In memory of the victims of the Beirut Port explosion

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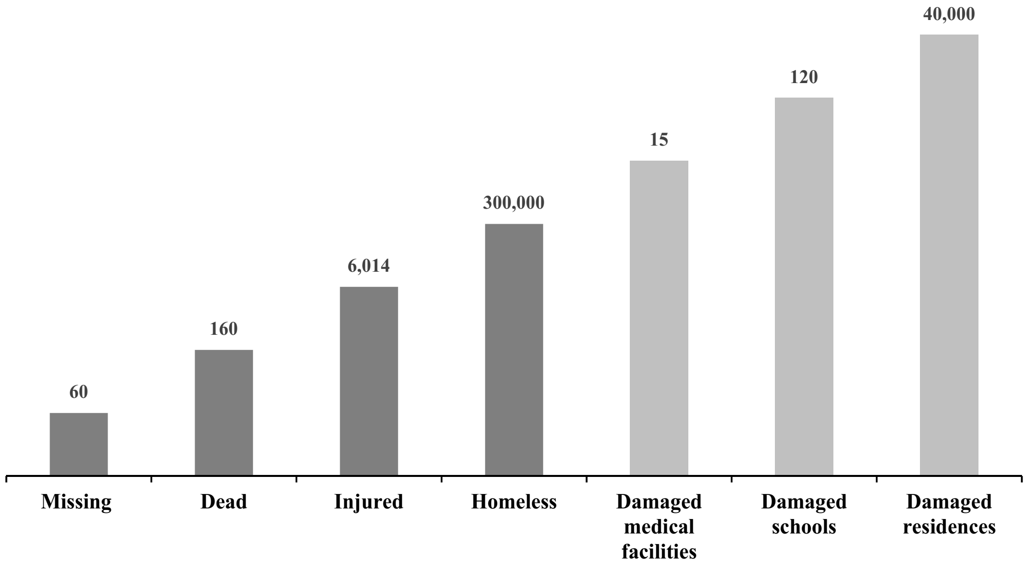
LEBANON THIS WEEK

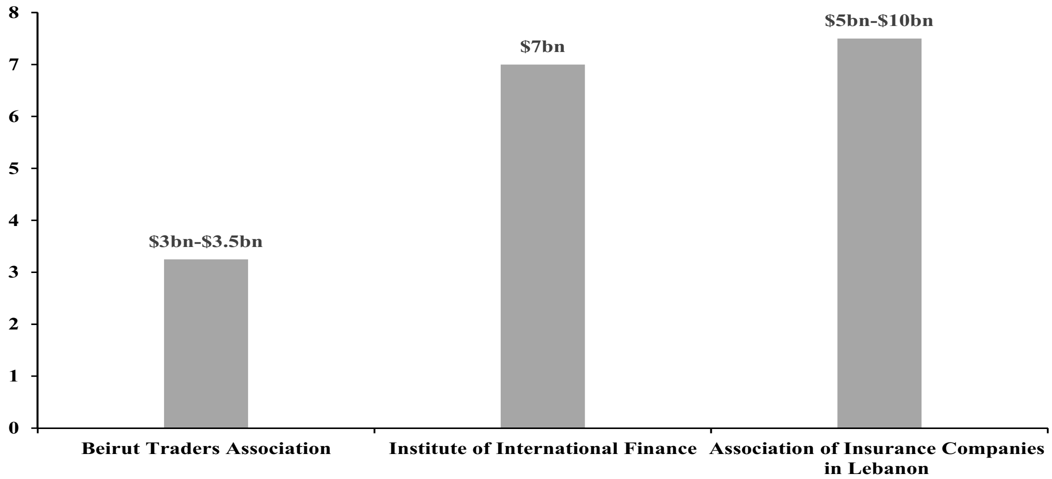
In This Issue

Charts of the Week

Beirut Port Explosion in Numbers*



Preliminary Estimates of Damages from Beirut Port Explosion



**Conservative estimates, latest available figures as at August 10*
Source: United Nations Office for the Coordination of Humanitarian Affairs, World Health Organization, Institute of International Finance, ACAL, Beirut Traders Association, Byblos Bank

Quote to Note

"The Lebanese authorities must now implement the political and economic reforms demanded by the Lebanese people. It is the only way that the international community will be able to work effectively alongside Lebanon for reconstruction."

French President Emmanuel Macron, on the urgency to implement much-needed structural reforms

Number of the Week

0.9%: Aid pledged to Lebanon, in percent of estimated 2020 GDP, at the International Conference on Support to Beirut and the Lebanese People that took place on August 9, 2020

Lebanon in the News

$m (unless otherwise mentioned)	2019	Jan-May 2019	Jan-May 2020	% Change*	May-19	Apr-20	May-20
Exports	3,731	1,440	1,335	(7.3)	319	171	251
Imports	19,239	8,762	4,349	(50.4)	2,456	745	674
Trade Balance	(15,508)	(7,322)	(3,014)	(58.8)	(2,137)	(574)	(423)
Balance of Payments	(5,851)	(5,187)	(2,191)	(57.8)	(1,882)	(241)	(888)
Checks Cleared in LBP	22,146	8,732	7,748	(11.3)	1,623	998	1,105
Checks Cleared in FC	34,827	14,677	13,847	(5.7)	2,529	1,948	1,467
Total Checks Cleared	56,973	23,409	21,595	(7.7)	4,152	2,946	2,572
Fiscal Deficit/Surplus**	(5,837)	(1,380)	(1,751)	26.9	(1,006)	(96)	(247)
Primary Balance**	(287)	23	(596)	-	(60)	79	(120)
Airport Passengers	8,684,937	3,139,690	1,191,376	(62.1)	572,876	6,029	20,253
Consumer Price Index	2.9	3.6	28.6	2500bps	3.5	46.6	56.5

$bn (unless otherwise mentioned)	Dec-19	May-19	Feb-20	Mar-20	Apr-20	May-20	% Change*
BdL FX Reserves	29.55	29.72	28.34	28.23	27.37	26.44	(11.0)
In months of Imports	21.95	12.10	29.80	34.18	36.76	39.24	224.3
Public Debt	91.64	85.35	92.24	92.60	92.87	93.14	9.1
Bank Assets	216.78***	253.63	210.34	208.55	205.75	203.84	(19.6)
Bank Deposits (Private Sector)	158.86	170.85	151.71	149.59	147.52	146.30	(14.4)
Bank Loans to Private Sector	49.77	56.32	46.08	45.02	43.90	42.91	(23.8)
Money Supply M2	42.11	49.23	39.59	39.60	38.64	38.78	(21.2)
Money Supply M3	134.55	139.33	130.95	130.34	129.52	129.67	(6.9)
LBP Lending Rate (%)	9.09	10.75	9.33	9.41	9.29	8.45	(230bps)
LBP Deposit Rate (%)	7.36	8.72	5.81	5.13	5.06	4.63	(409bps)
USD Lending Rate (%)	10.84	9.54	9.11	8.55	7.79	7.90	(164bps)
USD Deposit Rate (%)	4.62	5.79	3.22	2.53	2.32	1.99	(380bps)

**year-on-year **year-to-date figures reflect results for first four months of each 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
Solidere "B"	14.50	6.85	42,363	15.00%
Solidere "A"	14.21	1.50	39,797	22.61%
Byblos Pref. 08	49.89	0.00	-	1.59%
BLOM GDR	2.25	0.00	-	2.65%
Audi Listed	0.96	0.00	-	8.99%
Byblos Common	0.37	0.00	-	3.33%
BLOM Listed	3.18	0.00	-	10.88%
HOLCIM	12.10	0.00	-	3.76%
Audi GDR	1.39	0.00	-	2.65%
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	17.50	539.18
Oct 2022	6.10	17.00	102.32
Jan 2023	6.00	15.88	90.80
Jun 2025	6.25	15.75	42.14
Nov 2026	6.60	16.00	31.36
Feb 2030	6.65	15.63	20.44
Apr 2031	7.00	16.13	17.81
May 2033	8.20	14.75	15.57
Nov 2035	7.05	16.50	12.19
Mar 2037	7.25	17.00	10.96

Source: Byblos Bank Capital Markets, Refinitiv

	Aug 4	Jul 27-29	% Change	Jul 2020	Jul 2019	% Change
Total shares traded	82,160	160,686	(48.9)	2,315,343	1,969,484	17.6
Total value traded	$1,159,843	$2,676,789	(56.7)	$29,362,947	$9,821,149	199.0
Market capitalization	$6.28bn	$6.20bn	1.3	$6.20bn	$8.21bn	(24.5)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Economic activity in Lebanon to contract by 24% in 2020, outlook depends on reforms

The Institute of International Finance projected Lebanon's real GDP to contract by 24% in 2020, following a previous forecast in May 2020 of a contraction of 15%. It attributed the significant downward revision to the recent massive explosion at the Port of Beirut, which took place against the backdrop of the country's worst economic and financial crisis since its independence in 1943. It estimated the damage from the explosion to exceed $7bn, or the equivalent of 14% of last year's GDP. Also, it said that, given the damage to the Port of Beirut, which is the entry point for 75% of Lebanese imports, maritime traffic to and from Lebanon will now increasingly depend on the country's other two smaller ports in Tripoli and Sidon. It anticipated that Lebanon's GDP could shrink from $52bn in 2019 to $33bn in 2020, due to the large contraction in output and the significant depreciation of the Lebanese pound on the parallel market.

Further, it said that the International Monetary Fund, the World Bank, and other official donors have been holding back financial support to Lebanon, mainly due to the repeated failure of the political class to implement much-needed reforms, including the approval by Parliament of the law that guarantees the independence of the judiciary, the appointment of an independent regulatory authority for the electricity sector, as well as the ratification of the public procurement law. It considered that Lebanese authorities could reach a deal with the IMF by forming a new competent economic team and through concrete support in Parliament for the implementation of critical reforms.

The IIF considered two scenarios that assess Lebanon's economic prospects over the medium term. It indicated that Scenario A takes into account significant political change, including the formation of a new government that is independent from sectarian allegiances, followed by early parliamentary elections to defuse an escalating political crisis. It added that this scenario assumes that authorities will proceed with the implementation of the reforms highlighted by the IMF and included in the government's economic program. It also stressed that the State needs to reduce its footprint in the economy, particularly in the management of key economic sectors such as electricity and telecommunications, as well as allow domestic and foreign private sector participation. It expected that the authorities' discipline and commitment to reforms will improve domestic and foreign investors' confidence, as well as pave the way for strong official capital inflows, such as a potential financial package of $8.5bn from the IMF, the $11bn financial package pledged at the CEDRE conference in Paris in 2018, and other financial support from Gulf Council Cooperation countries. Further, it said that under such a scenario, Banque du Liban (BdL) will be able to unify the multiple exchange rates by mid-2021, foreign currency reserves will increase, the economy will recover significantly, the fiscal and external balances will improve, and the public debt level will be on a sustainable downward path. It assigned a 60% likelihood for the materialization of this scenario.

In parallel, it said that Scenario B assumes modest economic reforms and no major political change. It expected external financing to be limited to emergency aid from the conference organized by France and the United Nations on August 9, 2020. It anticipated that the modest reforms will cause investor confidence to continue to deteriorate. Under this scenario, it projected the Lebanese pound to further depreciate on the parallel market, which will maintain the inflation rate at high levels and deplete BdL's liquid foreign currency reserves by the end of 2022. As a result, it expected the public debt level to remain on an unsustainable upward trajectory, and to be significantly above 120% of GDP by the end of 2024. It assigned a 40% likelihood for the materialization of Scenario B.

Medium-Term Scenarios for the Lebanese Economy

		Scenario A					Scenario B				
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Nominal GDP (LL trillion)	81.4	142	224	326	412	503	136	241	410	707	1,147
Nominal GDP (US$ bn)	51.7	32.7	35	46.4	54.3	62.5	31.9	31.5	30.6	32.6	34.9
Real GDP Growth, % Change	-7.3	-23.5	4.5	4.8	5.2	6.5	-23.9	-1.1	-2.3	1.2	1.7
Private Consumption	-7.1	-17.1	4.5	4.3	3.8	4.3	-17.4	2	2.5	2	2
Public Consumption	1.5	-47.7	-31.4	-34.3	-6.3	-3.8	-62.7	-21.4	-69.3	-24.5	-14.5
Gross Fixed Capital	-10.7	-33.3	2.7	5.4	8.4	10	-33.2	-11.6	-2.1	-5.2	-4.1
Current Account Balance, % of GDP	-22.3	-11	-10	-4.2	-2.4	-1.6	-11.4	-15.9	-18.4	-17.6	-17.6
Liquid FX Reserves (US$ bn)	22.3	15.8	18.4	25	33.7	42.1	15.8	15.8	15.8	15.8	15.8
Fiscal Balance, % of GDP	-12.1	-7.1	-4.8	-3.1	-1.5	-0.5	-9.2	-7.8	-7.3	-6.5	-6
Consumer Prices, Avge, % Change	2.9	95.4	61.4	38.9	20.3	14.5	95.4	81.4	73.9	70.3	59.5
Official Exchange Rate, Avge, LL/$	1,508	1,507	6,390	7,029	7,591	8,047	1,507	3,890	9,000	15,000	18,000

Source: Institute of International Finance, August 2020

International community pledges $300m to Lebanon for immediate humanitarian relief

In the wake of the August 4 explosion at the Port of Beirut, the President of the French Republic Emmanuel Macron and the Secretary General of the United Nations (UN) Antonio Guterres organized the "International Conference on Support to Beirut and the Lebanese People".

The conference, which was held on August 9, yielded €253m, or the equivalent of $298m, in pledges from the international community to Lebanon for immediate humanitarian relief, along with the mobilization of additional support, in order to meet the instant needs of the population. The participants received an assessment from the UN that sets out the needs of the areas and households that were damaged, which showed that assistance is particularly needed in the medical and healthcare fields, education, the food sector and in urban rehabilitation. The UN noted that these sectors will be prioritized in international emergency assistance programs.

Consequently, the participants agreed that that their assistance should be "timely, sufficient and consistent with the needs of the Lebanese people". They added that the aid should be well-coordinated under the UN, and directly delivered to persons in need with maximum efficiency and transparency. In addition, the international community offered assistance for an "impartial, credible and independent inquiry into the explosion", if Lebanon requests it.

Further, the participants expressed their willingness to support Lebanon's economic and financial recovery in the long term. They noted, however, that the Lebanese authorities should fully commit themselves to prompt measures and reforms that the Lebanese people expect.

A total of 36 countries and multilateral organizations participated in the emergency conference, including, France, Germany, the United Kingdom, the United States, Egypt, Iraq, Jordan, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates, as well as the League of Arab States, the International Committee of the Red Cross, the International Monetary Fund, the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank.

According to Lebanese authorities, the blast was caused by the explosion of 2,750 tons of ammonium nitrate that were stored "without preventive measures" in a warehouse at the port since 2013.

Port of Beirut explosion exposes dysfunctional public sector

The International Crisis Group considered that the explosion that took place at the Port of Beirut on August 4, 2020 reflects the dysfunction that has marked the management of the Lebanese public sector and public institutions for three decades. It indicated that the political elites have built networks of political influence, and exacerbated patronage and corruption to a point that compromised accountability and professional conduct on all governance levels.

It considered that the blast will deepen the economic contraction, as Lebanon was already facing a liquidity crisis and a collapse in domestic demand, which was exacerbated by the outbreak of the COVID-19 pandemic. It added that Lebanese politicians have responded to the country's political and economic crisis with a lack of seriousness, and that negotiations with the International Monetary Fund over a financial rescue package reached a deadlock. It pointed out that, following the explosion, the country's capacity to import sufficient food and medical supplies will be challenged, and companies that have endured the crisis will find it even more difficult to import equipment and materials to keep their business going or to export their products. It expected a new round of hyperinflation, as it anticipated the government to continue funding its budget by printing money amid the projected fall in tax receipts and customs revenues.

It noted that Banque du Liban (BdL) launched an initiative to finance the cost of repairing the damages that businesses and households suffered from the explosion, but it expressed skepticism about BdL's capacity to use its foreign currency reserves for this purpose as they are declining at a fast pace.

Also, it indicated that Lebanon was in need of humanitarian assistance even before the blast, and that the volume of the required aid has increased, especially for medical staff and supplies, for food to replenish destroyed stocks, and for building materials to fix damaged homes and businesses. It pointed out that several countries from the Middle East and Europe have started to provide aid. But it said that donors will need to increase their efforts, as the full impact of the explosion becomes clearer. It called on donors to provide assistance directly to the affected population and through local and international non-governmental organizations present on the ground.

It added that the international community has been transparent about the fact that any economic rescue package for Lebanon is pre-conditioned on the implementation of reforms. It considered that Lebanon's political leadership may still have a chance to implement long-overdue structural reforms. It added that if political elites do not agree on fundamental reforms, the economic recession will deepen, while public outrage could then lead to unrest and violence.

Lebanon in the News

Multilateral institutions reiterate commitment to support Lebanon, call for structural reforms

In its statement during the "International Conference on Support to Beirut and the Lebanese People", the International Monetary Fund indicated that Lebanon is facing significant economic and social challenges, which have been exacerbated by the COVID-19 pandemic and by the lack of political will to implement reforms. The Fund noted that it has been engaged in recent months with Lebanese authorities, civil society and other multilateral organizations on a reform package to address the crisis facing the country, to strengthen governance and accountability, and to restore confidence in the economy. However, it pointed out that these discussions have not yet yielded results. As such, the IMF called on Lebanese policymakers to unite and address the severe economic and social crisis through the implementation of much-needed reforms. It also called on the international community to provide the Lebanese people with urgent humanitarian assistance in the aftermath of the explosion at the Port of Beirut.

First, the Fund highlighted the importance of restoring the solvency of Lebanon's public finances and the soundness of its financial system. It stressed that the financial system should be solvent, and that those who benefitted from past excessive returns need to share the burden of the recapitalization of banks, in order to protect the savings of ordinary Lebanese depositors. Second, it said that authorities have to enforce temporary measures to avoid continued capital outflows. It called on officials to adopt a legislation that formalizes capital controls in the banking system, to eliminate the current multiple exchange rate system in order to protect foreign currency reserves, and to reduce rent-seeking and corruption. Third, it stressed the need to reduce the protracted losses of many state-owned enterprises, as well as the importance of conducting a comprehensive audit of key institutions, including Eléctricité du Liban and Banque du Liban. Finally, it said that authorities should put in place an expanded social safety net to protect the most vulnerable segments of the population. The IMF concluded that the authorities' commitment to implement these reforms will unlock billions of dollars that would benefit the Lebanese people.

In parallel, the World Bank indicated during the "International Conference on Support to Beirut and the Lebanese People" that it initiated a Rapid Damage and Needs Assessment, which can serve as a basis for an economic and social reconstruction plan that addresses short- and medium-term needs. It noted that it is working closely with the IMF, the United Nations, the European Union and other partners, and aims to complete the assessment by August 20, 2020. It considered that the engagement of all stakeholders in the country's reconstruction will be critical to promote a sustainable economic and social recovery, and to significantly reduce poverty rates. It estimated that 45% of Lebanese citizens live in poverty.

The World Bank pointed out that the challenges facing Lebanon are significant, given that the massive explosion comes on top of the deep ongoing economic, financial and social crisis and the COVD-19 outbreak. Further, it indicated that it can finalize in the short term the preparation of a $200m emergency social protection program that could benefit more than 500,000 vulnerable people, if Lebanese authorities are willing to move quickly in this direction.

Banque du Liban takes measures to support individuals and businesses affected by Beirut Port explosion

Banque du Liban (BdL) issued Basic Circular 152 on August 6, 2020 that asked banks and financial institutions operating in the country to extend exceptional loans in US dollars to individuals and businesses that have been affected by the Beirut Port explosion of August 4, 2020. The circular stipulated that banks can grant these exceptional loans to individuals, to small-and medium-sized enterprises (SMEs) and to large companies, with the exception of real estate developers, in order to restore their homes and businesses.

According to the circular, the banks must obtain from the loan applicants the relevant invoices that show the cost of restoring their properties and businesses, and must validate these invoices prior to the loan's approval. Also, the loans will be exempted from the credit ceiling that banks have for each client.

Further, the circular stipulated that the exceptional loans will not carry interest rates, and will not be subject to any fee or commission, while the beneficiary can repay the loan over a period of five years via monthly or quarterly payments starting on October 31, 2020 or at the end of the month that follows the month of the loan's approval. It specified that beneficiaries can settle their loan payments in Lebanese pounds based on the official exchange rate used in transactions between banks and BdL. In addition, the circular allowed clients, in agreement with their banks, to settle the loan before the five-year maturity or to make a full prepayment in US dollars without incurring any commission or fees.

Moreover, the circular indicated that BdL will provide banks and financial institutions with credit lines in US dollars at an interest rate of zero percent, to be repaid over five years, and for an amount equivalent to the exceptional loans that they extend to clients in US dollars. It stipulated that banks and financial institutions that want to benefit from these credit lines must submit their requests between August 15 and October 31, 2020 to the Financial Operations Department at BdL, and include the details about the loan amounts and the beneficiaries. It added that the banks can disburse these loans to the beneficiaries before receiving the credit facility from BdL.

Further, the circular pointed out that banks and financial institutions must retain all of the documents pertaining to the exceptional loans, including the submitted invoices, the signed loan agreements between the banks and the clients, and the payment schedules, in order for the Banking Control Commission of Lebanon to have access them at any time. It added that the banks will be exempted during the lifetime of the loans from any prudential or regulatory requirements related to these loans, as well as from the buildup of provisions against these exceptional credit facilities.

Lebanon in the News

Global investment banks react to Port of Beirut explosion

Bank of America (BofA) considered that some of the losses from the explosion at the Port of Beirut could become permanent in the absence of rapid external financial support. It said that certain companies might not be able to do business again, given that their capital stock could be impaired for a period of time and that the impact on the private sector's assets is significant. Under these conditions, it expected that customs and tax revenues will decline, the fiscal deficit will widen and the government's ability to service its external debt in a debt restructuring proposal will decrease. Consequently, it anticipated that Lebanon's growth potential could recede in the absence of timely external financing support. Further, it considered that the reconstruction efforts could take a toll on Banque du Liban's (BdL) foreign currency reserves in the absence of external support.

In parallel, it indicated that Intermediate Circular 566 that BdL issued on August 6, 2020, which allows money transfer operators (MTOs) to pay incoming transfers in US dollars, could support a recovery in remittance inflows to households that were affected by the blast. It said that prior to this circular, MTOs were settling incoming transfers in local currency using an exchange rate of LBP3,800 per dollar, while MTOs sold to BdL the dollars that they generated from these operations. It noted that the unfavorable exchange rate at MTOs relative to the black market rate resulted in a significant decline in remittance inflows through this channel.

In addition, it said that BdL issued Basic Circular 152 on August 6, 2020 that allows businesses and households that were affected by the explosion to benefit from a five-year credit facility in US dollars at zero percent interest rate. It added that banks will benefit from a credit line from BdL under the same conditions. It noted that BdL may link the exceptional loan facilities to the banks' foreign currency-denominated deposits at BdL, and considered that the banks' interest in this facility is likely to be small.

Further, BofA pointed out that the mechanism for the disbursement of aid that the international community pledged at the "International Conference on Support to Beirut and the Lebanese People" has not yet been formalized. It noted that the participants suggested that the aid could be disbursed directly to the population through non-governmental organizations and similar entities under coordination from the United Nations. Further, it said that the aid disbursement mechanism, as well as the IMF statement at the conference, indicate that financial support is exclusively meant to address the humanitarian crisis, and does not constitute a substitute for a funded program with the IMF.

In parallel, Goldman Sachs noted that the repercussions of the explosion will constrain the country's already difficult economic outlook. It indicated that Lebanon does not have the fiscal capacity to cover the economic fallout of the explosion. Also, it said that it is too early to assess the impact of the explosion on the private sector, but it expected its adverse effect to be substantial in the short term. As such, it considered that the economic outlook will be contingent on the international response to the crisis. However, it did not expect countries to provide economic support packages to Lebanon in the absence of a deeper commitment to structural reforms.

Further, it noted that trade activity will be diverted to the Port of Tripoli. It added that the port was working at 40% capacity before the explosion, which shows sufficient capacity to accommodate trade flows, especially with the substantial decline in imports amid the depreciation of the Lebanese pound on the parallel market.

Banque du Liban asks money transfer operators to settle incoming transfers in US dollars

Banque du Liban (BdL) issued Intermediate Circular 566 on August 6, 2020, which amended Basic Circular 69 issued on March 30, 2000, about electronic financial and banking operations. The circular asked non-banking financial institutions that conduct cross-border electronic transfers of funds, such as Western Union and MoneyGram, to settle incoming foreign transfers in US dollars starting from the circular's date. The circular reversed Intermediate Circular 551 issued on April 16, 2020 that required money transfer operators (MTOs) to pay incoming transfers in Lebanese pounds at the market exchange rate of the US dollar. In addition, the new circular pointed out that MTOs have to inform the recipient about any commissions or fees on these operations.

In early April 2020, OMT, which is an accredited agent of Western Union in Lebanon, indicated that it settles about $120m in incoming transfers per month to around 130,000 beneficiaries, and that 30% of incoming transfers do not exceed $600 per transaction. It noted that it receives about $1bn in incoming transfers per year, while its outbound transfers reach around $300m annually with a maximum of $7,500 per transaction.

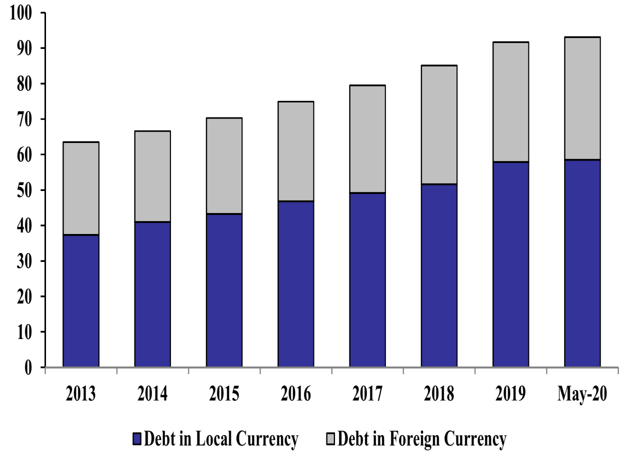
According to a survey conducted by Université Saint-Joseph, 35% of Lebanese who send money to their families in Lebanon use bank transfers, 25.7% give the money to their family when they visit the country and/or send it with someone visiting, and 25.6% use MTOs. Figures released by BdL show that the inflows of expatriates' remittances to Lebanon totaled $7.4bn in 2019, constituting an increase of 6.2% from $7bn in 2018. Remittance inflows to Lebanon in 2019 reached their fifth highest annual level between 2002 and 2019, and were equivalent to 14.2% of GDP in 2019 compared to 12.7% of GDP in 2018.

Gross public debt at $93bn at end-May 2020

Lebanon's gross public debt reached $93.1bn at the end of May 2020, constituting an increase of 1.6% from $91.6bn at the end of 2019, and a rise of 9.1% from $85.4bn at the end of May 2019, based on the official exchange rate. The gross public debt grew by $1.5bn in the first five months of 2020 relative to an increase of $221m in the same period of 2019. Debt denominated in Lebanese pounds totaled $58.5bn at the end of May 2020, and expanded by 1.1% from end-2019 and by 10% from end-May 2019; while debt denominated in foreign currency stood at $34.6bn and grew by 2.5% from end-2019 and by 7.7% from a year earlier.

On March 7, 2020, the Lebanese government decided to withhold all payments on the $1.2bn Eurobond that matures on March 9, 2020, and claimed that its decision aims to safeguard the country's foreign currency reserves. It further announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. The Ministry of Finance (MoF) indicated that $2.75bn of the debt stock denominated in foreign currency is in arrear as at the end of May 2020.

Lebanon's Gross Public Debt (US$bn)



Source: Ministry of Finance, Byblos Research

The year-on-year increase of the local-currency debt was mostly due to the MoF's issuance in November and December of LBP1,500bn and LBP3,000bn 10-year Treasury bonds, respectively, at a rate of 1%, which were entirely subscribed by Banque du Liban (BdL). The two issuances were part of a deal between the MoF and BdL, which stipulated that the MoF issues $3bn worth of Eurobonds to BdL to cover external debt payments that BdL made on behalf of the government throughout 2019, in exchange for BdL subscribing to LBP4,500bn worth of Treasury bonds.

Local currency debt accounted for 62.8% of the gross public debt at the end of May 2020 compared to 62.4% a year earlier, while foreign currency-denominated debt represented the balance of 37.2% relative to 37.6% at end-May 2019. The weighted interest rate on outstanding Treasury bills was 6.5% in May 2020, while the weighted life of Treasury bills and bonds was 1,744 days.

BdL held 42.6% of the public debt at the end of May 2020, followed by commercial banks (28.9%), and non-bank resident financial institutions (8.2%); while other investors, including foreign investors, held 18.1% of the debt, and multilateral institutions and foreign governments accounted for 2.2%.

BdL held 59.1% of the Lebanese pound-denominated public debt at the end of May 2020 compared to 52.6% a year earlier, while commercial banks accounted for 28% of the local debt compared to 33.4% at end-May 2019. Also, public agencies, financial institutions and the public held 13% of the local debt at end-May 2020 relative to 14% at end-May 2019. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.2% of foreign currency-denominated debt holders at the end of May 2020, followed by multilateral institutions with 4.1%, and foreign governments with 1.7%. 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 9.5% annually to $84bn at the end of May 2020. Further, the gross market debt accounted for about 54% 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.

Revenues through Port of Beirut down 46% to $50m in first five months of 2020

Figures released by the Port of Beirut show that the port's revenues reached $50m in the first five months of 2020, constituting a decline of 45.6% from $91.7m in the same period of 2019. The Port of Beirut processed 1.87 million tons of freight in the covered period, decreasing by 35.1% from 2.88 million tons in the first five months of 2019. Imported freight amounted to 1.57 million tons in the first five months of the year, down by 38.3% from 2.55 million tons in the same period of 2019, and accounted for 84.1% of total freight. In parallel, export cargo reached 297,000 tons in the covered period, down by 10.3% from 331,000 tons in the first five months of 2019, and accounted for 15.9% of total freight in the first five months of 2020. A total of 628 vessels docked at the port in the covered period, down by 12.2% from the same period of 2019.

In parallel, revenues generated through the Port of Tripoli reached $4.2m in the first five months of 2020, constituting a decrease of 41.2% from $7.1m in the same period of 2019. The Port of Tripoli handled 668,596 tons of freight in the first five months of the year, down by 30.3% from 959,169 tons in the first five months of 2019. Imported freight amounted to 504,954 tons in the first five months of 2020, down by 28.1% from 702,518 tons in the same period of last year. It accounted for 75.5% of total freight in the covered period. In parallel, export cargo reached 163,642 tons, or 24.5% of total freight, and decreased by 36.2% from 256,651 tons in the first five months of 2019. A total of 195 vessels docked at the port in the first five months of 2020, decreasing by 26.4% from 265 ships in the same period of 2019.

Moody's downgrades Lebanon's sovereign ratings

Moody's Investors Service downgraded Lebanon's issuer rating from 'Ca' to 'C', and its senior unsecured Medium Term Note Program rating from '(P)Ca' to '(P)C', while it affirmed the short term rating at '(P)NP'. It also maintained the long-term foreign currency bond ceiling at 'Ca' and the short-term foreign currency bond and deposit ceilings at 'Not Prime(NP)', while it lowered the foreign currency deposit ceiling from 'Ca' to 'C' and the long-term local-currency bond and deposit ceilings from 'Caa1' to 'Caa2'.

It attributed the downgrade to recurrent delays in implementing the fiscal and economic policy reforms, which were outlined in the government's reform program that was presented as a basis for negotiations on an agreement with the International Monetary Fund (IMF). It pointed out that authorities have made limited progress in implementing the key prerequisites to an agreement with the Fund, such as the endorsement of a comprehensive capital controls legislation, a forensic audit of Banque du Liban (BdL), and a general consensus among domestic stakeholders on the government's debt restructuring and reform plan. It noted that the delays have stalled the discussions with the Fund and with other international official donors. It added that access to financial support that the international community previously pledged to Lebanon at the CEDRE conference is conditional on reaching a funded program with the IMF, which it did not expect to take place in the short term. The agency indicated that the 'C' rating reflects the losses that bondholders would incur from the sovereign debt default, which it estimates at more than 65%. It added that the rating incorporates the prevailing economic, financial and social crisis that Lebanon's weak institutions and governance appear unable to address, as well as the depreciation of the currency in the parallel market and the surge in the inflation rate. It said that it did not assign an outlook to the rating given the very high likelihood of significant losses for private creditors, and given that 'C' is the lowest rating in the agency's rating scale.

Further, the agency considered that the authorities' weak capacity to implement fiscal and monetary policy, as well as diminished governance, reduce the likelihood of a rapid transition to a more sustainable growth model once the debt restructuring is completed. Consequently, it claimed that a lower growth potential and a weak track record of fiscal discipline would reduce the sovereign's ability to accumulate debt in the longer term, which would require a deeper debt write-off or would increase the probability of another default in the future in case of insufficient debt relief to restore debt sustainability.

World Bank extends government deadline to meet Bisri Dam loan requirements

The World Bank approved the Lebanese government's request to extend until September 4, 2020 the deadline to fulfill the requirements of the loan agreement related to the Bisri Dam Project. It based its decision on the progress that the government made on the project, and took into consideration the series of unprecedented challenges that the country is enduring and that could have hampered the authorities' ability to perform their obligations under the Bisri Dam Loan Agreement.

The Bank indicated that the government submitted a draft Ecological Compensation Plan on July 9, 2020, as required, and is currently updating it based on the feedback it received. It added that, on July 17, the government provided information on the legal framework of the Operations and Maintenance arrangements. But it noted that a memorandum of understanding between the Ministry of Energy & Water and the Beirut & Mount Lebanon Water Establishment has not yet been finalized, and that the contractor has not been able to proceed with operations. The World Bank had partially suspended on June 26 the disbursement of a $474m concessional loan under the Bisri Dam Project due the government's inadequate compliance with the loan requirements, and gave authorities until July 22 to meet the loan conditions. The government had asked the Bank to extend the deadline by three months.

The Bank pointed out that it will cancel the suspended portion of the loan if the Lebanese government does not complete the requirements by the new deadline. It said that it will be ready to work with the government to assess the possible use of the country's existing loan portfolio more efficiently to respond to the emerging needs of the Lebanese people, including the undisbursed amounts under the Bisri Dam project.

The World Bank reiterated its zero-tolerance policy about the misuse of funds under the projects it finances, and noted that its procurement policies and regulations enforce open, transparent and competitive processes in the selection of contractors, consultants and vendors.

The Bisri Dam is part of the Water Supply Augmentation (WSA) project that the World Bank approved in September 2014, and that aims to support the development of the water sector in the Greater Beirut & Mount Lebanon area, and the management of sustainable water resources. The $617m WSA project consists of the construction of the Bisri Dam in the South with a storage capacity of 125 million cubic meters of water and its related 26 kilometer underground pipeline. The project was supposed to be financed by a $474m concessional loan from the World Bank, a $128m loan from the Islamic Development Bank and by $15m from the Lebanese government.

Lebanese authorities had previously indicated that the costs incurred for the project until April 2020 reached $340m, and that the land appropriations have been settled. The Ministry of Energy & Water noted that the government could incur additional costs if the contracts are canceled, as it was liable for the loan.

Fiscal deficit at 35% of expenditures in first five months of 2020

Figures released by the Ministry of Finance show that the fiscal deficit reached $2bn in the first five months of 2020 and narrowed by 16.3% from a deficit of $2.4bn in the same period of 2019. The deficit was equivalent to 34.6% of total budget and Treasury expenditures relative to 34.8% of spending in the same period last year. Government expenditures reached $5.78bn in the first five months of 2020 and decreased by 15.7% year-on-year, while revenues stood at $3.78bn and regressed by 15.4% from the first five months of 2019. As such, the widening of the deficit reflects a drop of $1.07bn in overall spending due to lower debt servicing cost and Treasury transfers to Electricité du Liban (EdL), which was partly offset by a decrease of $685.3m in total revenues.

On the revenues side, tax receipts decreased by 22.6% year-on-year to $2.75bn in the first five months of 2020, of which 18%, or $494.6m, were in VAT receipts that dropped by 51% annually. Tax receipts accounted for 86.6% of budgetary revenues and for 72.7% 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 increased by 2.7% to $1.4bn in the first five months of 2020; revenues from customs fell by 37.8% to $328.3m; receipts from property taxes declined by 21.5% to $224.2m; while revenues from taxes on goods & services were nearly unchanged at $169.3m, and proceeds from stamp fees dropped by 39.3% to $101.1m.

The distribution of income tax receipts shows that the tax on interest income accounted for 71.7% of income tax revenues in the first five months of 2020, followed by the tax on wages & salaries with 16.5%, the tax on profits with 9.4%, and the capital gains tax with 2%. Receipts from the tax on interest income surged by 57.8%, while revenues from the tax on capital gains dropped by 79.3%, revenues from the tax on profits fell by 53.5%, and proceeds from the tax on wages & salaries dipped by 21.1% in the covered period. Also, revenues from real estate registration fees grew by 12% to $164.3m, while receipts from the built property tax dropped by 57.6% to $44m and revenues from the inheritance tax fell by 54.5% to $15.9m in the first five months of 2020.

Further, non-tax budgetary receipts declined by 40% year-on-year to $427.1m in the covered period. They mainly included $212.6m in revenues generated from government properties that regressed by 48.6%, as well as $130.7m in receipts from administrative fees and charges that fell by 42.3% annually. Receipts from telecommunication services dropped by 54.5% to $132.7m in the first five months of 2020, and accounted for 62.4% of income from government properties and for 31% of non-tax budgetary revenues. In parallel, Treasury receipts surged by 200% to $602.8m in the covered period, due to Banque du Liban's repayment to the Ministry of Finance 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, declined by 17.2% to $5.25bn in the first five months of 2020. General spending regressed by 0.7% to $4bn in the covered period, and included $402.8m in transfers to EdL that decreased by 33.5% year-on-year, and $1.2bn in outlays from previous years that rose by 18.3% annually, among other general spending items. Also, debt servicing totaled $1.28bn in the first five months of 2020 and dropped by 45.4% from the first five months of 2019. Interest payments on Lebanese pound-denominated debt regressed by 10.6% year-on-year to $1.1bn in the first five months of 2020, while debt servicing on foreign currency debt fell by 87.5% to $129.5m, 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 3.8% year-on-year to $526.7m in the covered period. Further, the primary budget balance posted a deficit of $791.9m in the first five months of 2020, equivalent to 15.1% of budgetary expenditures, while the overall primary balance registered a deficit of $715.7m, or 12.4% of spending.

Fiscal Results in First Five Months of Each Year

	2019 (US$m)	2020 (US$m)	Change (%)
Budget Revenues	4,264	3,176	-25.5%
Tax Revenues	3,553	2,749	-22.6%
Non-Tax Revenues	710	427	-40.0%
of which Telecom revenues	*291*	*133*	*-54.5%*
Budget Expenditures	6,344	5,251	-17.2%
Budget Surplus/Deficit	**(2,081)**	**(2,075)**	**-0.3%**
In % of budget expenditures	*-32.8%*	*-39.5%*	
Budget Primary Surplus	**268**	**(792)**	
In % of budget expenditures	*4.2%*	*-15.1%*	
Treasury Receipts	201	603	200%
Treasury Expenditures	507	527	3.8%
Total Revenues	4,464	3,779	-15.4%
Total Expenditures	6,851	5,777	-15.7%
Total Deficit	**(2,387)**	**(1,998)**	**-16.3%**
In % of total expenditures	*-34.8%*	*-34.6%*	
Total Primary Surplus/Deficit	**(38.6)**	**(715.7)**	**1756%**
In % of total expenditures	*-0.6%*	*-12.4%*	

Source: Ministry of Finance, Byblos Research

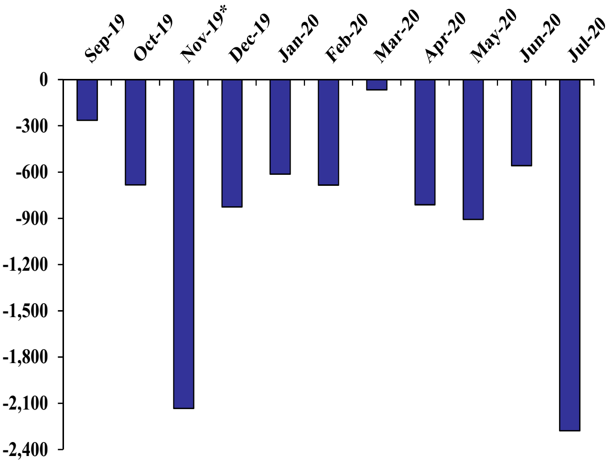
Banque du Liban's foreign assets at $30.7bn, gold reserves at $18bn at end-July 2020

Banque du Liban's (BdL) interim balance sheet reached $154.1bn at the end of July 2020, constituting an increase of 9% from $141.4bn at the end of 2019, and a rise of 18% from $130.6bn at end-July 2019.

Assets in foreign currency reached $30.7bn at end-July 2020, constituting a drop of 17.7% from $37.3bn at end-2019 and a decline of 17.3% from $37.1bn at end-July 2019. They included $5.03bn in Lebanese Eurobonds at end-July 2020 relative to $5.7bn at the end of 2019.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at $25.7bn at end-July 2020, constituting a decrease of $2.28bn from the end of June 2020. They declined by $613.3m in January 2020, by $684.6m in February, by $67m in March, by $812m in April, by $907m in May, and by $558m in June, resulting in a cumulative drop of $5.9bn in the first seven months of 2020. They also fell by $9.8bn between the end of August 2019 and end-July 2020.

Change in Gross Foreign Currency Reserves (US$m)



**BdL paid $2.1bn in external public debt servicing in November*
Source: Banque du Liban

The decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the fact that BdL has paid, at the request of the government, maturing Eurobonds and external debt servicing until early March 2020, to deposit outflows, as well as to the financing of the imports of hydrocarbons, wheat and medicine and, more recently, to BdL's intervention in the currency market. BdL's assets in foreign currency, including Lebanese Eurobonds, decreased by $6.6bn since the start of 2020 and by $8bn between the end of August 2019 and end-July 2020.

In addition, the value of BdL's gold reserves reached $18bn at end-July 2020, constituting an increase of 29.4% from $13.9bn at end-2019 and a rise of 36.7% from $13.2bn at end-July 2019. The value of gold reserves exceeded their previous peak of $16.75bn at the end of August 2011. Also, the securities portfolio of BdL totaled $38.8bn at end-July 2020 and increased by 2.2% from the end of 2019. In addition, loans to the local financial sector regressed by 2% from end-2019 to $14.6bn at end-July 2020. Further, deposits of the financial sector stood at $110.4bn at end-July 2020, constituting a decline of $1.6bn from end-2019. Also, public sector deposits at BdL totaled $4.4bn at end-July 2020 and regressed by $997m from end-2019.

Banque du Liban announces launch of Cedar Oxygen Fund to support industrial sector

Banque du Liban (BdL) announced the launch of the "Cedar Oxygen Fund", which aims to extend short-term credit facilities to Lebanese industrial firms to finance their import of raw materials. The fund seeks to raise around $750m with the support of BdL, international investors, development finance institutions, and family offices. BdL has already pledged $175m to the fund, as well as $100m in financial guarantees against potential losses that could result from these credit facilities.

The "Cedar Oxygen Fund" will be managed by a Lebanese asset manager and fintech expert, in collaboration with expatriate Lebanese executives and financial experts in accordance with "good governance procedures" under the laws of Luxembourg, where the fund is incorporated.

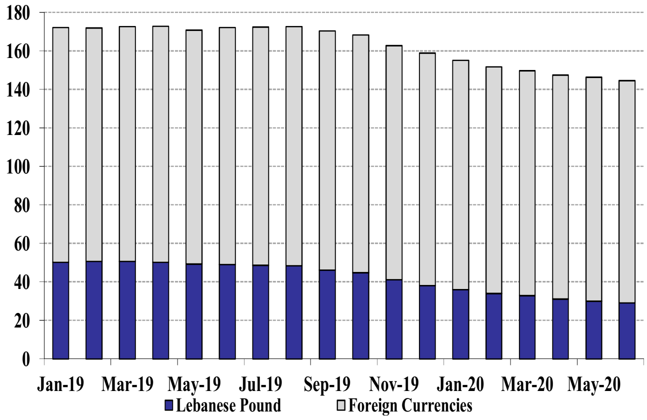
The initiative will provide lending facilities to industrial firms in partnership with Lebanese banks that will help identify firms that are eligible for financing. The fund, which was announced in March 2020, received in July the green light from the Luxembourg authorities to start operations.

Figures released by the Ministry of Industry show that industrial exports totaled $680.4m in the first four months of 2020, constituting a decline of 21.8% from $870.1m in the same period of 2019. Industrial exports reached $120.2m in April 2020, dropping by 29.2% from $169.7m in March 2020 and falling by 43% from $210.5m in April 2019.

Private sector deposits down $28bn in 10-month period ending June 2020

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at $201.1bn at the end of June 2020, constituting a decrease of 7.2% from $216.8bn at the end of 2019 and a decline of 21.4% from $256bn at end-June 2019. The figures are based on the official exchange rate of the Lebanese pound. The year-on-year decline in assets is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of banks, as part of the implementation of international accounting standard IFRS 7 starting in December 2019.

Private Sector Deposits (US$bn)



Source: Banque du Liban, Byblos Research

Loans extended to the private sector reached $41.4bn at the end of June 2020, regressing by 16.8% from end-2019 and by 26% from a year earlier. Loans to the resident private sector totaled $36.6bn, and decreased by 17.2% from the end of 2019 and by 26% from end-June 2019. Also, credit to the non-resident private sector reached $4.8bn at end-June 2020, and declined by 13.2% from end-2019 and by 27% from a year earlier. In nominal terms, credit to the private sector contracted by $8.4bn in the first half of 2020 relative to a decrease of $3.4bn in the same period of 2019, as lending to the resident private sector declined by $7.6bn and credit to the non-resident private sector regressed by $735.6m in the covered period. The dollarization rate of private sector loans fell from 70% at end-June 2019 to 63.6% at end-June 2020.

In addition, claims on non-resident financial institutions reached $4.5bn at the end of June 2020 and declined by $2.3bn (-33.3%) from end-2019, by $4.6bn (-50.6%) from the end of August 2019, and by $5.3bn (-54%) from a year earlier. Also, deposits at foreign central banks totaled $486.2m, constituting a decrease of 17.4% from end-2019 and a drop of 50.5% from end-June 2019. In addition, claims on the public sector stood at $24.4bn at end-June 2020, down by $4.3bn (-15.1%) from end-2019 and by $8.1bn (-25%) from end-June 2019. The banks' holdings of Lebanese Treasury bills stood at $13.8bn while their holdings of Lebanese Eurobonds reached $10.4bn at the end of June 2020. The average lending rate in Lebanese pounds was 6.84% in June 2020 compared to 10.94% a year earlier, while the same rate in US dollars was 7.49% relative to 9.49% in June 2019. Further, the deposits of commercial banks at BdL totaled $115.4bn at the end of June 2020, down by 2% from $117.7bn at the end of 2019 and by 19.5% from $143.2bn at the end of June 2019, following the netting operation.

In parallel, private sector deposits totaled $144.5bn at the end of June 2020, and decreased by 9% from the end of 2019 and by 16.1% from end-June 2019. Deposits in Lebanese pounds reached the equivalent of $29.1bn at end-June 2020, down by 23.5% from the end of 2019 and by 40.6% from a year earlier; while deposits in foreign currency totaled $115.4bn, as they regressed by 4.5% from end-2019 and by 6.3% from end-June 2019. Resident deposits totaled $116.2bn at the end of June 2020 and decreased by $10.2bn (-8.1%) from the end of 2019 and by $19bn (-14.1%) from a year earlier. Also, non-resident deposits reached $28.3bn at end-June 2020, as they regressed by $4.1bn (-12.7%) from end-2019 and by $8.6bn (-23.3%) from the end of June 2019. In nominal terms, private sector deposits declined by $3.8bn in January, by $3.4bn in February, by $2.1bn in March, by $2.1bn in April, by $1.2bn in May and by $1.8bn in June 2020. As such, aggregate private sector deposits regressed by $14.4bn in the first half of 2020 relative to a decrease of $2.2bn in the same period of 2019, with deposits in Lebanese pounds dropping by $8.9bn and foreign-currency deposits declining by $5.4bn. In comparison, private sector deposits declined by $2.2bn in September, by $1.9bn in October, by $5.8bn in November and by $3.7bn in December 2019. As such, aggregate private sector deposits dropped by $28bn in the 10-month period ending in June 2020, due largely to the repayment of loans, to the hoarding of cash at households, and to deposit outflows. The dollarization rate of private sector deposits was 79.8% at end-June 2020, up from 76% at the end of 2019, and compared to 71.5% a year earlier.

In parallel, the liabilities of non-resident financial institutions reached $7.7bn at the end of June 2020 and decreased by 13.1% from end-2019. Further, the average deposit rate in Lebanese pounds was 4.16% in June 2020 compared to 8.8% a year earlier, while the same rate in US dollars was 1.64% relative to 5.84% in June 2019. The ratio of private sector loans to deposits in foreign currency stood at 22.8% at the end of June 2020 compared to 31.9% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 51.7% at end-June 2020 relative to 34.3% from a year earlier. As such, the total private sector loans-to-deposits ratio reached 28.7% compared to 32.5% at end-June 2019. The banks' aggregate capital base stood at $19.6bn at end-June 2020, down by 6.4% from $20.9bn a year earlier.

Corporate Highlights

Byblos Bank announces de-listing of GDRs from London Stock Exchange

Byblos Bank sal announced that its Global Depositary Receipts (GDRs) were de-listed from the London Stock Exchange (LSE) on July 30, 2020. On July 1, the Bank applied to de-list its GDRs from the official list of the United Kingdom's Financial Conduct Authority and cancel their trading on the LSE as of July 30, citing the low traded volume of GDRs on the LSE. It also considered that the cost and administrative burden of maintaining the GDRs listed on the LSE outweigh the benefits.

Byblos Bank indicated that each GDR is equivalent to 50 Byblos Bank common shares, and added that the shares represented by the GDRs would continue to be traded on the Beirut Stock Exchange (BSE). It added that it is not terminating its Global Deposit Receipt Program, which means that the GDRs will remain outstanding following their de-listing from the LSE. Byblos Bank currently has 565,515,040 common shares and GDRs, 2,000,000 preferred shares Class 2008, and 2,000,000 preferred shares Class 2009.

Moody's withdraws ratings of three Lebanese banks

Moody's Investors Service withdrew its 'Caa3' long-term local currency deposit ratings and its 'Ca' long-term foreign currency deposit ratings on Byblos Bank sal, BLOM Bank sal and Bank Audi sal. It also withdrew its 'Caa3' long-term local currency Counterparty Risk Ratings (CRR), its 'Ca' long-term foreign currency CRRs, its 'Caa3(cr)' long-term Counterparty Risk (CR) Assessment, its 'Caa1.lb' national scale ratings (NSRs) for long-term deposits, and its 'Caa1.lb/LB-4' national scale CRRs on the three banks. Further, it withdrew the long-term foreign currency deposit certificates of 'Ca' on BLOM Bank.

In addition, it suspended the banks' 'ca' Baseline Credit Assessments (BCAs) and Adjusted BCAs, their 'NP' short-term deposit ratings and CRRs, their 'LB-4' NSRs for short-term deposits, and their 'NP(cr)' short-term CR Assessments. Moody's indicated that it withdrew the ratings, as it considered that it has insufficient or inadequate information to support their maintenance.

Import activity of top five shippers and freight forwarders down 49% in first five months of 2020

Figures released by the Port of Beirut show that overall import shipping operations by the top five shipping companies and freight forwarders through the port reached 61,312 20-foot equivalent units (TEUs) in the first five months of 2020, constituting a decrease of 48.8% from 119,778 TEUs in the same period of 2019. The five shipping and freight-forwarding firms accounted for 76.2% of imports to the Lebanese market for local use and for 36.7% of the total import freight market, which includes transshipments to other ports, in the covered period. Mediterranean Shipping Company (MSC) handled 21,511 TEUs in imports in the first five months of 2020, or 13% of the total import freight market. Merit Shipping followed with 14,479 TEUs (8.7%), then MAERSK with 11,084 TEUs (6.6%), Gezairy Transport with 7,280 TEUs (4.4%), and Metz Group with 6,958 TEUs (3.6%). The five shipping and freight forwarding companies registered year-on-year decreases in import shipping in the first five months of 2020, with MSC posting a decline of 54.8%, the steepest among the top five firms.

In parallel, export-shipping operations by the top five shipping and freight-forwarding firms through the Port of Beirut reached 24,500 TEUs in the first five months of 2020, constituting a decrease of 5% from 25,809 TEUs in the same period of 2019. The five shipping companies and freight forwarders accounted for 87.2% of exported Lebanese cargo and for 14.2% of the total export freight market that includes transshipments through Lebanese ports. Merit Shipping handled 12,405 TEUs of freight in the first five months of 2020, equivalent to 44.2% of the Lebanese cargo export market. MAERSK followed with 5,105 TEUs (18.2%), then Metz group with 2,664 TEUs (9.5%), Sealine Group with 2,416 TEUs (8.6%), and Tourism & Shipping Services with 1,910 TEUs (6.8%). MAERSK registered a year-on-year increase of 1.2% in export shipping in the first five months of 2020, the only growth rate among the top five shipping and freight forwarding companies, while Tourism & Shipping Services posted a drop of 28.3%, the steepest decline among the remaining top four firms.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP ($bn)	53.1	55.0	52.2	(2.76)
Public Debt in Foreign Currency / GDP	57.2	60.9	64.6	3.71
Public Debt in Local Currency / GDP	92.5	94.0	110.9	16.95
Gross Public Debt / GDP	149.7	154.9	175.6	20.66
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(29.7)	1.27
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	257.7	0.59
Commercial Banks Assets / GDP	413.7	453.9	415.3	(38.64)***
Private Sector Deposits / GDP	317.4	317.1	304.3	(12.76)
Private Sector Loans / GDP****	112.3	108.1	95.3	(12.71)
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

National Accounts, Prices and Exchange Rates

	2018	2019e	2020f
Nominal GDP (LBP bn)	82,854	81,361	145,620
Nominal GDP (US$ bn)	55.0	51.7	34.4
Real GDP growth, % change	-1.9	-7.3	-16.4
Domestic demand	-0.3	-6.4	-20.5
Private consumption	-1.3	-7.1	-13.2
Public consumption	6.7	1.5	-52.4
Gross fixed capital	-1.8	-10.7	-17.6
Exports of goods and services	0.5	-5.0	-33.6
Imports of goods and services	1.1	-4.5	-32.0
Consumer prices, %, end-period	3.9	6.9	162.2
Official exchange rate, average, LBP/US$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US$	n/a	1,620	5,476
Weighted average exchange rate LBP/US$	1,507.5	1,575	4,227

Source: Instiute of International Finance- July 27, 2020

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative
Capital Intelligence Ratings	SD	SD	-	C-	C	Negative

**for downgrade*
***CreditWatch negative*
Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

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