

LEBANON THIS WEEK

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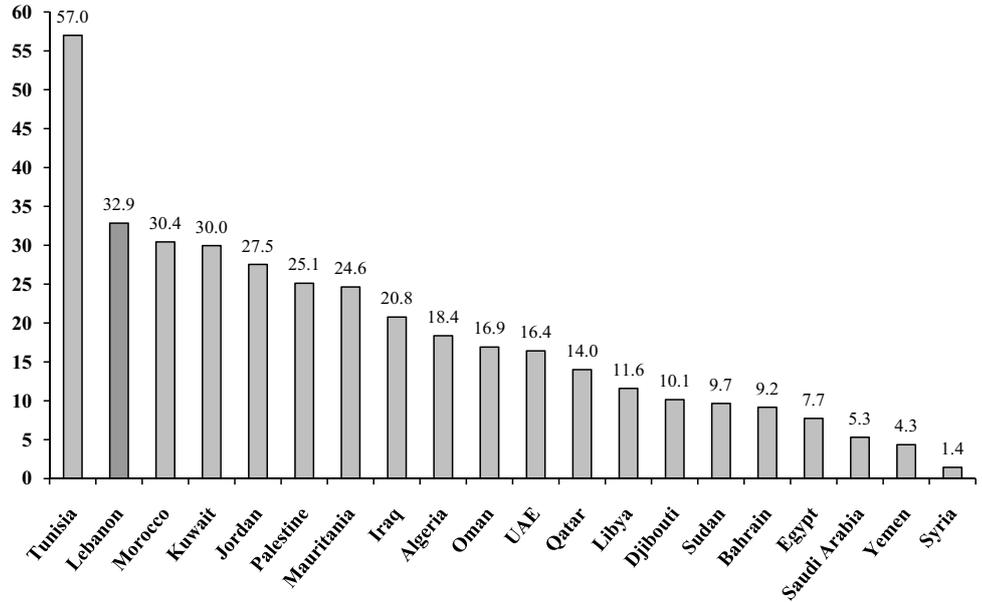
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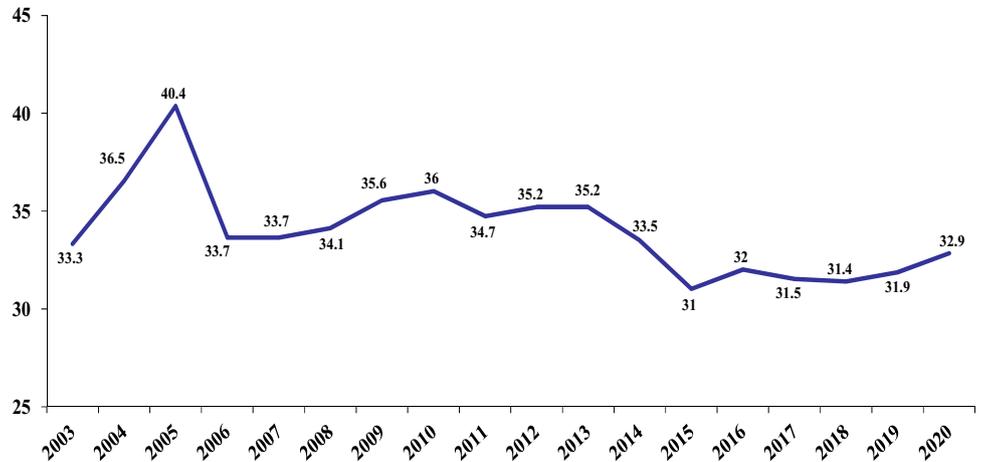
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Charts of the Week

Percentile Rank of Arab Countries in terms of Voice & Accountability in 2020 (%)



Percentile Rank of Lebanon on the Voice & Accountability Indicator (%)



Source: World Bank Governance Indicators for 2020, Byblos Research

Quote to Note

"Preparatory technical discussions have started."

Dr. Gerry Rice, Director of the Communications Department at the International Monetary Fund, on the beginning of talks between the IMF and Lebanese authorities on policies and reforms

Number of the Week

\$11.97bn: Aggregate greenfield foreign direct investments in Lebanon from Gulf Cooperation Council countries between 2003 and 2018, according to fDi Markets and the Arab Investment & Export Credit Guarantee Corporation

Lebanon in the News

\$m (unless otherwise mentioned)	2020	Jan-May 2020	Jan-May 2021	% Change*	May-20	Apr-21	May-21
Exports**	3,544	914	699	-23.6%	251	-	-
Imports**	11,310	2,931	3,329	13.6%	674	-	-
Trade Balance**	(7,765)	(2,017)	(2,631)	30.5%	(423)	-	-
Balance of Payments	(10,551)	(2,191)	(1,574)	-28.2%	(888)	(546)	(181)
Checks Cleared in LBP	19,937	7,748	7,481	-3.5%	1,105	1,719	1,611
Checks Cleared in FC	33,881	13,845	9,456	-31.7%	1,467	2,108	1,501
Total Checks Cleared	53,828	21,597	16,941	-21.6%	2,572	3,828	3,112
Fiscal Deficit/Surplus	(2,535)	(1,998)	-	-	(247)	-	-
Primary Balance	(1,136)	(716)	-	-	(120)	-	-
Airport Passengers	2,501,975	1,191,376	1,052,191	-11.7%	20,253	216,344	286,371
Consumer Price Index	84.9	28.6	138.0	10940	56.5	121.7	119.8

\$bn (unless otherwise mentioned)	Dec-20	Sep-20	Jun-21	Jul-21	Aug-21	Sep-21	% Change*
BdL FX Reserves	18.60	20.00	15.19	14.68	14.20	14.62	(26.9)
In months of Imports	15.10	-	-	-	-	-	-
Public Debt	95.59	94.81	97.75	-	-	-	-
Bank Assets	188.04	192.57	181.08	180.64	180.28	179.68	(6.7)
Bank Deposits (Private Sector)	139.14	142.18	134.23	134.23	133.04	132.49	(6.8)
Bank Loans to Private Sector	36.17	38.60	31.87	31.41	30.86	30.00	(22.3)
Money Supply M2	44.78	40.94	49.77	49.59	49.85	49.95	22.0
Money Supply M3	132.70	130.92	134.15	133.42	133.21	132.90	1.5
LBP Lending Rate (%)	7.77	7.89	7.32	7.26	7.52	7.65	(24)
LBP Deposit Rate (%)	2.64	3.35	1.84	1.74	1.62	1.53	(182)
USD Lending Rate (%)	6.73	7.54	6.46	5.99	5.87	6.34	(120)
USD Deposit Rate (%)	0.94	1.15	0.39	0.33	0.30	0.26	(89)

*year-on-year; **figures for the period reflect the first quarter 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 %
Solidere "A"	29.90	1.3	111,493	29.1%	Oct 2022	6.10	14.25	388.42
Solidere "B"	29.75	1.0	32,180	18.8%	Jan 2023	6.00	14.25	245.43
Byblos Common	0.91	0.0	20,000	5.0%	Apr 2024	6.65	14.25	97.53
BLOM GDR	3.55	0.0	8,000	2.6%	Jun 2025	6.25	14.25	62.32
BLOM Listed	3.50	(3.0)	4,000	7.3%	Nov 2026	6.60	14.25	42.56
Byblos Pref. 09	37.99	0.0	2,084	0.7%	Feb 2030	6.65	14.25	24.92
Byblos Pref. 08	34.99	0.0	2,000	0.7%	Apr 2031	7.00	14.25	21.71
HOLCIM	20.00	10.9	1,500	3.8%	May 2033	8.20	14.25	17.65
Audi Listed	2.45	(6.5)	1,200	14.0%	Nov 2035	7.05	14.25	14.43
Audi GDR	2.40	0.0	-	2.8%	Mar 2037	7.25	14.25	13.09

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

Source: Refinitiv

	Nov 1-5	Oct 25-29	% Change	October 2021	October 2020	% Change
Total shares traded	185,857	220,819	(15.8)	1,964,896	933,600	110.5
Total value traded	\$4,501,049	\$3,944,826	14.1	\$21,414,837	\$11,588,882	84.8
Market capitalization	\$10.27bn	\$10.21bn	0.57	\$10.21bn	\$6.45bn	58.5

Source: Beirut Stock Exchange (BSE)



Deposits and loans penetration rates regress in 2020

Figures issued by the International Monetary Fund show that there were 176.5 borrowers per 1,000 adults at commercial banks in Lebanon at the end of 2020, constituting a decrease from 212.3 borrowers per 1,000 adults at end-2019 and compared to 263.7 borrowers per 1,000 adults at the end of 2010. The borrowers' penetration rate ranked Lebanon in 44th place globally among 84 countries with available figures for end-2020, and in fifth place among nine Arab countries with available data. Globally, Lebanon has a higher penetration rate of borrowers than Indonesia, the Maldives and Albania, and a lower rate than Botswana, Belize and Uzbekistan. It also has a higher penetration rate than Palestine, Saudi Arabia, Egypt and Algeria, while it has a lower rate than the UAE, Tunisia, Qatar and Kuwait.

Further, there were 398.2 loan accounts per 1,000 adults at Lebanese commercial banks at the end of 2020, down from 468.2 loan accounts per 1,000 adults at end-2019 and compared to 467.1 loan accounts per 1,000 adults at the end of 2010. The loan penetration rate ranked Lebanon in 43rd place among 94 countries globally with available figures, and in third place after Morocco and the UAE among seven Arab economies.

In parallel, there were 492.7 depositors per 1,000 adults at Lebanese commercial banks at the end of 2020, constituting a decline from 531.6 depositors per 1,000 adults at end-2019 and compared to 773.4 depositors per 1,000 adults at the end of 2010. As a result, Lebanon had the 52nd highest depositors' penetration rate among 79 countries worldwide with available figures and the sixth highest among eight Arab countries as at the end of 2020. Globally, Lebanon had a higher depositors' penetration rate than Egypt, Lesotho and Pakistan, and a lower rate than Paraguay, Timor-Leste and Zimbabwe.

Also, there were 952 deposit accounts per 1,000 adults at commercial banks in Lebanon at the end of 2020, down from 1,061 deposit accounts per 1,000 adults at end-2019 and compared to 1,260 deposit accounts per 1,000 adults at the end of 2010. As such, Lebanon had the 65th highest deposit account penetration rate among 104 countries worldwide with available figures for end-2020, and the fourth highest after Saudi Arabia, Palestine and Morocco among eight Arab countries.

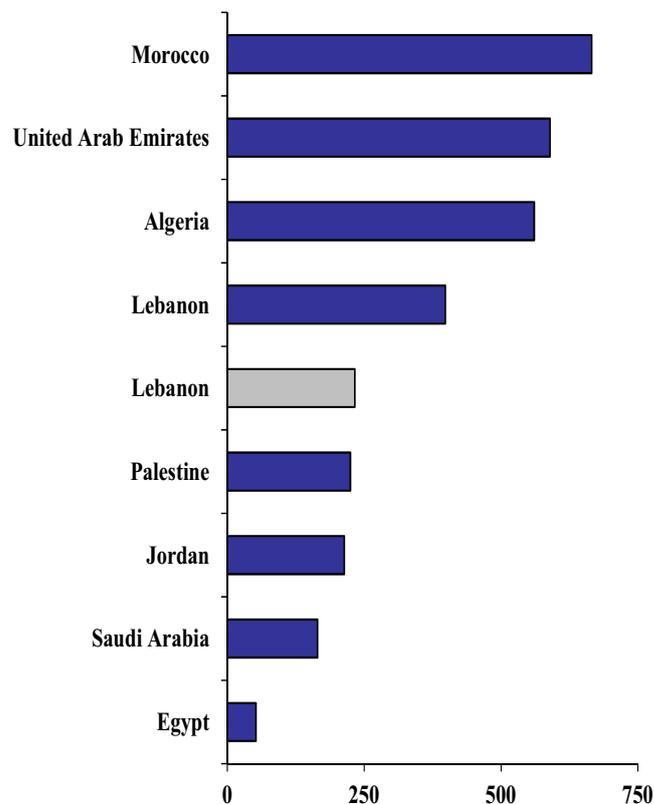
In addition, there were 902,505 borrowers and 2.04 million loan accounts at commercial banks in Lebanon at the end of 2020. Resident private sector loans were equivalent to 40.4% of GDP at the end of 2020, according to the IMF, the 93rd highest such ratio among 156 countries globally and the 12th highest among 14 Arab countries. Also, there were 2.51 million depositors and 4.87 million deposit accounts at commercial banks in Lebanon at the end of 2020. Resident private sector deposits were equivalent to 140% of GDP at end-2020, the 14th highest ratio among 156 economies globally, as well as the largest among 14 Arab countries.

Banque du Liban issues circular about provisions

Banque du Liban issued Intermediate Circular 600 on November 3, 2021 addressed to banks and financial institutions that modifies Basic Circular 7694 dated October 18, 2000 about building provisions and about the share of net Tier One capital available in Lebanese pounds, as well as Basic Circular 12713 dated November 7, 2017 about the implementation of international financial reporting standard IFRS 9.

The circular stipulates that banks and financial institutions operating in Lebanon have to build provisions according to the clauses of Basic Circular 12713. It added that banks and financial institutions have to book immediately the existing provisions or the provisions that they will build on any category of financial assets on their balance sheet and on off-balance sheet liabilities in the currency of the assets and obligations. It added that they also have to take the appropriate measures to cover the foreign exchange positions that result from the constituted provisions in foreign currency, such as by utilizing the surplus in the net foreign exchange positions that originates from net interest income, commissions and other revenues in foreign currency.

Loan Penetration Rates among Arab Countries at end-2020
(Number of loan accounts per 1,000 adults)



Source: International Monetary Fund, Byblos Research

Number of airport passengers up 77% in first 10 months of 2021

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 3.53 million passengers utilized the airport (arrivals, departures and transit) in the first 10 months of 2021, constituting an increase of 76.8% from 2 million passengers in the same period of 2020, and relative to 7.7 million passengers in the first 10 months of 2019. The increase in the number of airport passengers in the first 10 months of 2021 is mainly due to the gradual relaxation of lockdown measures and travel restrictions in Lebanon and in many country-sources of travelers to Lebanon, as well as to the resumption of travel activity in most countries.

The number of arriving passengers reached 1.67 million in the first 10 months of 2021 and increased by 82.2% from 917,216 passengers in the same period of 2020, compared to 3.8 million incoming passengers in the first 10 months of 2019. Also, the number of departing passengers totaled 1.81 million in the covered period and grew by 74.1% from 1.04 million outbound passengers in the same period last year, relative to 3.87 million departures in the first 10 months of 2019.

In parallel, the airport's aircraft activity totaled 32,409 take-offs and landings in the first 10 months of 2021, representing an increase of 48% from 21,913 takeoffs and landings in the same period of 2020. In comparison, aircraft activity dropped by 65% in the first 10 months of 2020 and expanded by a marginal 0.7% in the same period of 2019. In addition, the HIA processed 57,191 metric tons of freight in the first 10 months of 2021 that consisted of 22,028 tons of import freight and 35,164 tons of export freight. Middle East Airlines had 10,915 flights in the covered period and accounted for 33.7% of the HIA's total aircraft activity.

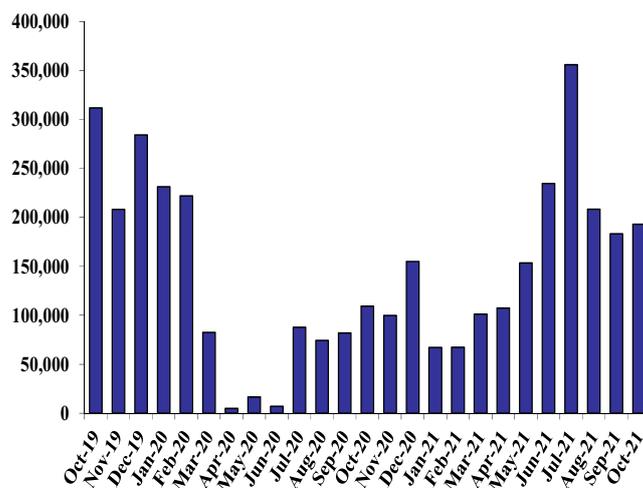
Net foreign assets of financial sector down \$1.6bn in first nine months of 2021

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$1.6bn in the first nine months of 2021, compared to decreases of \$9.6bn in the same period of 2020 and of \$6bn in the first nine months of 2019.

The cumulative deficit in the first nine months of 2021 was caused by a drop of \$3.7bn in the net foreign assets of BdL, which was partly offset by an expansion of \$2.14bn in those of banks and financial institutions. Further, the net foreign assets of the financial sector rose by \$784.6m in September 2021, compared to a decrease of \$592.8m in August 2021 and to a decline of \$2.1bn in September 2020. The August increase was caused by a growth of \$724.2m in the net foreign assets of BdL and an upturn of \$60.5m in those of banks and financial institutions.

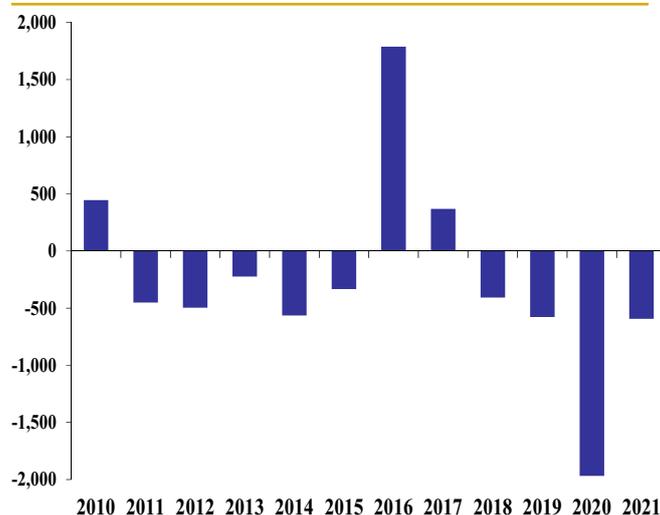
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the drop in BdL's net foreign assets was due in part 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.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Change in Net Foreign Assets of Financial Sector* (US\$m)



*in September of each year

Source: Banque du Liban, Byblos Research

Increase in food prices in Lebanon remains highest in MENA region

In its periodic assessment of the impact of the COVID-19 pandemic on food-price inflation in the Middle East & North Africa (MENA) region, the World Bank indicated that prices in Lebanon have surged across all food categories between February 14, 2020 and October 26, 2021. It assessed the change in food prices in 19 countries in the MENA region across five main food categories that are carbohydrates, dairy products, fruits, meats, and vegetables. For comparative purposes, the average price increases of food items in the MENA region exclude the surge of the prices of these products in Lebanon.

The prices of fresh or frozen cattle meat in Lebanon jumped by 118.6% in the covered period, constituting the highest increase in the price of this item in the region. Lebanon, along with Djibouti, Yemen, Syria and Kuwait were the only countries in the region that posted a rise of more than 20% in the prices of fresh or frozen cattle meat. In comparison, the price of fresh or frozen cattle meat grew by an average of 12.8% in the MENA region excluding Lebanon.

In addition, the price of potatoes in Lebanon climbed by 60.2% between February 14, 2020 and October 26, 2021, representing the highest increase in the price of this vegetable in the region. Lebanon, Djibouti and Syria were the only countries in the MENA region that posted increases of more than 20% in the price of potatoes, compared to an average growth of 6.4% in MENA countries.

Also, the price of processed liquid milk in Lebanon surged by 55.3% in the covered period. Lebanon posted the third highest growth rate in the price of this product in the region after Djibouti and Iran, relative to an average increase of 11.5% among MENA countries excluding Lebanon.

Further, the price of cheese in Lebanon rose by 52.9% between February 14, 2020 and October 26, 2021, the highest increase in the price of cheese regionally, relative to an average price expansion of 7.4% among MENA countries excluding Lebanon. Also, the prices of oranges jumped by 36.2% in the covered period, representing the second most significant price leap in the region after Yemen. In comparison, the prices of oranges expanded by an average of 7.9% in MENA countries.

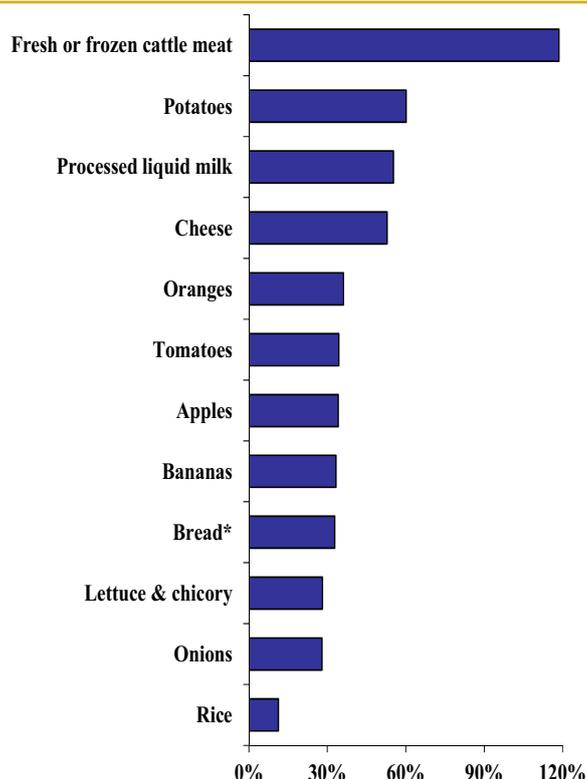
Also, the prices of tomatoes in Lebanon surged by 34.4% in the covered period, constituting the second highest upturn in the price of this vegetable among MENA countries after Syria, and compared to an average growth of 9.5% regionally. Also, the prices of apples surged by 34.2% between February 14, 2020 and October 26, 2021, representing the second highest increase in the price of this fruit in the MENA region, after Yemen.

According to the World Bank, the price of bananas in Lebanon rose by 33.3% between February 14, 2020 and October 26, 2021, constituting the highest uptick in the price of this fruit regionally, and compared to an average price increase of 6.9% in the MENA region excluding Lebanon.

In parallel, the price of bread and other manufactured articles sold at bakeries in Lebanon expanded by 32.8% in the covered period, representing the third highest increase in bread prices among MENA countries, behind prices in Syria (+88.5%) and Iran (+34.1%). In comparison, the price of bread rose by an average of 14% in MENA countries excluding Lebanon. Also, the prices of lettuce and onions in Lebanon soared each by 28%, between February 14, 2020 and October 26, 2021.

Moreover, the price of rice jumped by 11.3% in the covered period, representing the sixth highest increase in the price of this product among MENA countries, behind prices in Syria (+49.5%), Yemen (+33.6%), Qatar (+25.8%), Tunisia (+14.1%) and Saudi Arabia (+11.9%).

Change in Food Prices in Lebanon (%)
(between February 14, 2020 and October 26, 2021)



*bread and other manufactured articles sold at bakeries
Source: World Bank, Byblos Research

Compensation of public-sector personnel absorbs 62% of public revenues in first four months of 2021

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled LBP3,080bn, or the equivalent of \$2bn, in the first four months of 2021, constituting a decrease of 7.2% from LBP3,318, or \$2.2bn, in the same period of 2020. Salaries, wages and related benefits accounted for 60.7% of the total, followed by retirement benefits (31.3%), transfers to public institutions to cover salaries and end-of-service indemnities (4% each). The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. Further, end-of-service indemnities declined by 22.5%; transfers to public institutions to cover salaries decreased by 18%; and salaries, wages and related benefits regressed by 9.5%; while retirement salaries increased by 2.3% in the covered period. The compensation of public-sector personnel represented the largest component of current primary spending and accounted for 71.7% of such expenditures in the first four months of 2021 compared to 67.7% in the same period of 2020. It also represented 51.5% of fiscal spending in the first four months of 2021 relative to 45% in the same period of 2020; while it absorbed 61.8% of public revenues in the first four months of 2021 relative to 70% of government receipts in the same period of 2020.

In parallel, salaries, wages and related benefits paid to public-sector workers amounted to LBP1,872bn, or the equivalent of \$1.2bn, in the first four months of 2021 compared to \$1.4bn in the same period of 2020. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament. The breakdown of salaries, wages and related benefits paid to public-sector employees shows that allowances decreased by \$87.6m, while other payments given to non-military bodies declined by \$26.5m, benefits fell by \$11.3m, and basic salaries regressed by \$2m year-on-year. Benefits include payments for transportation, overtime and family-related benefits, while other payments to non-military bodies consist of the State's contribution to mutual funds and to the National Social Security Fund, as well as bonuses, among others. Basic salaries were nearly unchanged at \$979.8m in the first four months of 2021, allowances declined by 37% to \$149.2m, other payments decreased by 30.8% to \$59.7m and benefits retreated by 22% to \$40m from the first four months of 2020. In addition, salaries and benefits of military personnel reached \$852.4m and accounted for 68.6% of salaries, wages and related benefits paid to public sector employees in the first four months of 2021. The salaries and benefits of personnel in public education followed with \$199.7m (16% of the total), then civil staff with \$125.4m (10%), government contribution to employees cooperative with \$50.4m (4%), and the salaries and benefits of customs employees with \$13.3m (1.1%). Also, the Lebanese Army's salaries and benefits totaled \$524m and represented 61.5% of the salaries and benefits of military personnel. The salaries of the Internal Security Forces followed with \$246.1m (28.9%), then those of the General Security Forces with \$63.7m (7.5%), and the salaries of State Security Forces with \$18.6m (2.2%).

Industrial activity deteriorates in first quarter of 2021

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions about industrial production was -57 in the first quarter of 2021 compared to -45 in the fourth quarter of 2020 and to -55 in the first quarter of 2020. The balance of opinions for the level of industrial production in the first quarter of 2021 reached its third lowest quarterly level between 2004 and the first quarter of 2021, after posting -66 in the second quarter of 2020, and -64 in the third quarter of 2006 due to the Israeli war on Lebanon. The decline in industrial activity reflects the disruptions to economic activity following the worsening of economic and financial conditions in the country, as well as the lockdown measures that the government imposed in the covered quarter to contain the outbreak of the COVID-19 pandemic, the deterioration of the exchange rate of the Lebanese pound on the parallel market, in addition to the impact of the explosion at the Beirut Port on August 4.

The business survey reflects the opinions of managers of industrial enterprises about their businesses, in order to depict the evolution 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 improvement in a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions about industrial production was -92 in the South, followed by the Bekaa (-67), Beirut & Mount Lebanon (-60), and the North (-18). The balance of opinions about demand for industrial goods stood at -63 in the first quarter of 2021 compared to -50 in the preceding quarter and to -58 in the first quarter of 2020. The balance of opinions about demand for industrial goods was the lowest in the South at -92, followed by the Bekaa (-87), Beirut & Mount Lebanon (-60), and the North (-18). In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -42 in the first quarter of 2021 compared to -35 in the preceding quarter and in the first quarter of 2020. The balance of opinions about the volume of investments was the lowest in the South at -86, followed by Beirut & Mount Lebanon (-60), the Bekaa (-30) and the North (zero). Also, the balance of opinions about foreign demand for industrial goods stood at -26 during the first quarter of 2021 compared to -28 in the preceding quarter and to -33 in the first quarter of 2020. The balance of opinions about foreign demand for industrial goods was the lowest in the South at -85, followed by the Bekaa region (-26), Beirut & Mount Lebanon (-23), and the North (zero).

Industrial Activity: Evolution of Opinions				
Aggregate results	Q1-18	Q1-19	Q1-20	Q1-21
Production	-17	-25	-55	-57
Total demand	-21	-28	-58	-63
Foreign demand	-16	-15	-33	-26
Volume of investments	-12	-12	-35	-42
Inventories of finished goods	-6	-6	-37	-54
Inventories of raw material	-9	-13	-48	-61
Registered orders	-22	-37	-64	-73

Source: Banque du Liban Business Survey for First Quarter of 2021

Lebanon ranks 65th globally, 11th in Arab world in terms of energy sector performance

The World Energy Council (WEC) ranked Lebanon in 65th place among 127 countries globally and in 11th place among 14 Arab countries on its Energy Trilemma Index for 2021. The results of this year's survey are not comparable with the findings of last year's index due to changes in the methodology to produce the index.

The index measures a country's ability to provide a secure, affordable and environmentally sustainable energy system. It assesses the performance of a country's energy sector based on three dimensions that are Energy Security, Energy Equity and Environmental Sustainability. The survey assigns each country a rating on a scale from A to D per dimension, with an 'A' rating reflecting the best performance. As such, the best performing country across all three dimensions receives 'AAA' rating. In contrast, lower ratings point to an imbalance in a country's energy sector performance, which highlights current or future challenges in its energy policy.

Globally, the performance of Lebanon's energy sector was better than the energy sector performance of Jordan, Guatemala and Moldova, and worse than the energy sector performance of Angola, Bolivia and South Africa. Lebanon received a rating of 'DAC', which indicates the country's bad performance in environmental sustainability, good performance in energy equity, and poor outcome in energy security. Further, the WEC noted that Lebanon's target to generate 30% of its energy needs from renewable resources by 2030 has been severely impeded by the prevailing economic crisis since late 2019. It said that a depreciating currency, coupled with a default on foreign debt payments, the COVID-19 pandemic, and last year's explosion at the Port of Beirut, have all halted major solar and wind projects in the country. It added that Lebanon suffered recently from fuel shortages that negatively affected its power sector and economy even further.

In parallel, Lebanon ranked in 71st place globally and in fourth place regionally on the Environmental Sustainability dimension, which measures a country's ability to mitigate the depletion of its natural resources and the degradation of its environment. Globally, Lebanon ranked along with Algeria and Côte d'Ivoire, and came ahead of Russia, Cameroon and Cambodia, while it ranked behind Ghana, Serbia and Myanmar. Regionally, Lebanon trailed only Jordan, Tunisia and Morocco.

Further, Lebanon came in 22nd place globally and in seventh place regionally on the Energy Equity dimension, which assesses a country's ability to provide access to reliable and affordable energy for domestic and commercial use. Globally, Lebanon tied with Trinidad and Tobago, preceded Spain, Hungary and Italy, while it trailed Hong Kong, Cyprus and Finland. Regionally, Lebanon ranked ahead of Egypt, Iraq and Algeria, while it came behind Bahrain, Oman and Saudi Arabia. Also, Lebanon ranked in last place globally and among Arab countries on the Energy Security dimension, which measures a country's ability to meet its current and future energy needs.

Energy Trilemma Index for 2021 Arab Countries' Rankings & Ratings

	Rank	Rating
Qatar	31	AAD
UAE	33	BAD
Saudi Arabia	41	BAD
Bahrain	42	BAD
Kuwait	45	CAD
Oman	48	CAD
Egypt	54	BBD
Algeria	56	CBC
Tunisia	58	CCC
Morocco	61	CCC
Lebanon	65	DAC
Jordan	66	DCC
Iraq	69	DBD
Mauritania	86	CDD

Source: World Energy Council, Byblos Research

Private sector loans down \$29.4bn since start of 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$179.7bn at the end of September 2021, constituting declines of 4.4% from \$188bn at the end of 2020 and of 6.7% from \$192.6bn at end-September 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

Loans extended to the private sector reached \$30bn at the end of September 2021 and decreased by 17% in the first nine months of 2021 and by 22.3% from a year earlier. Loans to the resident private sector totaled \$26.4bn, constituting declines of 17.6% from the end of 2020 and of 22.7% from end-September 2020. Also, credit to the non-resident private sector amounted to \$3.6bn at the end of September 2021, and contracted by 12.5% from the end of 2020 and by 18.8% from a year earlier.

In nominal terms, credit to the private sector regressed by \$6.2bn in the first nine months of 2021 relative to a decrease of \$8.6bn in the same period of 2020, as lending to the resident private sector declined by \$5.65bn and credit to the non-resident private sector retreated by \$516.8m in the covered period. Further, loans extended to the private sector dropped by \$29.4bn since the start of 2019, with loans denominated in Lebanese pounds shrinking by LBP8.7bn and loans denominated in foreign currency contracting by \$23.7bn.

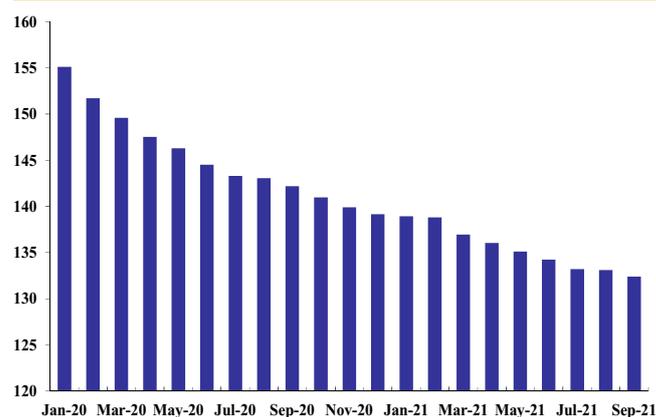
The dollarization rate of private sector loans regressed from 61.5% at end-September 2020 to 58.2% at the end of September 2021. The average lending rate in Lebanese pounds was 7.65% in September 2021 compared to 7.89% a year earlier, while the same rate in US dollars was 6.34% relative to 7.54% in September 2020. In addition, claims on non-resident financial institutions reached \$4.7bn at the end of September 2021, constituting an increase of \$8m (+0.2%) in the first nine months of 2021 and a rise of \$260.1m (+5.8%) from a year earlier. Also, claims on non-resident financial institutions decreased by \$4.4bn (-48.3%) from end-August 2019 and by \$7.3bn (-60.6%) since the start of 2019. Further, deposits at foreign central banks totaled \$988.3m, constituting increases of \$410.7m (+71.1%) in the first nine months of 2021 and of \$301m (+50.3%) from a year earlier. In addition, the banks' claims on the public sector stood at \$18.7bn at end-September 2021, down by \$2.3bn (-11%) in the first nine months of the year and by \$4.2bn (-18.5%) from the end of September 2020. The banks' holdings of Lebanese Treasury bills stood at \$11bn, while their holdings of Lebanese Eurobonds reached \$7.6bn at end-September 2021. Further, the deposits of commercial banks at Banque du Liban (BdL) totaled \$108.5bn at end-September 2021, and declined by \$1.9bn or by 1.7% from \$110.4bn at end-2020 and by \$2.6 or by 2.3% from \$111.1bn at end-September 2020.

In parallel, private sector deposits totaled \$132.5bn at the end of September 2021 and regressed by 4.8% in the first nine months of 2021 and by 6.8% from end-September 2020. Deposits in Lebanese pounds reached the equivalent of \$26.4bn at end-September 2021, as they decreased by 3.2% from the end of 2020 and by 6% from a year earlier; while deposits in foreign currency reached \$106bn, and declined by 5.1% from end-2020 and by 7% from the end of September 2020. Resident deposits totaled \$106.5bn at the end of September 2021 and retreated by \$5.2bn (-4.7%) from the end of 2020 and by \$8.2bn (-7.1%) from a year earlier. Also, non-resident deposits reached \$25.9bn at end-September 2021, down by \$1.4bn (-5.2%) from end-2020 and by \$1.5bn (5.4%) from end-September 2020.

Private sector deposits declined by \$6.6bn in the first nine months of 2021, with deposits in Lebanese pounds decreasing by \$881.8m and foreign currency deposits shrinking by \$5.8bn. Private sector deposits regressed by \$227.1m in January, by \$60.7m in February, by \$1.9bn in March, by \$928.2m in April, by \$914.8m in May, by \$870.5m in June, by \$982m in July, by \$208.6m in August and by \$556m in September 2021. In comparison, private sector deposits declined by \$3.8bn in January, by \$3.4bn in February, by \$2.1bn in March, by \$2.1bn in April, by \$1.22bn in May, by \$1.8bn in June, by \$1.2bn in July, by \$258.2m in August and by \$856m in September 2020. In addition, private sector deposits dropped by \$15.4bn in 2019 and by \$19.7bn in 2020, including a decrease of \$10.7bn between September and December 2019. As such, aggregate private sector deposits contracted by \$41.8bn since the start of 2019, with deposits in Lebanese pounds shrinking by \$24.8bn and foreign currency deposits declining by \$17bn. The decrease is due largely to the repayment of loans by companies and individuals, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 80% at end-September 2021, relative to 80.4% at the end of 2020 and to 80.2% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$5bn at the end of September 2021 and fell by 33.5% from the end of September 2020. Also, the average deposit rate in Lebanese pounds was 1.53% in September 2021 compared to 3.35% a year earlier, while the same rate in US dollars was 0.26% relative to 1.15% in September 2020. The ratio of private sector loans to deposits in foreign currency stood at 16.5% at the end of September 2021 compared to 20.8% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 47.4% at end-September 2021, down from 52.8% at end-September 2020. As such, the total private sector loans-to-deposits ratio reached 22.6% at end-September 2021 compared to 27.1% a year earlier. The banks' aggregate capital base stood at \$16.91bn at the end of September 2021, down by 15.2% from \$19.9bn at the end of 2020 and by 8.5% from \$18.5bn at the end of September 2020.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Byblos Bank registers losses of LBP5.46bn in first nine months of 2021

Byblos Bank sal declared unaudited net losses of LBP5.46bn (\$3.6m) in the first nine months of 2021 relative to net losses of LBP13.6bn (\$9m) in the same period of 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The Bank's net interest income reached LBP816.4bn in the first nine months of 2021 compared to LBP565.4m in the same period of 2020; while revenues from net fees & commissions stood at LBP50.9m in the covered period relative to LBP97.1bn in the first nine months of 2020. The Bank's net operating income totaled LBP374.4bn (\$248.4m) in the covered relative to LBP317.7bn (\$210.8m) in the same timeframe in 2020. Further, the Bank's operating expenditures reached LBP235.9bn (\$156.5m) in the first nine months of 2021, nearly unchanged from the same period last year, with personnel cost accounting for 51.7% of the total.

Also, Byblos Bank's aggregate assets reached LBP26,236bn (\$17.4bn) at the end of September 2021 and declined by 7.2% from LBP28,278bn (\$18.8bn) at end-2020. Net loans & advances to customers totaled LBP3,057bn (\$2bn) at the end of September 2021 compared to LBP3,927bn (\$2.6bn) at end-2020, while net loans & advances to related parties reached LBP11.1bn (\$7.4m) relative to LBP11.4bn (\$7.5m) at end-2020. Further, customer deposits stood at LBP20,277bn (\$13.45bn) at end-September 2021, down by LBP2,144bn (\$1.4bn) or by 9.6% from LBP22,421bn (\$14.9bn) at end-2020. In parallel, the Bank's equity was LBP2,755bn (\$1.8bn) at the end of September 2021, up by 17% from LBP2,351bn (\$1.6bn) at the end of 2020.

The Daily Star newspaper shuts down amid economic crisis

The Lebanese English-language daily newspaper, *The Daily Star* closed down on October 31, 2021 citing financial pressures. The decision came after the newspaper declared on October 13, 2021 that it will temporarily stop updating its website due to circumstances beyond its control. Established in 1952, *The Daily Star* is the oldest English-language newspaper in the Arab world.

In January 2020, the daily announced the temporary suspension of its printed edition. It attributed its decision at the time to the decline in its advertising revenues in the last quarter of 2019, amid deteriorating economic conditions in Lebanon, as well as to the financial challenges that are facing the printed press has been facing with the rise of digital media.

The Daily Star is the latest among a number of newspapers to cease operations in Lebanon. In October 2020, the country's oldest newspaper *An-Nahar* stopped updating its English website. In February 2019, the daily *Al-Mustaqbal* suspended its printed edition after 20 years of publishing. In September 2018, *Al-Anwar* newspaper stopped publishing printed copies after around 60 years in the market, while pan-Arab newspaper *Al-Hayat* closed its Beirut offices in June 2018 and suspended its printed edition. Also, the daily *As-Safir* ended its operations in December 2016, and *Al-Balad* newspaper closed down in June 2018. In addition, *Al-Ittihad* newspaper suspended its operations in December 2017, just two months after its launch.

Bank of Beirut lists additional shares on Beirut bourse

The Beirut Stock Exchange (BSE) approved on October 28, 2021 the listing of 4.76 million additional common shares of Bank of Beirut sal on the Beirut bourse. Accordingly, the bank currently has 25.56 million common shares listed on the BSE, as trading in the newly listed shares started on November 1, 2021. The new shares consist of Priority Shares Series 2014 that were converted to common stock.

Bank of Beirut's capital consists of 25.56 million listed common shares, 35.4 million non-listed ordinary shares, 3.57 million Preferred Series G shares, 5.4 million preferred Series H shares, 5 million Preferred Series I shares, 4 million Preferred Series K shares and 3 million Preferred Series J shares. In total, the bank has 81,966,900 common and preferred shares, at a par value of LBP 1,460 each. The most recent figures released by the bank show unaudited consolidated net losses of \$250m in 2020 and total assets of \$13.4bn at end-December 2020. The price of Bank of Beirut's stock closed at \$17.8 per share on November 5, 2021, unchanged from the end of 2020.

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP (\$bn)	51.3	22.6	23.2	0.60
Public Debt in Foreign Currency / GDP	63.0	58.1	-	-
Public Debt in Local Currency / GDP	108.1	95.9	-	-
Gross Public Debt / GDP	171.1	154.0	299.4	145.5
Trade Balance / GDP	(29.0)	(12.5)	(22.2)	(9.71)
Exports / Imports	19.4	31.3	47.7	16.40
Fiscal Revenues / GDP	20.7	16.4	10.0	(6.37)
Fiscal Expenditures / GDP	31.6	20.8	14.7	(6.09)
Fiscal Balance / GDP	(10.9)	(4.4)	(4.7)	(0.29)
Primary Balance / GDP	(0.5)	(1.0)	(2.3)	(1.22)
Gross Foreign Currency Reserves / M2	70.2	41.5	-	-
M3 / GDP	251.2	213.7	-	-
Commercial Banks Assets / GDP	404.8	302.9	-	-
Private Sector Deposits / GDP	296.6	224.1	-	-
Private Sector Loans / GDP	92.9	58.3	-	-
Private Sector Deposits Dollarization Rate	80.3	80.4	-	-
Private Sector Lending Dollarization Rate	68.7	59.6	-	-

*change in percentage points 21/20;

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

	2019	2020e	2021f
Nominal GDP (LBP trillion)	80.8	93.6	182.3
Nominal GDP (US\$ bn)	51.6	22.6	23.2
Real GDP growth, % change	-6.7	-26.2	-8.3
Private consumption	-7.3	-20.2	-10.0
Public consumption	2.5	-67.0	-60.0
Gross fixed capital	-11.1	-31.3	-21.5
Exports of goods and services	-4.0	-35.8	1.1
Imports of goods and services	-4.9	-38.0	-21.0
Consumer prices, %, average	2.9	84.9	140.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	1,625	5,549	13,569
Weighted average exchange rate LBP/US\$	1,566	4,142	7,865

Source: Institute of International Finance- September 2021

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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