

## LEBANON THIS WEEK

### In This Issue

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

Cost of living in Beirut is 184<sup>th</sup> highest in the world, third highest among Arab cities

Banque du Liban requests authority to standardize bank measures

Remittance inflows to Lebanon up 7% to \$3.8bn in first half of 2019

Banque du Liban's foreign assets at \$37bn, gold reserves at \$14.3bn at mid-January 2020

Occupancy rate at Beirut hotels at 65%, room yields up 10% in first 11 months of 2019

Association of banks further reduces reference rates on US dollar and Lebanese pound lending

Gross public debt at \$89.5bn at end-November 2019

Energy Ministry extends deadline of second licensing round for oil & gas exploration and production

Trade deficit narrows by 8% to \$14.5bn in first 11 months of 2019

Financial inclusion varies by income, education, employment and region

Economy & Trade Committee calls for medium-term fiscal framework

Treasury transfers to Electricité du Liban down 5% to \$1.3bn in first 10 months of 2019

Banque du Liban facilitates electronic transfers among clients of different banks

### Corporate Highlights .....9

New car sales down 33.4% in 2019

BLOM Bank's General Assembly approves capital increase

Launch of initiative to support agri-food and clean technology sectors

BCCL and SIC request information about bank transfers

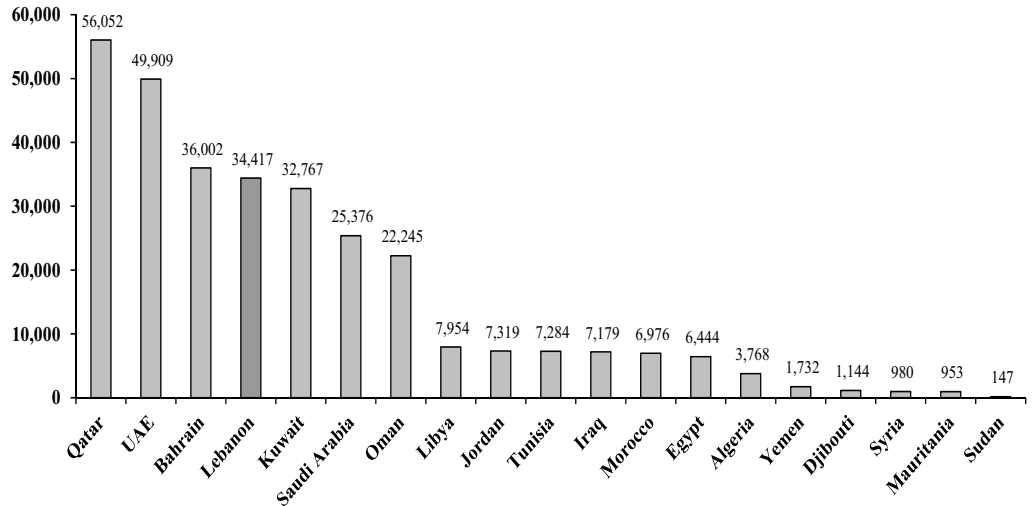
### Ratio Highlights.....11

### Risk Outlook .....11

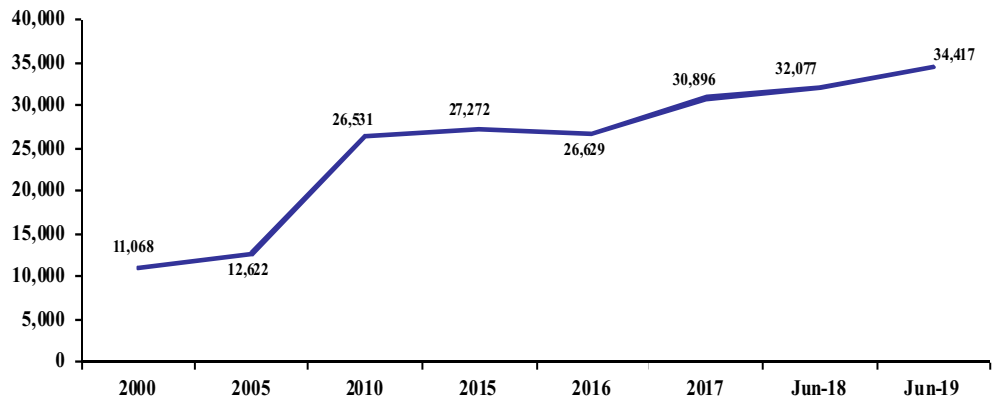
### Ratings & Outlook.....11

### Charts of the Week

Non-Financial Wealth per Capita in Arab Countries at end-June 2019 (US\$)



Non-Financial Wealth per Capita in Lebanon (US\$)



Source: Credit Suisse, Byblos Bank

### Quote to Note

"The budget deficit would need to be lowered through steps such as revenue-raising measures, eliminating transfers to Eléctricité du Liban by increasing electricity tariffs, more vigorously combating electricity theft, and curbing spending."

*Global investment bank JPMorgan Chase, on some necessary measures to reduce the fiscal deficit*

### Number of the Week

**30%:** Size of the informal economy in Lebanon, relative to the country's GDP, according to the 2018 National Accounts issued by the Central Administration of Statistics

## Lebanon in the News

| \$m (unless otherwise mentioned) | 2018      | Jan-Nov 2018 | Jan-Nov 2019 | % Change* | Nov-18  | Oct-19  | Nov-19  |
|----------------------------------|-----------|--------------|--------------|-----------|---------|---------|---------|
| Exports                          | 2,952     | 2,706        | 3,407        | 25.91     | 242     | 292     | 309     |
| Imports                          | 19,980    | 18,411       | 17,894       | (2.81)    | 1,536   | 1,308   | 1,281   |
| Trade Balance                    | (17,028)  | (15,705)     | (14,487)     | (7.76)    | (1,294) | (1,016) | (972)   |
| Balance of Payments              | (4,823)   | (4,076)      | (3,510)      | (13.87)   | (954)   | (198)   | 1,143   |
| Checks Cleared in LBP            | 22,133    | 20,110       | 19,743       | (1.82)    | 1,875   | 1,378   | 2,232   |
| Checks Cleared in FC             | 44,436    | 40,981       | 30,928       | (24.53)   | 3,481   | 1,717   | 2,946   |
| Total Checks Cleared             | 66,569    | 61,091       | 50,671       | (17.06)   | 5,356   | 3,095   | 5,178   |
| Fiscal Deficit/Surplus**         | (6,246)   | (4,734)      | (4,024)      | (14.99)   | (1,075) | (432)   | -       |
| Primary Balance**                | (636)     | (402)        | 217          | -         | (89)    | 21      | -       |
| Airport Passengers               | 8,842,442 | 8,164,597    | 8,139,970    | (0.30)    | 628,205 | 659,737 | 438,674 |
| Consumer Price Index***          | 6.1       | 6.3          | 2.5          | (380bps)  | 5.8     | 1.3     | 3.2     |

| \$bn (unless otherwise mentioned) | Dec-17 | Nov-18 | Dec-18 | Sep-19 | Oct-19 | Nov-19 | % Change* |
|-----------------------------------|--------|--------|--------|--------|--------|--------|-----------|
| BdL FX Reserves                   | 35.81  | 33.56  | 32.51  | 29.30  | 30.98  | 30.15  | (10.2)    |
| In months of Imports              | 18.57  | 21.84  | 20.72  | 19.99  | 23.68  | 23.54  | 7.7       |
| Public Debt                       | 79.53  | 83.66  | 85.14  | 86.78  | 87.08  | 89.48  | 7.0       |
| Bank Assets                       | 219.86 | 246.51 | 249.48 | 262.20 | 262.80 | 259.69 | 5.3       |
| Bank Deposits (Private Sector)    | 168.66 | 173.19 | 174.28 | 170.30 | 168.36 | 162.60 | (6.1)     |
| Bank Loans to Private Sector      | 59.69  | 59.21  | 59.39  | 54.50  | 54.17  | 52.48  | (11.4)    |
| Money Supply M2                   | 52.51  | 51.55  | 50.96  | 46.73  | 45.77  | 43.82  | (15.0)    |
| Money Supply M3                   | 138.62 | 140.32 | 141.29 | 138.83 | 138.37 | 136.44 | (2.8)     |
| LBP Lending Rate (%)              | 8.09   | 10.15  | 9.97   | 10.92  | 11.19  | 9.69   | (46bps)   |
| LBP Deposit Rate (%)              | 6.41   | 7.97   | 8.30   | 9.13   | 9.03   | 9.40   | 143bps    |
| USD Lending Rate (%)              | 7.67   | 8.57   | 8.57   | 10.26  | 10.05  | 10.64  | 207bps    |
| USD Deposit Rate (%)              | 3.89   | 4.90   | 5.15   | 6.57   | 6.61   | 6.31   | 141bps    |

\*year-on-year \*\*year-to-date figures reflect results for first 10 months of each year \*\*\*year-on-year percentage change; bps i.e. basis points

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 |
|---------------------------|-----------------|-----------|--------------|---------------------------------|
| Solidere "A"              | 8.71            | 3.44      | 199,328      | 12.13%                          |
| Solidere "B"              | 8.70            | 3.57      | 71,793       | 7.88%                           |
| Byblos Common             | 1.00            | 0.00      | 30,000       | 7.88%                           |
| BLOM GDR                  | 3.80            | (37.40)   | 6,000        | 3.91%                           |
| HOLCIM                    | 10.50           | 5.00      | 1,000        | 2.85%                           |
| Audi Listed               | 2.25            | (2.17)    | 400          | 12.53%                          |
| BLOM Listed               | 7.00            | (0.99)    | 100          | 20.96%                          |
| Audi GDR                  | 2.30            | 0.00      | -            | 3.83%                           |
| Byblos Pref. 08           | 60.00           | 0.00      | -            | 1.67%                           |
| Byblos Pref. 09           | 63.00           | 0.00      | -            | 1.75%                           |

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

| Sovereign Eurobonds | Coupon % | Mid Price \$ | Mid Yield % |
|---------------------|----------|--------------|-------------|
| Mar 2020            | 6.38     | 82.00        | 171.00      |
| Apr 2021            | 8.25     | 53.38        | 71.31       |
| Oct 2022            | 6.10     | 46.50        | 40.39       |
| Jun 2025            | 6.25     | 41.50        | 27.81       |
| Nov 2026            | 6.60     | 41.50        | 24.73       |
| Feb 2030            | 6.65     | 41.50        | 20.65       |
| Apr 2031            | 7.00     | 41.50        | 20.47       |
| May 2033            | 8.20     | 43.52        | 20.89       |
| Nov 2035            | 7.05     | 41.25        | 18.75       |
| Mar 2037            | 7.25     | 41.50        | 18.73       |

Source: Byblos Bank Capital Markets, Refinitiv

|                       | Jan 13-17   | Jan 6-10    | % Change | December 2019 | December 2018 | % Change |
|-----------------------|-------------|-------------|----------|---------------|---------------|----------|
| Total shares traded   | 355,594     | 745,941     | (52.3)   | 1,527,358     | 5,407,192     | (71.8)   |
| Total value traded    | \$2,583,259 | \$5,715,028 | (54.8)   | \$24,640,092  | \$27,863,342  | (11.6)   |
| Market capitalization | \$7.18bn    | \$7.33bn    | (1.99)   | \$7.76bn      | \$9.68bn      | (19.8)   |

Source: Beirut Stock Exchange (BSE)

| CDS Lebanon | Jan 10, 2020 | Jan 17, 2020 | % Change** |
|-------------|--------------|--------------|------------|
| CDS 1-year* | 7,597        | 8,443        | 11.1       |
| CDS 3-year* | 4,867        | 5,577        | 14.6       |
| CDS 5-year* | 3,773        | 4,420        | 17.1       |

Source: ICE CMA; \*mid-spread in bps \*\*week-on-week

| CDX EM 30*   | Jan 10, 2020 | Jan 17, 2020 | % Change*** |
|--------------|--------------|--------------|-------------|
| CDS 5-year** | 169.6        | 175.1        | 3.2         |

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

\*\*mid-spread in bps \*\*\*week-on-week

### Cost of living in Beirut is 184<sup>th</sup> highest in the world, third highest among Arab cities

The 2020 Cost of Living Index, produced by crowd-sourced global database Numbeo, ranked the cost of living in Beirut as the 184<sup>th</sup> highest among 440 cities around the world and the third highest among 24 Arab cities. Also, the cost of living in Beirut was the highest among 108 cities in upper middle-income countries (UMICs) included in the survey. Based on the same set of cities included in the 2019 and 2020 surveys, Beirut ranked in 164<sup>th</sup> place in the 2020 survey relative to 172<sup>nd</sup> place in 2019, reflecting a relative increase in the cost of living. The Cost of Living Index is an indicator of the prices of consumer goods, such as groceries, meals & drinks at restaurants, transportation, and utilities. Numbeo benchmarks the Index against New York City. It also issues a Rent Index, which is an estimation of apartment rents in a city compared to New York City rents. It relies on residents' inputs and uses data from official sources to compute the indices.

According to the Cost of Living Index, consumer goods in Beirut are more expensive than in Leipzig in Germany, Abu Dhabi and Nicosia; while they are less costly than in Bremen in Germany, and Winnipeg and Kitchener in Canada. Beirut received a score of 62.83 points, which means that prices of consumer goods in Beirut are 37.2% lower than they are in New York City.

In parallel, the Rent Index ranked Beirut in 168<sup>th</sup> place globally, in seventh place among Arab cities, and in fifth place among cities in UMICs. Globally, renting an apartment in Beirut is more expensive than in Bangkok, in Linz in Austria and in Malmo in Sweden; while it is less expensive than in Little Rock in Arkansas, Tulsa in Oklahoma, and Aberdeen in Scotland. Further, Dubai, Doha, Abu Dhabi, Ajman in the UAE, Kuwait City and Manama are the Arab cities that have more expensive rents than Beirut; while Shanghai, Beijing, Moscow and Cape Town are the cities among UMICs with more expensive rents. Beirut received a score of 26.2 points on the index, which means that rent in Beirut is 73.8% less expensive than rent in New York City.

Also, the Groceries Index, which is an estimate of grocery prices in a city compared to New York City, ranked Beirut in 218<sup>th</sup> place globally, in seventh place among Arab cities and in 10<sup>th</sup> place among cities in UMICs. Beirut received a score of 45.27 points, which means that groceries in Beirut are 54.7% less expensive than they are in New York City. Globally, groceries in Beirut are more expensive than in Braga in Portugal, Ljubljana in Slovenia, and Barcelona; while they are cheaper than in Amman, Madrid, and Jakarta. In addition, groceries in Beirut are less costly than they are in Doha, Abu Dhabi, Dubai, Manama, Muscat and Amman among Arab cities. Groceries in Beirut are also less expensive than in Kingston in Jamaica; San Jose in Costa Rica; Shanghai; Bangkok, Chiang Mai, Pattaya and Phuket in Thailand; Paramaribo in Suriname; and Amman among UMICs.

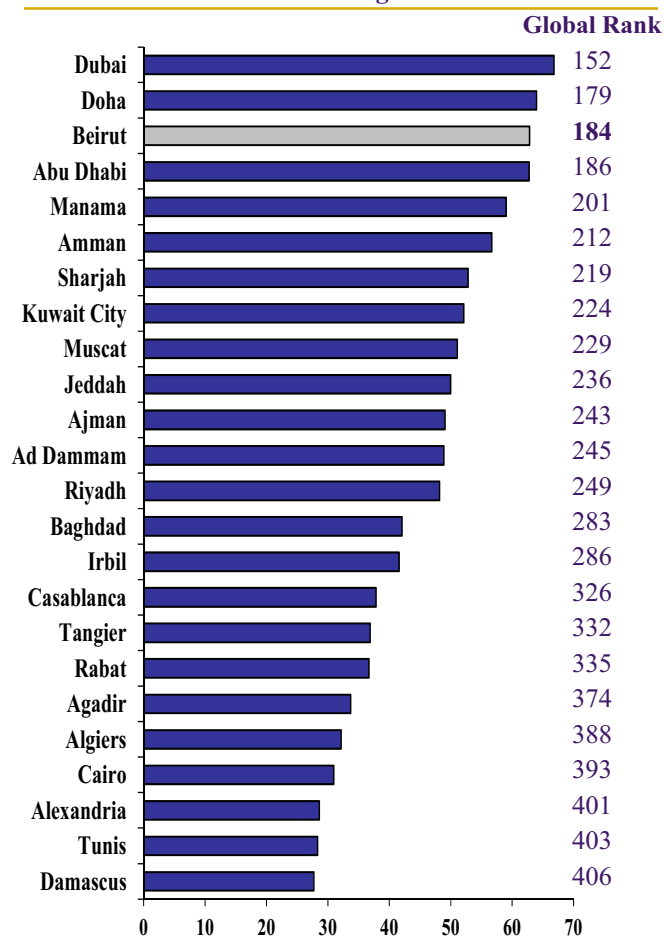
Finally, the Restaurant Index, which compares the prices of meals and drinks at restaurants and pubs relative to New York City, ranked Beirut in 174<sup>th</sup> place globally, in fourth place among Arab cities and in first place among cities in UMICs. The Lebanese capital received a score of 63.16 points on the index, which means that prices at restaurants and pubs in Beirut are 36.8% less expensive than they are in New York City. Globally, meals and drinks at restaurants and pubs in Beirut are more expensive than in Palma de Mallorca in Spain, Montreal, and Indianapolis in Indiana; while they are cheaper than in Vienna, Mannheim in Germany, and Adelaide in Australia. Also, meals and drinks at restaurants and pubs in Beirut are less costly than in Dubai, Doha and Abu Dhabi among Arab cities.

### Banque du Liban requests authority to standardize bank measures

Banque du Liban (BdL) asked the Ministry of Finance to reach out to the appropriate authorities to provide BdL exceptional prerogative that would allow it to unify and regulate the temporary measures that commercial banks have introduced to cope with the challenges facing the country. BdL highlighted the importance of maintaining Lebanon's monetary and financial stability, which constitutes one of its primary responsibilities, and emphasized the need to protect the interests of depositors and customers.

It said that banks temporarily imposed restrictions on foreign transfers, banknote withdrawals, and on some other banking operations. But it noted that the implementation of these measures may have been inconsistent in some instances. It pointed out that the current measures need to be regularized and unified across banks in order to ensure fair treatment among clients. But it indicated that the legal provisions in place do not authorize BdL to regulate, manage, or amend the measures that banks temporarily introduced.

Cost of Living Index for 2020  
Scores & Rankings of Arab Cities



Source: Numbeo, Byblos Research

### Remittance inflows to Lebanon up 7% to \$3.8bn in first half of 2019

Figures released by Banque du Liban show that the inflows of expatriates' remittances to Lebanon totaled \$3.82bn in the first half of 2019, constituting an increase of 7.2% from \$3.56bn in the first half of 2018, and a rise of 11.7% from \$3.42bn in the second half of 2018.

Remittance inflows to Lebanon reached \$1.88bn in the first quarter of 2019, up by 4.7% from the same period of 2018, while they totaled \$1.94bn in the second quarter of 2019 and increased by 10% from the same period of 2018. The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances. Banque du Liban's figures are the only official data on remittance flows to and from Lebanon.

In addition, remittance inflows to Lebanon in the first six months of 2019 reached their highest level in the first half of a year between 2002 and 2019. Remittance inflows to the country averaged \$3.56bn during the first half of each year between 2009 and 2019.

In parallel, remittance outflows from Lebanon amounted to \$2.34bn in the first half of 2019, down by 4% from \$2.44bn in the first half of 2018 and by 8.6% from \$2.56bn in the second half of 2018. Remittance outflows from Lebanon declined by 2.5% year-on-year to \$1.18bn in the first quarter of 2019, while they decreased by 5.6% annually to \$1.16bn in the second quarter. In addition, remittance outflows in the covered period reached their fifth highest level for the first half of a year during the 2002-19 period. They averaged \$2.23bn during the first half of each year between 2009 and 2019, and reached a high of \$2.57bn in the first six months of 2013.

As such, net remittance inflows to Lebanon totaled \$1.47bn in the first half of 2019, constituting a rise of 32% from \$1.12bn in the first half of 2018, and a jump of 72.4% from \$855m in the second half of 2018. Net remittance inflows to Lebanon in the first six months of 2019 reached their sixth highest level for the first half of a year between 2002 and 2019.

### Banque du Liban's foreign assets at \$37bn, gold reserves at \$14.3bn at mid-January 2020

Banque du Liban's (BdL) interim balance sheet totaled \$142bn on January 15, 2020, constituting a growth of 0.4% from \$141.4bn at the end of 2019.

Assets in foreign currency reached \$37bn at mid-January 2020, down by 0.8% from \$37.3bn at the end of 2019. They included \$5.7bn worth of Eurobonds. Excluding Lebanese Eurobonds, BdL's assets in foreign currency reached \$31.3bn on January 15, 2020, constituting a decline of \$305.6m from the end of 2019.

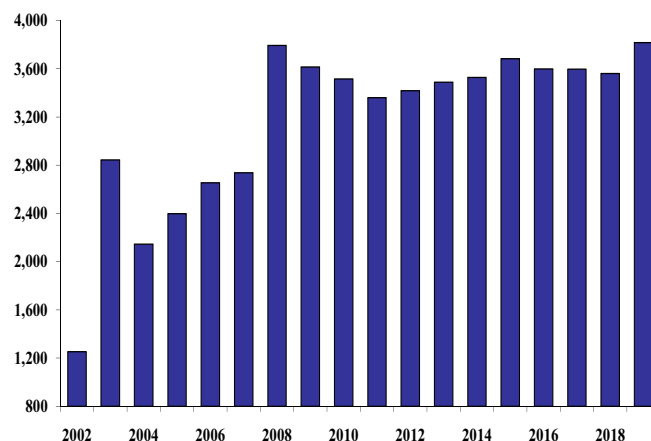
BdL's assets in foreign currency, excluding Lebanese Eurobonds, decreased by \$826.4m in December, by \$2.1bn in November, by \$683.1m in October and by \$264.2m in September, resulting in a cumulative decline of \$4.2bn between the end of August 2019 and mid-January 2020. The decrease in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is due to deposit outflows and to the fact that BdL has been paying on behalf of the government maturing Eurobonds and external debt servicing, including \$2.1bn in such payments in the second half of November 2019.

In comparison, assets in foreign currency, including Lebanese Eurobonds, increased by \$166.5m in November, while they declined by \$164.2m in September, by \$583.1m in October, by \$826.4m in December and by \$305.6m in the first half of January 2020. This resulted in an aggregate decline in total assets in foreign currency of \$1.7bn between the end of August 2019 and mid-January 2020.

In parallel, the value of BdL's gold reserves rose by 2.7% from the end of 2019 to reach \$14.3bn at mid-January 2020. The value of gold reserves reached a peak of \$16.7bn at the end of August 2011. Also, the securities portfolio of BdL totaled \$38bn at mid-January 2020, nearly unchanged from end-2019.

In addition, loans to the local financial sector regressed by 0.6% from end-2019 to \$14.9bn at mid-January 2020. Further, deposits of the financial sector reached \$112.1bn at mid-January 2020, up by \$117m, from end-2019. Also, public sector deposits at BdL totaled \$5.6bn at mid-January 2020 and increased by \$128m from end-2019.

Remittance Inflows to Lebanon\* (US\$m)



\*in the first half of each year

Source: Banque du Liban, Byblos Research

### Occupancy rate at Beirut hotels at 65%, room yields up 10% in first 11 months of 2019

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 65.2% in the first 11 months of 2019 relative to 64.6% in the same period of 2018, and compared to an average rate of 66% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the seventh highest in the region in the first 11 months of the year, while it was the fifth highest in the same period of 2018. The occupancy rate at hotels in Beirut grew by 0.6 percentage points in the first 11 months of 2019, constituting the fourth lowest increase in the region. In comparison, the average occupancy rate in Arab markets improved by three percentage points in the covered period.

The occupancy rate at Beirut hotels stood at 18% in November 2019, constituting a decline of 50.5 percentage points from 68.5% in November 2018 and of 36.7 percentage points from 54.7% in October 2019. It was the lowest in the region in the covered month. Occupancy rates at Beirut hotels were 59.8% in January, 70.7% in February, 79% in March, 85.4% in April, 44.8% in May, 76.7% in June, 75.4% in July, 81% in August, 71.7% in September 2019. In comparison, they were 49.1% in January, 61.3% in February, 63.5% in March, 68.5% in April, 50.9% in May, 60.9% in June, 73% in July, 73.3% in August, 72.3% in September, 69.6% in October 2018.

The average rate per room at Beirut hotels was \$202 in the first 11 months of 2019, increasing by 9% from \$186 in the same period of 2018 and constituting the third highest rate in the region after Jeddah (\$274) and Dubai (\$222). The average rate per room in Beirut was higher than the regional average of \$160 that regressed by 5% from the first 11 months of 2018. The average rate per room at Beirut hotels was \$127 in November 2019, down by 30% from \$182 in November 2018.

Further, revenues per available room (RevPAR) were \$132 at Beirut hotels in the first 11 months of 2019 compared to \$120 in the same period of 2018, ranking the capital in third place regionally behind Dubai (\$165) and Jeddah (\$162). Beirut's RevPAR grew by 10% year-on-year and posted the largest increase regionally. Beirut posted RevPARs of \$118 in January, \$132 in February, \$146 in March, \$174 in April, \$83 in May, \$183 in June, \$163 in July, \$189 in August, \$141 September, \$99 in October, and \$23 in November 2019, compared to \$87 in January, \$105 in February, \$110 in March, \$120 in April, \$89 in May, \$134 in June, \$144 in July, \$152 in August, \$133 in September, \$123 in October, and \$125 in November 2018. As such, Beirut's RevPAR in November 2019 regressed by 76.8% month-on-month and by 81.6% from November 2018. Abu Dhabi posted the highest occupancy rate in the region at 78.8% in the first 11 months of 2019, while Jeddah registered the highest average rate per room at \$274, and Dubai had the highest RevPAR at \$165 in the covered period.

EY indicated the ongoing socio-political instability and economic crisis in Lebanon weighed on the performance of Beirut's hospitality market. It added that many European, Middle Eastern and Asia Pacific countries issued travel warnings to Lebanon, due to security concerns. Further, it projected the performance of the hospitality sector in Beirut to remain subdued in the short to medium term.

### Association of banks further reduces reference rates on US dollar and Lebanese pound lending

In its meeting on January 16, 2020, and following discussions with Banque du Liban (BdL), the Association of Banks in Lebanon (ABL) recommended to its member banks to decrease the Beirut Reference Rate (BRR) in US dollars by 85 basis points to 8.5%. This follows ABL's earlier recommendation on January 3 to lower the BRR in US dollars by 104 basis points to 9.35%. The two decisions resulted in a cumulative decline of 189 basis points in the BRR in US dollars in January 2020. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009, as the ABL decided that the LIBOR does not reflect the cost of funding and lending in Lebanon.

In addition, the ABL recommended to its member banks to decrease the BRR in Lebanese pounds by 95 basis points to 11.5%. The ABL had recommended on January 3 to reduce the rate in Lebanese pounds by 104 basis points to 12.45%. Consequently, the two decisions resulted in a cumulative decline of 199 basis points in the BRR in Lebanese pounds in January 2020.

The ABL indicated that the decline in the BRR follows BdL's Intermediate Circular 536 issued on December 4, 2019, which capped the interest rates at 5% on bank deposits in foreign currency and at 8.5% on deposits in Lebanese pounds. The interest cap applies to all deposits placed at banks after December 5, 2019 or on blocked deposits that will mature after the date of the circular. The ABL adopted the BRR in US dollars and Lebanese pounds in March and May 2009, respectively. It considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis for calculating the prime rate after adding the cost of liquidity and refinancing, credit risk and the profitability of banks.

#### Hotel Sector Performance in First 11 Months of 2019

|                | Occupancy Rate (%) | RevPAR (US\$) | RevPAR % change |
|----------------|--------------------|---------------|-----------------|
| Dubai          | 74.5               | 165           | (15.1)          |
| Jeddah         | 59.2               | 162           | (5.9)           |
| <b>Beirut</b>  | <b>65.2</b>        | <b>132</b>    | <b>9.9</b>      |
| Makkah         | 65.6               | 114           | 1.8             |
| Ras Al Khaimah | 74.6               | 108           | (7.7)           |
| Riyadh         | 63.6               | 102           | 8.1             |
| Madina         | 64.1               | 94            | 1.8             |
| Kuwait City    | 56.3               | 91            | (7.9)           |
| Amman          | 62.1               | 90            | 1.5             |
| Manama         | 53.4               | 87            | 5.5             |
| Cairo          | 75.6               | 85            | 3.8             |
| Abu Dhabi      | 78.8               | 80            | 5.8             |
| Doha           | 69.2               | 77            | 7.6             |
| Muscat         | 60.6               | 75            | (4.1)           |

Source: EY, Byblos Research

### Gross public debt at \$89.5bn at end-November 2019

Lebanon's gross public debt reached \$89.5bn at the end of November 2019, constituting an increase of 5.1% from \$85.1bn at the end of 2018 and a rise of 7% from \$83.7bn at end-November 2018. In nominal terms, the gross public debt grew by \$4.3bn in the first 11 months of 2019 relative to an increase of \$4.1bn in the same period of 2018. Debt denominated in Lebanese pounds totaled \$55.9bn at end-November 2019, up by 8.3% from the end of 2018 and by 11.2% from end-November 2018; while debt denominated in foreign currency stood at \$33.6bn, constituting marginal increases of 0.2% from end-2018 and of 0.6% from end-November 2018.

The growth in the external public debt was due to the private placement at BdL of \$3bn worth of Eurobonds that the Ministry of Finance (MoF) issued towards the end of November, and which covered the external debt payments that BdL made on behalf of the government throughout 2019. Also, the rise in local-currency debt was due to the Ministry of Finance's issuance in November of LBP1,500 billion 10-year Treasury bills at a rate of 1%, and that were entirely subscribed by BdL.

Local currency debt accounted for 62.5% of the gross public debt at the end of November 2019 compared to 60.1% a year earlier, while foreign currency-denominated debt represented the balance of 37.5% relative to 40% at end-November 2018. The weighted interest rate on outstanding Treasury bills was 6.62% and the rate on Eurobonds was 7.38% in November 2019. Further, the weighted life on Eurobonds was 8.09 years, while it was 1,725 days on Treasury bills and bonds.

Commercial banks held 34% of the public debt at end-November 2019 relative to 39% of the total at end-November 2018. BdL held 56.4% of the Lebanese pound-denominated public debt at the end of November 2019 compared to 51.4% a year earlier, while commercial banks held 30.3% of the local debt compared to 33.5% at end-November 2018. Also, public agencies, financial institutions and the public held 13.4% of the local debt at end-November 2019 relative to 15.1% at end-November 2018. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.1% of foreign currency-denominated debt holders at the end of November 2019, followed by multilateral institutions with 4% and foreign governments with 1.8%. In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, grew by 7.4% annually to \$80.6bn at end-November 2019. Further, the gross market debt accounted for about 56% 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.

### Energy Ministry extends deadline of second licensing round for oil & gas exploration and production

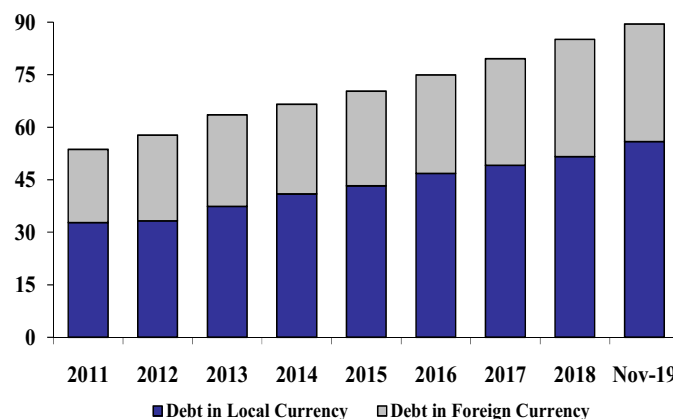
The Ministry of Energy & Water announced that it extended from the end of January 2020 to the end of April 2020 the deadline for interested companies to participate in the second licensing round for Lebanon's offshore oil & gas exploration and production. The ministry indicated that its decision was in response to requests from international oil companies to extend the deadline, in order to allow them to complete their administrative, technical and financial preparations. Five blocks are open for bidding, including Block 1 and Block 2, which are located in the north of Lebanon's offshore Exclusive Economic Zone, Block 5 in the center, and Block 8 and Block 10 in the south of Lebanon's territorial waters.

In April 2019, the Council of Ministers approved the launch of the second licensing round for offshore oil & gas exploration and production in Lebanon's territorial waters. At the time, the Lebanese Petroleum Administration invited interested firms to form consortiums composed of at least three companies each, and noted that it will evaluate the bids, once they are submitted, and prepare a recommendation to the Ministry of Energy & Water. The ministry would then conduct negotiations with the consortium and submit the results of the negotiations to the Council of Ministers, which, in turn, would choose to approve the submitted bid.

A total of 53 oil and gas companies pre-qualified by April 2017 to submit their bids for the first licensing round for offshore oil & gas exploration and production in Lebanon. However, Lebanon received by the October 2017 deadline two bids submitted by one consortium, which consists of France's Total S.A., Italy's Eni International BV and Russian firm JSC Novatek for Block 4 in the center of Lebanon's territorial waters and for Block 9 in the south of the territorial waters. In December 2017, the Council of Ministers approved the bid submitted by the consortium for offshore oil & gas exploration and production in Lebanon.

In addition, the Ministry of Energy & Water stated that it is still awaiting the arrival of the Tungsten Explorer to start exploration activities in Block 4. The Tungsten Explorer, which is managed by U.S.-based offshore drilling contractor Vantage Drilling Company, was selected in an international tender carried out by Total to drill the first well in Block 4 of Lebanon's territorial waters. The drilling of the first well in Block 4 was supposed to start towards the end of 2019.

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



Source: Ministry of Finance, Byblos Research

### Trade deficit narrows by 8% to \$14.5bn in first 11 months of 2019

Total imports reached \$17.9bn in the first 11 months of 2019, constituting a decrease of 2.8% from \$18.4bn in the same period of 2018; while aggregate exports grew by 26% to \$3.4bn in the covered period. As such, the trade deficit narrowed by 7.8% to \$14.5bn in the first 11 months of 2019 due to a rise of \$701.2m in exports and a decline of \$516.9m in imports in the covered period.

Non-hydrocarbon imports declined by \$2.7bn year-on-year to \$11.9bn in the first 11 months of 2019, while imports of oil & mineral fuels increased by \$2.18bn to \$6bn and accounted for 33.5% of total imports in the covered period. Lebanon imported 10.77 million tons of mineral fuel & oil in the first 11 months of 2019, relative to 5.84 million tons in the same period of 2018. Fuel imports on behalf of Electricité du Liban (EdL) reached 6.12 million tons in the covered period and increased by 421% from the first 11 months of 2018. The Ministry of Energy & Water claimed that the surge in the imports of fuel oil on behalf of EdL reflects quantities that were imported in the past few years but that were officially registered as imports in 2019. The ministry claimed that fuel imports in the first 10 months of 2019 totaled 2.25 million tons, while 3.63 million tons that were additionally registered to EdL during the same period constitute fuel imports from previous years.

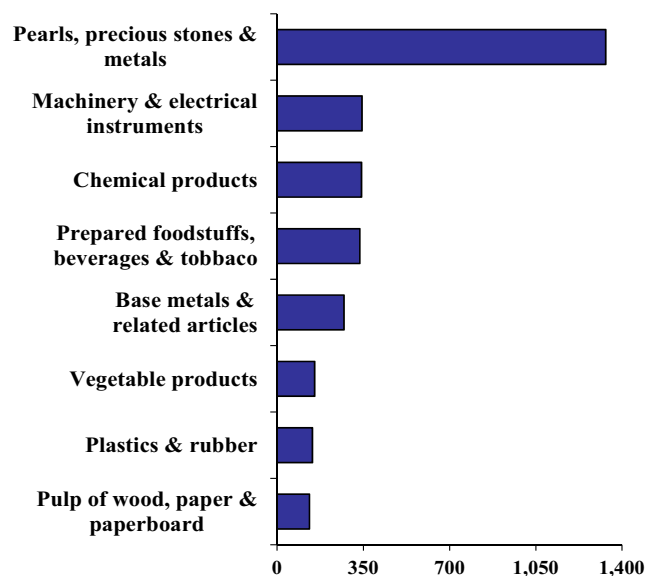
The increase in exports was mainly due to a rise of \$740.7m, or 2.2 times, in the exports of jewelry; an expansion of \$48.4m (+16.3%) in the exports of machinery & electrical instruments; a growth of \$29.1m (+105.5%) in exported mineral products; and a rise of \$12.7m (+3.8%) in the exports of chemical products. The increase in exports was partly offset by a drop of \$88.5m, or 24.6%, in exported base metals; a decline of \$19.3m (-11.8%) in the exports of plastics & rubber; and a decrease of \$15.7m (-4.5%) in the exports of prepared foodstuff.

Exports to Switzerland jumped by 8.2 times year-on-year in the first 11 months of 2019, those to Saudi Arabia surged by 17.2%, exports to Egypt expanded by 14.3%, those to the U.S. rose by 10.1%, exports to Jordan grew by 9% and those to Iraq increased by 2.5%. In contrast, exported goods to South Africa dropped by 58.3%, those to the UAE declined by 6.5%, exports to Syria decreased by 5.2% and those to Qatar regressed by 4.3% year-on-year in the covered period. Re-exports totaled \$508.5m in the first 11 months of 2019 compared to \$301.4m in the same period of 2018. The Hariri International Airport was the exit point for 48.2% of Lebanon's exports in the first 11 months of 2019, followed by the Port of Beirut (37.3%), the Port of Tripoli (6.3%), and the Masnaa crossing point (5.9%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$1.85bn in the first 11 months of 2019 and declined by 8.4% from the same period of 2018. Imported machinery & electrical instruments followed at \$1.56bn (-27.4%), then prepared foodstuff at \$1.14bn (-7.6%), vehicles, aircraft & vessels at \$1.12bn (-27.3%), jewelry, mostly gold bars, at \$867.7m (-26.8%), vegetable products at \$866.4m (-1.5%), base metals at \$808.5m (-30.2%), animal products at \$792.4m (-16.8%), plastics & rubber at \$614.6m (-13%), and textiles at \$585.1m (-17.5%). The Port of Beirut was the entry point for 74.6% of Lebanon's merchandise imports in the first 11 months of 2019, followed by the Hariri International Airport (18%), and the Port of Tripoli (5.4%).

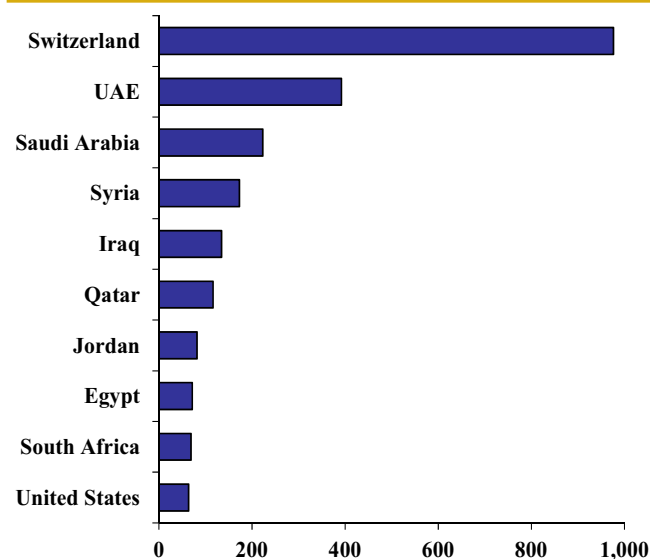
The United States was the main source of imports with \$1.56bn, or 8.7% of the total, in the first 11 months of 2019, followed by China with \$1.54bn (8.6%), Russia with \$1.29bn (7.2%), Italy with \$1.25bn (7%), Greece with \$1.24bn (6.9%), Germany with \$904.1m (5.1%), Turkey with \$797.1m (4.5%), and France with \$719.6m (4%). Imported goods from Russia surged by 132.3%, those from the U.S. expanded by 21%, and imports from France rose by 12.6% in the first 11 months of 2019. In contrast, imported goods from Greece dropped by 22%, those from China fell by 18.6%, imports from Germany decreased by 16.4%, those from Italy declined by 14.3%, and imported goods from Turkey contracted by 9.7% in the covered period.

### Main Lebanese Exports in First 11 Months of 2019 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

### Main Destinations of Lebanese Exports in First 11 Months of 2019 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

### Financial inclusion varies by income, education, employment and region

Banque du Liban's (BdL) 2018 Financial Inclusion Survey shows that 59% of adults in Lebanon have a formal account at a regulated financial institution. It defined a formal account as an account used to save and withdraw money, receive a salary, as well as to send and receive remittances. The survey noted that residents in urban areas had the highest account penetration rate, with 70.7% of adults in Beirut owning formal accounts in 2018, followed by residents of Mount Lebanon (66.3% of the total), the North (59.2% of residents), Nabatieh (57.9% of adults), the Bekaa (54.6% of respondents), Akkar (46% of residents), the South (45.2% of the total), and the Baalback-El Hermel area (44.6% of adults). Also, 69% of surveyed men and 49% of women had a formal account in 2018. The results of the survey are based on 1,980 face-to-face interviews with adults across Lebanon. The survey was conducted between December 2018 and February 2019.

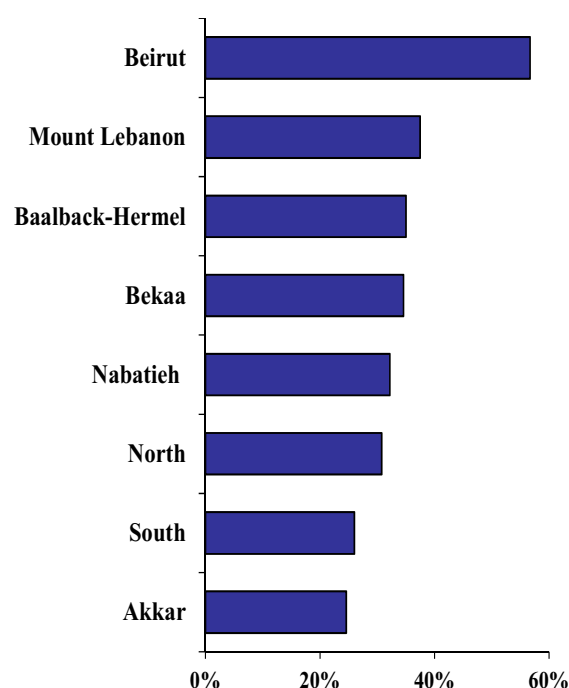
Further, the survey pointed out that account ownership increases in line with the respondents' level of income. It noted that 100% of respondents with a monthly salary of over LBP7.5m had an account, compared to only 45% of adults earning between LBP675,000 and LBP1.5m. In addition, 76% of employed respondents had a formal account, followed by 66% of self-employed respondents, 35% of unemployed individuals, and 33% of students. Further, 75% of respondents that received a secondary or higher education had an account at a regulated financial institution in 2018, while 51% of individuals with primary education or lower owned a formal account. Finally, 63% of respondents between 25 and 64 years old and 33% of individuals in the 18 to 24 year-old bracket had an account.

Also, the survey noted that 35% of respondents owned a debit card in 2018, while 23% of them had a credit card. Around 88% of respondents earning more than LBP7.5m per month had a debit card in 2018, compared to 18% of adults with a monthly income of between LBP675,000 and LBP1.5m. In addition, 49% of employed respondents had a debit card, followed by 36% of self-employed respondents, 29% of students, and 18% of unemployed individuals. Further, 43% of surveyed men and 27% of women owned a debit card in 2018. The survey showed that only 7% of respondents use mobile banking services and 9% of them use Internet banking. Mobile banking refers to a service that allows customers to conduct a financial transaction on a mobile device, while Internet banking allows customers to conduct transactions electronically through the Internet.

In terms of borrowing, 37% of respondents had at least one loan at end-2018, with 14% of respondents having a car loan and another 14% benefitting from a consumer loan. Also, 52% of employees had at least one loan at the end of 2018, followed by 40% of self-employed adults, 29% of students and 13% of unemployed individuals. In addition, 71% of individuals with a monthly salary exceeding LBP7.5m had a loan at the end of 2018, while 34% of adults earning between LBP675,000 and LBP1.5m had a loan.

In parallel, about 30% of adults borrowed from an informal source in 2018, with a higher prevalence among individuals with lower income and from rural areas. In fact, 40% of respondents earning between LBP675,000 and LBP1.5m per month borrowed from informal sources in 2018, compared to 16% of individuals with a monthly salary of more than LBP7.5m. Also, 68% of adults living in Akkar resorted to informal borrowing in 2018 compared to 18% of respondents residing in Beirut who did the same. The main sources of informal borrowing are informal money lenders in a community, pawn shops, employers, family members and friends, and religious institutions or other community organizations, among others.

**Adults Benefitting from Loans at end-2018  
(% of Respondents Residing in Each Region)**



Source: Banque du Liban



### **Economy & Trade Committee calls for medium-term fiscal framework**

In the meeting between the Lebanese Parliament's National Economy, Trade, Industry & Planning Committee and Banque du Liban Governor Riad Salamé, the committee declared that there is a draft law that guarantees small deposits at Lebanese banks and that the relevant parties have the capacity to secure these deposits. It claimed that 85% out of the 2.2 million bank accounts in Lebanon consist of funds below LBP75m per account.

The committee expressed concerns about the further deterioration in the liquidity conditions of commercial banks, amid an anticipated wide fiscal deficit in 2020 and elevated public debt payments in local and foreign currencies this year. It said that BdL can settle the maturing Eurobonds in 2020 by drawing down its foreign currency reserves or by conducting a debt swap. It noted that the government can address the large maturities of Treasury bills in 2020 by exchanging the instruments that come due with new ones that carry low interest rates. However, it pointed out that such measures require a political decision and that the political class needs to take drastic measures to address the prevailing crisis. It called on the authorities to implement a five-year medium-term fiscal framework that targets a balanced budget, which would improve trust between the Lebanese people and the international community on one hand, and the political class on the other hand.

In addition, the committee indicated that several members of Parliament will submit a draft law to provide BdL the necessary authority and cover to implement a coherent and comprehensive plan for the transfer of funds abroad. Also, the committee suggested that BdL drafts a plan, which could be converted into a law, about economic emergencies in order to extend the maturities of loan installments and reduce the debt burden on borrowers, given that a large number of persons lost their jobs or incurred cuts in their salaries.

### **Treasury transfers to Electricité du Liban down 5% to \$1.3bn in first 10 months of 2019**

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled \$1.3bn in the first 10 months of 2019, constituting a decline of 5.2% from \$1.4bn in the same period of 2018.

Reimbursements for the purchase of natural gas, fuel and gas oil totaled \$1.3bn, or 99.8% of transfers, in the covered period, while EdL's debt servicing represented the balance of \$2.7m, or 0.2% of the transfers. The ministry attributed the decline in transfers mainly to a decrease of \$69m 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, as well as to a drop of \$3.3m in debt servicing. Reimbursements fell by about 5% year-on-year from \$1.37bn in the first 10 months of 2018, while debt servicing declined by 57.9% from \$6m. In addition, there were no transfers to Electricity Syria in the first 10 months of 2019, compared to transfers of \$12.6m in the same period of 2018.

Treasury transfers to EdL accounted for 14.3% of budgetary primary expenditures in the covered period, relative to 13.4% in the first 10 months of 2018. They constituted the third largest expenditures item, or 9.7%, of overall fiscal spending after public sector personnel costs and debt servicing. EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013 and 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, and 3.2% of GDP in 2018.

### **Banque du Liban facilitates electronic transfers among clients of different banks**

Banque du Liban (BdL) issued Intermediate Circular 539 on January 17, 2020, which amended Basic Circular 69 issued on March 30, 2000, about electronic financial and banking operations.

The circular specifies the requirements that allow the instantaneous execution of banking and financial operations that are conducted among the customers of different banks through electronic mobile devices or through applications. First, it said that BdL must approve all the applications or electronic programs that will be used in these operations. Second, it noted that these operations must be executed instantaneously among the related clients. Third, it added that these operations will be settled between the accounts at BdL of the involved banks.

The circular also specifies the cap on the amounts transferred between clients in Lebanese pounds and in foreign currencies. It indicated that a client can transfer electronically up to LBP500,000 per day and LBP5,000,000 per week, and can receive up to LBP1m per day and LBP10m per week. In addition, it said that a customer can transfer electronically up to 300 US dollars per day and \$3,000 per week, or the equivalent in other currencies, and can receive up to \$600 per day and \$6,000 per week, or the equivalent in other foreign currencies. It pointed out that BdL could exceptionally allow higher limits on the funds that a client can receive electronically in case the client is a retailer or has a liberal profession. The circular said that these electronic transactions should be compliant with all laws and regulations related to fighting money laundering and terrorist financing.

In parallel, the circular prohibited the issuance and use of electronic money unless the issuance and use are compliant with BdL's current and future decisions.

Prior to the circular, BdL allowed clients of different banks to receive funds through transfers conducted via mobile and fixed electronic devices, provided that the transfer is not instantly executed, the back office of the bank verifies the transfer request, and the transfer is conducted through the SWIFT network.

### New car sales down 33.4% in 2019

Figures released by the Association of Automobile Importers (AAI) in Lebanon show that dealers sold 21,991 new passenger cars in 2019, constituting a decline of 33.4% from 33,012 cars sold in 2018. Individuals and institutional clients purchased 1,838 new cars in January, 1,906 new vehicles in February, 2,190 new automobiles in March, 2,168 new cars in April, 2,458 new vehicles in May, 2,616 new automobiles in June, 2,948 new cars in July, 2,041 new vehicles in August, 1,700 new automobiles in September, 960 new cars in October, 460 new vehicles in November, and 706 new automobiles in December 2019. As such, individuals and institutional clients purchased 5,934 new cars in the first quarter, 7,242 new vehicles in the second quarter, 6,689 new automobiles in the third quarter, and 2,126 new cars in the fourth quarter of last year.

Japanese cars accounted for 39.2% of total car sales in 2019, followed by Korean vehicles with a 25% share, European automobiles (22.8%), American cars (9%), and Chinese vehicles (3.9%). Demand for Korean cars dropped by 41.3%, the sales of Japanese vehicles decreased by 35.7%, demand for new American automobiles declined by 30.1%, the sales of European vehicles regressed by 21.8%, and the number of Chinese cars sold fell by 10.8% in 2019.

In addition, Kia is the leading brand in the Lebanese market with 3,205 passenger vehicles sold in 2019, followed by Toyota with 2,479 new cars sold, Nissan (2,349), Hyundai (2,272), and Renault (1,397).

Further, Lebanon's top five car distributors sold 13,268 vehicles in 2019 and accounted for 60.3% of new auto sales. NATCO sal sold 3,205 vehicles and Rasamny Younis Motor Co. sal sold 3,200 automobiles last year, equivalent to 14.6% each of the total, followed by Boustany United Machineries sal with 2,587 cars (11.8%), Century Motor Co. sal with 2,272 vehicles (10.3%), and Bassoul Henein sal with 2,004 cars (9.1%). The AAI stopped disclosing figures about the sales of commercial vehicles since June 2019.

In parallel, the AAI noted that the drop in the registrations of new cars in 2019 resulted in a decline in taxes paid, mainly the value-added tax, as well as in registration fees, *mécanique* fees, and customs duties from a total of \$265m in 2018 to \$178m in 2019.

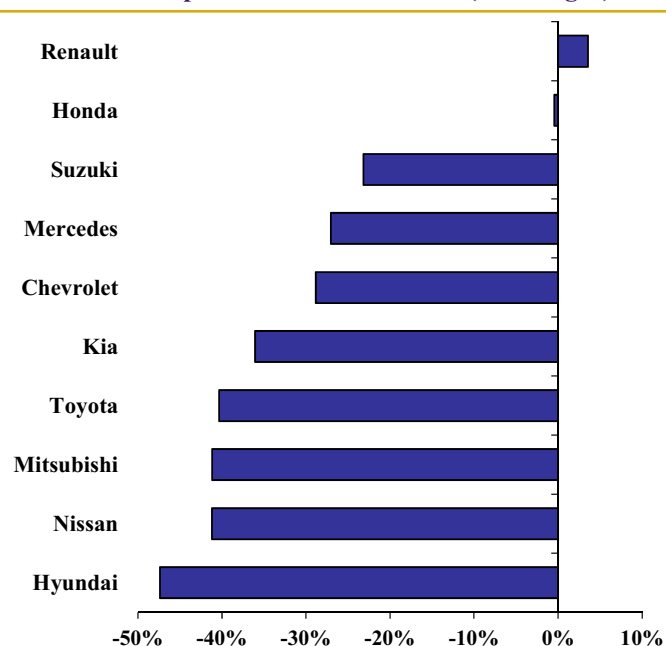
### BLOM Bank's General Assembly approves capital increase

The Extraordinary General Assembly of BLOM Bank that took place on January 14, 2020 approved the terms and conditions of the increase in the bank's capital base by \$261.94m, or the equivalent of 10% of its Common Equity Tier One (CET1) as at the end of 2018. The bank indicated that the capital increase will take place through the issuance of cash contributions to capital in US dollars, and that the latter will be part of the Additional Tier One capital. It also noted that the holders of common shares and global depositary receipts would have the right to participate in the cash contributions, which are perpetual and which can be converted, partially or fully, into shares each year in the next five years. The bank added that it may pay interest annually on the cash contributions. It said that the terms and conditions of the cash contributions will be detailed in a term sheet that will be made available to shareholders in due time.

BLOM Bank's capital increase is in line with Banque du Liban's Intermediate Circular 532 dated November 4, 2019 that requested banks to increase their capital base by the equivalent of 20% of their CET1 at the end of 2018. It specified that banks should raise their capital by the equivalent of 10% of their CET1 by the end of 2019 and by another 10% of their CET1 by the end of June 2020 through cash contributions in US dollars. The circular's two clauses aim to strengthen the banks' capital amid the challenging conditions in Lebanon.

The aggregate CET1 of banks operating in Lebanon stood at \$18.7bn at the end of 2018, which means that banks should increase their capital by an aggregate of \$3.7bn by the end of June 2020. Specifically, banks need to raise their capital by \$1.9bn by the end of 2019 and by another \$1.9bn by end-June 2020.

Sales of Top 10 Car Brands in 2019 (% change\*)



\*from 2018

Source: AIA, Byblos Research

### **Launch of initiative to support agri-food and clean technology sectors**

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The technology pole Berytech and the Kingdom of the Netherlands launched on January 15, 2020 the ACT Smart Innovation Hub, a new sector-wide approach to support the agri-food and clean technology (cleantech) sectors in Lebanon. The new program, which is funded by the Kingdom of the Netherlands, will allow Berytech to make the two sectors more attractive for innovators, and will encourage entrepreneurs to develop local solutions to the environmental and food security challenges facing Lebanon.

The ACT Smart Innovation Hub program will run until August 2022. It consists of the Agrytech and Cleanergy accelerators programs, and aims to create 200 direct jobs and 400 indirect job opportunities. Berytech will work closely with universities to convert intellectual property into commercialized solutions, and will benefit from local and Dutch expertise throughout the program to achieve its targets.

The ACT Smart Innovation Hub adds new areas to Berytech's Agrytech program, as it focuses on access to markets and partnerships through technology transfer and business development linkages. Also, it will continue to support the QOOT Agri-Food Innovation Cluster through the innovation hub.

Berytech provides business support, counseling, funding, networking and company hosting. It has allocated more than \$1.7m in grants to startups, while its venture capital funds have invested more than \$70m in startups and small and medium-sized enterprises.

### **BCCL and SIC request information about bank transfers**

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The Banking Control Commission of Lebanon (BCCL) issued on January 14, 2020 a memo that asks Lebanese banks to provide, within a week of the date of the memo, records of customer deposits and deposits originating from credit lines, which were transferred to Swiss banks and to branches of Lebanese banks in Switzerland. The BCCL required banks to provide the dates and amounts of transfers that have taken place since October 17, 2019.

In parallel, the Special Investigation Commission (SIC) against money laundering and terrorism financing at Banque du Liban (BdL) issued a decision on January 9, 2020 requesting all banks that operate in Lebanon to reassess the accounts of all "politically exposed persons" (PEPs) who transferred funds abroad between October 17 and December 31, 2019. Specifically, it called on banks to investigate the origin of the funds in these accounts, and to notify the SIC of any suspicious transactions related to the accounts. It said that banks have until January 31, 2020 to complete these procedures.

The two decisions came after the State Prosecutor requested in December 2019 assistance from Swiss judicial authorities, as well as from the SIC and the BCCL, in this regard.

## Ratio Highlights

| (in % unless specified)                    | 2016   | 2017   | 2018   | Change* |
|--|--------|--------|--------|---------|
| Nominal GDP (\$bn)                         | 51.2   | 53.4   | 56.1   |         |
| Public Debt in Foreign Currency / GDP      | 54.9   | 56.9   | 59.7   | 2.82    |
| Public Debt in Local Currency / GDP        | 91.3   | 92.0   | 92.1   | 0.10    |
| Gross Public Debt / GDP                    | 146.2  | 149.0  | 151.9  | 2.92    |
| Total Gross External Debt / GDP**          | 182.0  | 183.1  | 184.7  | 0.88    |
| Trade Balance / GDP                        | (31.5) | (31.3) | (30.4) | 1.11    |
| Exports / Imports                          | 15.6   | 14.5   | 14.8   | 0.25    |
| Fiscal Revenues / GDP                      | 19.4   | 21.8   | 20.6   | (1.2)   |
| Fiscal Expenditures / GDP                  | 29.0   | 28.8   | 31.7   | 2.9     |
| Fiscal Balance / GDP                       | (9.6)  | (7.0)  | (11.1) | (4.1)   |
| Primary Balance / GDP                      | 0.04   | 2.7    | (1.1)  | -       |
| Gross Foreign Currency Reserves / M2       | 62.2   | 68.2   | 63.8   | (4.39)  |
| M3 / GDP                                   | 259.2  | 259.6  | 252.1  | (7.55)  |
| Commercial Banks Assets / GDP              | 398.7  | 411.8  | 445.1  | 33.32   |
| Private Sector Deposits / GDP              | 317.1  | 315.9  | 310.9  | (4.97)  |
| Private Sector Loans / GDP***              | 111.6  | 111.8  | 105.9  | (5.84)  |
| Private Sector Deposits Dollarization Rate | 65.8   | 68.7   | 70.6   | 1.90    |
| Private Sector Lending Dollarization Rate  | 72.6   | 68.6   | 69.2   | 0.57    |

\*change in percentage points 18/17

\*\*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 \*\*\* 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, International Monetary Fund, World Bank, 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               | Dec 2017 | Nov 2018 | Dec 2018 | Change** | Risk Level |
|-----------------------|----------|----------|----------|----------|------------|
| Political Risk Rating | 55.0     | 54.0     | 54.0     | ▲        | High       |
| Financial Risk Rating | 33.0     | 33.0     | 31.5     | ▲        | Moderate   |
| Economic Risk Rating  | 28.5     | 28.5     | 24.0     | ▲        | Very High  |
| Composite Risk Rating | 58.25    | 57.75    | 54.75    | ▲        | High       |

| MENA Average*         | Dec 2017 | Nov 2018 | Dec 2018 | Change** | Risk Level |
|-----------------------|----------|----------|----------|----------|------------|
| Political Risk Rating | 58.2     | 58.0     | 58.1     | ▲        | High       |
| Financial Risk Rating | 38.5     | 38.9     | 38.9     | ▼        | Low        |
| Economic Risk Rating  | 30.9     | 33.2     | 33.7     | ▼        | Moderate   |
| Composite Risk Rating | 63.9     | 65.0     | 65.3     | ▼        | 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    | Caa2             | NP | Under Review* | Caa2           |    | Under Review* |
| Fitch Ratings                | CC               | C  | -             | CC             | C  | -             |
| S&P Global Ratings           | CCC              | C  | Negative      | CCC            | C  | Negative      |
| Capital Intelligence Ratings | C+               | C  | Negative      | C+             | C  | Negative      |

\*for downgrade

\*\*CreditWatch negative

Source: Rating agencies

| Banking Sector Ratings    | Outlook |
|---------------------------|---------|
| Moody's Investors Service | Stable  |

Source: Moody's Investors Service



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