

LEBANON THIS WEEK

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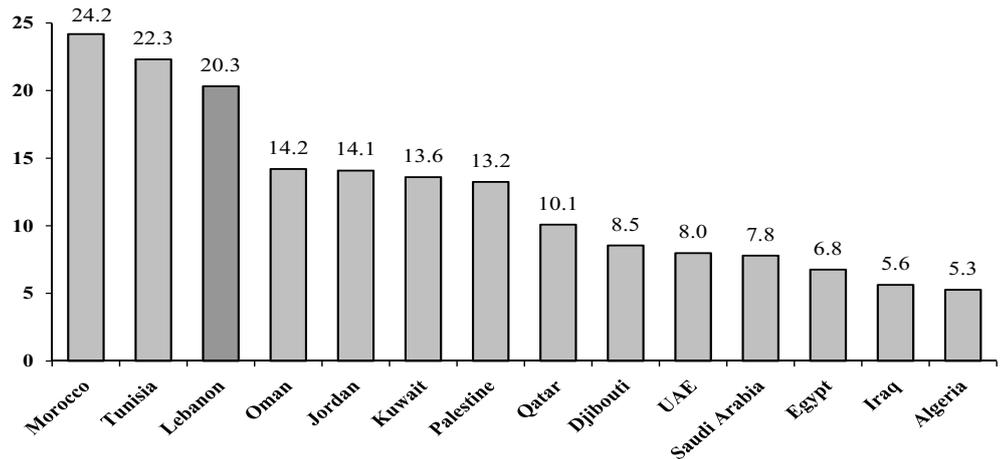
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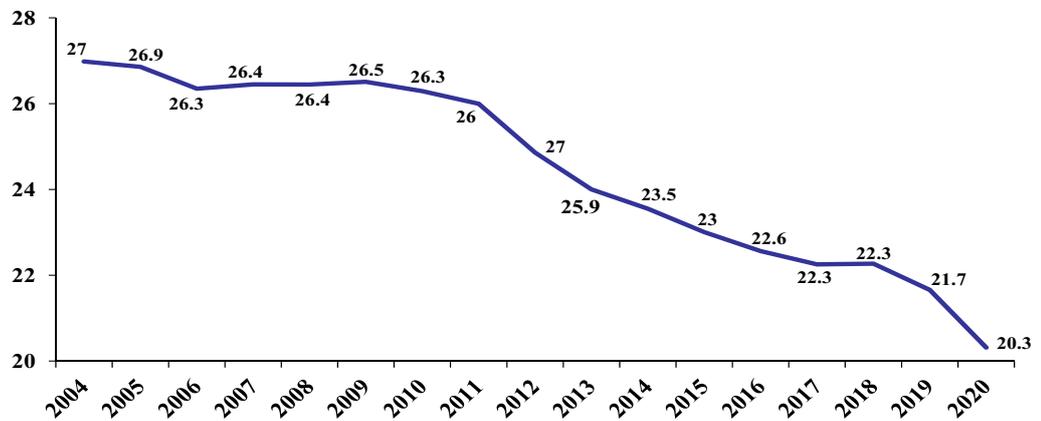
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Charts of the Week

Commercial Banks' Branch Penetration in Select Arab Countries at end-2020
 (Number of branches per 100,000 adults)



Commercial Banks' Branch Penetration Rate in Lebanon
 (Number of branches per 100,000 adults)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"Commitments must translate into actions if Lebanon's leadership intends to overcome the country's deep crisis, and address the needs and rights of the Lebanese people."

Ms. Joanna Wronecka, the United Nations' Special Coordinator for Lebanon, on the importance of moving forward with the government's reforms agenda

Number of the Week

1874%: Percentage increase in the prices of food and non-alcoholic beverages between December 2019 and October 2021, according to the Central Administration of Statistics

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	98.73	-	-
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"	27.22	(11.8)	134,576	27.9%	Oct 2022	6.10	11.25	576.19
Byblos Common	0.84	(2.3)	90,993	4.9%	Jan 2023	6.00	11.25	330.68
BLOM Listed	3.50	0.0	19,569	7.7%	Apr 2024	6.65	11.25	118.01
Solidere "B"	26.84	(11.1)	17,923	17.9%	Jun 2025	6.25	11.25	73.40
Audi Listed	2.40	3.0	10,000	14.5%	Nov 2026	6.60	11.25	49.36
BLOM GDR	3.90	(0.5)	1,367	3.0%	Feb 2030	6.65	11.25	28.50
Audi GDR	2.25	9.8	1,000	2.8%	Apr 2031	7.00	11.25	24.77
HOLCIM	19.75	(1.3)	45	4.0%	May 2033	8.20	11.25	20.07
Byblos Pref. 09	37.99	0.0	-	0.8%	Nov 2035	7.05	11.25	16.37
Byblos Pref. 08	34.99	0.0	-	0.7%	Mar 2037	7.25	11.25	14.83

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

Source: Refinitiv

	Dec 6-10	Nov 29-Dec3	% Change	November 2021	November 2020	% Change
Total shares traded	283,685	299,440	(5.3)	978,219	1,428,230	(31.5)
Total value traded	\$4,685,652	\$2,910,881	61.0	\$15,321,865	\$11,541,379	32.8
Market capitalization	\$9.75bn	\$10.28bn	(5.13)	\$10.35bn	\$6.14bn	68.6

Source: Beirut Stock Exchange (BSE)



Lebanon to receive 7% of IMF regional technical assistance in FY2021/22

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Lebanon will receive 7.1%, or 0.5 full-time equivalent resources, of the center's overall allocation of technical assistance delivery to member countries during the fiscal year that will end in April 2022. Lebanon is expected to receive the eighth highest share of technical assistance in FY2021/22 among METAC's 14 member countries. Also, it said there are eight technical assistance projects planned for Lebanon in FY2021/22, the third highest number of such projects among member countries, behind Egypt (10 projects), and Afghanistan and Sudan (nine projects each). It added that it will provide four technical assistance projects in public financial management, two projects in revenue administration, and two project in statistics to Lebanon in FY2021/22.

The center indicated that 60% of the total assistance that it will deliver to Lebanon in FY2021/22 will be in public financial management support. It said that it will help authorities develop the institutional framework for governance and transparency of state-owned enterprises in order to identify, monitor, and strengthen the management of fiscal risks. Also, it noted that it will provide training to public organizations in order to improve the comprehensiveness, frequency, transparency and quality of fiscal reports. It added that it will assist government ministries in medium-term budget planning to strengthen the process of allocating and managing budget resources to improve the transparency and efficiency of budget costing. It also pointed out that it will help authorities develop a ministerial gender-based budget statement for the Ministry of Agriculture.

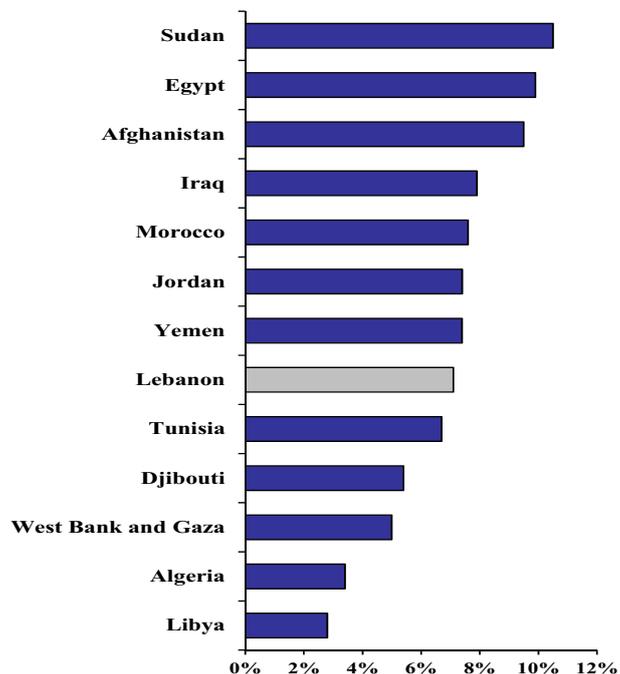
In addition, METAC indicated that, along with the World Bank, it will assist authorities in improving the management of public finances by developing the Treasury Single Account (TSA) and cash management project. It said that this project aims to develop a cash management unit and extend the TSA coverage by streamlining additional central government revenues and expenditures through the TSA.

In parallel, METAC indicated that 20% of the total assistance that it will deliver to Lebanon in FY2021/22 will be in revenue administration. It said that it will assist authorities to strengthen core tax administration functions in order for a larger share of taxpayers to meet their payment obligations as required by law, and to develop a strategy for the collection of revenues, as well as for the reduction and prevention of debt accumulation. Also, it noted that it will help authorities strengthen the management of revenue administration and governance arrangements by following up and introducing an action plan for the development of the Project Management Office.

Further, the center indicated that 20% of the total assistance that it will deliver to Lebanon in FY2021/22 will be in statistical support. It said that, in the second quarter of FY2021/22, it will assist the Central Administration for Statistics (CAS) to improve the compilation and dissemination of quarterly national accounts according to the relevant internationally-accepted statistical standards by properly accounting for fluctuations in the exchange rate. It added that it will help authorities enhance the compilation system to use alternative sources of data in case of missing data. Also, it noted that it will assist CAS strengthen the compilation and dissemination of the Consumer Price Index and the Producer Price Index (PPI) through the correct incorporation of product substitution and of large exchange rate fluctuations. It added that it will assist authorities in regularly compiling the PPI for the manufacturing sector, as well as for the electricity, gas & water sector.

The IMF established METAC in Beirut in October 2004 to serve Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia, and Yemen. The center's mandate is to assist in capacity-building, facilitate the reform process in member countries, and support the region's integration in the world economy.

Allocation by Country of Full-Time Equivalent Resources in Fiscal Year 2021/22



Source: International Monetary Fund, Byblos Research

Gross public debt at \$99bn at end-August 2021 at official exchange rate

Figures issued by the Ministry of Finance show that Lebanon's gross public debt reached \$98.73bn at the end of August 2021, constituting an increase of 3.3% from \$95.6bn at the end of 2020 and an expansion of 4.7% from \$94.3bn at the end of August 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$3.14bn in the first eight months of 2021 relative to an increase of \$2.64bn in the same period of 2020. The size of the gross public debt would become \$42.55bn when the portion of the debt denominated in Lebanese pounds is converted to US dollars at the exchange rate of LBP 19,000 per dollar that prevailed on the parallel market at the end of August 2021. Conversely, the public debt becomes LBP808.5bn when the dollar-denominated debt is converted to Lebanese pounds at the same parallel market rate.

Debt denominated in Lebanese pounds totaled LBP91,991bn, or the equivalent of \$61bn, at the end of August 2021, and expanded by 2.48% in the first eight months of 2021 and by 3.35% from a year earlier; while debt denominated in foreign currency stood at \$37.7bn and grew by 4.6% from end-2020 and by 7% from end-August 2020. On March 7, 2020, the Lebanese government decided to default on the \$1.2bn Eurobond that was due on March 9, 2020. It also announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. According to the Finance Ministry, about \$8.44bn of the debt stock denominated in foreign currency were in arrear as at end-August 2021

Local currency debt accounted for 61.8% of the gross public debt at the end of August 2021 and foreign currency-denominated debt represented the balance of 38.2%, compared to 62.6% and 37.4%, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.58% in August 2021, while the weighted life of Treasury bills and bonds was 1,590 days. BdL held 38% of the public debt at end-August 2021, followed by commercial banks (15.2%), and non-bank resident financial institutions (8.5%); while other investors, including foreign investors, held 36.2% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2.1%.

BdL held 61.6% of the Lebanese pound-denominated public debt at the end of August 2021 compared to 59.5% a year earlier, while commercial banks accounted for 24.7% of the local debt relative to 27.6% at end-August 2020. Also, public agencies, financial institutions and the public held 13.7% of the local debt at the end of August 2021, compared to 12.8% a year earlier. Further, investors in Eurobonds and special T-bills in foreign currencies held 94.6% of the foreign currency-denominated debt at the end of August 2021, followed by multilateral institutions with 4%, and foreign governments with 1.4%.

In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, stood at \$86.6bn at the end of August 2021 and grew by 1.2% in the first eight months of the year. Also, the gross market debt accounted for about 52% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

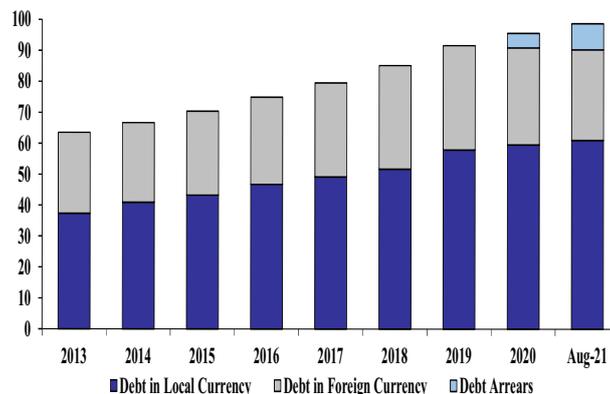
Treasury transfers to Electricité du Liban down 34% to \$257m in first four months of 2021

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled LBP387.13bn, or \$256.8m, in the first four months of 2021, constituting a decline of 33.6% from LBP582.77bn or from \$386.6m in the same period of 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. Reimbursements for the purchase of natural gas, fuel and gas oil reached \$256.6m in the first four months of 2021, or 99.9% of transfers; while EdL's debt servicing represented the balance of around \$0.2m, or 0.1% of the total.

The decline in transfers is mainly due to a decrease of \$129m in reimbursements for the purchase of natural gas, fuel and gas oil, which mostly consist of payments to the Kuwait Petroleum Corporation and to the Algerian energy conglomerate Sonatrach. Reimbursements fell by 77.8% year-on-year in the first four month of 2021, while debt servicing dropped by 94% from the same period last year.

Treasury transfers to EdL accounted for 7.7% of budgetary primary expenditures in the first four months of 2021 relative to 10.3% in the same period of 2020. They constituted the third largest expenditure item, or 7% of overall fiscal spending, after personnel cost with 51.5% and interest payments (15.5%). EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, 2.8% of GDP in 2019, and 1.5% of GDP in 2020.

Lebanon's Gross Public Debt (US\$bn)

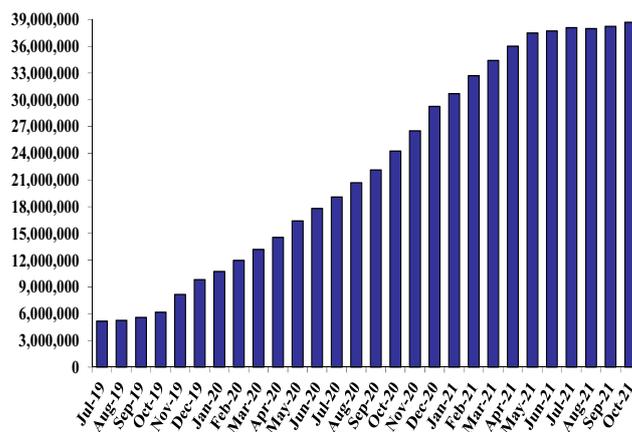


Source: Ministry of Finance, Byblos Research

Broad money supply unchanged in first 10 months of 2021, currency in circulation up 32%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP53,872bn at the end of October 2021, constituting an increase of 34.2% from LBP40,156bn at the end of 2020 and a rise of 54.2% from LBP34,932bn at end-October 2020. Currency in circulation stood at LBP38,706bn at the end of October, and surged by 32.4% in the first 10 months of the year and by nearly 60% from LBP24,251bn at end-October 2020. Also, demand deposits in local currency stood at LBP15,166bn at end-October 2021, representing an increase of 39% in the first 10 months of the year and a rise of 42% from the end of October 2020. Money supply M1 grew by 1% in October from LBP53,327bn at the end of the previous month, with currency in circulation increasing by 1.2% and demand deposits in local currency expanding by a marginal 0.6% month-on-month. The increase in money supply largely reflects the migration of term deposits to demand deposits, as well as the shift to a cash-based economy.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP74,423bn at the end of October 2021, constituting increases of 11.7% in the first 10 months of the year and of 19% from LBP63,410bn a year earlier. Term deposits in Lebanese pounds totaled LBP21,551bn at the end of October 2021, declining by 21.2% from LBP27,354bn at end-2020 and by 24.3% from LBP28,478bn at end-October 2020. Money supply M2 was nearly unchanged in October from the previous month, with term deposits in local currency contracting by 1.9% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP199,620bn at the end of October 2021, unchanged in the first 10 months of the year and representing an uptick of 1% from LBP197,791bn at end-October 2020. Deposits in foreign currency totaled LBP123,868bn at the end of October 2021, down by 6.2% from end-2020 and by 7.5% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP329.2bn at the end of October 2021 compared to LBP519bn at the end of 2020 and to LBP512.5bn at end-October 2020. Money supply M3 decreased by a marginal 0.4% from the preceding month, while debt securities issued by the banking sector contracted by 2.2% and deposits in foreign currency regressed by 0.7% month-on-month. In parallel, M3 fell by LBP432bn in the first 10 months of 2021 due to a surge of LBP19,214bn in other items, which was partly offset by a drop of LBP9,932bn in the claims of the private sector, a decline of LBP5,885bn in net claims on the public sector, and a downturn of LBP3,829bn in the net foreign assets of deposit-taking institutions.

Banque du Liban amends terms of Circular 151

Banque du Liban (BdL) issued Intermediate Circular 601 on December 9, 2021 addressed to banks that modifies Basic Circular 151 dated April 21, 2020 about exceptional measures related to cash withdrawals from foreign currency accounts at banks in Lebanon. The circular allows clients who have accounts in US dollars, or in any other foreign currency, at banks in Lebanon to withdraw banknotes in Lebanese pounds from these accounts at a fixed exchange rate of LBP 8,000 per US dollar instead of the LBP3,900 per dollar withdrawal rate that prevailed since April 2020. In addition, BdL put a ceiling of \$3,000 on the monthly withdrawals per account. The terms of Circular 601 expire at the end of June 2022.

In parallel, BdL stated that its decision to modify the withdrawal rate took into consideration the need for the government to complete an economic recovery plan that meets the expectations of the International Monetary Fund, in order to reactivate economic activity and stimulate growth, as well as to reform the financial sector and reach fair and balanced solutions that preserve the rights of depositors and that represent the basis for restoring confidence. It added that it took its decision in expectation that the government develops measures to unify the multiple exchange rates in the local market, protect social and economic stability, and limit the losses of depositors. Also, BdL affirmed that preserving the funds of depositors can only take place through developing a comprehensive reforms plan and implementing it. It added that it is important to take appropriate measures and initiatives to support the economy, contain inflation, and reduce the size of currency in circulation through, in part, improving tax collection and expanding the tax base.

BdL issued Intermediate Circular 596 on September 29, 2021 that extended for a four-month period ending on January 31, 2022 the terms of Basic Circular 151. Previously, it extended the terms of the circular for a six-month period that expired at the end of March 2021 and extended it once again until the end of September 2021. In parallel, BdL issued on May 10, 2021 Intermediate Circular 582 that fixed at LBP3,900 against the US dollar the exchange rate of the Lebanese pound that is used for cash withdrawals from foreign currency accounts at banks in Lebanon, as well as for other transactions. Prior to the amendment, the exchange rate for these operations was linked to the exchange rate of BdL's Sayrafa electronic platform. Private sector deposits declined by \$15bn between the end of April 2020 and October 2021, with deposits in foreign currency decreasing by \$10.5bn and deposits in Lebanese pounds regressing by the equivalent of \$4.6bn in the covered period.



Lebanon ranks 110th globally, 12th among Arab countries in terms of property rights

The Property Rights Alliance ranked Lebanon in 110th place among 129 countries around the world and in 12th place among 14 Arab countries on its International Property Rights Index for 2021. Based on the same set of countries in the 2020 and 2021 surveys, Lebanon's rank deteriorated by two spots, while its regional rank was unchanged year-on-year.

The index measures the strength and protection of physical and intellectual property rights in a given country. It is a composite of 10 factors grouped into three equally weighted sub-indices that are the Legal & Political Environment Sub-Index, the Physical Property Rights Sub-Index, and the Intellectual Property Rights Sub-Index. The index rates the property rights level of each country on a scale from zero to 10, with a score of 10 reflecting the highest level of property rights.

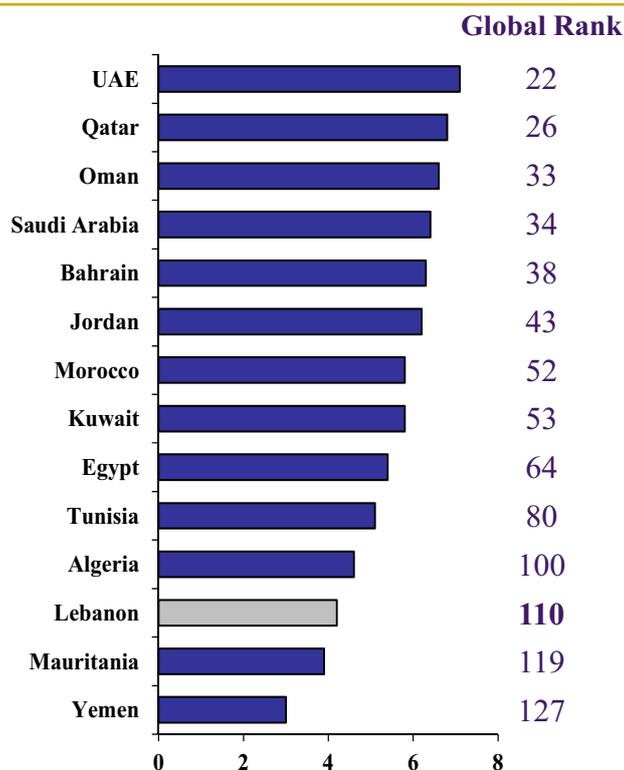
Globally, Lebanon has a more adequate level of property rights than Pakistan, Gabon and Mali, while it has a weaker level of property rights than Mozambique, Burundi and Côte d'Ivoire. Lebanon received a score of 4.2 points compared to a score of 4.35 points on the 2020 Index. Lebanon's score in 2021 came below the global average of 5.6 points and the Arab average of 5.52 points. Switzerland has the most advanced level of property rights worldwide, while Haiti has the lowest level globally.

In parallel, Lebanon preceded Uganda, Mexico and Tunisia, while it trailed Serbia, Sri Lanka and Paraguay globally on the Physical Property Rights Sub-Index. This component examines the quality of the judicial protection of private property, the complexity of registering a property, and the ease of access to loans. Lebanon ranked ahead of only Tunisia, Algeria, Yemen and Mauritania in the Arab region on this category.

Also, Lebanon came ahead of Zimbabwe, Bolivia and Nigeria, and ranked behind Zambia, the Democratic Republic of Congo and Nepal globally on the Intellectual Property Rights Sub-Index. This category examines the level of protection of intellectual property, the strength of a country's patent laws, and the prevailing piracy rates. Lebanon preceded only Yemen regionally on this category.

Further, Lebanon ranked ahead of Zimbabwe, Mali and Nigeria, and came behind Angola, Mozambique and Iran globally on the Legal & Political Environment Sub-Index. This category examines the judiciary's independence from the influence of political and business groups, the extent that residents have confidence in and abide by the rules of society, the stability of the political system, and the control of corruption. Lebanon preceded only Yemen among Arab countries on this category.

**International Property Rights Index 2021
Arab Countries Scores & Rankings**



Source: Property Rights Alliance, Byblos Research

Components of the 2021 International Property Rights Index for Lebanon

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Physical Property Rights	82	10	6.2	6.48	6.82
Intellectual Property Rights	121	13	3.6	5.25	4.92
Legal and Political Environment	117	13	2.9	5.08	4.81

Source: Byblos Research

Number of airport passengers up 75% in first 11 months of 2021

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 3.88 million passengers utilized the airport (arrivals, departures and transit) in the first 11 months of 2021, constituting an increase of 74.8% from 2.22 million passengers in the same period of 2020, and relative to 8.14 million passengers in the first 11 months of 2019. The increase in the number of airport passengers in the first 11 months of 2021 is mainly due to the gradual relaxation of lockdown measures and travel restrictions in Lebanon and in many countries of travelers to Lebanon, as well as to the resumption of travel activity in most countries since April.

The number of arriving passengers reached 1.83 million in the first 11 months of 2021 and increased by 79.7% from 1.02 million passengers in the same period of 2020, compared to 4 million incoming passengers in the first 11 months of 2019. Also, there were 2 million departing passengers in the covered period, constituting a surge of 73.5% from 1.15 million outbound passengers in the same period last year, relative to 4.1 million departures in the first 11 months of 2019.

In parallel, the airport's aircraft activity totaled 35,761 take-offs and landings in the first 11 months of 2021, representing an increase of 47.3% from 24,279 takeoffs and landings in the same period of 2020. In comparison, aircraft activity dropped by 64% in the first 11 months of 2020 and regressed by a marginal 0.6% in the same period of 2019. In addition, the HIA processed 62,299 metric tons of freight in the first 11 months of 2021 that consisted of 24,291 tons of import freight and 38,009 tons of export freight. Middle East Airlines had 12,127 flights in the covered period and accounted for 34% of the HIA's total aircraft activity.

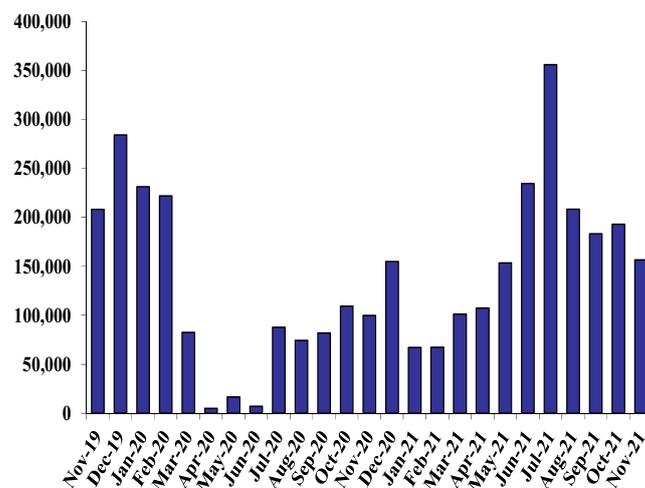
Nearly 90% of Treasury securities in Lebanese pounds have five-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP91,110bn or the equivalent of \$60.4bn, at the end of October 2021, compared to LBP87,763bn or \$58.2bn at end-October 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.56% in October 2021 compared to 6.45% October 2020.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds accounted for 38% or LBP34,583bn, five-year Treasury securities had a share of 25% (LBP22,884bn), and seven-year Treasury bonds represented 22.4% (LBP20,414bn) of aggregate securities denominated in Lebanese pounds at the end of October 2021. Also, the share of three-year Treasury bonds was 5.5% (LBP5,031bn), 12-year Treasury securities accounted for 3.4% of the total (LBP3,076bn), the portion of two-year Treasury bonds was 2.5% (LBP2,255bn), 15-year Treasury securities represented 1.6% of the total (LBP1,417bn), one-year Treasury bills had a share of 1.4% (LBP1,237bn), six-month T-bills accounted for 0.2% (LBP161bn), and the portion of three-month T-bills was 0.06% (LBP52bn) of the total. As such, 65.3% of outstanding Treasury securities have seven-year maturities or longer and 90.4% have five-year maturities or more.

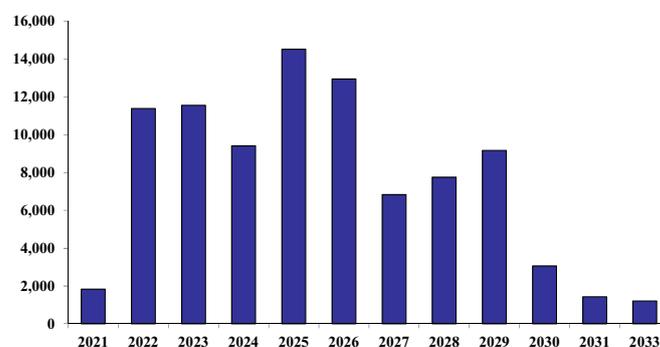
In parallel, LBP384m in outstanding Treasury securities denominated in Lebanese pounds matured in October 2021, of which 45.6% were five-year Treasury bonds, 26% consisted of three-year Treasury bills, 16.7% were one-year Treasury bonds, 6.5% constituted of six-month Treasury securities, and 5.2% were three-month Treasury bills. According to ABL, LBP1,826bn in outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2021, and LBP11,389bn will come due in 2022.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*As at end-October 2021

Source: Association of Banks in Lebanon, Byblos Research

Social stability assistance at \$38m in first nine months of 2021

The United Nations indicated that international contributions for the social stability assistance track of the Lebanon Crisis Response Plan (LCRP) reached \$37.8m in the first nine months of 2021, which consist of \$17.2m in the first quarter, \$6.8m in the second quarter and \$13.8m in the third quarter of 2021, and represented 29% of the \$131m that the LCPR appealed for to support the ability of municipalities and local communities to address risks that arise from the limited availability of resources in the country in 2021. It also noted that it carried over \$34.8m from funding received in 2020, which is equivalent to 26% of the total appealed funds. The Lebanon Crisis Response Plan 2017-2021 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country.

Also, the UN indicated that social stability assistance program covered 1,708,999 persons in the first nine months of the year, who consist of 842,286 vulnerable Lebanese citizens, or 49.3% of the total, followed by 755,050 displaced Syrians (44.2%), 88,111 Palestinian refugees in Lebanon (5.2%), and 23,552 Palestinian refugees from Syria (1.4%).

In parallel, it said that the LCRP support resulted in the deployment of \$3.1m in municipal and community social stability projects in the first nine months of 2021. It noted that the funds supported 135 Basic Services and Community Support projects for social stability assistance in the covered period, with 13 projects in the first quarter of the year, 77 projects in the second quarter and 45 projects in the third quarter of 2021. It pointed out that these projects aim to strengthen the capacity of municipalities and local communities to foster dialogue and address sources of tensions and conflicts. Also, it indicated that 24,139 have participated in social stability initiatives in the first nine months of 2021.

Further, the UN stated that 102 municipalities in the Bekaa region were involved in self-functioning conflict mitigation mechanisms in the first nine months of 2021, followed by 20 municipalities in the North, 19 in the South, and one municipality in Beirut & Mount Lebanon.

Exchange rate of LBP10,000 could be appropriate for reforms

Citi Research indicated that the formation of a new Lebanese government was meant to be the first step to address the financial and economic crises that the country is confronting, but it noted that progress has been limited given that the Cabinet has not met since the middle of October. It added that the government faces the challenge of formulating a plan for economic stabilization that would involve a program supported by the International Monetary Fund.

In parallel, it considered that the longer the crisis remains unresolved, the more likely it is that the unofficial exchange rate will be become established as the new equilibrium rate. It estimated that a new unified official exchange rate of the Lebanese pound could be stronger than the current rate on the parallel market, given that the unofficial rate incorporates various premia. However, it noted that the longer the crisis remains unresolved and inflation continues to increase, the more goods, services, labor and asset prices will adjust to the new reality, and that the market would require a weaker unified exchange rate.

It noted that a new exchange rate regime will be key to determining the scope of the public debt's restructuring, adding that the official rate of LBP 1,507 per US dollar does not reflect the realities of the economy, and that there is no consensus yet about the parallel rate. In this context, Citi considered that an exchange rate of LBP10,000 per dollar could close the gap in the external current account and would support domestic money supply with sufficient foreign currency reserves. It estimated that an increase in BdL's foreign currency reserves to \$20bn would make them equivalent to nearly 25% of money supply in Lebanese pounds, which it considered to be enough to restore investors' confidence in the local currency. Also, it said that this exchange rate would reduce the overvaluation of the real exchange rate of the Lebanese pound relative to the currencies of Lebanon's main trading partners.

New car sales down 38% in first 11 months of 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 4,098 new passenger cars in the first 11 months of 2021, constituting a decline of 38.1% from 5,702 vehicles sold in the same period of 2020 and a drop of 80.7% from 21,285 cars sold in the first 11 months of 2019.

Individuals and institutional clients purchased and registered 61 new cars in January, one new vehicle in February, 512 new automobiles in March, 373 cars in April, 487 vehicles in May, 602 new cars in June, 387 new vehicles in July, 255 new automobiles in August, 553 new cars in September, 254 vehicles in October and 613 new cars in November 2021. In comparison, clients bought 979 new vehicles in January, 897 automobiles in February, 468 new cars in March, 188 vehicles in April, 651 new automobiles in May, 815 in June, 624 new cars in July, 186 new vehicles in August, 338 automobiles in September, 321 vehicles in October, and 235 new cars in November 2020.

The AIA indicated that the drop in the sales of new cars in the covered period is due to the deterioration of political, economic and financial conditions in the country, to the numerous closing days of the cars registration center during July, August, September, October and November of this year due to extensive power shortages, as well as to the fluctuations of the exchange rate of the US dollar on the parallel market. Also, the market for new passenger cars in Lebanon has been facing increasing challenges in the past few years, including the contraction in economic activity, job insecurity and, more recently, the shortage of foreign currency liquidity in the local market, the emergence of a parallel exchange rate market, the reduced purchasing power of consumers, and a very low level of household confidence. Further, the AIA considered that a large number of car dealerships could close down and lay off their employees, and that car sales could further deteriorate in the coming months.

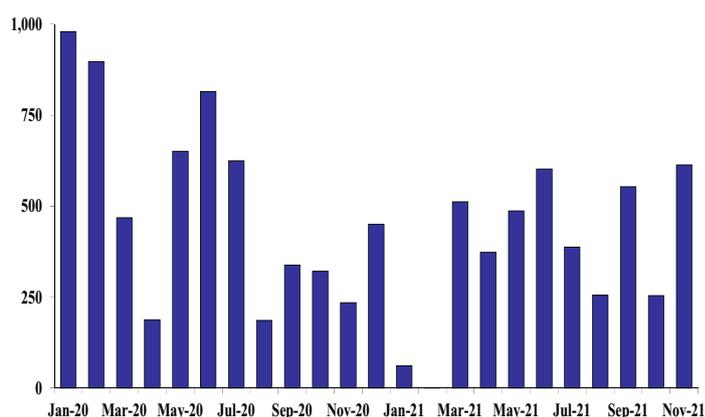
Foreign investments of financial sector at \$1.4bn at end-2020

Figures issued by Banque du Liban (BdL) show that the net investment portfolio of Lebanese banks and financial institutions in foreign debt and equity securities totaled \$1.37bn at the end of 2020, constituting a decrease of 35% from \$2.11bn at end-2019 and a drop of 61.4% from \$3.56bn at end-2018. According to BdL, the figures cover the net assets of resident banks and financial institutions in foreign tradable debt and equity instruments. They help provide a clearer picture about the flow of funds from Lebanon and, therefore, about the balance of payments. Placements in equities reached \$941.4m at end-2020 and accounted for 68.5% of the total, followed by investments in long-term debt securities at \$431m (31.4%), and investments in short-term debt securities at \$1.13m (0.1%). Investments in short-term debt securities dropped by 75% at the end of 2020 from end-2019, while investments in long-term debt securities declined by 51.6%, and placements in equities decreased by 22.8%.

The net portfolio of commercial banks in long-term debt securities, which consists of the banks' investments for their own account, on behalf of their clients and on a custodial basis, totaled \$164.4m and accounted for 38.2% of the financial sector's aggregate investments in such securities at the end of 2020. Insurance companies followed with \$122.85m (28.5%), then medium- and long-term banks with \$105.6m (24.5%), and financial institutions with \$38m (8.8%). Further, Medium- and long-term banks' investments in equities reached \$406m and represented 40.6% of the financial sector's investments in such securities at the end of 2020. Commercial banks followed with \$252.6m (25.3%), then financial institutions with \$154m (15.4%), insurers with \$128.6m (12.9%), and financial intermediaries with \$0.3m (0.03%). In parallel, insurance firms were the only to invest in short-term debt securities at the end of 2020.

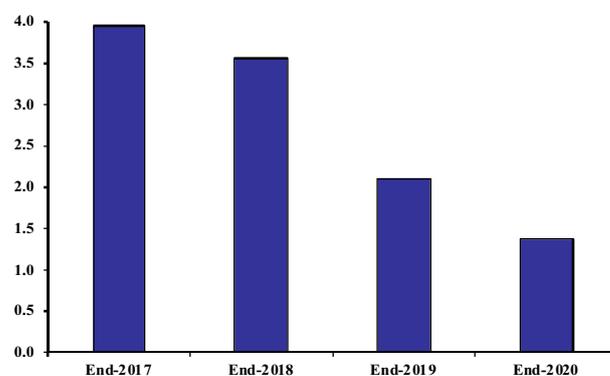
The distribution of investments by destination shows that the United States was the main recipient of equity investments of banks and financial institutions operating in Lebanon with \$255.3m, or 27.1% of the total at end-2020. The United Kingdom followed with equity investments of \$137m (14.6%), then Luxembourg with \$83.25m (8.8%), France with \$74.4m (8%), and the Cayman Islands with \$70.8m (7.5%), while other countries accounted for the remaining 34%. In parallel, the United States received \$82.4m or 19% of investments in long-term debt securities, followed by France with \$40.7m (9.5%), Belgium with \$37m (8.6%), the United Kingdom with \$30.4m (7%), and South Africa with \$26.7m (6.2%), while other countries accounted for the balance of 49.6%. Further, the United States was the recipient of 62.5% of investments by Lebanese banks and financial institutions in short-term debt securities, followed by the European Union (37.5%).

Number of New Passenger Cars Sold



Source: Association of Automobile Importers

Foreign Investments of Financial Sector (US\$bn)



Source: Banque du Liban, Byblos Research

Term deposits account for 64% of customer deposits at end-October 2021

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$142bn at the end of October 2021, constituting a decrease of \$9.2bn, or of 6.1%, from \$151.2bn at the end of 2020. Total deposits include private sector deposits that reached \$131.6bn, as well as public sector deposits that stood at \$5.3bn and deposits of non-resident financial institutions that amounted to \$5bn at the end of October 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar.

Term deposits in all currencies totaled \$91.2bn at the end of October 2021 and declined by \$18bn, or by 16.5%, from \$109.2bn at end-2020; while they accounted for 64.2% of total deposits in Lebanese pounds and in foreign currency as at end-October 2021 relative to a share of 72.2% at the end of 2020.

The decline in term deposits is due to a drop of 26.3% in the term deposits of the non-resident financial sector, a decrease of 21.3% in the term deposits in Lebanese pounds of the resident private sector, a dip of 16.4% in the foreign currency-denominated term deposits of the resident private sector, a decrease of 15% in the term deposits in Lebanese pounds of the public sector, and an 11.3% decline in the term deposits of non-residents. This was partly offset by an increase of 4% in foreign currency-denominated term deposits of the public sector. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$75.3bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$51.2bn and accounted for 36% of aggregate deposits at the end of October 2021. Term deposits of non-residents followed with \$18.3bn (13%), then term deposits in Lebanese pounds of the resident private sector with \$14bn (10%), term deposits of the public sector in Lebanese pounds with \$3.55bn (2.5%), term deposits of the non-resident financial sector with \$3.5bn (2.5%), and term deposits of the public sector in foreign currency with \$692.6m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$50.8bn at the end of October 2021 and increased by \$8.8bn, or by nearly 21%, from \$42bn at end-2020. They accounted for 35.8% of total deposits at end-October 2021 relative to a share of 27.8% at end-2020. The increase in demand deposits was mainly due to a rise of \$5bn in foreign currency-denominated demand deposits of the resident private sector, an expansion of \$2.8bn in demand deposits in Lebanese pounds of the resident private sector, and an upturn of \$497m in demand deposits of non-residents.

Demand deposits in foreign currency of the resident private sector totaled \$30.5bn and represented 21.5% of deposits at end-October 2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$10.2bn (7%), then demand deposits of non-residents with \$7.5bn (5.3%), demand deposits of the non-resident financial sector with \$1.5bn (1%), demand deposits in Lebanese pounds of the public sector with \$898.5m (0.6%), and demand deposits in foreign currency of the public sector with \$215.8m (0.1%).

CMA CGM posts net profits of \$11.2bn in first nine months of 2021

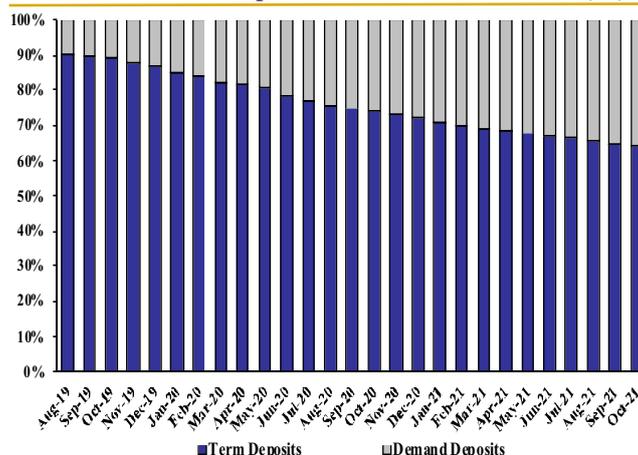
The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net profits of \$11.2bn in the first nine months of 2021 compared to profits of \$767.6m in the same period of 2020. The company's earnings before interest and taxes (EBIT) reached \$12.4bn in the first nine months of 2021 and grew by 6.2 times from \$2bn in the same period last year, while revenues totaled \$38.4bn in the covered period and increased by 72.6% from the same period of 2020. Operating expenditures totaled \$23.6bn in the first nine months of the year, constituting an increase of 28.2% from the first nine of 2020.

The firm pointed out that it transported 5.45 million twenty-foot equivalent units (TEUs) in the third quarter of the year, down by 2.5% from 5.6 million TEUs in the same period of 2020. It added that the growth in volume is currently constrained by congestions affecting port terminals and inland infrastructures, leading to longer transit times for vessels.

Further, the firm's consolidated assets reached \$44bn at the end of September 2021, constituting an increase of 33.8% from \$32.9bn at end-2020. Also, the value of the company's property and equipment reached \$23.4bn at end-September 2021 compared to \$18.6bn at the end of 2020, with vessels accounting for \$16.4bn or 70.2% of the total, followed by containers at \$4.1bn (17.4%), land & buildings at \$1.9bn (8.2%), and other properties and equipment at \$971m (4.2%).

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with more than 500 vessels, with a capacity of 3 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

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



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island - Sky Tower - Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293