

LEBANON THIS WEEK

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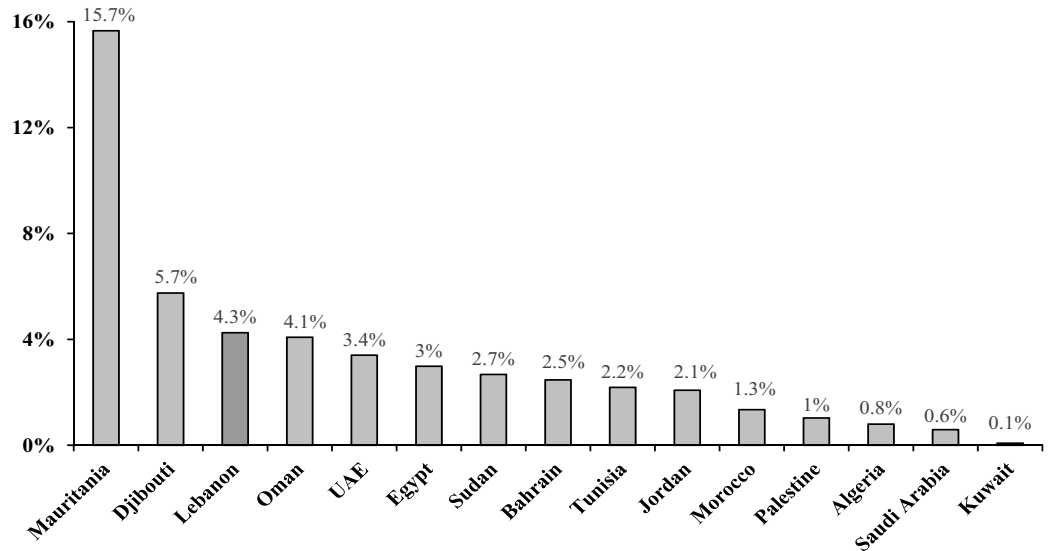
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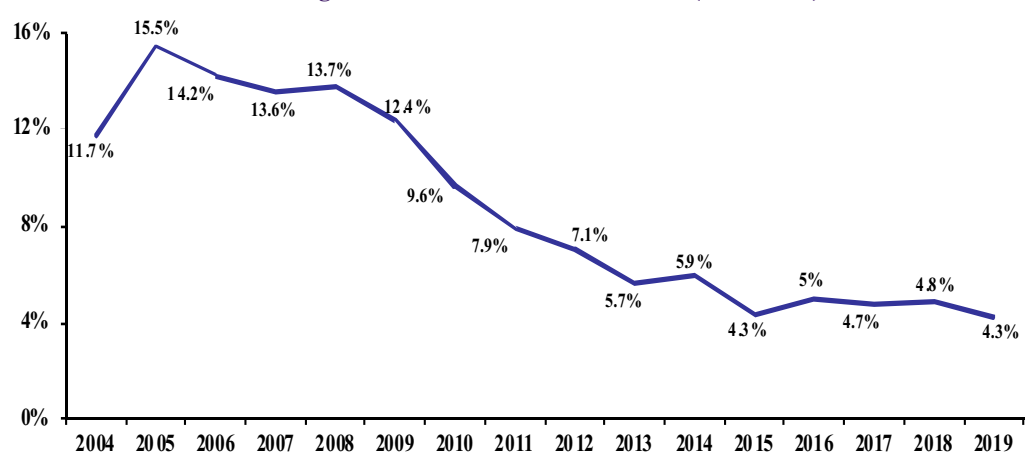
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Charts of the Week

Foreign Direct Investments in Arab Countries in 2019 (% of GDP)



Foreign Direct Investments in Lebanon (% of GDP)



Source: UNCTAD, Banque du Liban, Institute of International Finance, International Monetary Fund, Byblos Bank

Quote to Note

"The core of the issue is whether there can be unity of purpose in the country that can then carry forward a set of very tough but necessary measures."

Kristalina Georgieva, Managing Director of the International Monetary Fund, on the need to have a common vision among Lebanese officials to address the prevailing crisis

Number of the Week

2%: The estimated annual cost, in percentage of GDP, of fossil fuel-related air pollution in Lebanon, according to the environmental organization Greenpeace

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Apr 2019	Jan-Apr 2020	% Change*	Apr-19	Mar-20	Apr-20
Exports	3,731	1,121	1,085	(3.3)	266	238	171
Imports	19,239	6,306	3,676	(41.7)	1,357	826	745
Trade Balance	(15,508)	(5,184)	(2,591)	(50.0)	(1,091)	(588)	(574)
Balance of Payments	(5,851)	(3,305)	(1,303)	(60.6)	(1,300)	(557)	(241)
Checks Cleared in LBP	22,146	7,108	6,643	(6.6)	1,633	1,144	998
Checks Cleared in FC	34,827	12,148	12,380	1.9	2,801	2,409	1,948
Total Checks Cleared	56,973	19,256	19,023	(1.2)	4,434	3,553	2,946
Fiscal Deficit/Surplus	(5,837)	(1,380)	(1,751)	26.9	(411)	(498)	(96)
Primary Balance	(287)	23	(596)	-	(7)	(138)	79
Airport Passengers	8,684,937	2,566,814	1,171,123	(54.4)	817,121	187,570	6,029
Consumer Price Index	2.9	3.6	21.5	1790bps	4.0	17.5	46.6

\$bn (unless otherwise mentioned)	Dec-19	Apr-19	Jan-20	Feb-20	Mar-20	Apr-20	% Change*
BdL FX Reserves	29.55	31.53	28.96	28.34	28.23	27.37	(13.2)
In months of Imports	21.95	23.23	25.10	29.80	34.18	36.76	58.2
Public Debt	91.64	85.85	91.99	92.24	92.40	-	-
Bank Assets	216.78**	253.65	213.80	210.34	208.55	205.75	(18.9)
Bank Deposits (Private Sector)	158.86	172.70	155.10	151.71	149.59	147.52	(14.6)
Bank Loans to Private Sector	49.77	56.97	47.91	46.08	45.02	43.90	(22.9)
Money Supply M2	42.11	49.95	40.82	39.59	39.60	38.64	(22.6)
Money Supply M3	134.55	140.18	132.56	130.95	130.34	129.52	(7.6)
LBP Lending Rate (%)	9.09	10.74	9.86	9.33	9.41	9.29	(145bps)
LBP Deposit Rate (%)	7.36	8.60	6.62	5.81	5.13	5.06	(354bps)
USD Lending Rate (%)	10.84	9.34	10.07	9.11	8.55	7.79	(155bps)
USD Deposit Rate (%)	4.62	5.68	4.00	3.22	2.53	2.32	(336bps)

*year-on-year **The decline in assets in December 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7

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
Audi GDR	1.39	0.00	1,228,735	2.65%
Solidere "A"	12.08	0.75	345,473	19.23%
Solidere "B"	11.93	(0.58)	144,384	12.34%
Audi Listed	0.89	(8.25)	75,000	8.34%
Byblos Common	0.60	0.00	20,000	5.40%
BLOM Listed	4.16	(9.96)	100	14.24%
HOLCIM	10.46	0.00	-	3.25%
BLOM GDR	3.50	0.00	-	4.12%
Byblos Pref. 08	49.95	0.00	-	1.59%
Byblos Pref. 09	52.75	0.00	-	1.68%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	18.50	387.21
Oct 2022	6.10	18.00	92.22
Jan 2023	6.00	17.50	80.55
Jun 2025	6.25	17.50	38.50
Nov 2026	6.60	17.25	29.39
Feb 2030	6.65	16.75	19.39
Apr 2031	7.00	17.00	17.08
May 2033	8.20	16.50	14.49
Nov 2035	7.05	17.25	11.79
Mar 2037	7.25	19.00	10.18

Source: Byblos Bank Capital Markets, Refinitiv

	June 22-26	June 15-19	% Change	May 2020	May 2019	% Change
Total shares traded	1,813,692	721,818	151.3	6,731,749	2,118,259	217.8
Total value traded	\$7,429,591	\$8,107,021	(8.4)	\$27,765,737	\$11,598,740	139.4
Market capitalization	\$6.28bn	\$6.42bn	(2.2)	\$5.98bn	\$8.51bn	(29.8)

Source: Beirut Stock Exchange (BSE)

CDS Lebanon	Mar 20, 2020	June 26, 2020	% Change
CDS 1-year*	24,762	0	-
CDS 3-year*	17,668	0	-
CDS 5-year*	14,717	0	-

Source: ICE CMA; *mid-spread in bps

CDX EM 30*	June 19, 2020	June 26, 2020	% Change***
CDS 5-year**	170.69	183.16	7.3

Source: ICE CMA; * CDX Emerging Market CDS Index-Series 30

mid-spread in bps *week-on-week

Fiscal deficit widens by 27% in first four months of 2020

Figures released by the Ministry of Finance show that the fiscal deficit reached \$1.75bn in the first four months of 2020 and widened by 27% from a deficit of \$1.38bn in the same period of 2019. The deficit was equivalent to 36% of total budget and Treasury expenditures relative to 28.5% of spending in the same period last year. Government expenditures reached \$4.9bn in the first four months of 2020 and increased by 1.1% from the first four months of 2019, while revenues stood at \$3.14bn and regressed by 9.1% year-on-year. As such, the widening of the deficit reflects a drop of \$316.4m in total revenues and an increase of \$54.8m in overall spending.

On the revenues side, tax receipts decreased by 20% year-on-year to \$2.18bn in the first four months of 2020, of which 17.6%, or \$382.4m, were in VAT receipts that dropped by 52.2% annually. Tax receipts accounted for 85% of budgetary revenues and for 69.3% of Treasury and budgetary income in the covered period. The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains grew by 12% to \$1.16bn in the first four months of 2020; revenues from customs dropped by 37% to \$257m; receipts from property taxes declined by 33.3% to \$163.3m; while revenues from taxes on goods & services expanded by 38.4% to \$141.2m, and proceeds from stamp fees fell by 43.5% to \$79.3m.

The distribution of income tax receipts shows that the tax on interest income accounted for 73% of income tax revenues in the first four months of 2020, followed by the tax on wages & salaries with 15.6%, the tax on profits with 9%, and the capital gains tax with 2%. Receipts from the tax on interest income surged by 61%, while revenues from the tax on capital gains dropped by 60.3%, proceeds from the tax on wages & salaries decreased by 38.4%, and revenues from the tax on profits dipped by 27.7% in the covered period. Also, revenues from real estate registration fees regressed by 4.6% to \$115m, while receipts from the built property tax dropped by 64.7% to \$34.5m and revenues from the inheritance tax fell by 47.7% to \$14m in the first four months of 2020.

Further, non-tax budgetary receipts declined by 31.7% year-on-year to \$389m in the covered period. They mainly included \$212.3m in revenues generated from government properties that regressed by 35.8%, as well as \$109.2m in receipts from administrative fees and charges that fell by 40% annually. Receipts from telecommunication services dropped by 38.7% to \$132.7m in the first four months of 2020, and accounted for 62.5% of income from government properties and for 34.1% of non-tax budgetary revenues. In parallel, Treasury receipts surged by 247.5% to \$576.7m in the covered period, due to Banque du Liban's repayment to the Ministry of Finance, in April 2020, part of the interest payments on its holdings of debt-denominated in Lebanese pounds for the first quarter of this year.

On the expenditures side, total budgetary spending, which includes general expenditures and debt servicing, was nearly unchanged at \$4.5bn in the first four months of 2020. General spending increased by 7.6% to \$3.38bn in the covered period, and included \$386.6m in transfers to Electricité du Liban (EdL) that dropped by 23.7% year-on-year, and \$1.1bn in outlays from previous years that rose by 34.4% annually, among other general spending items. Also, debt servicing totaled \$1.15bn in the first four months of 2020 and decreased by 17.7% from the first four months of 2019. Interest payments on Lebanese pound-denominated debt grew by 5.4% year-on-year to \$992m in the first four months of 2020, while debt servicing on foreign currency debt dropped by 71% to \$123m, due to the government's decision to suspend all payments on its outstanding Eurobonds starting in March 2020. In addition, Treasury expenditures, excluding transfers to EdL, grew by 22% year-on-year to \$363.7m in the covered period. Further, the primary budget balance posted a deficit of \$809.3m in the first four months of 2020, equivalent to 18% of budgetary expenditures, while the overall primary balance registered a deficit of \$596.2m, or 12.2% of spending.

Fiscal Results in First Four Months of Each Year			
	2019 (US\$m)	2020 (US\$m)	Change (%)
Budget Revenues	3,295	2,568	-22.1%
Tax Revenues	2,726	2,179	-20.1%
Non-Tax Revenues	569	389	-31.7%
<i>of which Telecom revenues</i>	<i>216</i>	<i>133</i>	<i>-38.7%</i>
Budget Expenditures	4,542	4,532	-0.2%
Budget Surplus/Deficit	(1,247)	(1,964)	57.4%
<i>In % of budget expenditures</i>	<i>-27.5%</i>	<i>-43.3%</i>	
Budget Primary Surplus	155	(809)	
<i>In % of budget expenditures</i>	<i>3.4%</i>	<i>-17.9%</i>	
Treasury Receipts	166	577	247.5%
Treasury Expenditures	298	364	21.9%
Total Revenues	3,461	3,144	-9.1%
Total Expenditures	4,841	4,895	1.1%
Total Deficit	(1,380)	(1,751)	26.9%
<i>In % of total expenditures</i>	<i>-28.5%</i>	<i>-35.8%</i>	
Total Primary Surplus/Deficit	22.8	(596.2)	
<i>In % of total expenditures</i>	<i>0.5%</i>	<i>-12.2%</i>	

Source: Ministry of Finance, Byblos Research

Surveyed economists expect Lebanon's real GDP to contract by 12% in 2020

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to contract by 12% in 2020 compared to an earlier forecast of a contraction of 3.2% in the March 2020 survey. The individual forecasts for 2020 ranged from contractions of 7% to 18%, while the consensus forecast among 71.4% of participants is that real GDP will shrink by 12% to 18% this year. The results displayed a median real GDP contraction figure of 12% for 2020, relative to a previous median real GDP retreat of 2% in the March survey. Bloomberg conducted the poll in June 2020, and the survey's results are based on the opinions of seven economists and analysts based in Lebanon and abroad.

Further, participants forecast Lebanon's average inflation rate at 22% in 2020 compared to a projection of 7.7% in the previous survey. The opinions of surveyed analysts differed on the direction of consumer prices in 2020 with expectations ranging from 10% to 40%, while 71.4% of participants predicted that the inflation rate would be between 10% and 25% this year. The poll's results revealed a median inflation rate of 17% for 2020 relative to a median of 7% in the March survey.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 11.9% of GDP in 2020, compared to a previous forecast of 10% of GDP in March 2020. The projections of polled economists for the fiscal deficit ranged from 6.2% of GDP to 15.3% of GDP in 2020, with a median deficit of 11.9% of GDP. Further, surveyed analysts projected the current account deficit at 16.9% of GDP in 2020, compared to a previous forecast of a deficit of 18.9% of GDP in March 2020. The survey's participants expected the current account deficit to range between 11.4% of GDP and 26.3% of GDP in 2020, with a median deficit of 15.8% of GDP for 2020.

In parallel, respondents assigned a median probability of 85% for Lebanon to enter into a recession in the next 12 months. The opinions of surveyed analysts about the probability of a recession ranged between 80% and 90%.

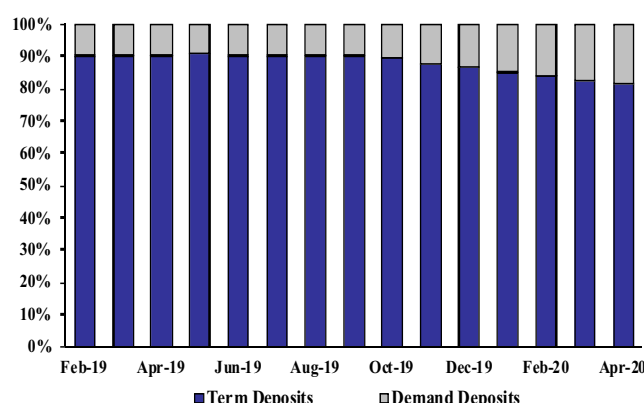
Term deposits account for 81.5% of customer deposits at end-April 2020

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that term deposits in all currencies reached \$130.6bn, while demand deposits in all currencies stood at \$29.6bn at the end of April 2020.

Term deposits in all currencies declined by \$19.06bn, or by 12.7% from \$149.7bn at end-2019. They accounted for 81.5% of total deposits in Lebanese pounds and in foreign currency at end-April 2020 relative to a share of 86.7% at end-2019. The decline in term deposits was due to a drop of 23% in term deposits in Lebanese pounds of the resident private sector, a 15.8% contraction in term deposits of non-residents, a 12.2% decline in term deposits of the non-resident financial sector, a 9.7% decrease in term deposits in Lebanese pounds of the public sector, and an 8.3% contraction in foreign currency-denominated term deposits of the resident private sector. This was slightly offset by a surge of 88.1% in foreign currency-denominated term deposits of the public sector. The drop in term deposits is due to cash withdrawals and to the migration of funds from term deposits to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$38.24bn since the end of August 2019. Further, foreign currency-denominated term deposits of the resident private sector amounted to \$72.4bn and accounted for 45.2% of total deposits at the end of April 2020. Term deposits of non-residents followed with \$24.7bn (15.4%), then term deposits in Lebanese pounds of the resident private sector with \$23.3bn (14.5%), term deposits of the non-resident financial sector with \$6bn (3.7%), term deposits in Lebanese pounds of the public sector with \$3.7bn (2.3%), and term deposits in foreign currency of the public sector with \$603.6m (0.4%).

In parallel, demand deposits in all currencies rose by \$6.7bn, or by 29.4%, from \$22.9bn at end-2019. They accounted for 18.5% of total deposits at end-April 2020 relative to a share of 13.3% at end-2019. The increase in demand deposits was mainly due to a growth of \$4.87bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$1.34bn in demand deposits of non-residents, and an increase of \$560.5m in demand deposits in Lebanese pounds of the resident private sector. Demand deposits in foreign currency of the resident private sector amounted to \$17.4bn and represented 10.9% of total deposits at the end of April 2020. Demand deposits in Lebanese pounds of the resident private sector followed with \$5.3bn (3.3%), then demand deposits of non-residents with \$4.5bn (2.8%), demand deposits of the non-resident financial sector with \$2bn (1.2%), demand deposits in Lebanese pounds of the public sector with \$256.2m (0.2%), and demand deposits in foreign currency of the public sector with \$174.6m (0.1%).

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Market accessibility of Beirut Stock Exchange needs improvement in several areas

In its annual assessment of the market accessibility of 85 developed, emerging and frontier equity markets, global portfolio analytics and indices provider MSCI, Inc. maintained Lebanon in its Frontier Markets category. It evaluated the country's stock market based on five accessibility criteria that are openness to foreign ownership, ease of capital inflows and outflows, efficiency of the operational framework, the availability of investment instruments, and the stability of the institutional framework. It said that the five criteria reflect the views of international institutional investors, which generally put a strong emphasis on the equal treatment of investors, the free flow of capital, the cost of investment, unrestricted use of stock market data, and country-specific risks.

In terms of openness to foreign ownership, MSCI said that there are no constraints on foreign ownership of stocks listed on the Beirut Stock Exchange, except for Israeli nationals who are prohibited from investing in Lebanese companies. It noted that Lebanon could improve equal rights to foreign investors, as company-related information is not always readily available in English. As such, Lebanon is, along with Sri Lanka, the only frontier markets with a "no major issues" rating in terms of investor qualification requirements, as the remaining countries have a "no issues" rating. Also, it is one of 12 frontier markets with a "no major issues" rating in terms of equal economic and voting rights to foreign investors. Further, Lebanon is one of 23 frontier markets with a "no issues" rating in terms of foreign room level, which mainly reflects the limit to foreign ownership in locally-listed companies. It is also one of 22 markets with a "no issues" rating in terms of foreign ownership limit.

Regarding capital inflows and outflows, the review said that, since October 2019, Lebanese authorities have put in place restrictions on the repatriation of funds outside Lebanon. These measures have impacted the ability of foreign investors to repatriate funds from investments on the local equity market. As such, MSCI downgraded Lebanon's rating in terms of ease of capital flows from a "no issues" rating to an "improvements needed" rating. It also noted that there is no offshore currency market and that there are constraints on the onshore currency market, as foreign investors are not allowed to hold accounts denominated in Lebanese pounds. As such, it placed Lebanon among eight markets with an "improvements needed" rating in this area.

Regarding the efficiency of the operational framework, the assessment considered that the market entry process needs to improve, as the registration of foreign investors is mandatory and may take up to five days. Further, it said that not all market regulations are available in English, and that the flow of information can be enhanced, as detailed stock market information is not always disclosed in English. Lebanon is among 11 frontier markets that received a "no major issues" rating in terms of market regulations, and one of six markets to get the same rating in terms of information flow. In addition, the survey noted that almost all market infrastructure indicators need improvement, except for trading where Lebanon has a "no issues" ratings. In terms of clearing and settlement procedures, the review said that there is no functioning nominee status as well as no omnibus structures, while overdraft facilities are prohibited. In terms of custody, it indicated that there is no formal segregation between custody and trading accounts for transactions on the Beirut bourse. It added that foreign investors do not have access to global custodians in the Lebanese market. In terms of registry and depository, it stated that not all listed shares are dematerialized, and that there is no central registry, with some securities registered at the issuer level. In terms of transferability, it said that in-kind transfers and off-exchange transactions are prohibited.

Finally, the review has an "improvements needed" rating on the stability of Lebanon's institutional framework, which reflects the political situation in the country. Lebanon's rating on this category is similar to the ratings of five other frontier markets. But the assessment did not rate Lebanon on the availability of investment instruments category. Lebanon is one of 24 countries worldwide that fall under MSCI's definition of Frontier Markets. The other Arab markets in the same category are Bahrain, Jordan, Kuwait, Morocco, Oman and Tunisia.

In November 2007, MSCI included Lebanon in its MSCI Frontier Markets Index, a fully investable index for frontier equity markets. The index contains stocks from 27 developing markets in Asia Pacific, Emerging Europe, the Middle East & Africa, and the Americas.

Banque du Liban launches electronic platform for foreign currency trading

Banque du Liban (BdL) launched on June 26, 2020 the electronic platform that allows money exchange firms to buy and sell foreign currency through the "Sayrafa" online application. It indicated that the buying rate of the US dollar stood at LBP3,850, while the selling rate was LBP3,900 on June 26 and that money dealers conducted foreign currency transactions based on these rates. BdL noted that the official exchange rate remains at LBP1,515 per US dollar at banks.

BdL issued Basic Circular 5 on June 10, 2020 that regulates the access of money exchange firms to BdL's electronic platform. The circular requested money exchange firms to register to the "Sayrafa" online application in order to conduct foreign currency transactions through the platform. It also asked money dealers to determine and enter the daily exchange rates that they adopt through the application every day before 9:00am. It added that the firm can adjust the rate during the day. The circular mandated money dealers to simultaneously enter on the application all information required by BdL about the transaction when executing it. Further, it asked money dealers to refrain from conducting any foreign currency transaction outside the "Sayrafa" application. Also, the circular required money exchange firms to abide by any exchange rate ceiling that BdL introduces, and to maintain a normal spread between the buying and selling rates.



Mobility of Lebanon residents down 19% due to coronavirus-related social distancing measures

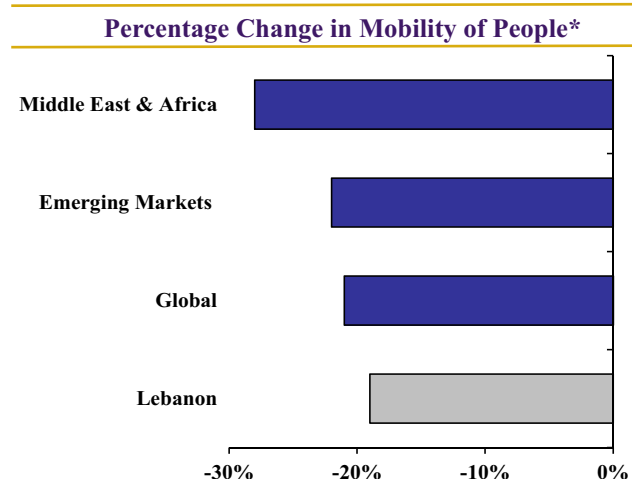
Citi Research's Social Distancing Index shows that, as of June 19, 2020, general mobility in Lebanon contracted by 19% relative to the baseline period extending from January 3 to February 6, 2020, as a result of the social distancing measures from the outbreak of the COVID-19 pandemic. It defines general mobility as the movement of individuals in different locations within a geographic area. In comparison, the mobility of the Lebanese retreated by 25% on June 12 from the January 3-February 6 period, which means that residents were under looser social distancing measures on June 19 than they were a week earlier. The mobility level on June 19 shows that residents of Lebanon have been under looser social distancing measures than countries globally (-21%), than countries in emerging markets (-22%), and countries in the Middle East & Africa (ME&A) region (-28%).

The index measures the degree of social distancing implemented across countries and regions worldwide in response to the outbreak of the coronavirus. It is based on the results of the Google COVID-19 Mobility Report, which highlights the percentage change in people's visits to different places, such as retail and recreational areas, groceries and pharmacies, parks, transit stations, workplaces, and residential locations. It then compares these trends to the baseline period, which is the median mobility level between January 3 and February 6, 2020. The index is the simple average of four factors that are Retail & Recreation, Transit Stations, Workplace, and Grocery & Pharmacy. A lower score on the index implies more social distancing, while a higher score reflects less social distancing.

The mobility of the residents of Lebanon on the Retail & Recreation category declined by 13% on June 19 from the baseline period, compared to a retreat of 23% on June 12. This category measures the movement of people to places like restaurants, cafés, shopping centers, theme parks, museums, libraries, and movie theaters. The mobility of Beirut residents for the Retail & Recreation category regressed by 33% on June 19 from the baseline period, followed by residents of Mount Lebanon (-15%), and the North (-7%). In contrast, the movement of residents of the Nabatieh region for this category increased by 24% on June 19 from the baseline period, followed by the residents of Akkar (+6%) and the Bekaa region (+4%); while the movement of residents of the South was unchanged.

Further, the movement of the residents of Lebanon under the Grocery & Pharmacy category, which includes places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies, increased by 6% from the January 3-February 6 period, compared to a rise of 4% on June 12. The mobility of residents of the Baalbek-Hermel area for this category increased by 46% on June 19 from the baseline period, followed by the movement of residents of the Nabatieh region (+35%), the Bekaa (+24%), the North and Akkar (+12% each), the South (+11%); while the mobility of Beirut residents regressed by 4% and the movement of residents of Mount Lebanon was unchanged.

Also, the mobility of the residents of Lebanon under the Transit Stations sector, which includes the usage of public transportation, decreased by 50% from the baseline period relative to a contraction of 56% a week earlier. In addition, the mobility of Lebanese residents to the Workplace shrank by 20% from the January 3-February 6 period, compared to a retreat of 25% on June 12. The mobility of Beirut residents for this category regressed by 28% on June 19 from the baseline period, followed by residents of Mount Lebanon (-24%), the North (-16%), the Bekaa (-10%), the South (-9%), Akkar (-4%), and Nabatieh (-3%). In contrast, the movement of residents of the Baalbek-Hermel area grew by 3% on June 19 from the January 3-February 6 period.



*% change from the January 3-February 6 period

Source: Citi Research, Byblos Bank

Percentage Change in Mobility of Residents in Lebanon*

	April 11, 2020	May 2, 2020	May 16, 2020	June 12, 2020	June 19, 2020
Social Distancing Index	-56%	-43%	-53%	-25%	-19%
Retail & Recreation	-65%	-51%	-63%	-23%	-13%
Transit Stations	-78%	-68%	-71%	-56%	-50%
Parks	-45%	-19%	-29%	15%	19%
Workplace	-48%	-34%	-42%	-25%	-20%
Grocery & Pharmacy	-31%	-20%	-34%	4%	6%
Residential	16%	11%	14%	6%	3%

*% change from the January 3-February 6 period

Source: Citi Research, Byblos Bank

Tourist arrivals down 72% in first five months of 2020

Figures compiled by the Central Administration of Statistics indicate that the number of incoming visitors to Lebanon totaled 197,465 in the first five months of 2020, constituting a decline of 71.5% from 692,704 tourists in the same period of 2019 and a drop of 73.1% from 732,855 visitors in the first five months of 2010, the record year for tourist arrivals in Lebanon. Also, the number of incoming visitors reached 2,555 in May 2020, increasing by five times from 515 in April 2020, and declining by 98.1% from 132,915 in May 2019. Visitor arrivals in April and May 2020 reached their lowest monthly levels on record due to the closure of the airport since March 18, 2020 following the outbreak of the coronavirus. The figures exclude Lebanese, Syrian and Palestinian arrivals.

Visitors from European countries accounted for 40.1% of the total in the covered period, followed by those from Arab countries with 27.8%, the Americas with 16.5%, Asia with 8.2%, Africa with 4.4%, and Oceania with 3%. Further, tourists from France accounted for 10.5% of total visitors in the first five months of 2020, followed by visitors from Iraq (10.4%), the United States (8.1%), Egypt (5.4%), Canada (5.3%), Germany (4.7%), the United Kingdom (4.5%), Jordan (4.4%), Saudi Arabia (3%), Sweden (2.4%), Turkey (2%), Italy (1.9%), Brazil (1.6%), Kuwait (1.4%), Venezuela (0.6%), and the UAE (0.3%).

In parallel, the number of visitors from Arab countries dropped by 76.1% in the first five months of 2020, followed by those from Oceania (-75.3%), Asia (-70.5%), the Americas (-69.4%), Europe (-69%), and Africa (-59%). On a country basis, the number of tourists from Kuwait declined by 83.7% annually in the covered period, followed by visitors from Saudi Arabia (-81.3%), Italy (-75.8%), Iraq (-75.6%), Turkey (-75%), Jordan (-73.5%), Egypt (-72.6%), the United States (-70.8%), Germany (-70.3%), Canada (-69.2%), France (-68.8%), the United Kingdom (-67.7%), Venezuela (-67.1%), Brazil (-63%), Sweden (-61.4%), and the UAE (-21.6%).

Compensation of public-sector personnel at \$1.7bn in first quarter of 2020, absorbs 76% of revenues

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled \$1.7bn in the first quarter of 2020, constituting an increase of 0.6% from \$1.68bn in the same period of 2019. Salaries, wages and related benefits accounted for 63.8% of the total in the first three months of 2020, followed by retirement benefits (27.6%), and end-of-service indemnities and transfers to public institutions to cover salaries (4.3% each). The compensation of public-sector personnel represented the largest component of current primary spending and accounted for 66% of such expenditures in the first quarter of 2020, compared to 76.5% in the same period of 2019. Also, the compensation of public-sector personnel absorbed 76.1% of total fiscal receipts in the covered period relative to 65.4% in the first quarter of 2019. It accounted for 43.7% of overall fiscal spending in the first three months of 2020 compared to 47.5% in the same period of 2019.

Salaries, wages & related benefits paid to public-sector employees reached \$1.1bn in the covered period, constituting an increase of 6.7% from \$1bn in the first quarter of 2019. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament. In addition, retirement benefits grew by 9.3% annually to \$468.3m in the first quarter of 2020, and transfers to public institutions to cover salaries rose by 41% year-on-year to \$73.6m, while end-of-service indemnities declined by 62.1% annually to \$72.3m in the covered period.

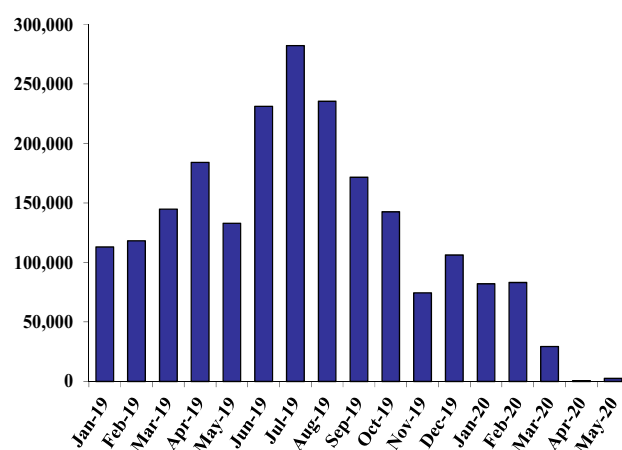
Syndicate of money dealers standardizes procedures for the sale of US dollars

The Syndicate of Money Exchange Dealers issued Circular 4 on June 22, 2020 that details the sale of US dollars by money dealers to Lebanese nationals for specific purposes, and standardizes the procedures of such operations. The circular specified that money exchange dealers can sell up to \$300 per month for individuals to settle the salary of foreign household workers, up to \$500 per month to customers who have to settle loans denominated in foreign currency from non-bank financial institutions, and up to \$1,000 per month to home buyers who want to settle payments to developers under a direct arrangement between the buyer and the seller of the house.

Also, the circular stipulated that money dealers can sell up to \$1,000 for clients to buy an airline ticket or for a family provider to send money abroad to cover a student's rent, and up to \$2,500 to settle a tuition payment abroad. In addition, it allowed money dealers to sell US dollars to the importers of food products and medical supplies that are not covered by the Ministry of Economy & Trade's list of food products that qualify for financing under Banque du Liban's Intermediate Circular 557.

The syndicate specified the list of documents that customers are required to submit for each transaction. For instance, it requires four documents from clients to approve the purchase of dollars to settle the salary of foreign household workers, and 10 documents from companies to sell them dollars to finance the import of food products and medical supplies.

Number of Tourist Arrivals to Lebanon



Source: Central Administration of Statistics, Byblos Research

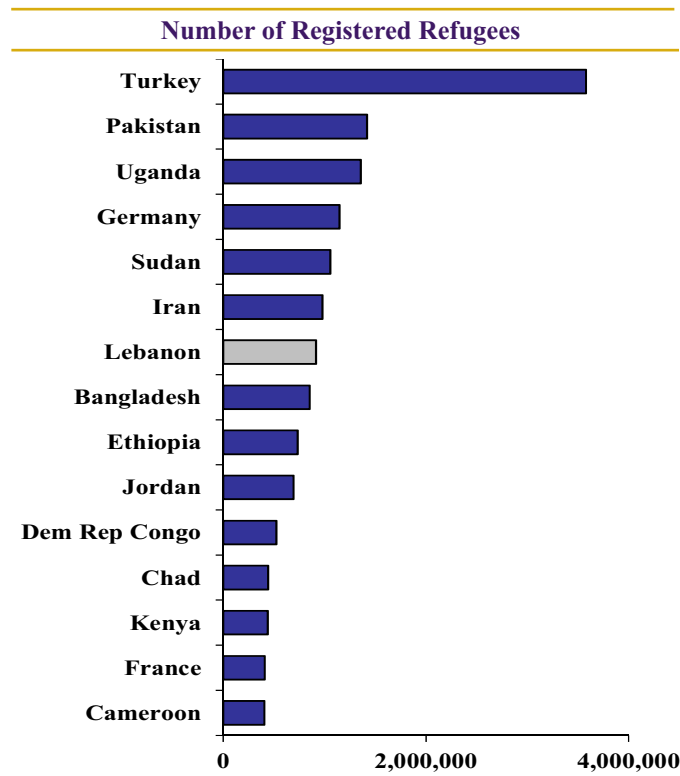
Lebanon has seventh largest refugee population globally

The United Nations High Commissioner for Refugees (UNHCR) indicated that Lebanon hosted 916,156 refugees registered with the UNHCR as at the end of 2019, constituting the seventh largest refugee population worldwide, and relative to 8,100 registered refugees at end-2010. The figures exclude 476,000 Palestinian refugees under the mandate of the UN Relief and Works Agency for Palestine Refugees in the Near East, as well as unregistered refugees.

The 910,600 Syrian refugees registered with the UNHCR as at the end of 2019 represent 99.4% of the country's total refugee population, while most of the remaining refugees registered with the agency were from Iraq. Registered Syrian refugees in Lebanon represented 13.8% of total Syrian refugees under the UNHCR's mandate worldwide.

Registered refugees in Lebanon represented 4.5% of the global refugee population at the end of 2019. In comparison, Turkey hosted 3.58 million registered refugees at the end of 2019, or 17.5% of total refugees under the UNHCR's mandate, followed by Pakistan with 1.42 million refugees (6.9% of the total), Uganda with 1.36 million refugees (6.6%), Germany with 1.15 million refugees (5.6%), Sudan with 1.06 million refugees (5.2%), and Iran with 0.98 million refugees (4.8%).

In addition, the UNHCR stated that Lebanon continued to host the highest number of registered refugees relative to its population, with a total of 134 refugees per 1,000 inhabitants in the country, or one refugee for every seven persons, as at the end of 2019. Jordan followed with 69 refugees per 1,000 inhabitants, then Turkey (43 refugees per 1,000 individuals), Uganda (31 refugees per 1,000 inhabitants), and Chad (28 refugees per 1,000 persons).



Source: United Nations High Commissioner for Refugees

Syrian conflict lowers Lebanon's real GDP growth rate by 1.7 percentage points annually in 2011-18 period

The World Bank estimated that the Syrian conflict reduced Lebanon's real GDP growth rate by 1.7 percentage points annually during the 2011-18 period. It noted that the negative impact of the conflict was transmitted through several channels, predominantly through the transit trade across Syria and from service exports such as tourism. It estimated that the trade shock reduced Lebanon's real GDP by 2.9 percentage points annually, while the influx of Syrian refugees to Lebanon contributed to an uplift of 0.9 percentage points in the country's GDP, mainly through higher aggregate demand and labor supply. Also, it noted that the arrival of refugees increased demand for public services, especially transport, healthcare and electricity services. Further, it estimated that the Syrian conflict has contributed to an increase in Lebanon's poverty rate by 7.1% during the 2011-19 period. However, it noted that Lebanon's economic activity would have decelerated during the 2011-18 period, even in the absence of a conflict in Syria, due to local and external factors. It pointed out that, in order to separate the impact of the Syrian conflict from the impact of global and regional factors on the Lebanese economy, it created counterfactual GDP series that assess economic activity in the absence of a conflict in Syria. It then compared the counterfactual GDP series to actual data to assess the impact of the conflict.

In parallel, the World Bank indicated that the negative impact of the Syrian conflict on Lebanon's GDP, fiscal stance and interest rates, has worsened the country's debt dynamics. It noted that Lebanon's debt-to-GDP ratio would have been 23 percentage points lower than the level it reached at the end of 2019 if the conflict did not take place and did not affect real GDP in Lebanon. Further, it said that the debt ratio would have declined by 15 percentage points, all else being equal, in case Lebanese authorities managed to maintain the primary fiscal surplus that existed prior to the conflict. In addition, it considered that Lebanon's debt-to-GDP ratio would have been 20 percentage points below its level at the end of 2019 in case real interest rates were 200 basis points lower at that time. Consequently, it estimated that Lebanon's debt-to-GDP ratio would have decreased from 130% of GDP at the end of 2010 to 97% of GDP at end-2019, in the absence of the Syrian conflict.

The World Bank considered that the exposure of the Lebanese economy to the Syrian crisis has been elevated due to the scale of the conflict, as well as to the vulnerability of major sectors, such as transit and tourism, to regional instability, and to institutional weaknesses in Lebanon. It added that the Syrian conflict contributed to the decline in capital inflows to Lebanon. It pointed out that net capital flows decreased from the equivalent of 28% of GDP during the 2006-10 period to 21.6% of GDP in the 2011-17 period, largely due to a decline in net foreign direct investments to Lebanon from 10% of GDP during the 2006-10 period to 3.4% of GDP in the 2011-17 period.

Further, the World Bank estimated that the economic recovery in Syria could add between 0.2 percentage points and 0.9 percentage points annually to economic growth in Lebanon in the next five years, depending on the level of security improvements and the restoration of services in Syria.

Lebanon ranks 78th globally, sixth in Arab region in environmental performance

The Environmental Performance Index for 2020 ranked Lebanon in 78th place globally among 180 countries and in sixth place among 16 Arab countries. Lebanon also ranked in 28th place among 55 upper middle-income countries (UMICs) included in the survey.

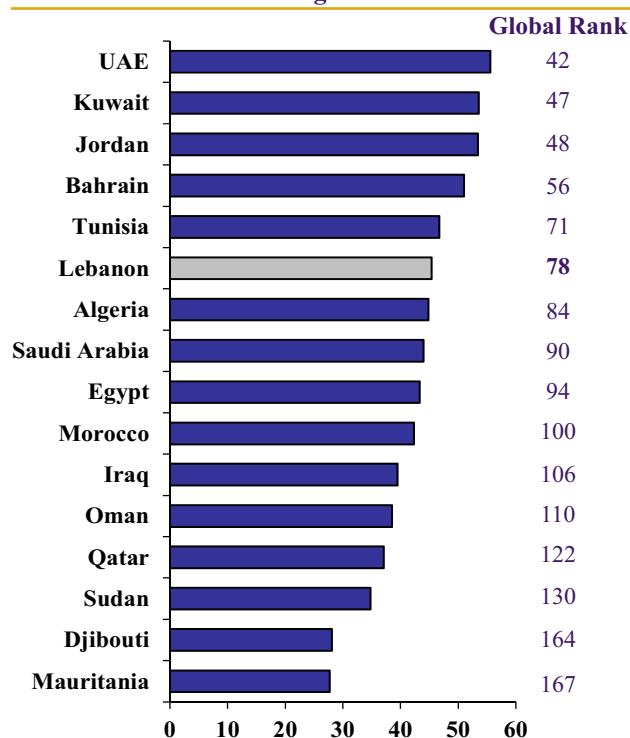
The EPI assesses a country's performance on high-priority environmental issues, which are the protection of human health and the preservation of ecosystems. As such, the EPI ranks countries on 11 components divided into two core categories that are Environmental Health and Ecosystem Vitality. The EPI indicators measure how close a country comes to meeting internationally-established targets or, in the absence of agreed targets, how nations compare to each other. The scores range from zero to 100, with 100 being the closest to the targets. The report indicated that the 2020 rankings are based on data published in 2017 and/or 2018. The EPI is issued by Columbia and Yale universities in collaboration with the McCall MacBain Foundation and the Mullion Group. The producers of the EPI changed the methodology to calculate the index, which prevents comparisons with previous surveys.

Globally and among UMICs, Lebanon tied with Bosnia & Herzegovina and Thailand; while it had a better environmental performance than Mauritius, Algeria and Kazakhstan, and a weaker performance than Paraguay, the Dominican Republic and Gabon among economies with a GDP of \$10bn or more. Lebanon received a score of 45.4 points, lower than the global average score of 46.4 points and the UMICs' average score of 45.7 points, but higher than the Arab average score of 42.9 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 46.6 points and higher than the average score of non-GCC Arab countries of 40.6 points.

Globally, Lebanon tied with the Bahamas, came ahead of Russia and Turkey, and ranked behind Colombia and Hungary on the Environmental Health category. This category assesses the risk of water and air pollution to human health, and measures the level of air pollution and air quality. It also evaluates the population's access to sanitation and drinking water, as well as its exposure to unsafe sanitation and water quality. Also, Lebanon trailed only Costa Rica, Argentina, Mauritius, Jordan, Belarus, Malaysia and Columbia among UMICs; while it came behind only Jordan, Kuwait, Qatar and the UAE in the region.

In parallel, Lebanon preceded Singapore and Rwanda, and trailed Ethiopia and Kenya worldwide on the Ecosystem Vitality category. This category mainly evaluates the level of wastewater treatment and changes in carbon emissions. It also assesses the change in the surface area of land covered by forests and the overexploitation of fishing stocks, among other variables. Lebanon ranked ahead of Iraq, Sri Lanka, Turkey, Mauritius, China and Guatemala among UMICs; while it preceded Iraq, Oman, Djibouti, Mauritania and Qatar in the Arab region.

**Environmental Performance Index for 2020
Scores & Rankings of Arab countries**



Source: Columbia and Yale universities, McCall MacBain Foundation, Mullion Group

Components of the 2020 Environmental Performance Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMICs Avg Score
Environmental Health	55	5	8	53.1	45.6	43.0	44.3
Air Quality	65	6	16	47.8	44.2	39.2	40.3
Sanitation & Drinking Water	53	6	12	59.7	47.3	39.2	40.3
Heavy Metals	110	9	39	43.6	53.0	40.5	51.4
Waste Management	56	2	17	61.4	37.1	35.4	38.3
Ecosystem Vitality	122	11	43	40.3	47.0	42.8	46.7
Biodiversity & Habitat	168	14	50	21.8	57.6	40.7	53.0
Ecosystem Services	79	13	32	36.6	41.8	62.5	44.5
Fisheries	57	7	20	14.2	16.1	12.2	18.0
Climate Change	66	4	19	56.8	49.8	45.4	52.7
Pollution Emissions	77	7	27	67.1	61.2	63.7	61.3
Agriculture	111	9	26	34.1	39.3	35.7	36.1
Water Resources	46	7	4	38.2	21.8	31.4	10.7

Source: Columbia and Yale universities, McCall MacBain Foundation, Mullion Group, Byblos Research



Solidere's sales contracts at \$342m so far in 2020

Solidere, the Lebanese Company for the Development and Reconstruction of Beirut Central District sal, indicated that the unaudited aggregate amount of land sales totaled \$341.9m from the start of the year to June 18, 2020. It said that the sales revenues will be reflected in this year's financials. In parallel, it pointed out that the company has repaid about \$190m in loan installments and some of its overdraft accounts to Lebanese banks. It also noted that it settled the majority of its dues to contractors and suppliers. Consequently, the company's total liabilities declined from \$414m at the end of 2019 to \$225m as of June 18, 2020. Further, Solidere indicated that its cash and bank deposits balances have increased significantly so far in 2020, which will support its liquidity position and strengthen its ability to weather urgent and future challenges.

Solidere announced earlier this year that it will periodically publish the amounts of signed sales contracts in order to ensure the accuracy of the information circulated. The company's revenues from land sales totaled \$234.5m in 2019, \$1.27m in 2018, \$94,500 in 2017 and \$203.3m in 2016. Solidere posted consolidated audited net profits of \$49m in 2019, relative to net losses of \$115.7m in 2018 and of \$116.4m in 2017, and to net profits of \$75.3m in 2016.

Lebanese fintech company relocates headquarters to Abu Dhabi

Lebanese financial technology (fintech) startup NymCard announced that it moved its headquarters from Beirut to Abu Dhabi. It noted that the relocation supports the company's regional expansion plans, as it helps the startup better serve customers in the Middle East & Africa region. It added that Abu Dhabi has a favorable fintech ecosystem and is a regional hub that combines many factors that are currently not present in Lebanon. Still, it noted that the firm will continue to serve its clients in the Levant region through its Beirut office.

The company said that it will work closely with the Abu Dhabi Global Market's Financial Services Regulatory Authority to become a licensed and regulated fintech firm that serves the entire region. Founded in Beirut in 2018, NymCard is a cloud-based card issuing and processing platform that allows financial institutions, banks, and fintech companies to build virtual card programs for their customers.

U.S. provides \$20m in emergency tuition support to AUB and LAU students

The U.S. State Department announced that it granted \$20m in emergency support to cover half of the tuition of 1,800 students at the American University of Beirut (AUB) and the Lebanese American University (LAU). The funding aims to help alleviate the impact of Lebanon's challenging economic conditions on the education sector in the country.

The emergency tuition support is part of the "Tomorrow's Leaders" program, which is an initiative funded by the State Department's U.S.-Middle East Partnership Initiative (MEPI). The program provides tuition and other academic and living expenses for a period of four years to academically-qualified and financially-disadvantaged students at American accredited institutions in the Middle East and North Africa region.

AUB generated \$208.2m, or 36.6% of its revenues from tuition payments in the academic year 2018-19. It also provided \$49m in financial aid in the same year, which accounted for 8.6% of the university's total spending. Further, AUB's endowment reached \$769m at the end of June 2019. In parallel, AUB announced that it will lay off up to 25% of its workforce, close administrative departments, and discontinue work on a project for a new medical center. The university forecast its annual revenues for academic year 2020-21 at \$249m, which would constitute a reduction of 60% from projected revenues of \$609m in academic year 2019-20.

In parallel, LAU generated \$143m, or 75.8% of its revenues from tuition payments in the academic year 2017-18, the latest available figures. It also paid \$34m in financial aid in the same year, which represented 18% of its total spending. According to the National Association of College and University Business Officers, LAU's endowment reached \$543.4m at the end of June 2019.

CMA CGM posts net profits at \$56m in first quarter of 2020

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net profits of \$55.6m in the first quarter of 2020 relative to net losses of \$53.3m in the same quarter of 2019. The firm attributed its first quarter results to gains from the disposal of terminals and to the cost reduction plan that it has been implementing since 2019. The company's earnings before interest and taxes (EBIT), excluding disposals & equipment and subsidiaries, reached \$973.2m in the first quarter of 2020, and grew by 25% from \$779m in the same quarter of 2019. Further, its revenues regressed by 3% annually to \$7.2bn in the covered period, mainly due to the slowdown in global trade and the decline in carried volumes. It indicated that it transported 4.93 million twenty-foot equivalent units (TEUs) in the first quarter of the year, down by 4.6% year-on-year due to the impact of the coronavirus, which resulted in shutdown of factories, particularly in Asia. In parallel, it said that operating expenditures declined by 6.3% year-on-year to \$6.2bn in the first quarter of 2020, mainly due to operational efficiency, which allowed the company to reduce most of its operating expenses.

Further, the firm's consolidated assets reached \$31.7bn at the end of March 2020, constituting a decline of 3.2% from \$32.7bn at end-2019. The value of the company's property and equipment decreased by 1% from end-2019 to \$17.6bn at the end of March 2020, with vessels accounting for \$12.8bn or 73% of the total, followed by containers at \$2.6bn (14.8%), and land & buildings at \$1.8bn (10.1%), while other properties & equipment reached \$357.5m (2%). CMA CGM is one of the largest container shipping companies in the world and operates a fleet of 502 vessels, with a capacity of 2.71 million TEUs that serves over 420 commercial ports. In April 2020, Moody's Investors Service placed the 'B2' rating of CMA CGM on review for downgrade, while S&P Global Ratings affirmed the company's corporate rating at 'B+', with a 'negative' outlook.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	56.8	1.85
Public Debt in Foreign Currency / GDP	57.2	60.9	59.4	(1.54)
Public Debt in Local Currency / GDP	92.5	94.0	101.9	7.94
Gross Public Debt / GDP	149.7	154.9	161.3	6.40
Total Gross External Debt / GDP**	139.2	137.0	128.4	(8.62)
Trade Balance / GDP	(31.5)	(31.0)	(27.3)	3.69
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	19.5	(1.53)
Fiscal Expenditures / GDP	28.9	32.4	29.7	(2.62)
Fiscal Balance / GDP	(7.1)	(11.4)	(10.3)	1.09
Primary Balance / GDP	2.7	(1.2)	(0.5)	0.65
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	257.1	236.7	(20.33)
Commercial Banks Assets / GDP	413.7	453.9	381.6	(72.37)***
Private Sector Deposits / GDP	317.4	317.1	279.6	(37.48)
Private Sector Loans / GDP****	112.3	108.1	87.6	(20.45)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.41
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.50)

*change in percentage points 19/18; **includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks; ***The decline in assets in 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7; **** in January 2018, Lebanese banks started reporting their financials based on international accounting standard IFRS 9, and revised the 2017 figures accordingly
Source: Association of Banks in Lebanon, Institute of International Finance, Central Administration of Statistics, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Metrics

Lebanon	Feb 2018	Jan 2019	Feb 2019	Change**	Risk Level
Political Risk Rating	55.0	54.0	54.0	▲	High
Financial Risk Rating	33.0	31.5	31.5	▲	Moderate
Economic Risk Rating	28.5	24.0	24.0	▲	Very High
Composite Risk Rating	58.25	54.75	54.75	▲	High

MENA Average*	Feb 2018	Jan 2019	Feb 2019	Change**	Risk Level
Political Risk Rating	58.2	58.1	58.2	➤	High
Financial Risk Rating	37.9	39.1	39.2	▼	Low
Economic Risk Rating	31.4	33.8	33.8	▼	Moderate
Composite Risk Rating	63.8	65.5	65.6	▼	Moderate

*excluding Lebanon

**year-on-year change in risk

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	Ca	NP	Stable	Ca		Stable
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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