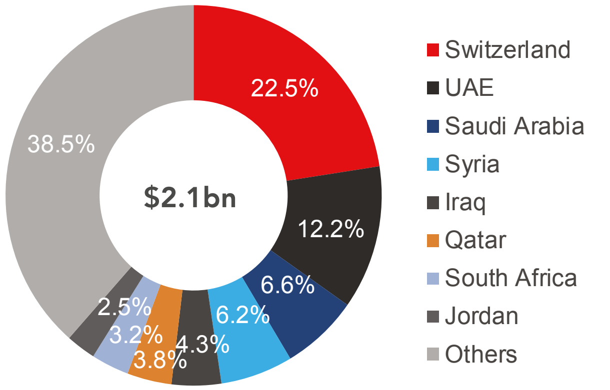
Personnel costs in the public sector grew at a moderate pace of 2.9% yoy to $3.3bn in the first half of 2019, but retirement benefits and end of service indemnities jumped by 28.8% yoy to $1.3bn, data by the Ministry of Finance showed. In July 2019, the government imposed income taxes on pension payments and introduced a 3-year freeze on retirement in a bid to scale back current spending and reduce borrowing needs.



Source: MoF, Economena, SGBL Research

Exports by destination (Jan-Jul)

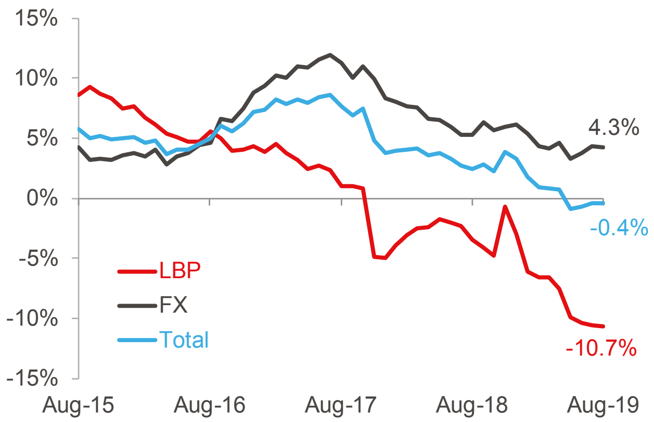
Switzerland topped the list of destinations for Lebanese exports in the first seven months of 2019 as trading in gold and precious metals gained momentum following a surge in gold prices. Exports to UAE and to Saudi Arabia followed with 12.2% and 6.6% of total exports respectively during the period, Customs data showed.



Source: Customs, Economena, SGBL Research

Private sector deposits (%yoy)

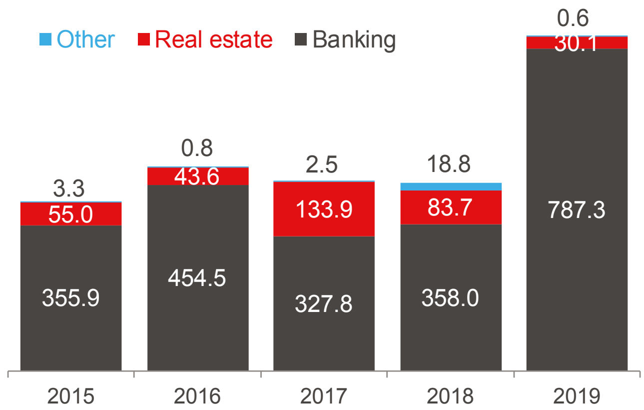
Private sector deposits in foreign currencies grew by 4.3% yoy to $124.3bn by August 2019, while deposits in Lebanese Pound shrank by 10.7% yoy to $48.3bn, central bank data showed. As a result, the dollarization rate hit 72%, up from 68.8% in August 2018, driven largely by conversions in favor of foreign currencies during the period.



Source: BdL, ABL, Economena, SGBL Research

BSE trading volumes (Jan-Aug, $m)

Trading volumes on the Beirut Stock Exchange (BSE) grew to a decade-high of $818m in the first eight months of 2019, with over 96% of activity concentrated in the banking sector, BSE data showed. Meanwhile, trading activity in Solidere shares remained muted, at $30.1m by August 2019, down from $83.7m over the same period in 2018.



Source: BSE, Economena, SGBL Research