SGBL EcoNews

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BUDGET UNCERTAINTY TAKES TOLL ON CONFIDENCE

- **Depreciation risks eased in the Middle East in the past 6 months – Oxford Economics**
- **Dovish Fed, cheaper oil bring stability to deposit rates, lower inflation**
- **Domestic investors, development institutions hold almost 90% of public debt**

Greater volatility in financial markets and uncertainty over the size and scope of austerity measures in the forthcoming 2019 budget law weighed on investor confidence in recent months. Nevertheless, tourism, banking, and bond markets showed fresh signs of stability, buoyed in part by expectations of monetary easing in the US and Europe.

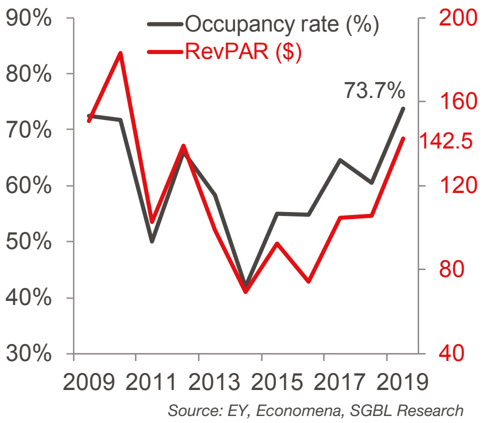
Four and five-star hotels in Beirut reported a 13.1% yoy jump in occupancy rates to 73.7% in the first four months of 2019, their highest level for the period in at least 10 years, survey data by Ernst & Young showed. Similarly, Revenue per Available Room (RevPAR) surged by 35.1% yoy to an average of $142.5 during the period.

External and fiscal vulnerabilities pose risks to Lebanon's foreign exchange, but the country is taking steps, albeit slowly, to address the weaknesses, stated Oxford Economics (OE), a London-based economic forecasting company in a June 25 report. Those steps should aid depositor, donor, and investor confidence and reduce pressure in the short term, with benign global conditions expected to uphold appetite for higher-risk assets, according to the forecasting company.

Depreciation risks have generally eased across the region in the first half of 2019, with only Iran seeing a major deterioration, stated OE. In Lebanon, the company noted that the increase in deposit rates in the first quarter, which have since declined, succeeded in stabilizing non-resident inflows to Lebanon, but argued that the high cost of borrowing makes the central bank's large foreign exchange reserves the key line of defense against pressures on the currency peg.

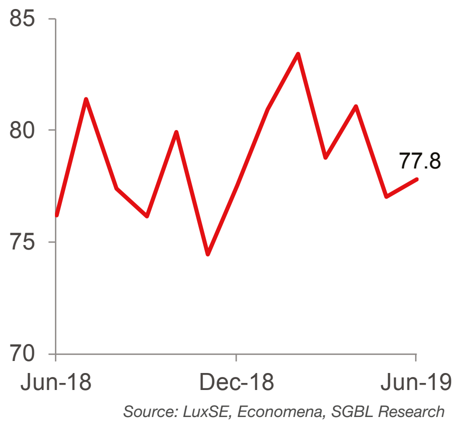
Deposit rates and inflation in Lebanon steadied by April and May 2019 respectively as souring global growth prospects weighed on oil prices and the US Federal Reserve looked

Beirut 4- and 5-star hotels (Jan-Apr, average)



Source: EY, Economena, SGBL Research

Eurobond 6.65% 03/11/2028 ($, close)



Source: LuxSE, Economena, SGBL Research poised to ease monetary policy considerably over the next several months. Consumer price inflation slowed to an average of 3.6% yoy in the first five months, a three-year low for the period, according to data by the Central Administration of Statistics.

The average rate on US dollar deposits held steady at 5.68% by April 2019 while local currency deposit rates retreated by 56 bps to 8.6% from a high of 9.16% in February, Banque du Liban data showed. Rates should have even more room to decrease in the remainder of the year supported by dovish central banks in the US and Europe. Investors see a 92.7% chance that the Federal Open Market Committee would cut its policy rate by 50 bps or more from its current range of 2.25% to 2.5% by its December 2019 meeting, futures data by the CME Group as of June 27 showed.

While increasingly volatile, Lebanese Eurobonds still clinched some gains in the first half of 2019.

While increasingly volatile, Lebanese sovereign Eurobonds still clinched some gains in the first half of 2019. The price return on the Eurobond maturing in November 2028 reached 1% in June, 0.4% in the first six months of the year, and 2.1% since June 2018, according to data from LuxSE.

Moody's Investors Service (MIS), a US-based credit rating agency, had cautioned in June that fiscal consolidation measures in the draft 2019 budget would be insufficient to considerably alter the country's debt trajectory. While it affirmed the country's Caa1 foreign currency rating, MIS pointed to increased risk that the government's response will include a debt rescheduling or another liability management exercise that may constitute a default under its definition.

The rating agency cited elevated interest payments relative to regional and global peers. While debt service reached $5.4bn in 2018, an estimated 9.6% of GDP, foreign debt service was significantly lower, at $2.2bn, or 4% of GDP. Furthermore, an estimated 90% of the country's $86.2bn in public debt is held by domestic investors and international development institutions, based on data by the central bank and the Ministry of Finance (MoF).

MIS kept its outlook for the country stable, reflecting what it described as the possibility that a default is avoided through fiscal reforms that would unlock CEDRE funds, boost macro stability, and decrease the debt-to-GDP ratio. It also pointed to a historically resilient depositor base supported by remittances and cross-border transfers from the Lebanese Diaspora.

AUSTERITY MEASURES ALREADY UNDERWAY

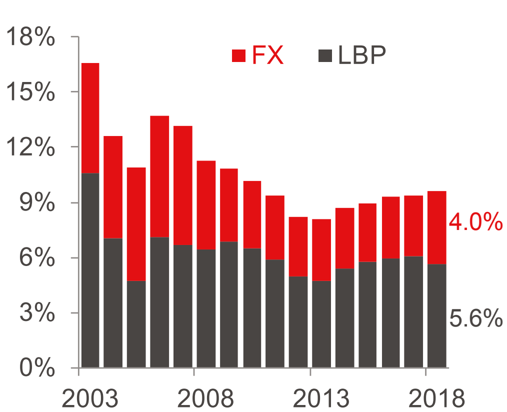
Net public debt grew by $1.7bn through April 2019, suggesting a shrinking in the fiscal deficit.

In the meantime, as the Cabinet awaits ratification of the 2019 budget in Parliament, changes in net debt suggest that belt-tightening measures have already gone underway. The government scaled back its hiring and is delaying long-overdue payments to contractors, hospitals, and non-governmental organizations to reduce its borrowing needs in the first few months of the year. Lebanon's net public debt grew by $1.7bn in the first four months of 2019, down from an increase of $2.3bn over the same period in 2018, suggesting a shrinking in the fiscal deficit in the months leading up to the approval of the government's austerity budget.

Net debt, which subtracts public sector deposits from gross debt, had swelled by $6.6bn in 2018, broadly in line with a fiscal deficit of $6.2bn that missed budget projections by $1.4bn, according to MoF. Government spending had surged by 15.7% to $17.8bn in 2018, an estimated 31.6% of GDP, driven by a new public sector salary scale and by higher fuel prices.

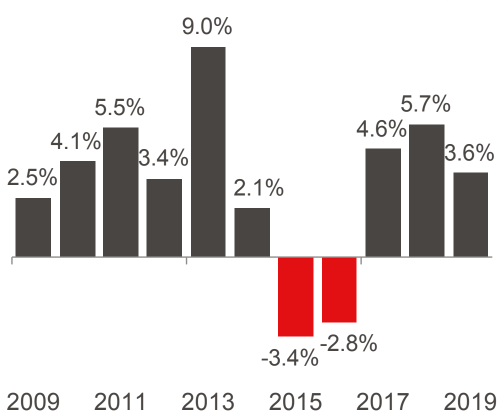
Parliament is expected to ratify a budget law for 2019 that aims to rein in the deficit through a combination of spending and revenue measures, including an increase in the tax rate on interest income from 7% to 10%. The increase is likely to further dampen profitability at Lebanese banks already grappling with a downturn in loan origination and higher cost of funding. Interest income taxes accruing to 15 Alpha Group banks, those with over $2bn in deposits, have already surged by 56.8% yoy to $171.7m in the first quarter of 2019 after growing by more than 10x to $613.9m in 2018.

Debt service (% of GDP)



Source: MoF, IMF, Economena, SGBL Research

Consumer Prices Index (Jan-May, %yoy)



Source: CAS, Economena, SGBL Research

CHANGE IN NET DEBT SUGGESTS FISCAL DEFICIT SHRANK THROUGH APRIL 2019

- **Net debt grew by $1.7bn through April 2019, down from $2.3bn by April 2018**
- **Fiscal deficit reached $6.2bn in 2018, missing budget projections by $1.4bn**
- **Payments delays and several austerity measures likely already underway**

Lebanon's net public debt grew by $1.7bn in the first four months of 2019, down from an increase of $2.3bn over the same period in 2018, suggesting a shrinking in the fiscal deficit in the months leading up to the approval of the government's austerity budget. Gross debt expanded by $699.2m through April 2019, but the government's deposits at BdL and commercial banks fell by $998.3m over the same period, Banque du Liban (BdL) data showed.

Net debt had swelled by $6.6bn in 2018, broadly in line with a fiscal deficit of $6.2bn during the year.

Change in net debt, calculated as gross public debt minus public sector deposits, has historically displayed a high correlation with the state's net cash disbursements. However, certain BdL interest payment transactions as well as changes in reporting methods at Ministry of Finance (MoF), particularly related to the telecommunications surplus, may still result in some discrepancies between fiscal performance and net debt figures. Net debt swelled by $6.6bn in 2018, broadly in line with a fiscal deficit of $6.2bn that missed budget projections by $1.4bn, according to data by MoF.

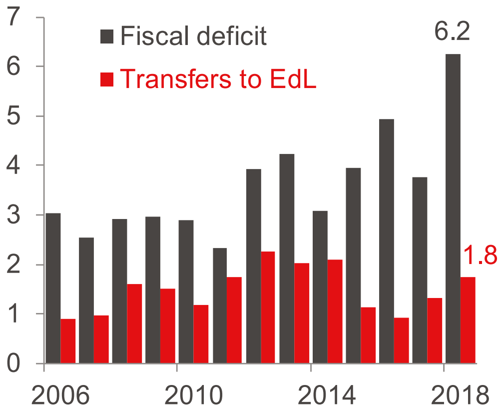
Government spending had surged by 15.7% to $17.8bn in 2018, an estimated 31.6% of GDP, driven by the introduction of a new public sector salary scale and by higher fuel prices. The budget law for 2018 had projected total cash outlays of $17.3bn, including a $1.4bn advance to help Electricité du Liban (EdL), the state-owned electricity company, pay for fuel. Instead, transfers to EdL jumped by 32.3% to $1.8bn after oil prices increased by 31.8% to an average of $71.3 per barrel during the year. At the same time, income from a series of higher taxes and fees fell short of expectations. Total revenues slid by 0.7% to $11.5bn, $846m below budget projections, despite new tax measures.

The deficit miss prompted the Cabinet to endorse in May an austerity budget that introduces a four-year hiring freeze, salary cuts to current and former public officials, reduction in retirement benefits, lower defense spending, and an increase in the tax on interest income. The combination of austerity measures and reforms are projected to drive down the fiscal deficit from an estimated 11.2% of GDP in 2018 to 8.4% in 2019, according to the Institute of International Finance.

The government has already scaled back its hiring and is delaying domestic payments to reduce borrowing needs.

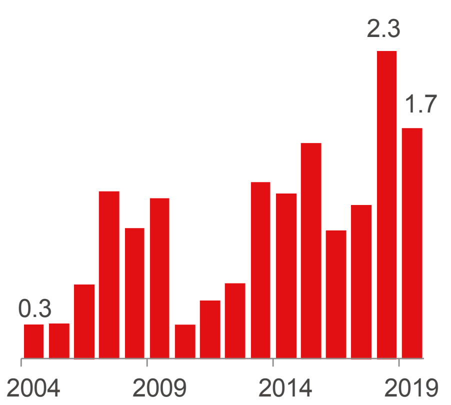
In the meantime, as the Cabinet awaits ratification of the 2019 budget in Parliament, changes in net debt suggest that belt-tightening measures have already gone underway. The government scaled back its hiring and is delaying long-overdue payments to contractors, hospitals, and non-governmental organizations to reduce its borrowing needs in the first few months of the year.

Fiscal performance ($bn)



Source: MoF, Economena, SGBL Research

Net public debt (change, Jan-Apr, $bn)



Source: BdL, Economena, SGBL Research

DEPOSIT RATES AND INFLATION STEADY AS GLOBAL RATES HEAD LOWER

- **LBP deposit rates retreated by 56 bps from their 2019 peak in February**
- **Futures contracts imply Fed could lower rates by 75 basis points by December 2019**
- **Inflation slowed to 3.6% yoy in the first five months of 2019 - CAS**

Deposit rates and inflation in Lebanon steadied by May 2019 as souring global growth prospects weighed on oil prices and the US Federal Reserve appeared poised to ease monetary policy considerably over the next several months.

The average rate on US dollar deposits held steady at 5.68% by April 2019 while local currency deposit rates retreated by 56 bps to 8.6% from a high of 9.16% in February, Banque du Liban data showed.

Deposit rates in Lebanon began creeping up in the aftermath of a diplomatic crisis with Saudi Arabia in November 2017, an uptrend that was subsequently fueled by domestic political uncertainty and rising US benchmark rates throughout 2018.

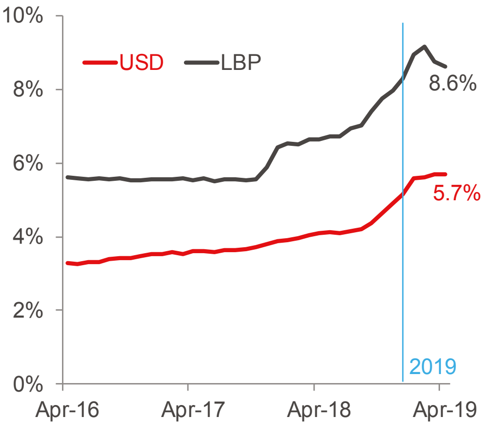
Since then, however, some improvement in the country's political environment and expectations of lower global rates have brought about a stabilization in deposit rates. In particular, Saudi Arabia lifted in February its travel warning for Lebanon following the formation of a national unity Cabinet, and the latter approved an electricity reform plan along with an austerity budget aimed at unlocking over $11bn in soft loans pledged at the Paris-held CEDRE conference in 2018.

Rates should have even more room to decrease in the remainder of the year aided by dovish central banks in the US and Europe. Investors see a 92.7% chance that the Federal Open Market Committee would cut its policy rate by 50 bps or more from its current range of 2.25% to 2.5% by its December 2019 meeting, futures data by the CME Group as of June 27 showed. The probability of cutting rates by 75 bps or more over the same period stood at 60.6%.

Meanwhile, lower global oil prices and a cheaper Euro are helping moderate domestic inflationary pressures. Average domestic retail gasoline prices are down by 7.5% yoy in the first half of the year, and the Euro weakened by 6.4% against the US dollar over the same period. As a result, consumer price inflation slowed to an average of 3.6% yoy in the first five months of 2019, a three-year low for the period, according to Central Administration of Statistics data.

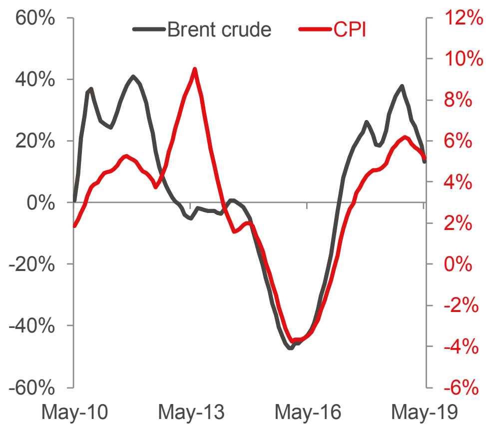
Lebanon's massive import bill makes domestic prices highly sensitive to fluctuations in oil prices and in the exchange rate of the Euro against the US dollar to which the local currency is fixed. Imports reached 35.4% of GDP in 2018, including 7.4% of GDP in mineral products and 12.2% from the Euro area, Customs data showed.

Average deposit rates



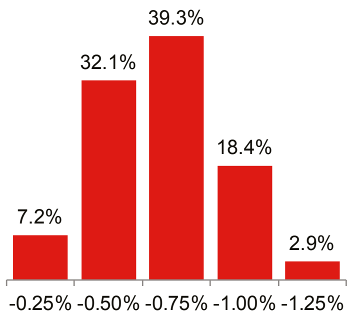
Source: BdL, Economena, SGBL Research

Oil prices and inflation (12-month %yoy)



Source: CAS, FRED, Economena, SGBL Research

Probabilities of changes in FFR by Dec-19 Fed meeting



Note: Target based on futures contracts prices as of June 27, 2019.

Source: CME, Economena, SGBL Research

USD/EUR

Note: End of period. As of June 27, 2019.

Source: FRED, Economena, SGBL Research

LAND SALES IN DOWNTOWN BEIRUT REBOUNDED IN 1Q 2019

- **Solidere announced $181m in property sales in the first quarter of 2019**
- **Developers and homebuyers scale back as credit and economic conditions bite**
- **Property sales are down by 24.2% yoy to $2.4bn in the first five months of 2019**

Property sales in downtown Beirut turned the corner in 2019 even as real estate activity across the rest of the country continued to falter. Solidere, the developer of the downtown area, announced $181m in land sales to local investors in the first quarter of 2019 compared with $1.3m in sales in the prior two years combined, stated the company.

The announcement triggered renewed investor interest, with the A shares surging by 30.9% to close the month at 6.69$ a piece, off by 4.4% since the start of the year. Solidere had simultaneously reported a consolidated net loss of $115.7m in 2018 stemming largely from $77.3m in write-offs of receivables and provisions for impairment and contingencies.

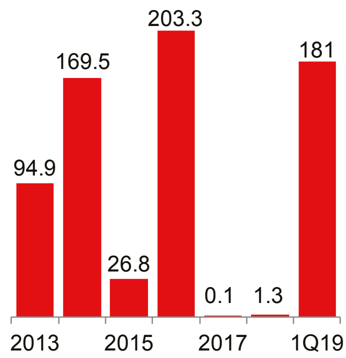
Meanwhile, the total value of real estate sales in Lebanon slumped by 24.2% yoy to a decade-low of $2.4bn in the first five months of 2019, data by the General Directorate of Land Registry and Cadastre showed. Similarly, the number of registered property sales decreased by 16.2% yoy to 19,024, including 15.5% fewer sales to foreigners during the period.

The downturn in transaction activity extended to every district. Still, sales in Beirut and Metn, the first and second largest property markets in the country, fell at a more moderate pace of 16.5% yoy to $762.6m and 10.5% yoy to $507.2m respectively during the period. By contrast, activity in Baabda and Kesrouan, the third and fourth largest markets, plummeted by 33.7% yoy to $390m and by 43.4% yoy to $241.4m respectively.

Downbeat sales prompted investors to scale back their projects in line with a virtual freezing in credit markets for both developers and homebuyers. The construction industry's share in total private sector credit fell to 16% by March 2019 from a high of 18.3% in 2016 as banks reduce their exposure and investors shy away. Cement deliveries, a proxy for current construction activity, fell by 35.8% yoy to 677,629 tons in the first quarter of the year. Execution permits, typically obtained within six months of breaking ground, dropped by 32.7% yoy to 2.1m square meters by May 2019, data from the country's two orders of engineers showed.

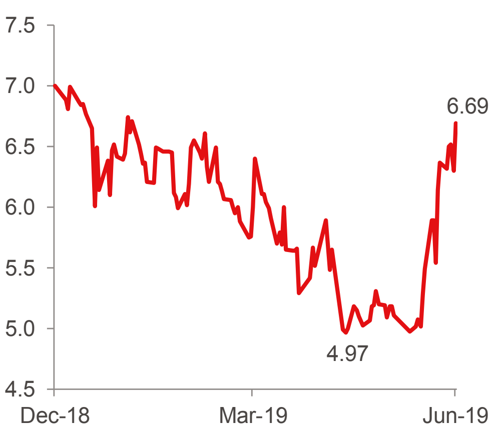
The draft budget for 2019 in addition to foreign aid offer a ray of hope for residential real estate in Lebanon. Parliament is expected to ratify a budget that would allocate $66.3m to help the Public Corporation for Housing expand its subsided housing loan program for low-income households. At the same time, the Housing Bank announced in early 2019 that it had secured a $165m 30-year soft loan from the Kuwait-based Arab Fund for Economic and Social Development that would enable the bank to extend over 1,000 new residential loans at a subsidized rate of 5.5%.

Solidere: land sales ($m)



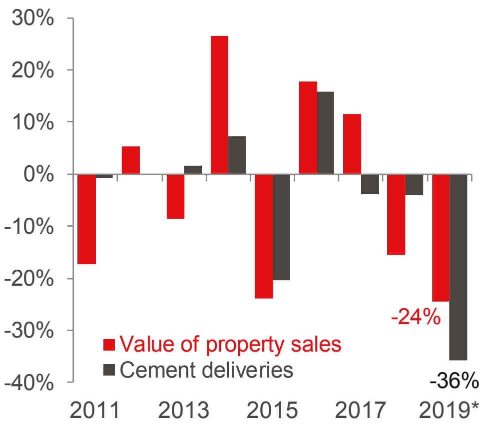
Note: Excluding related provisions.
Source: Company, Economena, SGBL Research

Solidere A: closing price ($)



Source: BSE, Economena, SGBL Research

Real estate indicators (Jan-May*, %yoy)



*Note: Note: *Q1-2019 value for cement deliveries.*
Source: CADASTRE, BdL, Economena, SGBL Research

ALPHA GROUP PROFITS SLIPPED BY 8.1% YOY IN Q1 2019 ON HIGHER TAXES

- **Aggregate interest income taxes surged by 56.8% yoy to $171.7m**
- **Banks are provisioning aggressively amidst deteriorating asset quality**
- **Return on average common equity fell by 102 basis points to 9.24%**

Net profits at 15 Alpha Group banks, those with over $2bn in deposits, slipped by 8.1% yoy to $483.9m in the first quarter of 2019 on higher taxes, shrinking loan portfolios, and an upsurge in the cost of funds, data by Bankdata Financial Services showed.

The Lebanese government raised in late 2017 the tax rate on interest income from 5% to 7% and repealed a wide range of exemptions, including Treasury bills, central bank deposits, and certificates of deposit. As a result, aggregate interest income taxes accruing to Alpha Group banks surged by 56.8% yoy to $171.7m in the first quarter of 2019; they had grown more than 10x to $613.9m in 2018.

The tax on interest income has come to play an increasingly pivotal role in bolstering public finances in recent years. Government revenues from the 7% tax on interest doubled to $1.2bn in 2018, 51.3% of which accruing to Alpha Group banks, data by the Ministry of Finance and Bankdata Financial Services showed. The 2019 draft budget law under consideration by Parliament proposes raising the tax rate on interest income from 7% to 10%, a move that is likely to further dampen profitability at Lebanon's banks.

RETURNS HIT BY RISING COSTS

Alpha banks are grappling with a surge in the cost of funds and a downturn in new business resulting from elevated risk and stalled economic activity. Domestic loan portfolios shrank by 5.8% yoy to $45.4bn by March 2019, including a contraction of $2bn in outstanding credit in the first quarter of the year. Meanwhile, all 15 banks reported a narrowing in their interest margins over the past 12 months after the cost of funds for the Alpha banks jumped by an average of 108 basis points (bps) to 5.73% in March 2019.

Alpha Group banks (Q1 2019)

	Assets ($bn)	Net profit ($m)
Bank Audi	46.44	121.68
BLOM Bank	37.77	117.15
SGBL	26.55	41.57
Byblos Bank	25.38	26.92
Fransabank	22.63	29.74
BankMed	18.95	7.49
Bank of Beirut	18.88	30.72
BLF	14.82	29.70
Credit Libanais	12.72	18.71
IBL Bank	8.26	29.07
BBAC	7.98	12.72
LGB Bank	6.12	9.75
First National Bank	5.13	4.39
Creditbank	4.40	1.66
Saradar Bank	3.30	2.58
Alpha Group	**259.34**	**483.86**

Source: Bankdata Financial Services, Economena, SGBL Research

Paying more for funds helped banks grow their domestic deposits by 1% yoy to $159.5bn through March 2019, albeit a much slower pace than in prior years. A national unity Cabinet took office in mid-February nearly nine months after the country held its first Parliamentary elections in nine years, bringing about a revival in fiscal policymaking and easing somewhat the upward pressure on deposit rates since then.

Depressed credit activity, meanwhile, is leaving banks with greater liquidity, boding well for depositors. Net primary liquidity improved to 100.1% of local currency deposits by the end of March 2019 from 69.7% a year earlier, and to 44.2% from 41.1% of foreign currency deposits over the same period.

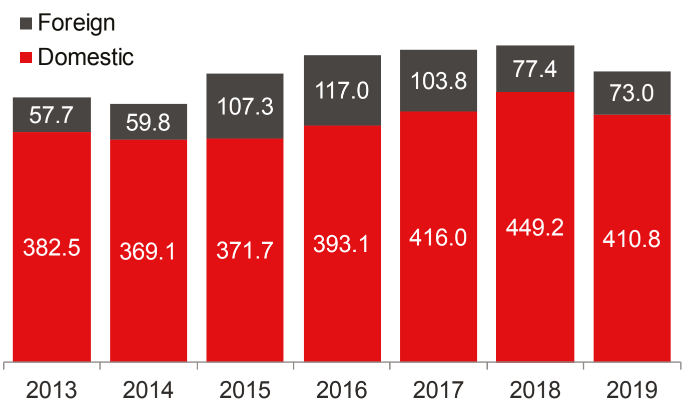
Banks have responded to slower business by reining in operating costs. In particular, staff expenses fell by 3.8% yoy to $403.9m in the first quarter of the year with staff numbers decreasing by 169 persons to 30,571 staff by the end of March. Cost savings, however, only partially offset headwinds from an unfavorable tax environment; the Alpha Group's return on average common equity fell by 102 bps to 9.24% in the first three months of 2019.

ASSET QUALITY DETERIORATED

Alpha Group banks' asset quality took a hit from the economic downturn over the past 12 months, but banks remained aggressive in their provisioning for potential credit or investment losses. Gross credit-impaired loans, or stage 3 loans under IFRS 9, rose to 9.4% of gross loans by March 2019 from 8.2% a year earlier, prompting banks to expand their loan loss reserves to 7.2% of gross loans from 6.3% over the same period.

Allowances for expected credit losses from loans and financial assets categorized as stage 1 or stage 2, those showing both significant or insignificant increase in credit risk since recognition but are not impaired, increased to 1.7% of gross loans in March 2019 from 1.4% in March 2018.

Net profits at Alpha Group banks (Q1, $m)



Source: Bankdata Financial Services, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2018	Feb-19	Mar-19	Apr-19	%Y/Y	YTD	PYTD
Cleared cheques	$bn	66.57	4.85	5.07	4.44	-16.4	19.26	22.13
Real estate transactions	$bn	8.13	0.55	0.57	0.44	-2.7	2.06	2.46
Construction permits	Sqm, m	9.02	0.85	0.60	n.a.	-34.5	1.95	2.69
Cement deliveries	Tons, m	4.70	0.20	0.26	n.a.	-41.8	0.68	1.05
Tourist arrivals	m	1.96	0.12	0.14	0.18	15.6	0.56	0.52
Airport traffic	m	8.84	0.53	0.62	0.82	11.8	2.57	2.46
Balance of payments	$bn	-4.82	-0.55	-0.08	-1.30	126.1	-3.30	-0.77
Money supply: M3	$bn	141.29	139.86	140.20	140.18	0.2	-1.11	1.30
BSE volumes	m	90.01	121.96	10.08	0.69	-80.2	183.69	49.11
Passenger car sales		33,012	1,906	2,190	2,168	-14.6	8,102	10,184
Hotel occupancy (average)	%	65.05	70.7	79.0	85.4	16.9	73.73	60.60

Indices	Unit	2018	Feb-19	Mar-19	Apr-19	%Y/Y	%YTD
Consumer Confidence Index - ARA		113.25	122.00	107.00	n.a.	-9.3	-1.8
Consumer Price Index		106.65	107.42	109.28	109.79	4.0	1.6
Purchasing Managers' Index		46.28	46.90	46.30	46.70	1.1	1.1
BdL Coincident Indicator		307.72	297.90	309.70	n.a.	-3.6	3.0

Trade	Unit	2018	Jan-19	Feb-19	Mar-19	%Y/Y	YTD	PYTD
Imports	$bn	19.98	1.40	1.36	2.18	30.6	4.95	4.81
Exports	$bn	2.95	0.24	0.30	0.32	13.2	0.86	0.81
Trade balance	$bn	-17.03	-1.17	-1.06	-1.86	34.2	-4.09	-4.00
Port of Beirut volumes	TEUs, m	1.31	0.09	0.11	0.10	-7.2	0.29	0.32

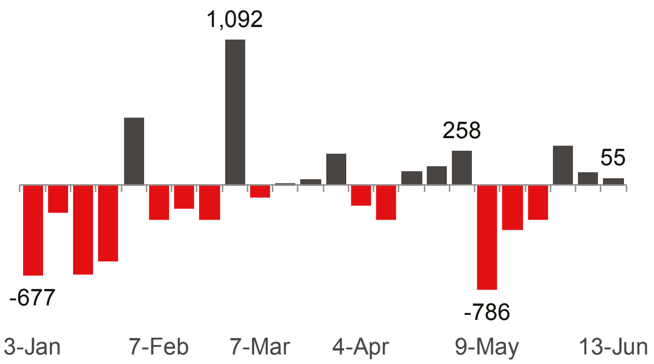
Financial and monetary	Unit	2018	Feb-19	Mar-19	Apr-19	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	249.48	250.24	252.75	253.65	12.1	4.16	1.7
Claims on the resident private sector	$bn	51.80	50.46	50.04	49.62	-4.9	-2.18	-4.2
Claims on the non-resident private sector	$bn	7.12	6.49	6.85	6.94	9.6	-0.18	-2.5
Claims on the public sector including securities	$bn	33.60	33.54	33.30	33.16	7.8	-0.44	-1.3
Resident private sector deposits	$bn	136.56	135.30	135.60	135.50	0.1	-1.06	-0.8
Dollarization rate (average)	%	63.83	65.72	65.71	66.08	2.8	0.42	0.4
Non-resident private sector deposits	$bn	37.72	36.67	36.92	37.21	3.3	-0.51	-1.4
Dollarization rate (average)	%	87.63	88.60	88.57	88.57	1.3	0.00	0.0
Private sector deposits with commercial banks	$bn	174.28	171.97	172.52	172.71	0.8	-1.57	-0.9
Private loans / deposits	%	38.48	37.30	36.90	36.62	-1.9	-1.31	-1.3
Public sector deposits	$bn	9.30	8.60	8.95	8.33	-18.1	-0.98	-10.5
BdL foreign assets	$bn	44.28	43.50	42.99	n.a.	-7.6	-1.29	-2.9
BSE market capitalization	$bn	9.68	9.34	9.63	9.02	-19.7	-0.66	-6.8
Gross public debt	$bn	85.14	85.25	86.22	85.84	5.0	0.70	0.8

Public finance	Unit	2018	Oct-18	Nov-18	Dec-18	%Y/Y	YTD	PYTD
Revenues	$bn	11.55	1.25	0.82	0.80	-41.4	11.55	11.62
Value Added Tax	$bn	2.55	0.40	0.13	0.13	0.8	2.55	2.31
Telecommunications	$bn	1.07	0.15	0.12	0.15	-73.7	1.07	1.28
Income taxes	$bn	2.99	0.27	0.13	0.15	61.7	2.99	2.79
Customs taxes	$bn	1.34	0.12	0.11	0.10	-18.9	1.34	1.43
Expenditures	$bn	17.79	1.48	1.90	1.24	-29.1	17.79	15.38
Transfers to EdL	$bn	1.76	0.14	0.25	0.13	-27.1	1.76	1.33
Debt service	$bn	5.41	0.40	0.94	0.28	-22.1	5.41	4.99
Primary balance	$bn	-0.64	0.19	-0.09	-0.14	944.0	-0.64	1.43
Fiscal balance	$bn	-6.25	-0.23	-1.08	-0.44	15.0	-6.25	-3.76

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

Weekly changes in M4 ($m)

Broad money (M4), which includes cash, deposits in local and foreign currencies, and non-bank held Treasury bills, increased for the third week in a row through June 13, pointing to some easing in financial stress and improvement in confidence. M4 grew by $444.4m during the three-week period, but remains in the red by an estimated $1.8bn since the start of the year, Banque du Liban data showed.

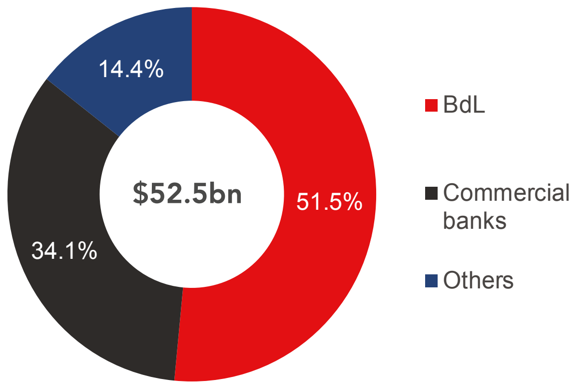


Note: Through June 13, 2019. Includes cash, deposits, and non-bank held TBs.

Source: BdL, Economena, SGBL Research

Treasury bills by holder (March 2019)

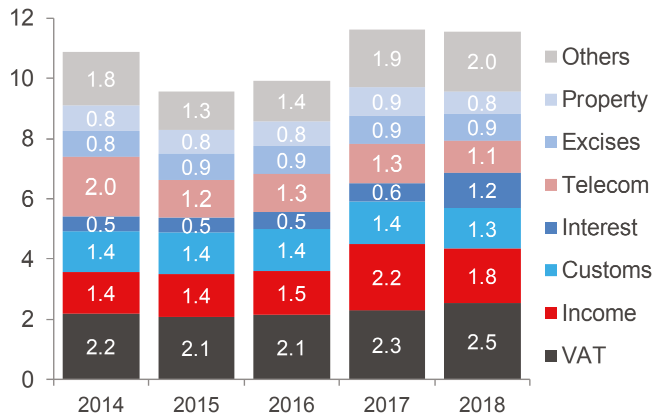
Lebanon's central bank held 51.5% of public debt denominated in local currency by the end of March 2019, mitigating market risk for the debt instruments. Meanwhile, commercial banks held 34.1% of outstanding Treasury bills, equivalent to $17.9bn, and non-bank investors, including the National Social Security Fund, held the remaining 14.4%.



Source: BdL, Economena, SGBL Research

Government revenues ($bn)

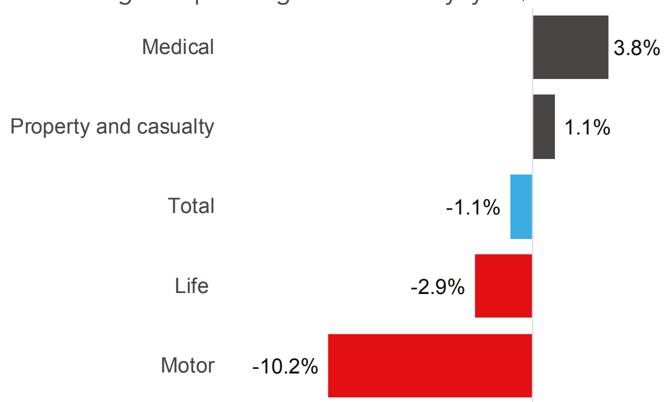
The government grew more dependent on the Value Added Tax and the tax on interest income in 2018 after other sources of revenues faltered. The two sources represented 32.4% of public revenues during the year, up from 25% in 2017, while the combined share of customs and property taxes fell to 18.2% from 20.4% amid a slowdown in trade and real estate.



Source: MoF, ABL, Economena, SGBL Research

Gross written insurance premiums (Q1 2019, %yoy)

Gross written insurance premiums slid by 1.1% yoy to $472.3m in the first three months of 2019, data by the Insurance Control Commission showed. Policy revenues from the motor and life segments were hit by the economic downturn at the start of the year, falling by 10.2% yoy to $85.9m and 2.9% yoy to $114.7m respectively, while the medical segment posted growth of 3.8% yoy to $193.1m.



Source: ICC, Economena, SGBL Research