

LEBANON THIS WEEK

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International contributions to Lebanon Crisis Response Plan at \$1.2bn in first nine months of 2021

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Amount of cleared checks down 32%, returned checks down 45% in first 10 months of 2021

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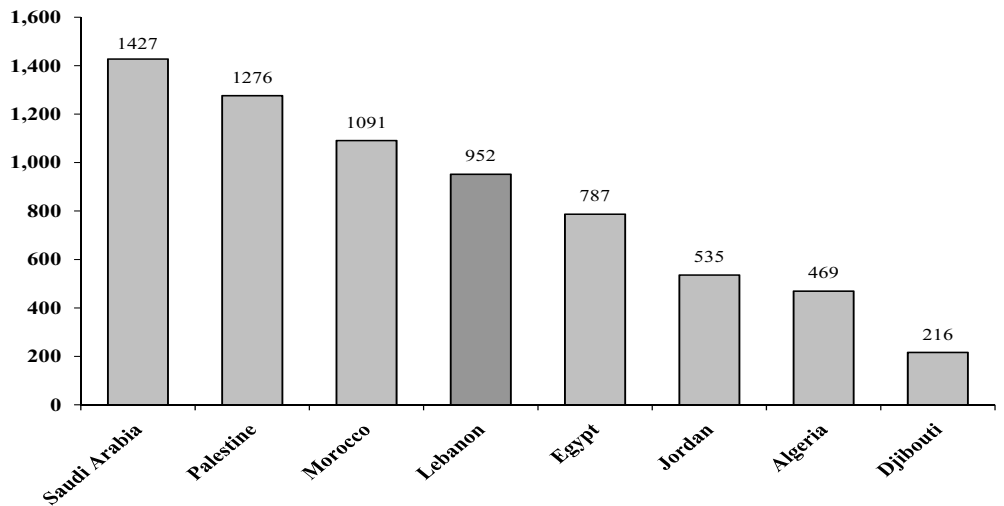
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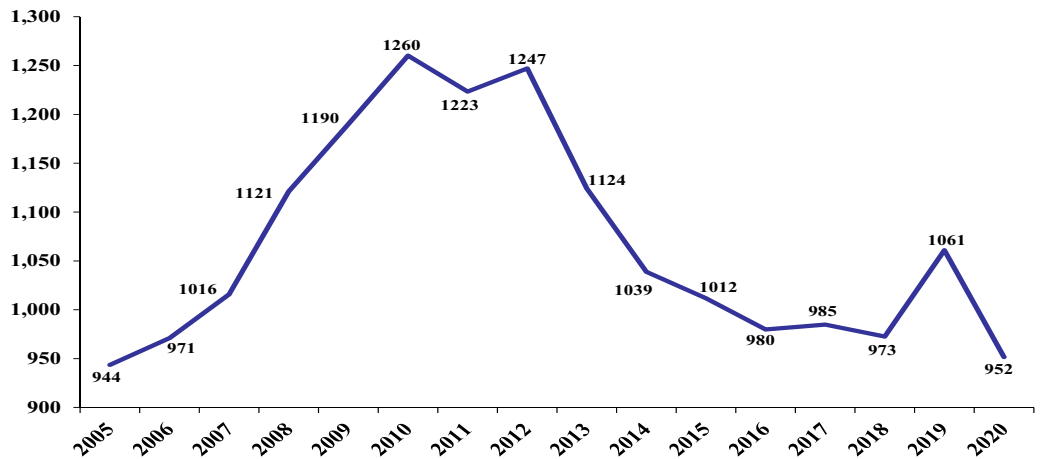
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Charts of the Week

Penetration Rates of Deposit Accounts in Select Arab Countries at end-2020
 (Number of deposit accounts at commercial banks per 1,000 adults)



Penetration Rate of Deposit Accounts in Lebanon
 (Number of deposit accounts at commercial banks per 1,000 adults)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"The European Union is ready to support Lebanon, but prior agreement with the International Monetary Fund is necessary to stave off collapse."

Josep Borrell, the High Representative of the European Union for Foreign Affairs and Security Policy, on the importance of reaching a reforms agreement with the IMF

Number of the Week

74.3%: Compensation of public-sector personnel as a share of primary public expenditures in the first five months of 2021, according to the Ministry of Finance

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	98.19	-	-	-
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 %
Byblos Common	0.86	(2.3)	86,500	4.7%	Oct 2022	6.10	11.38	546.76
Solidere "A"	30.85	1.1	69,986	30.0%	Jan 2023	6.00	11.38	319.39
BLOM GDR	3.92	0.5	35,001	2.8%	Apr 2024	6.65	11.38	116.07
Audi GDR	2.05	(17.0)	7,120	2.4%	Jun 2025	6.25	11.38	72.50
Solidere "B"	30.18	(1.0)	4,572	19.1%	Nov 2026	6.60	11.38	48.86
HOLCIM	20.00	0.0	3,500	3.8%	Feb 2030	6.65	11.38	28.27
Audi Listed	2.33	0.0	-	13.3%	Apr 2031	7.00	11.38	24.58
BLOM Listed	3.50	0.0	-	7.3%	May 2033	8.20	11.38	19.93
Byblos Pref. 09	37.99	0.0	-	0.7%	Nov 2035	7.05	11.38	16.26
Byblos Pref. 08	34.99	0.0	-	0.7%	Mar 2037	7.25	11.38	14.73

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

Source: Refinitiv

	Nov 29-Dec 3	Nov 23-26	% Change	November 2021	November 2020	% Change
Total shares traded	299,440	201,592	48.5	978,219	1,428,230	(31.5)
Total value traded	\$2,910,881	\$3,101,574	(6.1)	\$15,321,865	\$11,541,379	32.8
Market capitalization	\$10.28bn	\$10.32bn	(0.4)	\$10.35bn	\$6.14bn	68.6

Source: Beirut Stock Exchange (BSE)



Cost of sending remittances from most sources declines in second quarter of 2021

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 4.37% in the second quarter of 2021, constituting a decrease from 4.47% in the first quarter of 2021 and from 5.31% in the second quarter of 2020. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$21.85 in the second quarter of 2021, relative to \$22.33 in the preceding quarter and compared to \$26.55 in the second quarter of 2020. Lebanon was the 16th most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 6.43% in the second quarter of 2021 for a transfer of CAD500, representing an increase from 5.53% in the first quarter of 2021 and from 6.06% in the second quarter of 2020. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD32.13 in the second quarter of 2021 relative to CAD27.67 in the previous quarter and to CAD30.29 in the second quarter of 2020. Lebanon was the fourth costliest destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 6.58% in the second quarter of 2021 for a transfer of AUD500, constituting a decrease from 6.69% in the first quarter of 2021 and from 7.94% in the second quarter of 2020. The cost of sending AUD500 from Australia to Lebanon was AUD32.91 in the second quarter of 2021 relative to AUD33.44 in the preceding quarter and to AUD39.71 in the second quarter of 2020. Lebanon was the fifth most expensive destination for sending AUD500 from Australia among 16 countries with available data.

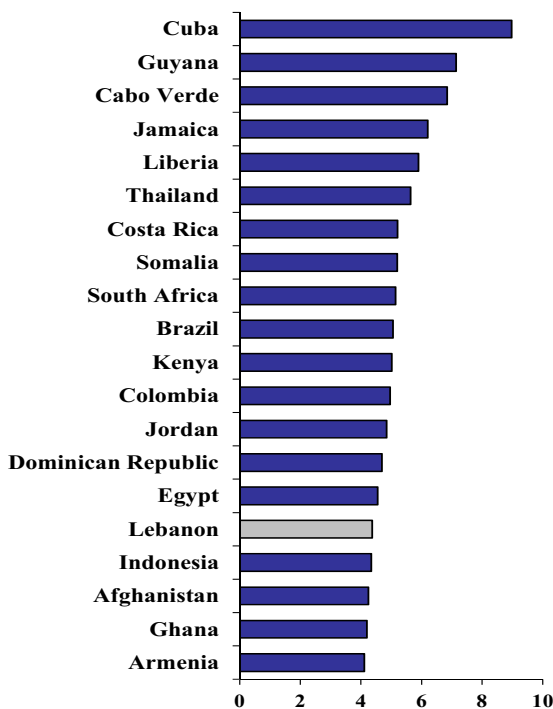
In addition, the cost of sending remittances from France to Lebanon was 7.05% in the second quarter of 2021 for a transfer of €345, representing a decrease from 8.8% in the first quarter of 2021 and from 7.34% in the second quarter of 2020. In nominal terms, the cost of sending €345 from France to Lebanon was €24.32 in the second quarter of 2021 relative to €30.34 in the previous quarter and to €25.31 in the second quarter of 2020. Lebanon was the fourth costliest destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 8.7% in the second quarter of 2021 for a transfer of £300, and increased from 8.12% in the first quarter of 2021 and from 8.69% in the second quarter of 2020. In nominal terms, the cost of sending £300 from the UK to Lebanon was £26.1 in the first quarter of 2021 relative to £24.36 in the preceding quarter and to £26.07 in the second quarter of 2020. Lebanon was the second most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 5.55% in the second quarter of 2021 for a transfer of €345, constituting a decrease from 8.25% in the first quarter of 2021 and from 6.9% in the second quarter of 2020. In nominal terms, the cost of sending €345 from Germany to Lebanon was €19.14 in the second quarter of 2021 relative to €28.47 in the previous quarter and to €23.8 in the second quarter of 2020. Lebanon was the third most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.47% in the second quarter of 2021 for a transfer of SAR1,870, equivalent to \$500, constituting a decline from 2.69% in the first quarter of 2021 and a rise from 2.38% in the second quarter of 2020. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR46.19 in the second quarter of 2021, relative to SAR50.3 in the preceding quarter and to SAR44.44 in the second quarter of 2020. Lebanon was the 10th most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations for Sending Remittances from the United States* (%)



*cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Consumer price index up by 519% since December 2019

Figures released by the Central Administration of Statistics (CAS) show that the Consumer Price Index (CPI) in Lebanon increased by 4% in 2018, by 7% in 2019, and by 145% in 2020, while it averaged 151% in the first 10 months of 2021. Also, the CAS indicated that the CPI rose by 152% between December 2020 and October of this year, by 519% during the December 2019-October 2021 period, and by 562% in the December 2018 to October 2021 timeframe.

Further, the CAS noted that the prices of food and non-alcoholic beverages jumped by 293% between December 2020 and October of this year, by 1874% during the December 2019-October 2021 period, and by 2067% in the December 2018 to October 2021 timeframe. It added that the prices of clothing & footwear grew by 160% between December 2020 and October of this year, by 1614% during the December 2019-October 2021 period, and by 1911% in the December 2018 to October 2021 timeframe.

The cumulative surge in the inflation rate is due in part to the inability of authorities to monitor and contain retail prices, as well as to the deterioration of the Lebanese pound's exchange rate on the parallel market and the gradual lifting of subsidies on hydrocarbons, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. Further, the emergence of an active black market for gasoline during the summer has put upward pressure on prices and on inflation.

Health Ministry and World Bank agree on \$18m support package to hospitals

The Ministry of Public Health signed an agreement with the World Bank to support hospitalization tariffs for patients that the ministry covers. The agreement stipulates that the ministry will modify the US dollar exchange rate that hospitals have been using to bill patients for medical services and doctors' visits from LBP 3,900 to LBP 13,650 per dollar. Under the previous arrangement, the ministry reimbursed hospitals at the pre-agreed rate of LBP3,900 per dollar for medical services rendered and the patient had to pay the balance of the bill at the parallel market exchange rate. As such, hospitals will use the new exchange rate of LBP13,650 per dollar to charge the ministry for services that are billed in foreign currency or at the parallel market rate, while the patients will pay in Lebanese pounds the cost differential of the services between the parallel market rate and the new exchange rate. The ministry said that the agreement aims to ease the burden on citizens amid rising inflation rates and the depreciation of the exchange rate of the Lebanese pound, and to provide support to hospitals so they can continue to provide medical services. It added that the new arrangement also applies to the fees of the attending doctors and physicians.

The ministry indicated that the \$18m program is part of a \$120m World Bank loan that it equally split to finance efforts to fight the COVID-19 pandemic and to support the hospital sector, "pending a recovery of the economy." In June 2017, the World Bank approved \$120m in funding for the Lebanon Health Resilience Project that aims to support the country's healthcare system and increase access to quality healthcare services for poor Lebanese and displaced Syrians in Lebanon. The funds consist of a \$95.8m loan from the World Bank and \$24.2m in financing from the Global Concessional Financing Facility, a bank-administered multi-national fund that supports middle-income countries experiencing unusual social and economic pressure from refugee inflows. Also, the Islamic Development Bank has earmarked an additional \$30m to the project.

Launch of registration drive for electronic cash assistance card

The Ministry of Social Affairs launched on December 1, 2021 the registration platform for the electronic cash card assistance that aims to help 700,000 vulnerable families cope with the increase in the cost of living in the country. It said that the cash card assistance consists of two programs, "Aman" and a ration card program, and will be implemented in two phases. It noted that the registration process will end on January 31, 2022, and the disbursements will start on March 1, 2022 with a retroactive effect covering January and February 2022. The ministry indicated that Lebanese authorities have secured a \$246m loan from the World Bank to fully fund "Aman", which plans to give 150,000 families about \$150 a month each and cover \$200 in school costs for 87,000 secondary students. It added that the payments will consist of \$20 per family member plus a fixed amount of \$25 per family, with the tuition fees paid directly to the schools. Also, it said that all payments for the "Aman" program will be denominated in US dollars, and will be disbursed monthly through money transfer centers located throughout Lebanon.

However, it noted that authorities have not yet secured a confirmed source of funding for the ration card program, which has an estimated cost of \$556m and aims to provide up to \$126 a month for eligible families. Also, it said that it is unclear whether authorities will disburse the funds in US dollars or in Lebanese pounds. The World Bank indicated that the Lebanese government has sent a formal request to secure funding for the ration card program, that it is not expecting to fund the entire program, and that the government needs to earmark funds for the latter from its 2022 national budget.

In September 2021, Lebanese authorities announced an electronic cash card assistance plan to support the purchasing power of the neediest segments of the Lebanese population, as part of the plan to rationalize or lift subsidies on hydrocarbons and basic goods. 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.



Banque du Liban's foreign assets at \$18.2bn, gold reserves at \$16.5bn at end-November 2021

Banque du Liban's (BdL) interim balance sheet reached \$162.9bn at the end of November 2021, constituting increases of 9.6% from \$148.6bn at end-2020 and of 4.3% from \$156.2bn a year earlier. Assets in foreign currency totaled \$18.2bn at the end of November 2021, representing a decrease of \$5.9bn, or of 24.3%, in the first 11 months of the year and a drop of \$6.8bn (-27.2%) from \$25bn at end-November 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 \$13.2bn at end-November 2021 and regressed by \$172.5m (-1.3%) from \$13.4bn at mid-November 2021 and by \$440.3m (-3.2%) from \$13.6bn at the end of the previous month. They dropped by \$5.9bn (-30.7%) from \$19.1bn at the end of 2020 and by \$6.8bn (-34%) from \$20.2bn at the end of November 2020. 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. However, the decline in BdL's assets in foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16 of this year.

In parallel, the value of BdL's gold reserves amounted to \$16.5bn at end-November 2021, constituting decreases of \$755.3m (-4.4%) in the first 11 months of the year and an uptick of \$213m (+1.3%) from \$16.3bn at end-November 2020. The value of gold reserves reached a peak of \$18.13bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$41.2bn at end-November 2021, increasing by \$1.2bn (+3%) from the end of 2020 and by \$1.1bn (+2.8%) from \$40bn a year earlier. In addition, loans to the local financial sector totaled \$13.75bn, regressing by 3.7% from the end of 2020 and by 5% from end-November 2020. Further, the deposits of the financial sector stood at \$106.1bn at end-November 2021 and declined by \$2.1bn from a year earlier. In addition, public sector deposits at BdL reached \$7.9bn at end-November 2021, increasing by \$3.4bn in the first 11 months of the year and by \$3.1bn from a year earlier.

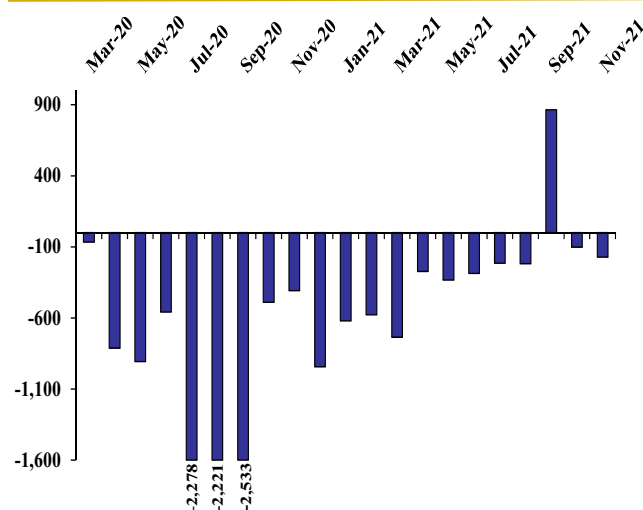
Net foreign assets of financial sector down \$1.7bn in first 10 months of 2021

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 \$1.74bn in the first 10 months of 2021, compared to decreases of \$9.9bn in the same period of 2020 and of \$6.15bn in the first 10 months of 2019.

The cumulative deficit in the first 10 months of 2021 was caused by a drop of \$3.84bn in the net foreign assets of BdL, which was partly offset by an increase of \$2.11bn in those of banks and financial institutions. Further, the net foreign assets of the financial sector decreased by \$154.4m in October 2021, compared to an increase of \$784.6m in September 2021 and to a decline of \$380m in October 2020. The October decrease was caused by a dip of \$123m in the net foreign assets of BdL and a retreat of \$31.4m in those of banks and financial institutions.

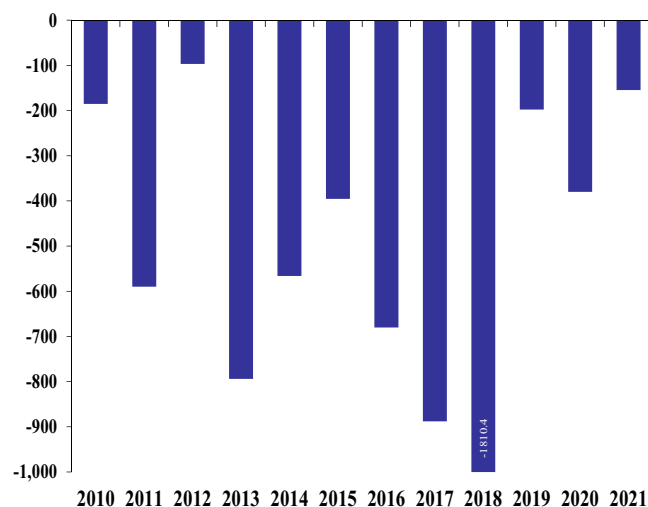
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the drop in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

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



Source: Banque du Liban, Byblos Research

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



*in October of each year

Source: Banque du Liban, Byblos Research

Opened letters of credit at \$71m for imports and \$90m for exports in first nine months of 2021

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled \$71.2m in the first nine months of 2021, constituting a decrease of 78% from \$325.5m in the same period of 2020. The significant decline in the amount of LCs in the covered period is due to stricter requirements imposed by correspondent banks following the repeated downgrades of Lebanon's sovereign ratings and to the challenges that importers have faced in meeting these requirements.

Further, utilized credits for imports reached \$53.4m in the covered period, constituting a decline of 87.2% from \$417.4m in the same period last year, and were equivalent to 75% of opened LCs for imports in the first nine months of 2021. Also, outstanding import credits stood at \$57.4m at the end of September 2021 compared to \$104.1m a year earlier. In addition, the aggregate amount of inward bills for collection stood at \$167.1m in the covered period, down by 22% from \$214m in the first nine months of 2021. The outstanding amount of inward bills for collection was \$40m at the end of September 2021 relative to \$28.7m a year earlier.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled \$89.6m in the first nine months of 2021, constituting a decrease of 46.5% from \$167.4m in the same period of 2020. Further, utilized credits for exports reached \$50m in the covered period, down by 86.7% from \$376m in used credits the first nine months of 2020, and were equivalent to 55.8% of opened LCs for exports in the first nine months of 2021. Also, outstanding export credits stood at \$120.7m at the end of September 2021 compared to \$220.4m a year earlier. In addition, the aggregate amount of outward bills for collection amounted to \$161.6m in the first nine months of 2021 and dropped by 27% from \$221.4m in the same period of 2020. The outstanding amount of outward bills for collection reached \$193m at the end of September 2021 relative to \$221.8m a year earlier.

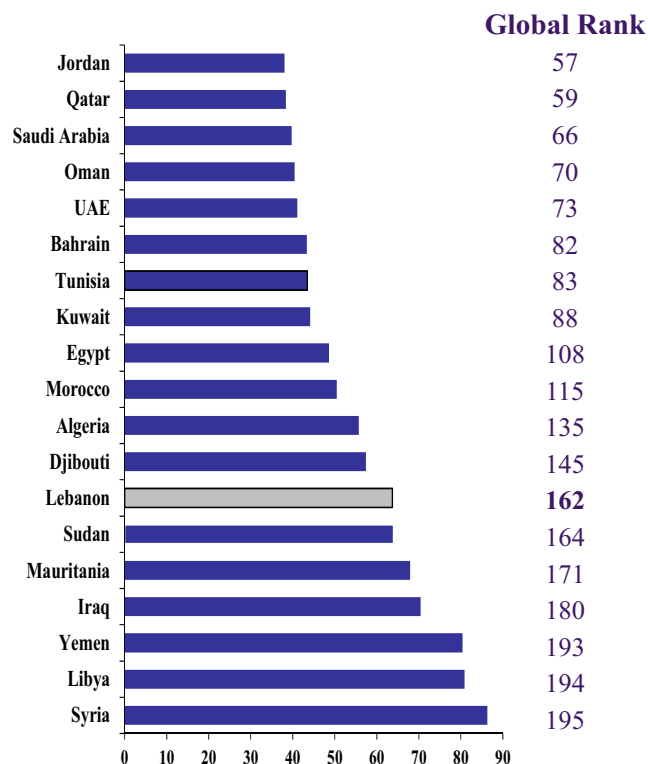
Lebanon ranks 162nd globally, 13th among Arab countries in terms of corruption

Global Risk Profile, a Swiss company specializing in third-party risk management-related services, ranked Lebanon in 162nd place among 196 countries around the world in 13th place among 19 Arab countries on its Global Corruption Index for 2021.

The index measures the risk level of corruption in a country's public and private sectors. It also takes into account the country's compliance with prevailing laws and regulations such as the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and the French anti-corruption law "Sapin II". It includes 43 variables distributed among two sub-indices that are the Corruption Sub-Index and the White-Collar Crimes Sub-Index. A country's overall score ranges from zero to 100, with a score of zero corresponding to the lowest risk and a score of 100 reflecting the highest risk of corruption.

Globally, Lebanon has a higher risk of corruption than Uganda, Niger and Myanmar, and a lower risk level than Madagascar, Sudan and Mozambique. Regionally, Lebanon ranked ahead of Sudan, Mauritania and Iraq, and came behind 12 Arab countries. Lebanon received a score of 63.71 points in the 2021 survey, which placed it in the 'High' risk of corruption category, compared to the global average score of 46.1 points and the Arab region's average score of 55.5 points. In comparison, one Arab country came in the 'Low' risk of corruption category, nine Arab economies have a 'Medium' risk level of graft, five Arab jurisdictions have a 'High' risk level of corruption, and four Arab countries fell in the 'Very High' risk of corruption segment.

**Global Corruption Index for 2021
Scores & Rankings in Arab Countries**



Source: Global Risk Profile, Byblos Research

Further, Lebanon ranked in 172nd place globally and in 14th place regionally on the Corruption Sub-Index. This category covers the ratification status of conventions, the corruption perception in a country, the history of corruption in the public and private sectors, and the country's characteristics in terms of citizens' voice and transparency, government functioning and effectiveness, as well as the judicial and political context. In addition, Lebanon ranked in 150th place globally and in 13th place regionally on the White-Collar Crimes Sub-Index. This category covers money laundering and terrorism financing, as well as a country's membership in the Financial Action Task Force, the global standard-setting organization for AML/CFT, or in related bodies.

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 November 16, 2021. It assessed the change in food prices in 18 countries in the 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 121.6% 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 12.7% in the MENA region excluding Lebanon.

In addition, the price of potatoes in Lebanon climbed by 60.2% between February 14, 2020 and November 16, 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 4.2% in MENA countries.

Further, the price of cheese in Lebanon rose by 53% in the covered period, 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 price of processed liquid milk in Lebanon surged by 50.7% between February 14, 2020 and November 16, 2021. 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 10.3% among MENA countries excluding Lebanon.

In parallel, the price of bread and other manufactured articles sold at bakeries in Lebanon expanded by 35% in the covered period, representing the second highest increase in bread prices among MENA countries, behind prices in Syria (+98.4%). In comparison, the price of bread rose by an average of 15% in MENA countries excluding Lebanon. Also, the price 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 (+40.8%).

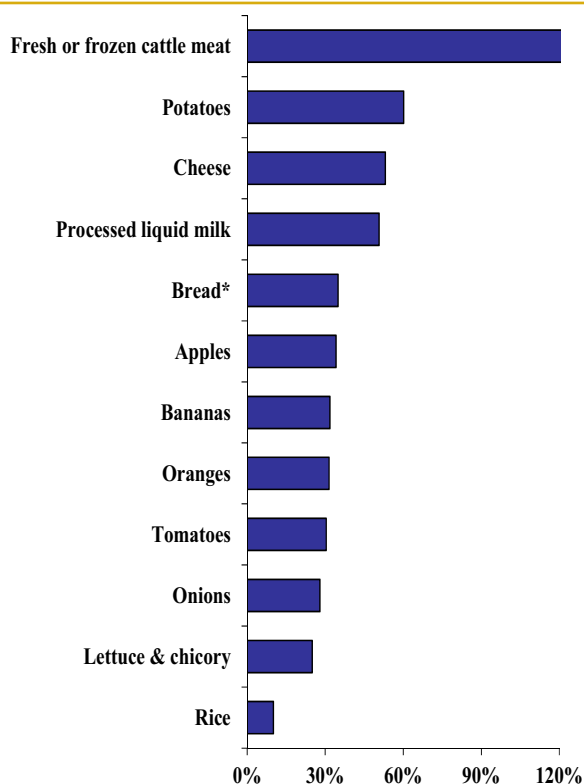
According to the World Bank, the price of bananas in Lebanon rose by 31.8% in the covered period, constituting the highest uptick in the price of this fruit regionally, compared to an average price increase of 6.9% in the MENA region excluding Lebanon. Also, the price of oranges jumped by 31.5% between February 12, 2020 and November 16, 2021, representing the second most significant price leap in the region after Yemen. In comparison, the prices of oranges expanded by an average of 7.5% in MENA countries.

Moreover, the prices of tomatoes in Lebanon surged by 30.4% in the covered period, constituting the second highest uptick in the price of this vegetable among MENA countries after Syria, and compared to an average growth of 9.2% regionally.

In addition, the prices of onions jumped by 28% between February 12, 2020 and November 16, 2021, representing the third highest increase of this vegetable in the MENA region after Djibouti and Syria. Also, the prices of lettuce soared by 25% in the covered period, relative to an average increase of 3.6% among MENA countries.

Further, the price of rice grew by 10% in the covered period, representing the eighth highest increase in the price of this product among MENA countries, behind prices in Syria (+49.5%), Yemen (+35.4%), Qatar (+31.1%), Tunisia (+17.2%), Saudi Arabia (+12%), Djibouti (+11.3%), and Bahrain (+10.2%).

**Change in Food Prices in Lebanon (%)
(between February 14, 2020 and November 16, 2021)**



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

Payment cards at 2.65 million at end of September 2021, ATMs total 1,798

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,652,594 cards at the end of September 2021, constituting a decline of 181,107 cards (-6.4%) from the end of 2020 and of 222,845 cards (-7.8%) from end-September 2020. In comparison, the number of payment cards issued in Lebanon decreased by 34,074 cards (-1.2%) in the 12 months ending in September 2020.

Payment cards held by residents accounted for 97% of total cards issued in Lebanon at the end of September 2021. The distribution of payment cards by type shows that debit cards with residents reached 1,716,663 and accounted for 64.7% of the total, followed by prepaid cards with residents at 545,846 (20.6%), credit cards with residents at 244,456 (9.2%), charge cards with residents at 68,158 (2.6%), debit cards held by non-residents at 63,201 (2.4%), credit cards with non-residents at 10,169 (0.4%), charge cards held by non-residents at 3,979 (0.15%), and prepaid cards with non-residents at 122 (0.005%).

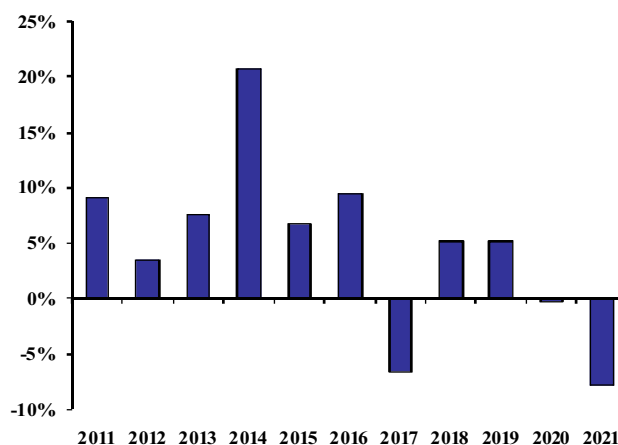
The number of debit cards with residents dropped by 63,050 cards (-3.5%) in the first nine months of 2021; the number of credit cards with residents fell by 105,943 (-30.2%); charge cards with residents dipped by 8,138 (-10.7%); the number of debit cards held by non-residents shrank by 6,996 cards (-10%); prepaid cards with residents decreased by 9,014 cards (-1.7%); credit cards held with non-residents contracted by 3,642 cards (-26.4%); charge cards with non-residents decreased by 1,320 (-25%); and prepaid cards with non-residents regressed by 1,032 cards (-89.4%).

In parallel, the number of prepaid cards with residents rose by 95,947 cards (+21.3%) between the end of September 2019 and the end of September 2021, and the number of resident debit cards increased by 46,233 cards (+2.8%) in the covered period. In contrast, the number of credit cards with residents decreased by 314,461 (-56.3%), resident charge cards declined by 30,850 (-31.2%), non-resident debit cards contracted by 10,606 (-14.4%), credit cards with non-residents shrank by 12,972 (-56%), non-resident charge cards retreated by 4,154 (-51%), and prepaid cards with non-residents regressed by 1,502 (-92.5%) during the covered period. The decline in credit cards held by residents and non-residents in the covered period was due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 44,123 at the end of September 2021, constituting a decrease of 2,007 (-4.3%) from 46,130 PoS at end-September 2020 and a decline of 4,444 (-9.2%) from 48,567 PoS at end-September 2019. Also, the number of points-of-sales accepting payment cards regressed by 1,600 PoS in the first nine months of the year. There were 4.2 PoS per square kilometer (km²) in Lebanon at the end of September 2021 compared to 4.4 PoS per km² at the end of September 2020 and to 4.6 PoS per km² at the end of September 2019.

In parallel, there were 1,798 automated teller machines (ATMs) across Lebanon at the end of September 2021, constituting a decline of 117 ATMs from a year earlier, a decrease of 76 ATMs in the first nine months of 2021 and a drop of 208 ATMs from the end of September 2019. The Mount Lebanon area had 656 ATMs at end-September 2021, equivalent to 36.5% of the total, followed by the Greater Beirut area with 641 ATMs (35.6%), the North with 191 ATMs (10.6%), the South with 142 ATMs (7.9%), the Bekaa region with 137 ATMs (7.6%), and the Nabatieh area with 31 ATMs (1.7%). As such, there were 172 ATMs per 1,000 km² in Lebanon at the end of September 2021 compared to 183 ATMs per 1000 km² at the end of September 2020 and to 191 ATMs per 1000 km² at the end of September 2019.

Change in Number of Payment Cards (%)



Source: Banque du Liban, Byblos Research

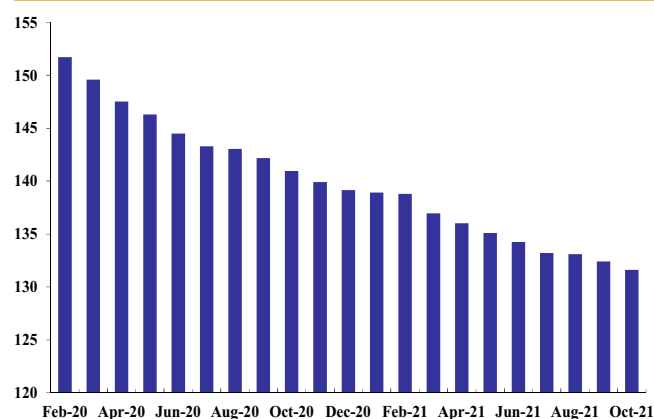
Corporate Highlights

Private sector loans down \$30.2bn since start of 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$178.9bn at the end of October 2021, constituting declines of 5% from \$188bn at the end of 2020 and of 6.4% from \$191.1bn at end-October 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 \$29.2bn at the end of October 2021 and decreased by 19.3% in the first 10 months of 2021 and by 22.5% from a year earlier. Loans to the resident private sector totaled \$25.7bn, constituting declines of 20% from the end of 2020 and of 23.2% from end-October 2020. Also, credit to the non-resident private sector amounted to \$3.5bn at the end of October 2021, and contracted by 14.7% from the end of 2020 and by 17.3% from a year earlier.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

In nominal terms, credit to the private sector regressed by \$7bn in the first 10 months of 2021 relative to a decrease of \$12.1bn in the same period of 2020, as lending to the resident private sector declined by \$6.4bn and credit to the non-resident private sector retreated by \$608m in the covered period. Further, loans extended to the private sector dropped by \$30.2bn since the start of 2019, with loans denominated in Lebanese pounds shrinking by LBP6.1bn and loans denominated in foreign currency contracting by \$24.1bn. The dollarization rate of private sector loans regressed from 60.7% at end-October 2020 to 58.1% at the end of October 2021. The average lending rate in Lebanese pounds was 7.46% in October 2021 compared to 7.61% a year earlier, while the same rate in US dollars was 6.86% relative to 7.46% in October 2020.

In addition, claims on non-resident financial institutions reached \$4.7bn at the end of October 2021, constituting a decrease of \$22.7m (-0.5%) in the first 10 months of 2021 and a rise of \$308.2m (+7%) from a year earlier. Also, claims on non-resident financial institutions decreased by \$4.4bn (-48.6%) from the end of August 2019 and by \$7.3bn (-60.8%) since the start of 2019. Further, deposits at foreign central banks totaled \$1bn, constituting increases of \$450m (+77.8%) in the first 10 months of 2021 and of \$352.3m (+52.2%) from a year earlier. In addition, the banks' claims on the public sector stood at \$18.5bn at end-October 2021, down by \$2.5bn (-12%) in the first 10 months of the year and by \$3.6bn (-16.3%) from the end of October 2020. The banks' holdings of Lebanese Treasury bills stood at \$11.5bn, while their holdings of Lebanese Eurobonds reached \$6.8bn at end-October 2021. Further, the deposits of commercial banks at Banque du Liban (BdL) totaled \$108.8bn at end-October 2021, and declined by \$1.6bn (-1.5%) from \$110.4bn at end-2020 and by \$2.7bn (-2.4%) from \$111.5bn at end-October 2020.

In parallel, private sector deposits totaled \$131.6bn at the end of October 2021 and regressed by 5.4% in the first 10 months of 2021 and by 6.6% from end-October 2020. Deposits in Lebanese pounds reached the equivalent of \$26.2bn at end-October 2021, as they decreased by 4% from the end of 2020 and by 6% from a year earlier; while deposits in foreign currency reached \$105.4bn, and declined by 5.7% from end-2020 and by 6.8% from the end of October 2020. Resident deposits totaled \$105.8bn at the end of October 2021 and retreated by \$6bn (-5.3%) from the end of 2020 and by \$7.8bn (-6.8%) from a year earlier. Also, non-resident deposits reached \$25.8bn at end-October 2021, down by \$1.53bn (-5.6%) from end-2020 and by \$1.5bn (-5.5%) from end-October 2020.

Private sector deposits declined by \$7.5bn in the first 10 months of 2021, with deposits in Lebanese pounds decreasing by \$1.1bn and foreign currency deposits shrinking by \$6.4bn. 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, by \$556m in September and by \$839.7m in October 2021. 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 \$42.6bn since the start of 2019, with deposits in Lebanese pounds shrinking by \$25bn and foreign currency deposits declining by \$17.6bn. 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 80.1% at end-October 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 October 2021 and fell by 30.7% from \$7.2bn at the end of October 2020. Also, the average deposit rate in Lebanese pounds was 1.34% in October 2021 compared to 3.14% a year earlier, while the same rate in US dollars was 0.23% relative to 1.04% in October 2020. The ratio of private sector loans to deposits in foreign currency stood at 16.1% at the end of October 2021 compared to 20.2% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 46.6% at end-October 2021, down from 53.1% at end-October 2020. As such, the total private sector loans-to-deposits ratio reached 22.2% at end-October 2021 compared to 26.7% a year earlier. The banks' aggregate capital base stood at \$16.93bn at the end of October 2021, down by 15% from \$19.9bn at the end of 2020 and by 10% from \$18.8bn at end-October 2020.

Stock market capitalization up 69% to \$10bn at end of November 2021

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 28,336,750 shares in the first 11 months of 2021, constituting a decrease of 39% from 46,421,041 shares traded in the same period of 2020; while aggregate turnover amounted to \$332.1m and increased by 55.6% from a turnover of \$213.5m in the first 11 months of 2020. The market capitalization of the BSE reached \$10.35bn at the end of November 2021, representing a surge of 68.6% from \$6.14bn at the end of November 2020, with real estate equities accounting for 49% of the total, followed by banking stocks (46.4%), industrial shares (4.3%), and trading firms' equities (0.4%). The market liquidity ratio was 3.2% at the end of October 2021 compared to 3.5% a year earlier.

Banking stocks accounted for 57.4% of the trading volume in the first 11 months of 2021, followed by real estate equities (41.2%), trading firms' equities (1%), and industrial shares (0.4%). Also, real estate equities accounted for 90.3% of the aggregate value of shares traded, followed by banking stocks (9.1%), industrial shares (0.4%), and trading firms' equities (0.3%). The average daily traded volume for the first 11 months of 2021 was 142,396 shares for an average daily amount of \$1.67m. The figures reflect a decline of 34.4% in the average daily traded volume and a rise of 67.3% in the average daily value in the covered period.

Fund aims to provide financing to private sector firms

The Cedar Oxygen Fund, consulting firm Palladium, and management company Bamboo Capital Partners, signed a strategic agreement to design, structure and launch the Lebanon Economic Empowerment Fund (LEEF) to address the difficulties facing Lebanese companies. The fund, which intends to raise \$500m, aims to extend financing to privately-owned Lebanese businesses, specifically small- and medium-sized enterprises, and will provide targeted credit to eligible borrowers.

LEEF aims to support firms in sectors that target the primary needs of households, and will provide debt capital, short-term credit facilities, and trade finance transactions to Lebanese industrialist to import raw materials.

The main financing methods of the fund include receivables purchase arrangements and short-term lending, as well as transactions that assign trade receivables of export letters of credit and that guarantee the obligations per the terms of contract for the letters of credit. Also, transactions conducted through the fund can include credit enhancements and insurance against credit default, as well as proof of cash and/or real estate collateral, and could benefit from an existing pool of low-cost debt.

In August 2020, Banque du Liban (BdL) announced the launch of the Cedar Oxygen Fund, which aims to extend short-term credit facilities to Lebanese industrial firms to finance their import of raw materials. BdL pledged \$175m to the fund, as well as \$100m in financial guarantees against potential losses that could result from these credit facilities. The Cedar Oxygen Fund is managed by a Lebanese asset manager and fintech expert, in collaboration with expatriate Lebanese executives and financial experts in accordance with "good governance procedures" under the laws of Luxembourg, where the fund is incorporated.

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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