

## ECONOMY

### Lebanon ranks 18<sup>th</sup> worldwide and 2<sup>nd</sup> in the Arab world in gold holdings

Lebanon's gold reserves reached **287** tons, accounting for **24%** of the country's total foreign reserves.

The August 2016 edition of the World Gold Council's 'World Official Gold Holdings' report ranked Lebanon in 18<sup>th</sup> position among 100 countries and in 2<sup>nd</sup> position among 15 Arab countries in the level of gold holdings, improving one spot from the 19<sup>th</sup> position globally but remaining stable on a regional basis when compared to last year's statistics. Lebanon maintained its level of gold holdings at 287 tons of gold, accounting for a 24% share of total reserves. Globally, Lebanon was surpassed by the United Kingdom (17<sup>th</sup> position) and Portugal (15<sup>th</sup>), while it ranked ahead of Spain (19<sup>th</sup>) and Austria (20<sup>th</sup>). Regionally, Lebanon came second after Saudi Arabia (16<sup>th</sup> position globally).

The data presented in the report are taken from the IMF's International Financial Statistics (IFS), August 2016 edition. The data represents holdings as of June 2016 for most countries and May 2016 or earlier for late reporters.

The value of gold holdings is calculated using the end of month LBMA (London Bullion Market Association) gold price published daily by ICE Benchmark Administration. In June 2016, the end of month gold price was USD 1,320.75.

Gold Holdings August 2016				
	Arab Ranking	World Ranking	Tons	% of reserves *
Saudi Arabia	1	16	323	2%
<b>Lebanon</b>	<b>2</b>	<b>18</b>	<b>287</b>	<b>24%</b>
Algeria	3	25	174	5%
Libya	4	31	117	6%
Iraq	5	37	90	7%
Kuwait	6	39	79	10%
Egypt	7	41	76	19%
Jordan	8	53	33	9%
Syria	9	56	26	6%
Morocco	10	59	22	4%
Qatar	11	67	12	2%
UAE	12	73	8	0.4%
Tunisia	13	77	7	4%
Bahrain	14	82	5	3%
Yemen	15	100	2	1%

\*The percentage share held in gold of the country's total foreign reserves, as calculated by the World Gold Council.

Source: World Gold Council, Bankmed Research

## ECONOMY

### Consumer Price Index decreases by a yearly 0.5% in July 2016

Inflation recorded a yearly rate of 0.5% decrease in July 2016 from July 2015 as indicated by the Central Administration of Statistics' Consumer Price Index (CPI). The sub-index transportation registered the largest year-on-year price decline of 7.3% in July 2016, followed by water, electricity, gas and other fuels with a drop of 6.4%. On the other hand, clothing and footwear registered a year-on-year increase of 10.9%, followed by old rental housing prices with an increase by 5.7%.

On a month-on-month basis, inflation recorded a 0.2% increase in July 2016 from June 2016, with food and non-alcoholic beverages recording the largest monthly increase of 1.7%.

On a geographical basis, Al-Nabatieh region witnessed the largest month-on-month increase in CPI by 0.32%, followed by the South with 0.26%, the North with 0.20%, Mount Lebanon with 0.14%, Beirut with 0.13%, and Bekaa with a 0.06% increase.

The price of the transportation index recorded a drop of **7.3%** in July **2016**, while clothing and footwear registered a year-on-year increase of **10.9%**.

On a month-on-month basis, inflation recorded a **0.2%** increase in July **2016** from June **2016**, with food and non-alcoholic beverages recording the largest monthly increase of **1.7%**.

Y-o-Y Inflation	Weights	Annual (July 2016 - July 2015)
Food and Non-Alcoholic Beverages	20.6	-3.2%
Alcoholic Beverages and Tobacco	1.6	0.7%
Clothing and Footwear	5.4	3.2%
Housing Water, Electricity, Gas and Other Fuels	28.5	-4.7%
<i>Actual Rent</i>	3.4	3.1%
<i>Old Rent</i>	36.1%	4.9%
<i>New Rent</i>	63.9%	1.9%
<i>Owner Occupied</i>	13.2	2.0%
<i>Water, Electricity, Gas</i>	11.9	-14.1%
Furnishings, Household Equipment	3.7	0.0%
Health	7.8	-0.8%
Transportation	13.1	-6.3%
Communication	4.6	0.3%
Recreation and Culture	2.3	0.9%
Education	5.9	1.5%
Restaurants and Hotels	2.6	2.6%
Miscellaneous Goods & Services	4.0	1.4%
<b>CPI</b>	<b>100</b>	<b>-0.5%</b>

Source: Central Administration of Statistics, Bankmed Research

## ECONOMY

### Transfers to EDL reach USD 91 million in the first two months of 2016 accounting for 4.5% of primary expenditures

Transfers to EDL decreased by a yearly **56.6%** in January-February **2016**. This was mainly due to lower payments to KPC and Sonatrach for fuel oil and gas oil purchases.

The Treasury transfers to Electricité du Liban (EDL) reached USD 91 million in the first two months of 2016 compared to USD 208 million in the same period of 2015, hence, constituting a 56.6% yearly decrease. Of the transfers to EDL, USD 5 million was allotted to cover debt service and USD 86 million to cover reimbursement of the oil suppliers: Kuwait Petroleum Corporation (KPC) and Algeria's Sonatrach. The payments to the two oil suppliers dropped by 57.4% from USD 202 million in January-February 2015.

According to the Ministry of Finance, out of a total oil bill of USD 95 million, EDL contributed merely 9.8% (or USD 8.5 million) to the repayment of KPC and Sonatrach. In comparison to the previous year, EDL's contribution was at 2.1% in January-February 2015 out of a higher total bill of USD 206 million.

Furthermore, transfers to EDL represent a large share out of the expenditures basket serving as an example of how structural problems within the country's public finances remain flagrant. The transfers in the first two months of 2016 amounted to 4.5% of primary expenditures (expenses excluding interest payment and debt service) which totaled USD 1,991 million. This share of transfers out of primary expenditures is lower than that in the first two months of 2015 with a share of 14.6%.

Treasury Transfers to EDL			
(USD million)	Jan-Feb 2015	Jan-Feb 2016	% change
EDL, of which:	208	91	-56.6%
Debt Service (C-Loans and Eurobonds):	7	5	-30.6%
-Principal Repayments	6	4	-31.2%
-Interest Payments	1	1	-27.2%
Reimbursement for purchase of gas and fuel	202	86	-57.4%
• KPC & Sonatrach	202	86	-57.4%

Source: Ministry of Finance, Bankmed Research

Treasury Transfers to EDL as a % of Primary Expenditures			
Jan-Feb 2013	Jan-Feb 2014	Jan-Feb 2015	Jan-Feb 2016
19.4%	16.2%	14.6%	4.5%

Source: Ministry of Finance, Bankmed Research

## ECONOMY

### Construction permits and cement deliveries increase in the first half of 2016

Construction permits reached **6,409** thousand square meters in January-June **2016** up by a yearly **7.5%**, while cement deliveries increased by **9.1%** year-on-year to reach **2,481** thousand tons.

The statistics on the levels of cement deliveries and construction permits are an indication of how the supply activity adjusts to demand trends in the real estate sector. Construction permits, the main indicator of oncoming real estate supply, reached 6,409 thousand square meters (sqm) in January-June 2016, increasing by a yearly 7.5% from 5,960 thousand sqm in the same months last year.

As for cement deliveries, the coincident indicator of building activity, it reached 2,481 thousand tons in January-June 2016, going up by 9.1% year-on-year from 2,273 thousand tons in the same period last year.

	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2016
Cement Deliveries (000 tons)	2,587	2,661	2,587	2,656	2,795	2,273	2,481
Construction Permits (000 sqm)	8,416	8,852	7,593	6,336	7,348	5,960	6,409

Source: BDL, Bankmed Research

## BANKING & FINANCE

### Lebanon joins IOSCO as an associate member

IOSCO is the world's leading body of securities regulators. With more than **200** members, IOSCO is tasked with setting international standards in order to ensure efficient financial markets as well as promote investor protection.

Lebanon, represented by its Capital Market Authority (CMA), has joined the International Organization of Securities Commissions (IOSCO), the world's leading body of securities regulators. As an associate member, the CMA is committed to comply with international regulatory standards on financial markets and contribute to standard setting activity of IOSCO. It is worth mentioning that an associate member of IOSCO is a member of the presidents' committee, but is not entitled to vote and is not eligible for the executive committee.

Formed in 1983, IOSCO is a global organization of financial market regulators. With more than 200 members, IOSCO is tasked with setting international standards for ensuring efficient and transparent financial markets as well as promote investor protection.

In parallel, Lebanon's CMA is an independent regulatory body established in 2011. Its main objectives are to promote and develop the Lebanese capital markets, protect investors from fraudulent activities, by issuing regulations that are in line with international financial market practices, as well as ensure proper control and audit of all institutions that deal with financial instruments.

## BANKING & FINANCE

### Deposits denominated in foreign currencies progress by USD 239 million during the week of August 5 - 11, 2016

On the monetary front, the overall money supply "M4" increased by USD 286 million during the week of August 5 - 11, 2016 to reach USD 134.2 billion, while the non-banking sector treasury bills portfolio increased by USD 28 million during the same week.

Lebanese Pound denominated deposits and currency in circulation "M1" decreased by 2.2% (or USD 136 million) during the aforementioned week to USD 5.9 billion.

In parallel, local currency term deposits "M2" increased by USD 19 million during the same week to stand at USD 53.3 billion. The private sector term and saving deposits denominated in LBP (M2 - M1) increased by USD 155 million during the mentioned week to USD 47.4 billion. As for deposits denominated in foreign currencies (M3-M2), they progressed by USD 239 million during the same week to reach USD 73.4 billion.

Local currency term deposits increased by **USD 155 million** during the **31<sup>st</sup>** week of the year reaching **USD 47.4 billion**.

Money Supply Week of August 5 - 11, 2016			
(billion USD)	4-Aug-16	11-Aug-16	Absolute change over week
<b>M1</b>	6.069	5.934	-0.136
<b>M2</b>	53.320	53.339	0.019
<b>M3</b>	126.529	126.788	0.258
<b>M4</b>	133.887	134.173	0.286
<b>M2-M1</b>	47.251	47.406	0.155
<b>M3-M2</b>	73.210	73.449	0.239

M1 = Currency in Circulation + Demand Deposits in LBP  
M2 = M1 + Other Deposits in LBP  
M3 = M2 + Deposits in FX  
M4 = M3 + TBs held by non-banking system including accrued interests

Source: BDL, Bankmed Research

**BUSINESS**

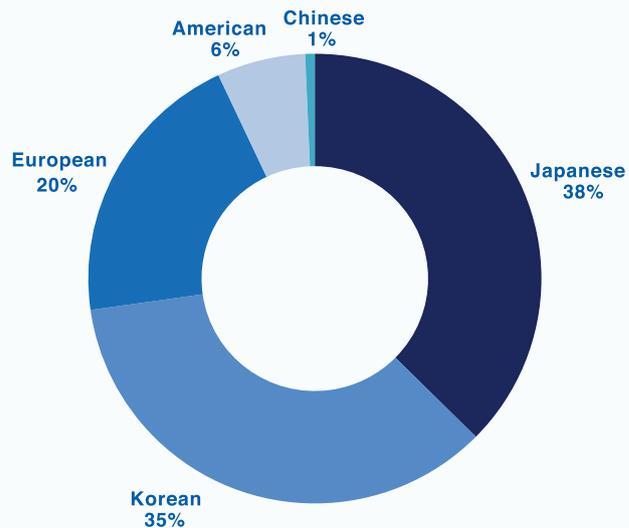
**New car sales slightly decrease in the first seven months of 2016 when compared to the same period in 2015**

Japanese cars topped passenger car sales with **37%** of the total, followed by Korean cars (**36%**) and European cars (**20%**).

Association of Car Importers in Lebanon, the total number of new passenger cars sold in the country reached 22,144 in January-July 2016, going down by a yearly 0.6% from 22,288 cars in the same period last year.

With regard to new car sales by country of origin, Japanese cars topped passenger car sales with 37% of the total, followed by Korean cars (36%), European cars (20%), American cars (6%), and Chinese cars (1%).

**New Car Sales by Country of Origin  
(Jan - July 2016)**



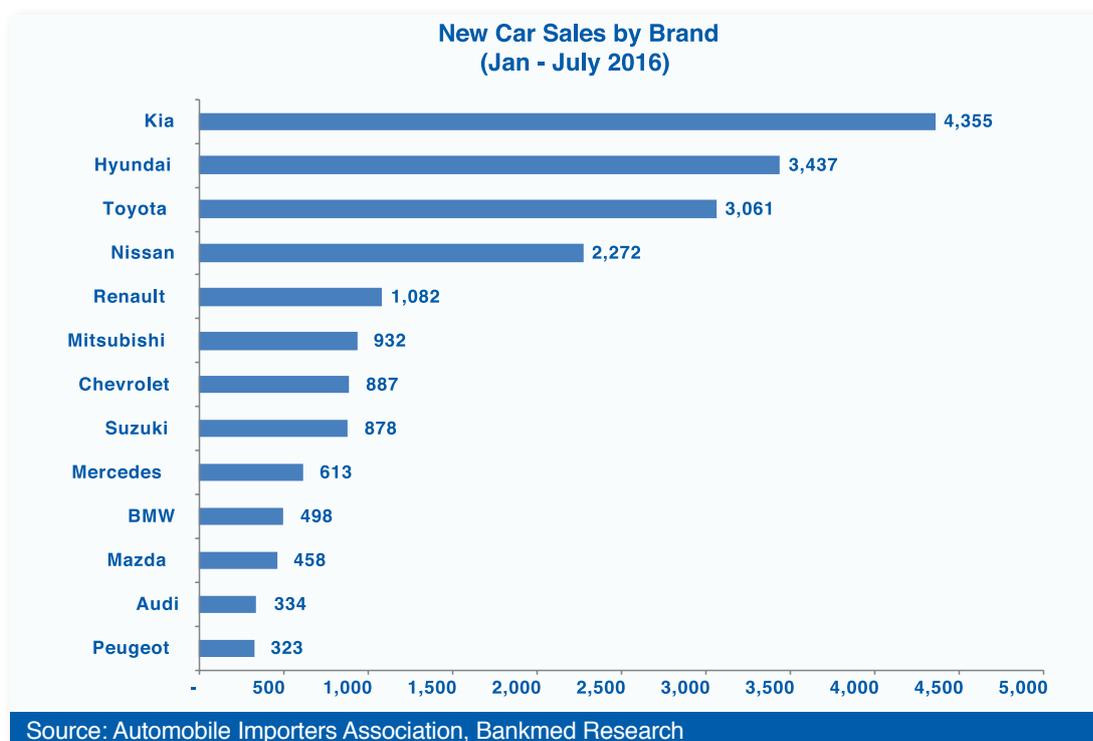
Source: Automobile Importers Association, Bankmed Research

## BUSINESS

Japanese car brand – Mitsubishi – witnessed a remarkable increase in its sales by a yearly **43%** in January-July **2016** reaching **932** sold cars up from **654** sold cars in the same period last year.

A closer look on new car sales by Brand, Kia and Hyundai – the Korean car brands – remain the top sold cars in the first seven months of 2016 with a total of 4,355 and 3,437 sold cars, respectively. It is followed by Toyota (3,061) and Nissan (2,272) – the Japanese car brands.

Moreover, the Japanese car brand – Mitsubishi – witnessed a remarkable increase in its sales by a yearly 43% in January-July 2016 reaching 932 sold cars up from 654 sold cars in the same period last year. Similarly, Chevrolet – the American car brand –also witnessed a significant yearly rise in its sales over the same aforementioned period to reach 887 sold cars up from 649 sold cars in the same period last year, thereby increasing by a yearly 37%.



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