

LEBANON THIS WEEK

In This Issue

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

Banque du Liban lifts banking secrecy on 29 cases suspected of money laundering in 2020

Banque du Liban's foreign assets at \$20bn, gold reserves at \$17bn at end-July 2021

Parliament enacts cash card law for neediest families

New law imposes forensic audit on entities that benefited from government subsidies

Lack of political will delaying progress on reforms

Foreign direct investments at \$3.1bn in 2020, equivalent to 9.2% of GDP

Installed solar photovoltaic capacity in Lebanon up 39% in 2019

Corporate Highlights7

Stock market capitalization up 58% to \$10bn at end of July 2021

Solidere posts losses of \$16m in 2020

Byblos Bank registers losses of \$0.8m in first half of 2021

Deterioration in construction activity slows down in fourth quarter of 2020 from previous quarter

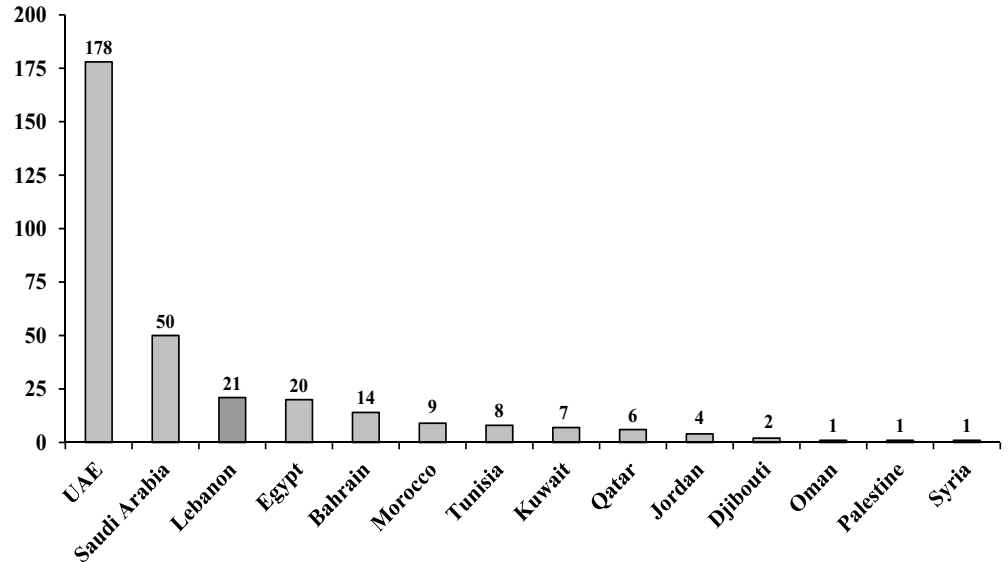
Ratio Highlights.....9

National Accounts, Prices and Exchange Rates9

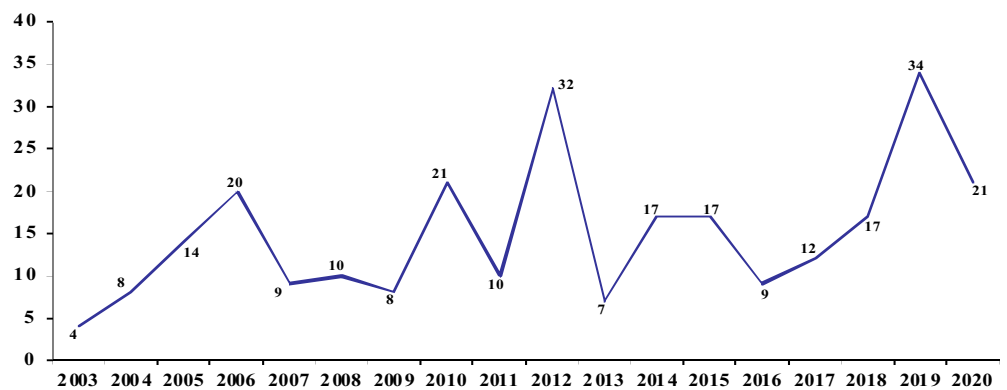
Ratings & Outlook.....9

Charts of the Week

Number of Outbound Greenfield FDI Projects from Arab countries in 2020



Number of Outbound Greenfield FDI Projects from Lebanon



Source: UNCTAD, Byblos Bank

Quote to Note

"It is urgent to form a competent government capable of implementing the reforms that are crucial to the country's recovery, in line with the expectations of the Lebanese people."

The French Ministry for Europe & Foreign Affairs, on the need to form a government that can put the Lebanese economy on the path to recovery

Number of the Week

66: Decline in the number of branches of commercial banks in Lebanon in 2020, according to Banque du Liban

Lebanon in the News

\$m (unless otherwise mentioned)	2020	Jan-Mar 2020	Jan-Mar 2021	% Change*	Mar-20	Feb-21	Mar-21
Exports	3,546	914	-	-	238	200	-
Imports	11,310	2,931	-	-	826	1,033	-
Trade Balance	(7,765)	(2,017)	-	-	(588)	(833)	-
Balance of Payments	(10,551)	(1,062)	(847)	(20.2)	(557)	(341)	(96)
Checks Cleared in LBP	19,937	5,645	4,150	-26.5%	1,144	1,307	2,043
Checks Cleared in FC	33,881	10,430	5,847	-43.9%	2,407	1,384	3,014
Total Checks Cleared	53,828	16,079	10,001	-37.8%	3,552	2,692	5,059
Fiscal Deficit/Surplus	(2,709)	(1,655)	-	-	(498)	-	-
Primary Balance	(648)	(676)	-	-	(138)	-	-
Airport Passengers	2,501,975	1,165,094	549,476	(52.8)	187,570	141,260	201,935
Consumer Price Index	84.9	13.0	153.7	14070	17.5	155.4	157.9

\$bn (unless otherwise mentioned)	Dec-20	May-20	Feb-21	Mar-21	Apr-21	May-21	% Change*
BdL FX Reserves	18.60	26.44	17.49	16.75	16.23	15.71	(40.6)
In months of Imports	15.10	39.24	16.94	-	-	-	-
Public Debt	95.59	93.15	96.83	-	-	-	-
Bank Assets	188.04	203.84	188.13	186.26	184.53	183.35	(10.1)
Bank Deposits (Private Sector)	139.14	146.30	138.85	136.95	136.02	135.11	(7.6)
Bank Loans to Private Sector	36.17	42.91	35.49	34.20	33.11	32.53	(24.2)
Money Supply M2	44.78	38.78	47.50	47.96	48.59	49.30	27.1
Money Supply M3	132.70	129.67	134.60	134.11	134.34	134.49	3.7
LBP Lending Rate (%)	7.77	8.45	7.59	8.02	8.00	7.86	(59)
LBP Deposit Rate (%)	2.64	4.63	2.11	1.96	2.01	1.85	(278)
USD Lending Rate (%)	6.73	7.90	6.92	7.14	6.88	6.61	(129)
USD Deposit Rate (%)	0.94	1.99	0.54	0.52	0.49	0.42	(157)

*year-on-year; **figures for the period reflect the first two months of each year

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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Byblos Common	0.99	3.1%	225,890	5.7%	Oct 2022	6.10	12.0	295.14
Solidere "B"	29.74	14.4%	172,983	19.7%	Jan 2023	6.00	12.0	208.71
Solidere "A"	29.37	12.9%	116,678	29.9%	Apr 2024	6.65	12.0	95.35
BLOM Listed	3.20	(3.9%)	25,080	7.0%	Jun 2025	6.25	12.0	63.24
Audi GDR	1.97	(6.2%)	18,250	2.4%	Nov 2026	6.60	12.0	44.13
Audi Listed	2.12	0.5%	10,200	12.7%	Feb 2030	6.65	12.0	26.36
BLOM GDR	3.20	1.6%	3,000	2.4%	Apr 2031	7.00	12.0	23.05
HOLCIM	19.50	10.0%	2,000	3.9%	May 2033	8.20	12.0	18.82
Byblos Pref. 08	33.10	0.0%	-	0.7%	Nov 2035	7.05	12.0	15.45
Byblos Pref. 09	38.50	0.0%	-	0.8%	Mar 2037	7.25	12.0	14.03

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

Source: Refinitiv

	July 26-30	July 19-23	% Change	July 2021	July 2020	% Change
Total shares traded	574,081	29,304	1,859.1	1,814,751	2,315,343	(-21.6)
Total value traded	\$8,638,604	\$728,632	1,085.6	\$30,622,302	\$29,362,347	4.0
Market capitalization	\$9.81bn	\$9.21bn	6.48	\$9.81bn	\$6.20bn	58.2

Source: Beirut Stock Exchange (BSE)



Banque du Liban lifts banking secrecy on 29 cases suspected of money laundering in 2020

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued its annual report detailing its actions related to tracing money generated from illegal activities in Lebanon in 2020. Established by Banque du Liban as an independent legal entity, the SIC's mandate is to investigate suspected money-laundering and terrorism financing operations, as well as to monitor compliance with the rules and procedures of Law 318, the anti-money laundering law that was enacted by the Lebanese Parliament in April 2001 and that was replaced by Law 44 in November 2015.

The report indicated that the SIC received 463 suspected cases in 2020. It received 376 cases, or 81.2% of the total, from local sources, and 87 cases, or 18.8% from international sources. In turn, the SIC referred 176 suspected cases to the judicial authorities, while 79 cases are still pending and the remaining 208 cases did not fall within the framework of Law 44. Further, authorities lifted the banking secrecy on 29 cases, with three of those cases referred from foreign governments and organizations and 26 cases from domestic sources. The remaining 147 cases were related to information requests.

Overall, the SIC investigated 384 out of 463 suspected cases, or 83% of the total in 2020, relative to 86.7% of cases in 2019, 85% of cases in 2018, 86% of cases in 2017, 85% of cases in 2016, 77.5% of cases in 2015, 73.6% of cases in 2014, 84.7% of cases in 2013 and 67.3% of cases in 2012.

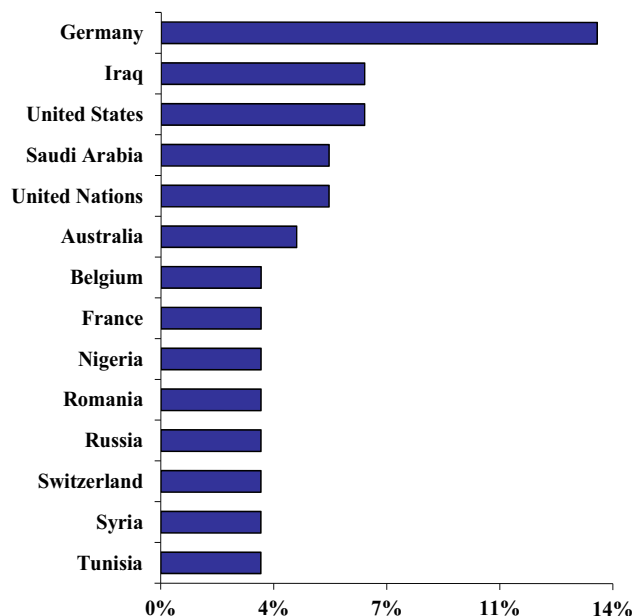
Forgery and fraud accounted for 11.8% each of the cases that the SIC received in 2020; followed by cybercrime with 10.7%; corruption with 7.8%; narcotics trafficking with 6.6%; embezzlement of private funds with 5%; terrorism & terrorism financing with 4.1%; tax evasion with 3.9%; smuggling with 2.1%; insider trading, human trafficking & migrant smuggling and extortion with 0.7% each; and counterfeiting of goods and organized crime with 0.2% each; while the remaining 33.7% of cases did not fall under a specific category.

In cases related to terrorism or terrorism financing, the SIC received 145 names (seven cases) from domestic sources and 53 names (11 cases) from foreign parties. The breakdown of local sources shows that the police provided 139 names (two cases), money transfer operators supplied three names (three cases), and ministries provided three names (two cases). The distribution of foreign sources reveals that the UN Security Council provided 31 names (one case), followed by financial investigation units with 18 names (nine cases), and foreign judicial authorities with four names (one case).

In parallel, the SIC received 279 suspicious transactions reports, 224 requests of assistance, six cross-border cash reports, and two cases that were not categorized. Further, Lebanon received 96 foreign requests for assistance, with 42.7% of the reports coming from Europe, 20.8% from the Middle East & the Arabian Gulf countries, 10.4% from Asia, 7.3% from Africa, 6.3% from North America, 5.2% from United Nations, 4.2% from Australia, and 3.1% from South America.

In parallel, the SIC's Compliance Unit examined a number of institutions in order to ensure their full compliance with Law 44. It covered 44 money dealers (15% of total money dealers), 19 banks (30% of banks in Lebanon) and 12 money transfer operators (100% of MTOs).

Sources of Request for Assistance*
(from Foreign Countries and Organizations)



*% of total foreign requests

Source: Special Investigation Commission, Byblos Research

Banque du Liban's foreign assets at \$20bn, gold reserves at \$17bn at end-July 2021

Banque du Liban's (BdL) interim balance sheet reached \$158.9bn at the end of July 2021, constituting increases of 6.9% from \$148.6bn at end-2020 and of 3.1% from \$154.1bn a year earlier. Assets in foreign currency totaled \$20.1bn at end-July 2021, representing a decrease of \$4bn, or of 16.7%, in the first seven months of 2021 and a drop of \$10.6bn (-34.6%) from \$30.7bn at end-July 2020. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$15bn at end-July 2021 and fell by \$4bn, or by 21.1%, in the first seven months of 2021 and by \$10.6bn, or by 41.4%, from a year earlier. The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020.

In parallel, the value of BdL's gold reserves amounted to \$16.9bn at end-July 2021 and decreased by \$453.6m, or by 2.6%, from the end of 2020; and by \$1.2bn, or by 6.5%, from \$18bn at end-July 2020. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40.6bn at end-July 2021, increasing by \$579.8m (+ 1.4%) from the end of 2020 and by \$1.7bn, (+4.5%) from \$38.8bn a year earlier. In addition, loans to the local financial sector totaled \$13.9bn, regressing by 2.4% from the end of 2020 and by 4.8% from end-July 2020. Further, deposits of the financial sector stood at \$107.4bn at end-July 2021 and declined by \$3bn from a year earlier. In addition, public sector deposits at BdL reached \$6.4bn at end-July 2021, and increased by \$1.9bn from the end of 2020 and by \$2bn from a year earlier.

Parliament enacts cash card law for neediest families

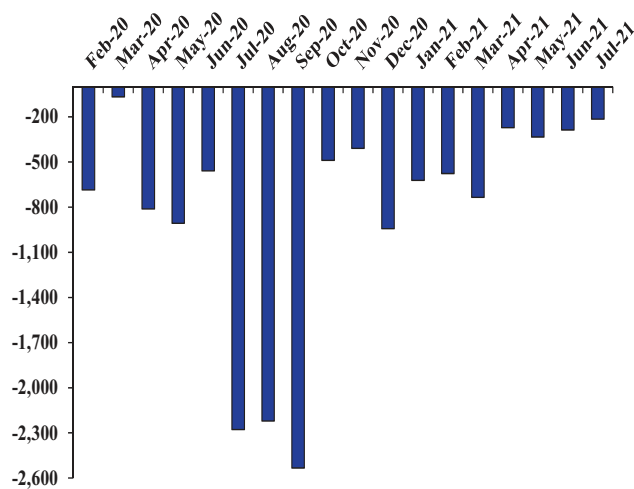
The Lebanese Parliament enacted Law 230 on June 30, 2021 that authorized the government to issue an electronic cash card to support needy Lebanese families as part of the plan to rationalize subsidies on basic goods. It added that the enactment of the cash card will allow 500,000 families to benefit from a monthly stipend that ranges between \$93.3 and \$126 for one full year. The plan will be added to the other existing programs that the poorest families in Lebanon are benefitting from.

The law also stipulates the opening of a credit line for LBP 838bn, or the equivalent of \$556m at the official exchange rate, as part of the 2021 budget without waiting for the enactment of the budget. It said that the additional spending should be covered through increasing the estimates of the government's exceptional revenues in the 2021 budget. It said that families can apply for the card through an electronic platform based on specific criteria that will be determined by a special committee that is composed of the prime minister, as well as the ministers of finance, economy & trade, and social affairs, in consultation with foreign donors. Also, the law stipulates the lifting of banking secrecy on the bank accounts of all card beneficiaries, with the banks making monthly payments in cash to persons who have received the card. In addition, the law requires the establishment of a central unit at Banque du Liban (BdL) to verify the existence of deposit accounts at banks for the card beneficiaries.

The cash card program is part of the government's efforts to support the purchasing power of Lebanese households, in light of the deterioration in socioeconomic conditions in the country that was aggravated by the spread of the coronavirus and that led to the closure of many companies, to the decline in commercial activity, as well as to the increase in unemployment and to the rise in the prices of consumer goods. As such, the law aims to support the purchasing power of the neediest segments of the Lebanese population, based on the government's plan to rationalize or lift subsidies.

The government's plan to rationalize subsidies stipulates the lifting of 100% of subsidies on gasoline, which will save BdL \$96m monthly or \$1.15bn annually; the removal of 100% of subsidies on Diesel oil, which will result in savings of \$118m monthly or \$1.42bn annually for BdL; and the elimination of subsidies on gas, which will lead to savings of about \$132m per year. In addition, the plan will suspend subsidies on the entire basket of subsidized consumer goods, which will result in monthly savings of \$71.5m and in annual savings of \$858m for BdL. Further, the government will reduce subsidies on medicine by 54%, which will lower the cost of subsidizing this item from \$108m to nearly \$50m per month, and from \$1.3bn to \$598m per year. In parallel, the plan raises subsidies on bread by 12%, which will increase the cost on BdL from \$15m to \$16.4m per month, or from \$187.6m to \$180m annually. It said that the current subsidy system is costing BdL \$420m monthly or \$5.04bn annually, and estimated that rationalizing subsidies will reduce the cost to \$66.3m monthly and \$796m yearly, which will result in savings of \$4.25bn per year to BdL.

Change in Gross Foreign Currency Reserves (US\$m)



Source: Banque du Liban, Byblos Research

New law imposes forensic audit on entities that benefited from government subsidies

The Lebanese Parliament enacted on June 30, 2021 Law 240 that stipulates that all beneficiaries of government subsidies in foreign currencies will be subject to external accounting and forensic audits. It said that all companies, importers, merchants and non-governmental organizations, among others, that benefited from the government's mechanism of subsidizing the import of basic goods as well as of raw materials for industry and agriculture between October 17, 2019 and the date of the lifting of these subsidies will be subject to the forensic and financial audits. The subsidies mechanism consists of Banque du Liban selling US dollars at the official exchange rate of LBP 1507.5 per dollar to importers of a basket of up to 300 basic consumer goods, medicine, medical instruments, as well as raw material for industry and agriculture.

The law also suspends the banking secrecy on all the bank accounts of the companies that utilized the subsidies mechanism throughout the accounting and forensic audits. The law lifts the banking secrecy on all bank deposits and investment accounts that merchants, importers, manufacturers of raw materials, companies or any organization, have opened prior or following the enactment of this law at any bank or financial institution operating in Lebanon, or at any of its subsidiaries, affiliates or representative office abroad. Also, it said that the lifting of the banking secrecy will apply to the owners or co-owners of such deposit accounts that have benefited from BdL's foreign currency subsidy scheme since October 17, 2019. It added that the deposit accounts and real estate holdings of all the partners and shareholders of the companies will also be subject to the lifting of banking secrecy.

Finally, the law asked all banks and financial institutions to submit, through BdL, the required information that the auditors request. Also, it said that failure to comply with this request would result in a six-month prison sentence and a penalty of LBP50m. It added that the documents would be subject to investigative secrecy and due diligence.

Lack of political will delaying progress on reforms

The second Consultative Group (CG) meeting of the Reform, Recovery and Reconstruction Framework (3RF) indicated that the ongoing political, economic, financial and social crises that Lebanon is facing are worsening and that the unemployment rate is rising. It added that more than half of the population currently lives below the national poverty line, and that an increasing share of households is facing difficulties in accessing basic services like food and healthcare. In this context, it stressed that, in order for the assistance that the international community is offering, including under the 3RF, to have a positive impact, authorities should step up their efforts to form a government and implement the necessary structural reforms. Also, it considered that the lack of political will to break the political deadlock is leading to slow progress on reforms under the 3RF. The CG consists of the European Union, the United Nations, the Lebanese government, and Lebanese civil society organizations.

Further, the CG said that, in terms of the implementation of the four 3RF pillars, which are Improving Governance & Accountability Jobs & Economic Opportunities; Social Protection, Inclusion & Culture; and Improving Services & Infrastructure, the United Nations Children's Emergency Fund made cash transfers to 80,000 vulnerable persons and that the refurbishment of healthcare facilities and emergency medical equipment benefitted about 200,000 individuals. It added that the UNESCO rehabilitated 94 public and 41 private schools, while about 3,500 people that were affected by the explosion at the Port of Beirut received legal assistance. However, it pointed out that ongoing delays on some key activities under the 3RF underline the need for the government and Parliament to be more responsive, such as providing clarifications about the exchange rate that is used to deliver aid and financial support, the clearance of debris at the site of the Port of Beirut, and addressing the collapse of service delivery starting with the electricity sector.

In parallel, the CG called on authorities to implement essential reforms, which require action on the part of the government as well as funding and technical assistance from the international community. It reiterated its call for justice and accountability through a transparent investigation into the causes of the blast at the Port of Beirut. Also, they urged authorities to implement key macroeconomic and fiscal reforms in order to mitigate the impact of the ongoing crises, including the unification of the multiple exchange rates, the orderly lifting of subsidies, enacting a capital controls law, starting the forensic audit of Banque du Liban, and restructuring the banking sector. It considered that the government should maximize the potential benefits of the new Special Drawing Rights that it will receive from the International Monetary Fund in September by utilizing them on a mixed set of measures.

In addition, members of the CG encouraged authorities to enact the budget for 2021 and urged the government to prepare a budget for 2022 that would include a strong social protection program, as well as to step up efforts in the implementation of the Emergency Social Safety Net program and the National Poverty Targeting Program. They also stressed that authorities should pass the law about the independence of the judiciary and the secondary legislation about the public procurement law, and that they should conduct the procurement process for Électricité du Liban within the framework of the new public procurement law. They added that authorities should staff and fund the National Anti-Corruption Commission, as well as install, staff and fund a Supervisory Commission for Elections to oversee the compliance with spending limits on electoral campaigns and the equal access to the media.

In December 2020, the World Bank, the United Nations and the European Union launched an 18-month Reform, Recovery, and Reconstruction Framework (3RF) for Lebanon, in response to the August 4 explosion at the Port of Beirut. The 3RF aims to achieve three central goals in response to the August 4 blast, which are to re-establish a sustainable livelihood for the population affected by the explosion; to rebuild critical assets, services and infrastructure; as well as to implement reforms to support reconstruction and improve governance in the public sector. The initiative builds on the identified needs and recommendations of the World Bank's Rapid Damage and Needs Assessment that estimated the physical damage from the blast at between \$3.8bn and \$4.6bn.

Foreign direct investments at \$3.1bn in 2020, equivalent to 9.2% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investments (FDI) in Lebanon totaled \$3.07bn in 2020, constituting a rise of 49.3% from \$2.06bn in 2019. In comparison, FDI inflows to Arab economies grew by 2.5%, while FDI inflows to West Asia decreased by 9.4% in 2020.

The UNCTAD figures for Lebanon are based on the official figures issued by Banque du Liban (BdL). According to BdL's methodology, which is based on the International Monetary Fund's balance of payments methodology to record the movement of non-resident deposits, FDI figures consist largely of the transfer of non-resident deposits at local commercial banks to the real estate sector, rather than to the foreign flow of capital into local projects.

FDI inflows to Lebanon in 2020 were 11.8% lower than the annual average flows of \$2.74bn during the 2010-19 period, and came 30% below the peak of \$4.38bn posted in 2009. Lebanon was the fifth largest recipient of FDI among 17 Arab countries and among 12 countries in West Asia in 2020. Also, it was the 48th largest FDI recipient globally among 140 economies with a nominal GDP of \$10bn or more.

FDI inflows to Lebanon accounted for 0.31% of global FDI inflows in 2020 relative to 0.13% in the previous year; while they represented 7.7% of total FDI in Arab countries last year relative to a share of 5.3% in 2019. FDI inflows to Lebanon also accounted for 8.4% of FDI flows to West Asia in 2020 compared to a share of 6.1% in the previous year.

Further, FDI inflows to Lebanon were equivalent to 9.2% of GDP in 2020, up from 3.8% of GDP in 2019, and compared to a peak of 15.5% of GDP in 2005. FDI inflows as a share of GDP increased in large part due to the sharp contraction of nominal GDP in Lebanon in 2020.

In parallel, FDI outflows from Lebanon totaled \$27.6m in 2020, constituting a drop of 91% from \$302.5m in 2019, and compared to an annual average of \$958.6m during the 2010-19 period and a peak of \$2bn registered in 2013. Lebanon was the fifth smallest source of FDI outflows among 16 Arab countries with available figures and the third smallest among West Asian countries in 2020.

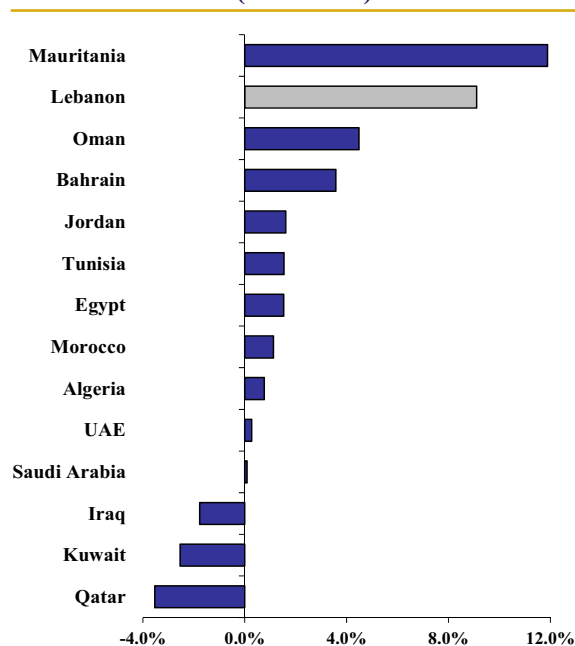
As such, net FDI flows to Lebanon reached \$3.04bn in 2020 compared to \$1.75bn in 2019 and to a peak of \$3.25bn in 2009. Net FDI flows to Lebanon were equivalent to 9.1% of GDP in 2020 relative to 3.3% of GDP in 2019.

Foreign Direct Investment in Arab Countries (\$m)

Country	2020	2019	Change (%)
Yemen	..	(371.0)	-
UAE	19,884.5	17,874.7	11.2%
Egypt	5,851.8	9,010.0	(35.1%)
Saudi Arabia	5,486.1	4,562.6	20.2%
Oman	4,092.8	3,420.0	19.7%
Lebanon	3,067.0	2,054.6	49.3%
Morocco	1,763.1	1,720.0	2.5%
Algeria	1,125.4	1,381.8	(18.6%)
Bahrain	1,006.6	1,501.3	(32.9%)
Mauritania	977.7	886.9	10.2%
Jordan	726.1	729.7	(0.5%)
Sudan	716.9	825.4	(13.1%)
Tunisia	652.1	844.8	(22.8%)
Djibouti	240.0	222.0	8.1%
Palestine	52.0	131.9	(60.6%)
Kuwait	(319.0)	104.4	-
Qatar	(2,433.9)	(2,812.6)	(13.5%)
Iraq	(2,895.5)	(3,075.6)	(5.9%)
Total	39,993.8	39,010.8	2.5%

Source: Banque du Liban, UNCTAD, Byblos Research

Net FDI inflows to Arab Countries in 2020 (% of GDP)



Source: Banque du Liban, UNCTAD, IIF, IMF, Byblos Research

Installed solar photovoltaic capacity in Lebanon up 39% in 2019

The Lebanese Center for Energy Conservation (LCEC) indicated that the aggregate capacity of installed solar photovoltaic (PV) systems in Lebanon reached 78.65 mega-watt-peak (MWp) at the end of 2019, constituting an increase of 39% from 56.50 MWp at the end of 2018. It added that 360 new solar PV projects were implemented in Lebanon in 2019, compared to 326 projects in 2018 and 387 projects in 2017.

It attributed the increase in installed solar PV capacity in Lebanon to the implementation of several projects in 2019 that included installing a solar PV system on the rooftop of the wheat silos at the Port of Beirut, as well as a solar PV system at Casino du Liban. The Ministry of Energy & Water implemented the two projects.

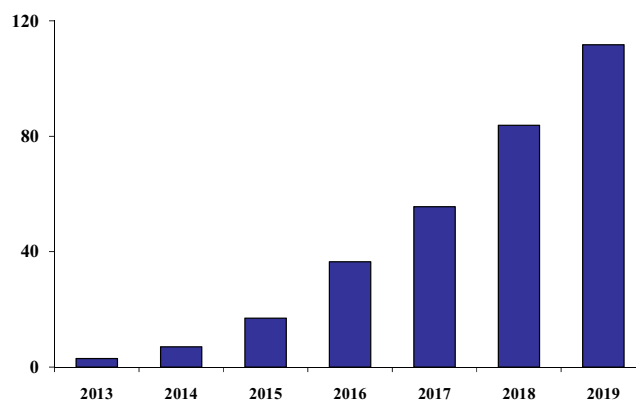
On a regional basis, it indicated that Mount Lebanon hosted 35% of the country's total solar PV capacity at the end of 2019, followed by the Bekaa area with 26%, South Lebanon and the Baalbeck-Hermel region with 9% each, Beirut with 8%, North Lebanon and the Nabatieh area with 5% each, and Akkar with 3%. On a sectorial basis, it said that the industrial sector accounted for 33% of total installed solar PV capacity at the end of 2019, followed by the commercial sector (20%), the residential and agricultural sectors (13% each), the public sector (8%), the education and non-profit sectors (5%) and the medical sector (3%).

It noted that the National Renewable Energy Action Plan (NREAP) targets a solar PV capacity of 100 MWp by 2020, which would require an additional 21.35 MWp of installed capacity in 2020. As such, it considered that funding from the National Energy Efficiency and Renewable Energy Action (NEEREA), which is Banque du Liban's existing financing mechanism for energy efficiency and renewable energy investments, is crucial to reach the target. It added that the current commitment of international financial institutions, such as the European Bank for Reconstruction and Development, the European Investment Bank and the Agence Française de Développement, to provide lending through local banks for sustainable projects in Lebanon, would help achieve this target. It pointed out that total cumulative investments in the solar PV sector stood at \$125.8m in 2019, up by 20% from \$105.1m in 2018, largely supported by the NEEREA loan program, which provided \$64.75m in funding in 2019.

On sectorial basis, it said that the industrial sector accounted for 24% of total investments in the solar PV sector in 2019, followed by the commercial sector (21%), the residential sector (20%), the public sector (13%), the agricultural sector (10%), the educational sector (5%), non-profit organizations (4%) and the medical sector (3%).

In parallel, it estimated that decentralized solar PV systems generated 111.7 gigawatt hours (GWh) in 2019 compared to 83.8 GWh in 2018. As such, it noted that electricity generated through solar PV systems represented 0.73% of the power that Électricité du Liban's generated in 2019, compared to a share of 0.55% in 2018. It added that the NREAP targets a decentralized solar PV generation of 160 GWh per year by 2020, which would have required the generation of an additional 48.29 GWh in 2020. The report should have been completed and issued in 2020, but its publication was delayed to 2021 due to the COVID-19 pandemic.

Decentralized Solar PV Electricity Generation (GWh)



Source: Lebanese Center for Energy Conservation

Stock market capitalization up 58% to \$10bn at end of July 2021

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 20,084,240 shares in the first seven months of 2021, constituting a decrease of 46% from 37,155,212 shares traded in the same period of 2020; while aggregate turnover amounted to \$218.5m and increased by 43% from a turnover of \$153m in the first seven months of 2020. The market capitalization of the BSE reached \$9.8bn at the end of July 2021, representing a surge of 58.2% from \$6.2bn at the end of July 2020, with real estate equities accounting for 49.6% of the total, followed by banking stocks (45.8%), industrial shares (4.2%), and trading firms' equities (0.4%). The market liquidity ratio was 2.2% in the first seven months of 2021 compared to 2.5% in the same period of 2020.

Banking stocks accounted for 58.2% of the trading volume in the first seven months of 2021, followed by real estate equities (41.2%) and industrial shares (0.4%). Also, real estate equities accounted for 90.6% of the aggregate value of shares traded, followed by banking stocks (8.8%) and industrial shares (0.4%). The average daily traded volume for the first seven months of 2021 was 167,369 shares for an average daily amount of \$1.8m. The figures reflect a decline of 39% in the average daily traded volume and a rise of 60.7% in the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE jumped by 142.4% in the first seven months of 2021, while the CMA's Banks Market Value-Weighted Index regressed by 2.9% in the covered period. The increase in the Market Value-Weighted Index is mainly due to the surge in the prices of Solidere 'A' and of Solidere 'B' shares by 58.8% and 62.6%, respectively, in the first seven months of the year, which, in turn, led to a rise in their market weights to 30% and 19.7%, respectively, at the end of July 2021, the highest among listed companies on the BSE.

Solidere posts losses of \$16m in 2020

Solidere, the Lebanese Company for the Development and Reconstruction of Beirut Central District sal, announced consolidated unaudited losses of \$16m in 2020 compared to net profit of \$49m in 2019. The consolidated results include Solidere's standalone financials and those of its subsidiaries (the Group), which mainly include Solidere International Limited, and other subsidiaries such as Solidere Management Services sal, BCD Cinemas sal, Beirut Waterfront Development sal, and Beirut Hospitality Company Holding sal.

The Group posted consolidated revenues of \$382m from land sales in 2020 relative to receipts of \$234.5m in 2019. Also, its consolidated revenues from rented properties regressed by 57% to \$22.8m in 2020, while receipts from services rendered declined by 3.6% year-on-year to \$7.4m.

In parallel, the Group's cost of revenues stood at \$274m in 2020 relative to \$153m in 2019, while its net operating income reached \$142.8m compared to \$146.4m in 2019. Also, the general and administrative expenses of the Solidere Group rose by 10.5% to \$26.8m in 2020, while net provisions for impairments stood at \$29.2m last year relative to \$18.3m in 2019.

Further, Solidere stated that its consolidated assets reached \$2bn at the end of 2020 and decreased by 9.3% from \$2.25bn at the end of 2019, with its inventory of land and projects in progress regressing by 20.1% to \$887.1m, and accounted for 43.5% of total assets. Also, the company's cash and bank balances totaled \$115.6m at the end of 2020, up by 5.7 times from \$20.45m a year earlier, while its accounts and notes receivables stood at \$55.3m and declined by 57.4% from the end of 2019. Also, the firm's consolidated liabilities, including bank overdrafts, term bank loans and accounts payable, reached \$243.2m at the end of 2020 and regressed by 41.7% from the end of 2019. The Group's consolidated shareholders' equity was \$1.8bn at the end of December 2020, down by 1.9% from \$1.83bn at end-2019.

Solidere is Lebanon's largest listed firm on the Beirut Stock Exchange in terms of market capitalization as at July 30, 2021. The price of Solidere 'A' shares closed at \$29.37 per share on July 30, 2021, up by 58.8% from \$18.5 per share at end-2020, while the price of Solidere 'B' shares closed at \$29.74 and increased by 62.6% from \$18.29 per share at end-2020.

Byblos Bank registers losses of \$0.8m in first half of 2021

Byblos Bank sal declared unaudited net losses of \$0.8m in the first half of 2021 relative to zero earnings registered the same period of 2020. The Bank's net interest income reached \$355.5m in the first half of 2021 compared to \$224.2m in the same period of 2020; while revenues from net fees & commissions stood at \$35.7m in the covered period relative to \$43.5m in the first half of 2020. The Bank's net operating income totaled \$172m in the first half of 2021 relative to \$145.3m in the same period of 2020. Further, Byblos Bank's operating expenditures reached \$108.2m in the first half of 2021, up by 6.5% from \$101.6m in the same period of 2020, with personnel cost accounting for 53.1% of the total.

Also, the Bank's aggregate assets reached \$17.6bn at the end of June 2021 and declined by 6.1% from \$18.8bn at end-2020. Net loans & advances to customers totaled \$2.2bn at the end of June 2021 compared to \$2.6bn at end-2020, while net loans & advances to related parties reached \$6.3m relative to \$7.5m at end-2020. Further, customer deposits amounted to \$13.6bn and deposits from related parties stood at \$274.8m at the end of June 2021 compared to \$266.8m at end-2020. As a result, aggregate deposits stood at \$13.9bn at end-June 2021, down by 6.4% from \$14.9bn at end-2020. In parallel, the Bank's equity was \$1.6bn at the end of June 2021, nearly unchanged from end-2020.



Deterioration in construction activity slows down in fourth quarter of 2020 from previous quarter

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for construction activity reached -69 in the fourth quarter of 2020, relative to -75 in the third quarter of 2020 and to -57 in the fourth quarter of 2019. The balance of opinions for general construction activity in the fourth quarter of 2020 constituted the fourth lowest quarterly level since the first quarter of 2004, after reaching -81 in the second quarter of 2020 and -75 in the first and third quarters of last year. The results are attributed to the economic crisis, as well to disruptions to economic activity as a result of the lockdown measures that the government imposed since March 2020 to contain the outbreak of the COVID-19 pandemic, and to the impact of the explosion at the Port of Beirut.

The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the trend of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an increase and the proportion of those who reported a decline in a particular indicator. The balance of opinions about construction activity was -67 in the fourth quarter of 2020 compared to -74 in the preceding quarter and to -58 in the fourth quarter of 2019. It reached its fourth lowest quarterly level since the first quarter of 2004.

The balance of opinions about construction activity was the lowest in Beirut & Mount Lebanon at -92, followed by the Bekaa (-81), the South (-71), and the North (-36). Also, the balance of opinions about public works stood at -75 in the fourth quarter of 2020 compared to -68 in the third quarter of 2020 and to -57 in the fourth quarter of 2019, and reached its third lowest level since the first quarter of 2004. Opinions about the level of public works were the lowest in the Bekaa area with -100, followed by Beirut & Mount Lebanon (-88), the South (-80), and the North (-50).

In parallel, the balance of opinions about the portfolio of projects was -95 in the fourth quarter of 2020 relative to -92 in the preceding quarter and to -73 in the fourth quarter of 2019, and reached its second lowest quarterly level since the first quarter of 2004. The balance of opinions about the portfolio of projects was the lowest in the Bekaa and the South at -100 each, followed by Beirut & Mount Lebanon (-95), and the North (-89). Further, the balance of opinions about construction costs reached +72 in the fourth quarter of 2020, compared to +79 in the preceding quarter and +45 in the fourth quarter of 2019.

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q4-17	Q4-18	Q4-19	Q4-20
General activity	-40	-59	-57	-69
Construction	-39	-60	-58	-67
Public works	-31	-49	-57	-75
Portfolio of projects	-45	-53	-73	-95
Construction costs	1	4	45	72
Investments (% of yes)	29%	16%	12%	16%

Source: Banque du Liban Business Survey for Fourth Quarter of 2020

Ratio Highlights

(in % unless specified)	2018	2019	2020	Change*
Nominal GDP (\$bn)	55.0	51.3	33.4	(17.88)
Public Debt in Foreign Currency / GDP	60.6	63.0	55.8	(7.17)
Public Debt in Local Currency / GDP	93.4	108.1	92.2	(15.87)
Gross Public Debt / GDP	154.0	171.1	148.1	(23.04)
Trade Balance / GDP	(30.8)	(29.0)	(12.0)	16.93
Exports / Imports	14.8	19.4	31.3	11.95
Fiscal Revenues / GDP	20.9	20.7	15.8	(4.90)
Fiscal Expenditures / GDP	32.2	31.6	20.0	(11.60)
Fiscal Balance / GDP	(11.3)	(10.9)	(4.2)	6.70
Primary Balance / GDP	(1.1)	(0.5)	(1.0)	(0.47)
Gross Foreign Currency Reserves / M2	63.8	70.2	41.5	(28.63)
M3 / GDP	255.6	251.2	205.6	(45.67)
Commercial Banks Assets / GDP	451.3	404.8	291.3	(113.50)
Private Sector Deposits / GDP	315.3	296.6	215.5	(81.10)
Private Sector Loans / GDP	107.4	92.9	56.0	(36.91)
Private Sector Deposits Dollarization Rate	70.6	80.3	80.4	0.08
Private Sector Lending Dollarization Rate	69.2	68.7	59.6	(9.12)

*change in percentage points 20/19;

Source: Banque du Liban, Central Administration of Statistics, Institute of International Finance, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2018	2019e	2020f
Nominal GDP (LBP trillion)	82.9	80.8	99.4
Nominal GDP (US\$ bn)	55.0	51.3	25.9
Real GDP growth, % change	-1.9	-6.7	-26.4
Private consumption	-1.3	-7.3	-23.4
Public consumption	6.7	2.5	-64.7
Gross fixed capital	-1.8	-11.1	-32.2
Exports of goods and services	0.5	-4.0	-31.6
Imports of goods and services	1.1	-4.9	-39.5
Consumer prices, %, average	6.1	2.9	85.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	n/a	1,620	5,528
Weighted average exchange rate LBP/US\$	1,507.5	1,575	3,853

Source: Institute of International Finance- December 2019

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative
Capital Intelligence Ratings	SD	SD	-	C-	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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