

LEBANON THIS WEEK

In This Issue

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

Lebanon ranks in 105th place globally, 10th regionally in terms of prosperity

Banque du Liban's foreign assets at \$25.2bn, gold reserves at \$17.3bn at mid-November 2020

Alvarez & Marsal terminates contract for forensic audit of Banque du Liban

Fiscal deficit equivalent to 29% of expenditures in first eight months of 2020

Gross public debt at \$95bn at end-September 2020

Treasury transfers to Electricité du Liban down 36% to \$535m in first seven months of 2020

Cost of living in Beirut is highest in the Middle East in 2020, crisis could affect ranking in short term

Construction activity deteriorates in first quarter of 2020

Corporate Highlights7

Insured losses from Beirut port explosion at \$1.1bn as of November 13, 2020

Byblos Bank and Bank Audi de-list GDRs from London Stock Exchange

Gross written premiums down 6% to \$1.2bn in first nine months of 2020, claims at \$780m

Balance sheet of investment banks down 4% in first nine months of 2020

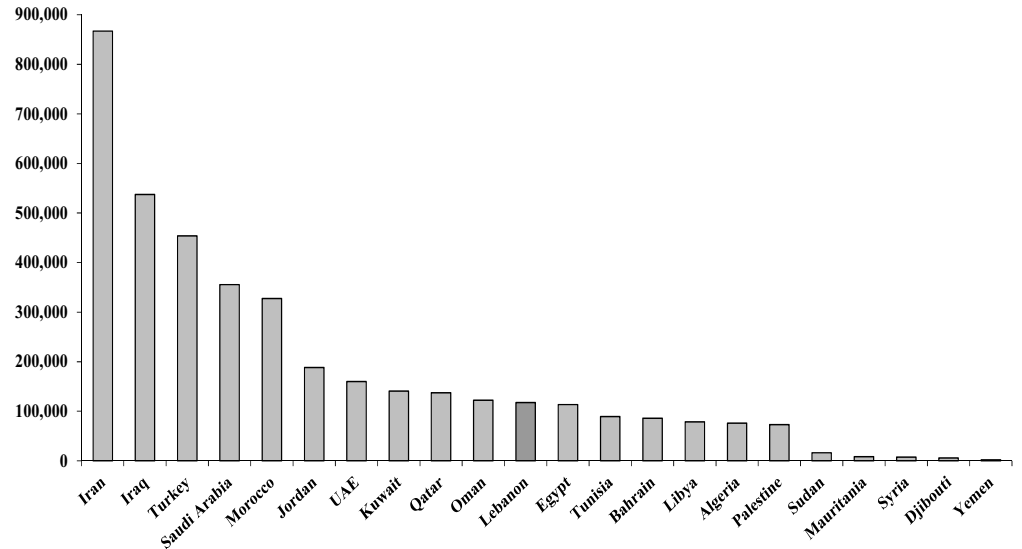
BLC Bank posts net profits of \$17m in first nine months of 2020

Bank Audi does not register profits in first nine months of 2020

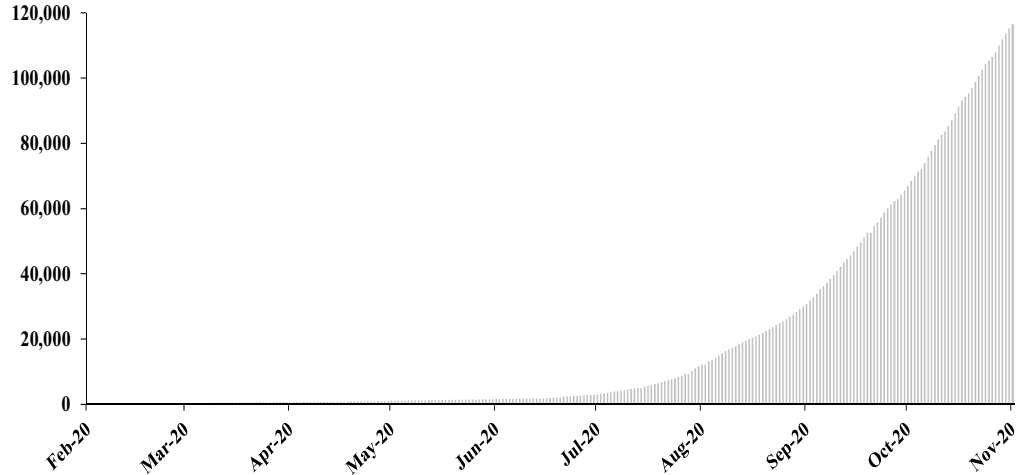
Ratio Highlights.....10
National Accounts, Prices and Exchange Rates10
Ratings & Outlook.....10

Charts of the Week

Number of Total COVID-19 Cases in MENA Countries*



Evolution of COVID-19 Cases in Lebanon*



*as of November 23, 2020

Source: Worldometer; Ministry of Public Health, Byblos Bank

Quote to Note

"He emphasized the urgent need for the formation by the PM-designate Saad Hariri of a new competent, empowered and professional government to carry out vital reforms and address the accumulating socio-economic and financial crises facing the country, starting with the full and timely implementation of the roadmap facilitated by France."

The UN's Special Coordinator for Lebanon in his briefing to the UN Security Council on recent developments in Lebanon

Number of the Week

96%: Percentage of Lebanese who consider that the economic situation in Lebanon is either "bad" or "very bad", according to the Arab Center for Research & Policy Studies' Arab Opinion Index for 2019-20

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Aug 2019	Jan-Aug 2020	% Change*	Aug-19	Jul-20	Aug-20
Exports	3,731	2,464	2,261	(8.3)	375	374	274
Imports	19,239	13,839	6,923	(50.0)	1,504	922	799
Trade Balance	(15,508)	(11,374)	(4,663)	(59.0)	(1,129)	(549)	(525)
Balance of Payments	(5,851)	(5,897)	(7,501)	27.2	(579)	(3,046)	(1,968)
Checks Cleared in LBP	22,146	14,072	12,811	(9.0)	1,859	1,865	1,433
Checks Cleared in FC	34,827	23,325	23,262	(0.3)	2,979	3,909	2,411
Total Checks Cleared	56,973	37,397	36,073	(3.5)	4,838	5,774	3,844
Fiscal Deficit/Surplus**	(5,837)	(2,410)	(2,099)	(12.9)	(542)	125	-
Primary Balance**	(287)	576	(707)	-	(208)	169	-
Airport Passengers	8,684,937	6,222,002	1,557,273	(75.0)	1,185,765	150,234	200,368
Consumer Price Index (%)	2.9	2.8	58.1	5534	1.2	112.4	120.0

\$bn (unless otherwise mentioned)	Dec-19	Aug-19	May-20	Jun-20	Jul-20	Aug-20	% Change*
BdL FX Reserves	29.55	30.60	26.44	25.87	23.56	22.76	(25.6)
In months of Imports	21.95	20.35	39.24	30.30	25.55	28.48	40.0
Public Debt	91.64	86.30	93.14	93.40	93.70	94.26	9.2
Bank Assets	216.78***	261.90	203.84	201.09	198.08	195.71	(25.3)
Bank Deposits (Private Sector)	158.86	172.54	146.30	144.50	143.30	143.04	(17.1)
Bank Loans to Private Sector	49.77	55.16	42.91	41.42	40.30	39.64	(28.1)
Money Supply M2	42.11	48.52	38.78	39.02	39.25	40.21	(17.1)
Money Supply M3	134.55	140.40	129.67	129.51	129.48	130.53	(7.0)
LBP Lending Rate (%)	9.09	11.24	8.45	6.84	7.15	7.14	(410)
LBP Deposit Rate (%)	7.36	8.95	4.63	4.16	3.76	3.47	(548)
USD Lending Rate (%)	10.84	10.03	7.90	7.49	7.42	7.54	(249)
USD Deposit Rate (%)	4.62	6.20	1.99	1.64	1.49	1.28	(492)

*year-on-year **figures for the period reflect the first seven months of each year ***The annual 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 "A"	15.85	0.19	186,748	25.09%
Byblos Common	0.49	2.08	155,997	4.39%
Solidere "B"	15.71	(0.95)	30,677	16.17%
BLOM GDR	2.03	(9.78)	29,500	2.37%
Audi GDR	1.10	0.92	10,000	2.08%
Audi Listed	1.10	0.00	-	10.25%
BLOM Listed	2.78	0.00	-	9.46%
HOLCIM	13.03	0.00	-	4.03%
Byblos Pref. 09	48.85	0.00	-	1.55%
Byblos Pref. 08	39.99	0.00	-	1.27%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	15.13	1,474.57
Oct 2022	6.10	15.50	130.28
Jan 2023	6.00	14.25	113.19
Jun 2025	6.25	13.75	48.76
Nov 2026	6.60	13.88	35.75
Feb 2030	6.65	13.75	22.64
Apr 2031	7.00	14.00	19.81
May 2033	8.20	13.50	16.71
Nov 2035	7.05	13.88	13.67
Mar 2037	7.25	14.38	12.24

Source: Byblos Bank Capital Markets, Refinitiv

	Nov 16-20	Nov 9-13	% Change	Oct 2020	Oct 2019	% Change
Total shares traded	412,922	271,146	52.3	933,600	5,199,421	(82)
Total value traded	\$3,595,091	\$2,874,639	25.1	\$11,588,882	\$34,989,893	(67)
Market capitalization	\$6.32bn	\$6.43bn	(1.8)	\$6.45bn	\$7.55bn	(14.6)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks in 105th place globally, 10th regionally in terms of prosperity

The Legatum Institute's 2020 Prosperity Index ranked Lebanon in 105th place among 167 countries globally, in 37th place among 44 upper middle-income countries (UMICs) and in 10th place among 19 Arab countries. Based on the same set of countries, Lebanon's global rank regressed by one spot from 104th place in the 2019 survey and by 17 notches from 88th place on the 2010 index, while its regional rank was unchanged from the 2019 survey and declined by one spot from the 2010 index.

The institute assesses the prosperity of citizens based on their material wealth and social well-being. The data covers 294 indicators grouped in 12 sub-indices that are Economic Quality, the Investment Environment, Governance, Education, Health, Safety & Security, Personal Freedom, Social Capital, the Natural Environment, Market Access & Infrastructure, Enterprise Conditions, and Living Conditions. The rankings are based on the simple average of the scores of the 12 sub-indices for each country.

Lebanon received a score of 53 points on the 2020 survey compared to 53.4 points in the 2019 survey. Lebanon's score was below the global average score of 57.5 points and the UMICs' average score of 57 points, while it was higher than the Arab countries' average score of 51.2 points. Denmark ranked first globally on the 2020 index, while South Sudan came in last place.

Globally, Lebanon has a higher level of prosperity than Bolivia, Honduras and Algeria, and a lower level than Guatemala, Cuba and Rwanda among economies with a GDP of \$10bn or more. Also, it is more prosperous than Turkmenistan, Iran, Gabon, Equatorial Guinea, Iraq, Venezuela and Libya among UMICs.

Lebanon ranked ahead of Pakistan and Madagascar, and came behind Guatemala and Turkey on the Governance Sub-Index. This category measures a country's performance on the effectiveness and accountability of the government, the level of democracy and political participation, and the rule of law. Lebanon ranked ahead of Gabon and behind Turkey among UMICs. It also came ahead of Djibouti, Iraq, Egypt, Mauritania, Libya, Syria, Sudan and Yemen among Arab countries.

Further, Lebanon preceded Chad and Zambia, and trailed Mauritania and Zimbabwe on the Economic Quality Sub-Index. This category measures how well an economy is equipped to generate wealth in a sustainable manner and with the full engagement of its workforce. Lebanon ranked ahead of Venezuela among UMICs, while it came ahead of Sudan and Yemen regionally on this category.

In addition, Lebanon came ahead of Djibouti and Mongolia, and trailed Tunisia and Ecuador on the Investment Environment Sub-Index. This category measures the existence of property rights, investors' protections, and contract enforcement in a country. Lebanon ranked ahead of Cuba and behind Ecuador among UMICs. It also ranked ahead of Djibouti, Egypt, Sudan, Algeria, Syria, Iraq, Mauritania, Yemen and Libya in the Arab region.

Finally, Lebanon preceded Yemen and the Democratic Republic of the Congo, and came behind Peru and Bolivia on the Social Capital Sub-Index. This category measures the strength of social networks support, social norms, and civic participation in a country. Lebanon ranked in last place among UMICs, while it came ahead of Yemen, Tunisia, Morocco and Syria among Arab countries.

Prosperity Index for 2020		
	Arab Rank	Global Rank
UAE	1	42
Qatar	2	45
Bahrain	3	56
Kuwait	4	58
Oman	5	66
Saudi Arabia	6	71
Jordan	7	86
Morocco	8	96
Tunisia	9	99
Lebanon	10	105
Algeria	11	108
Djibouti	12	119
Egypt	13	121
Iraq	14	137
Libya	15	149
Mauritania	16	154
Syria	17	158
Sudan	18	159
Yemen	19	165

Source: Legatum Institute, Byblos Research

Components of the 2020 Prosperity Index for Lebanon

Sub-Index	Global Rank	Change in Rank*	Arab Rank	UMICs Rank
Economic Quality	147	-6	17	43
Investment Environment	98	-1	10	34
Governance	119	3	11	36
Education	62	1	4	15
Health	92	-9	9	31
Safety & Security	136	6	13	36
Personal Freedom	112	-4	2	29
Social Capital	152	-7	15	44
Natural Environment	120	-10	3	34
Enterprise Conditions	88	2	10	23
Market Access & Infrastructure	92	-3	11	31
Living Conditions	57	-7	6	10

* year-on-year

Source: Legatum Institute, Byblos Research

Banque du Liban's foreign assets at \$25.2bn, gold reserves at \$17.3bn at mid-November 2020

Banque du Liban's (BdL) interim balance sheet reached \$156.4bn on November 15, 2020, constituting an increase of 10.6% from \$141.4bn at the end 2019, and rise of 13.6% from \$137.6bn at mid-November 2019. Assets in foreign currency totaled \$25.2bn at mid-November 2020, representing a drop of \$12bn, or 32.3%, from \$37.3bn at end-2019; and a decline of \$11.9bn, or 32% from mid-November 2019. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds relative to \$5.7bn at the end of 2019.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$20.2bn at mid-November 2020, and dropped by \$11.4bn, or 36%, from end-2019. 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, by \$558m in June, by \$2.3bn in July, by \$2.2bn in August, by \$2.5bn in September, by \$489m in October and by \$189m in the first half of November.

The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a basket of more than 300 food and non-food items, and raw materials for agriculture and industry. It is also due to the fact that BdL has paid, at the request of the government, maturing Eurobonds and external debt servicing until early March 2020, as well as to deposit outflows and to BdL's intervention in the currency market. In addition, the decrease in BdL's assets in foreign currency in September was mainly driven by the banks' repayment of their foreign currency loans to BdL.

In parallel, the value of BdL's gold reserves reached \$17.3bn at mid-November 2020, and increased by 24.4% from \$13.9bn at end-2019. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40bn at mid-November and grew by 5.2% from end-2019. In addition, loans to the local financial sector regressed by 3% from end-2019 to \$14.5bn at mid-November 2020. Further, deposits of the financial sector stood at \$107.7bn at mid-November 2020 and declined by \$4.4bn from end-2019. Also, public sector deposits at BdL totaled \$5.02bn at mid-November 2020 and fell by \$426m so far in 2020.

Alvarez & Marsal terminates contract for forensic audit of Banque du Liban

The Minister of Finance in the caretaker government indicated that U.S.-based financial services firm Alvarez & Marsal Middle East decided to terminate its contract with the Lebanese government to conduct a forensic audit of the activities and accounts of Banque du Liban (BdL). The firm attributed its decision to the fact that it did not receive all the needed information and documents to carry out the forensic audit and that it does not expect to receive them within the additional three-month extension that the Finance Ministry gave to BdL to submit the documents.

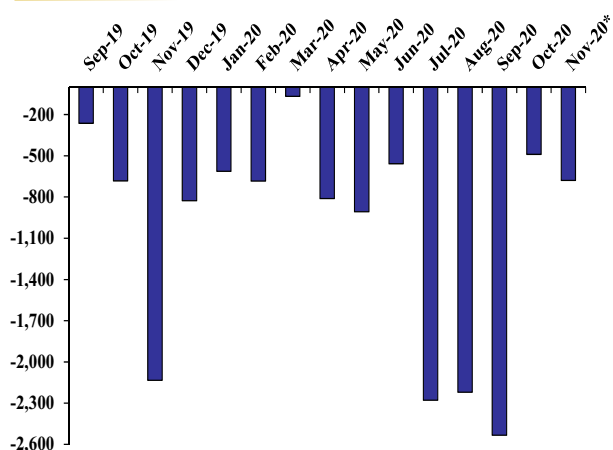
The forensic audit of BdL has been subject to a public debate between BdL, the government officials, political parties and experts, mostly about BdL's ability to submit the requested documents to Alvarez & Marsal without breaching laws, particularly the banking secrecy law. The Minister of Finance signed the \$2.1m contract with Alvarez & Marsal Middle East on August 31 of this year.

Alvarez & Marsal's mandate was to audit BdL in the last five years and the firm began its task in the second week of September 2020. The company's scope of work covered examining how the assets and liabilities of BdL have accumulated and moved over time, auditing BdL's financial engineering operations in the last five years, examining the composition of BdL's foreign currency reserves and liabilities, performing a detailed analysis of the breakdown and movement of commercial bank deposits at a customer and group level, assessing if any financial transaction prices or values were unduly inflated or otherwise unsubstantiated, and analyzing the nature of reporting of deposits and loan exposure by financial institutions to BdL, among other tasks. The firm was expected to provide a preliminary report of its findings 10 weeks after it receives the needed documents and information from BdL.

The Minister of Finance also signed contracts with international accounting and auditing firm KPMG, and with management consulting firm Oliver Wyman. The two companies will conduct an accounting and financial audit of BdL. The International Monetary Fund had previously stressed the importance of conducting comprehensive audits of key public institutions, including of *Électricité du Liban* and BdL, which, along with other measures, would help unlock "billions of dollars for the benefit of the Lebanese people".

In July 2020, the Council of Ministers approved the proposal of the Ministry of Finance to retain Alvarez & Marsal, KPMG and Oliver Wyman, in order to audit BdL. At the time, it indicated that the three firms may take between three to six months to complete the audit. In April 2020, the Council of Ministers approved the proposal of the Finance Ministry to sign consensual agreements with KPMG and Oliver Wyman, as well as with the global provider of risk solutions Kroll to audit BdL, but the decision to hire Kroll was revoked due to political opposition.

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



*Mid-November 2020

Source: Banque du Liban

Fiscal deficit equivalent to 29% of expenditures in first eight months of 2020

Figures released by the Ministry of Finance show that the fiscal deficit reached \$2.53bn in the first eight months of 2020 and narrowed by 14% from a deficit of \$2.95bn in the same period of 2019, based on the official exchange rate of the Lebanese pound. The deficit was equivalent to 29.2% of total budget and Treasury expenditures relative to 27.7% of spending in the same period last year. Government spending reached \$8.68bn in the first eight months of 2020 and decreased by 18.6% from the same period of 2019, while revenues stood at \$6.14bn and regressed by 20.2% year-on-year. The widening of the deficit was caused by a drop of \$1.98bn in spending due to lower debt servicing cost and Treasury transfers to Electricité du Liban (EdL), which was partly offset by a decline of \$1.56bn in revenues.

On the revenues side, tax receipts decreased by 24.8% year-on-year to \$4.59bn in the first eight months of 2020, of which 17.5%, or \$805.5m, were in VAT receipts that dropped by 49.7% annually. Tax receipts accounted for 85.2% of budgetary revenues and for 74.7% of Treasury and budgetary income in the covered period. The distribution of other tax revenues shows that revenues from taxes on income, profits & capital gains declined by 16.5% to \$2.24bn in the first eight months of 2020; revenues from customs dropped by 34.5% to \$560m; receipts from property taxes rose by 34.2% to \$517.2m; while revenues from taxes on goods & services decreased by 15.4% to \$270.8m, and proceeds from stamp fees fell by 24.5% to \$191.9m.

The distribution of income tax receipts shows that the tax on interest income accounted for 70.6% of income tax revenues in the first eight months of 2020, followed by the tax on wages & salaries with 16%, the tax on profits with 10%, and the capital gains tax with 2.8%. Receipts from the tax on interest income surged by 39.7%, while revenues from the tax on profits dropped by 74%, revenues from the tax on capital gains fell by 72%, and proceeds from the tax on wages & salaries dipped by 18% in the covered period. Also, revenues from real estate registration fees grew by 85.6% to \$396.1m, while receipts from the built property tax contracted by 31.5% to \$85m and revenues from the inheritance tax shrank by 24.7% to \$36.2m in the first eight months of 2020.

Further, non-tax budgetary receipts declined by 36.6% year-on-year to \$798.3m in the covered period. They mainly included \$354.8m in revenues generated from government properties that fell by 54%, as well as \$293.4m in receipts from administrative fees and charges that decreased by 19.5% annually. Receipts from telecommunication services dropped by 56.5% to \$199m in the first eight months of 2020, and accounted for 56% of income from government properties and for 25% of non-tax budgetary revenues. In parallel, Treasury receipts surged by 121% to \$755.3m in the covered period, due to Banque du Liban's repayment to the Ministry of Finance of 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 22.4% to \$7.65bn in the first eight months of 2020. General spending regressed by 4.5% to \$6.25bn in the covered period, and included \$631.4m in transfers to EdL that dropped by 37.1% year-on-year, and \$1.27bn in outlays from previous years that declined by 6.3% annually, among other general spending items. Also, debt servicing totaled \$1.4bn in the first eight months of 2020 and dropped by 58% from the first eight months of 2019. Interest payments on Lebanese pound-denominated debt regressed by 41.3% year-on-year to \$1.17bn in the first eight months of 2020, while debt servicing on foreign currency debt fell by 88.3% to \$140.3m, 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 30% year-on-year to \$1.03bn in the covered period. Further, the primary budget balance posted a deficit of \$861.3m in the first eight months of 2020, equivalent to 11.3% of budgetary expenditures, while the overall primary balance registered a deficit of \$1.14bn, or 13% of spending.

Fiscal Results in First Eight Months of Each Year			
	2019 (US\$m)	2020 (US\$m)	Change (%)
Budget Revenues	7,362	5,389	-26.8%
Tax Revenues	6,103	4,590	-24.8%
Non-Tax Revenues	1,259	798	-36.6%
<i>of which Telecom revenues</i>	458	199	-56.5%
Budget Expenditures	9,862	7,648	-22.4%
Budget Surplus/Deficit	(2,501)	(2,260)	-9.6%
<i>In % of budget expenditures</i>	<i>-25.4%</i>	<i>-29.5%</i>	
Budget Primary Surplus	819	(861)	
<i>In % of budget expenditures</i>	<i>8.3%</i>	<i>-11.3%</i>	
Treasury Receipts	342	755	121%
Treasury Expenditures	793	1,031	30%
Total Revenues	7,704	6,144	-20.2%
Total Expenditures	10,656	8,679	-18.6%
Total Deficit	(2,952)	(2,535)	-14.1%
<i>In % of total expenditures</i>	<i>-27.7%</i>	<i>-29.2%</i>	
Total Primary Surplus/Deficit	368	(1,136)	
<i>In % of total expenditures</i>	<i>3.5%</i>	<i>-13.1%</i>	

Source: Ministry of Finance, Byblos Research

Gross public debt at \$95bn at end-September 2020

Lebanon's gross public debt reached \$94.8bn at the end of September 2020, constituting an increase of 3.5% from \$91.6bn at the end of 2019, and a rise of 9.2% from \$86.8bn at the end of September 2019, based on the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$3.2bn in the first nine months of 2020 relative to an increase of \$1.6bn in the same period of 2019. Debt denominated in Lebanese pounds totaled \$59.4bn at the end of September 2020, and expanded by 2.6% from end-2019 and by 9.4% from end-September 2019; while debt denominated in foreign currency stood at \$35.4bn and grew by 5% from end-2019 and by 9% 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. 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 \$3.9bn of the debt stock denominated in foreign currency are in arrear as at the end of September 2020

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 62.6% of the gross public debt at the end of September 2020 compared to 62.5% a year earlier, while foreign currency-denominated debt represented the balance of 37.4%, unchanged from end-September 2019. The weighted interest rate on outstanding Treasury bills was 6.48% in September 2020, while the weighted life of Treasury bills and bonds was 1,676 days.

BdL held 42.8% of the public debt at the end of September 2020, followed by commercial banks (27.8%), and non-bank resident financial institutions (8%); while other investors, including foreign investors, held 19.3% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2%.

BdL held 59.8% of the Lebanese pound-denominated public debt at the end of September 2020 compared to 54% a year earlier, while commercial banks accounted for 27.4% of the local debt relative to 32% at end-September 2019. Also, public agencies, financial institutions and the public held 12.8% of the local debt at end-September 2020 relative to 14% at end-September 2019. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.3% of foreign currency-denominated debt holders at the end of September 2020, followed by multilateral institutions with 4% and foreign governments with 1.7%.

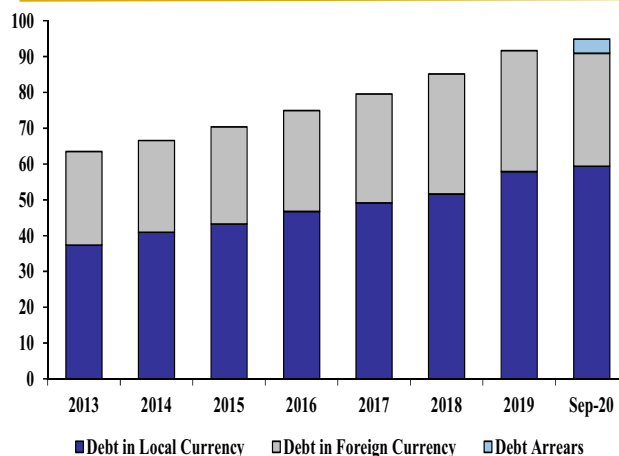
In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, grew by 9% annually to \$85.1bn at the end of September 2020. Further, the gross market debt accounted for about 54% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

Treasury transfers to Electricité du Liban down 36% to \$535m in first seven months of 2020

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled \$535.2m in the first seven months of 2020, constituting a drop of 36.2% from \$838.7m in the same period of 2019. Reimbursements for the purchase of natural gas, fuel and gas oil reached \$533.3m, or 99.7% of transfers, in the covered period; while EdL's debt servicing represented the balance of \$1.3m, or 0.3% of the total.

The decline in transfers is mainly due to a decrease of \$303.2m in reimbursements for the purchase of natural gas, fuel and gas oil, which mostly consists of payments to the Kuwait Petroleum Corporation and to the Algerian energy conglomerate Sonatrach. Reimbursements regressed by 36.2% from \$836.5m in the first seven months of 2019, while debt servicing decreased by 31% year-on-year. Treasury transfers to EdL accounted for 8.6% of budgetary primary expenditures in the first seven months of 2020 relative to 13.1% in the same period of 2019. They constituted the third largest expenditures item, or 7% of overall fiscal spending. EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, and 2.8% of GDP in 2019.

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



Source: Ministry of Finance, Byblos Research

Cost of living in Beirut is highest in the Middle East in 2020, crisis could affect ranking in short term

EuroCost International's 2020 cost-of-living survey for expatriates ranked Beirut in fourth place globally, compared to third place in 2019, seventh place in 2018 and to 13th place in 2010. Beirut continued to have the highest cost of living for expatriates in the Middle East since the 2012 survey. The survey attributed the elevated cost of living in Beirut to the high rental rates in the capital. It noted that Beirut's rank regressed by one spot year-on-year, while the crisis that the country is currently facing could affect the ranking in the very short term.

The survey compares the cost of living for expatriates in major locations worldwide. It includes rental costs, but it excludes the cost of healthcare and education costs. The rankings are based on prices collected in June 2020 and were updated based on the exchange rates during the month of September.

The survey shows that the cost of living for expatriates in Beirut is lower than only the cost of living in Tokyo, Hong Kong and Geneva, and is higher than in Zurich. Beirut is the only Middle Eastern city among the 10 most expensive cities globally for expatriates.

Paris (25th place), Amsterdam (26th place), and Ndjamen in Chad (28th place) joined the top 30 list in this year's survey. Overall, the rankings of 17 cities increased, reflecting a rise in their cost of living, and those of 11 cities declined, while the rankings of two cities were unchanged among the 30 most expensive cities in the world.

The survey attributed the significant changes in the rankings to exchange rate fluctuations, especially the weakening of the US dollar against the euro. EuroCost International specializes in cost of living services for expatriates in more than 273 locations worldwide.

Most Expensive Cities in the World		
	2020	2019
Tokyo	1	1
Hong Kong	2	2
Geneva	3	4
Beirut	4	3
Zurich	5	6
Singapore	6	5
London	7	11
Lausanne	8	12
New York	9	8
Honolulu	10	9
San Francisco	11	7
Seoul	12	13
Beijing	13	16
Tel Aviv	14	15
Shanghai	15	17
Bangui	16	22
Copenhagen	17	26
Basel	18	20
Bern	19	18
Taipei	20	27

Source: EuroCost, Byblos Research

Construction activity deteriorates in first quarter of 2020

Banque du Liban's quarterly business survey about the opinions of business managers shows that general construction activity deteriorated sharply in the first quarter of 2020, with the balance of opinions standing at -75, relative to -57 in the fourth quarter of 2019 and to -58 in the first quarter of 2019. The balance of opinions for general construction activity in the first quarter of 2020 reached its lowest quarterly level since the first quarter of 2004, due to disruptions to economic activity following the eruption of nationwide protests on October 17, 2019, and the worsening of economic and financial conditions, which negatively affected the overall performance of the construction sector during the covered quarter. The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the trend of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an increase in a particular indicator and the proportion of those who reported a decline in the same indicator.

The balance of opinions about construction activity was -76 in the first quarter of 2020 compared to -58 in the preceding quarter and to -62 in the first quarter of 2019. It reached its lowest quarterly level since the first quarter of 2004. The balance of opinions about construction activity was the lowest in the Bekaa at -100, followed by Beirut & Mount Lebanon (-92), the South (-73), and the North (-40). Also, the balance of opinions about public works stood at -79 in the first quarter of 2020 compared to -57 in the fourth quarter of 2019 and to -45 the first quarter of 2019, and reached its lowest quarterly level since 2004. Opinions about the level of public works were the lowest in the Bekaa at -100, followed by Beirut & Mount Lebanon (-95), the South (-80), and the North (-45).

In parallel, the balance of opinions about the portfolio of projects was -87 in the first quarter of 2020 relative to -73 in the fourth quarter of 2019 and to -63 in the first quarter of 2019, and reached its lowest quarterly level since the first quarter of 2004. The balance of opinions about the portfolio of projects was the lowest in Beirut & Mount Lebanon at -92, followed by the North (-89), the South (-86) and the Bekaa (-77). Further, the balance of opinions about construction costs reached +51 in the first quarter of 2020, compared to +45 in the fourth quarter of 2019 and +1 in the first quarter of 2019.

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q1-17	Q1-18	Q1-19	Q1-20
General activity	-39	-45	-58	-75
Construction	-35	-44	-62	-76
Public work	-42	-45	-45	-79
Portfolio of projects	-30	-39	-63	-87
Construction costs	+1	+1	+1	+51
Investments (% of yes)	20%	26%	15%	12%

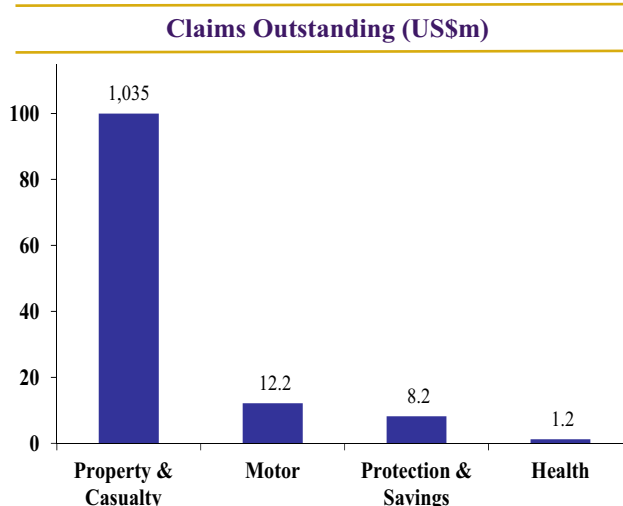
Source: Banque du Liban Business Survey for First Quarter of 2020

Insured losses from Beirut port explosion at \$1.1bn as of November 13, 2020

The Insurance Control Commission's (ICC) periodic monitoring report of insured losses from the August 4 explosion at the Port of Beirut showed that there were 14,921 submitted insurance claims as of November 13, 2020, with the corresponding insured losses estimated at \$1.1bn based on the official exchange rate of the Lebanese pound against the US dollar.

The ICC indicated that it issued the report in the absence of an official report from Lebanese authorities that specifies the cause of the blast and assigns responsibilities.

The distribution of claims shows that there were 9,471 insurance claims in the property & casualty (P&C) segment or 63.5% of total claims, followed by 4,888 motor claims (32.8%), 468 health claims (3.1%), and 94 claims in the protection & savings segment (0.6%). In addition, the estimated insured losses in the P&C category amounted to \$1.04bn or 97.4% of the total, followed by insured losses in the motor segment at \$17.5m (1.6%), protection & savings at \$8.2m (0.8%), and the health segment at \$1.7m (0.2%).



Source: Insurance Control Commission

According to the ICC, insurers settled \$15.6m worth of insured losses as of November 13, 2020, including \$9.8m in P&C claims, \$5.3m in motor claims, \$0.5m in health claims, and \$49,088 in claims related to protection & savings.

In addition, there were 9,039 claims in the fire category, accounting for 95.4% of claims in the P&C segment and for 60.6% of total insurance claims. In addition, estimated insured losses in the fire segment amounted to \$1bn, representing 96% of losses in the P&C segment and 93.4% of total insured losses. Insurers settled \$8.7m in fire insured losses, accounting for 88.7% of the amount settled in the P&C segment and for 55.5% of the total settled claims.

The ICC indicated that reinsured losses amounted to \$1bn, or the equivalent of 94.4% of the estimated losses, while retained losses totaled \$59.5m as at November 13, 2020.

Byblos Bank and Bank Audi de-list GDRs from London Stock Exchange

The United Kingdom's Financial Conduct Authority (FCA) removed the Global Depository Receipts (GDRs) of Byblos Bank sal from its Official List on November 17, 2020, while the London Stock Exchange (LSE) cancelled the trading on the bank's GDRs. In addition, the FCA removed the GDRs of Bank Audi sal from its Official List on November 16, and the LSE cancelled the trading of the bank's GDRs.

The LSE indicated that it took these decisions at the request of the two banks. Byblos Bank and Bank Audi applied to de-list their GDRs from the FCA's official list and to cancel their trading on the LSE on July 1 and October 9, respectively.

In parallel, BLOM Bank sal announced on October 23, 2020 that it applied to de-list its Global Depository Shares (GDSs) from trading on the International Order Book of the LSE effective November 24, 2020. It also intends to remove its GDSs from the EuroMTF market of the Luxembourg Stock Exchange.

The banks attributed their decisions to the low traded volume of GDRs and GDSs on the LSE, and considered that the cost and administrative burden of maintaining the GDRs listed on the LSE outweigh the benefits. They added that they are not terminating their GDR Program, and that the shares represented by the GDRs and the GDSs would continue to be traded on the Beirut Stock Exchange (BSE), which means that the GDRs will remain outstanding following their de-listing from the LSE. Byblos Bank indicated that each GDR is equivalent to 50 Byblos Bank common shares, while Bank Audi said that each GDR is equivalent to one of its common shares.

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. Bank Audi has 588,538,215 common shares and 119,639,761 GDRs, as well as 750,000 preferred shares Series "H", 2,500,000 preferred shares Series "I", and 2,750,000 preferred shares Series "J" listed on the BSE as at October 16, 2019. BLOM Bank currently has 215,000,000 common shares and 73,896,010 GDRs listed on the Beirut Stock Exchange.

Gross written premiums down 6% to \$1.2bn in first nine months of 2020, claims at \$780m

Figures released by the Insurance Control Commission show that the gross written premiums of 50 licensed insurance companies in Lebanon reached \$1.19bn in the first nine months of 2020, constituting a decrease of 5.9% from \$1.26bn in the same period of 2019.

Medical insurance premiums totaled \$449.6m in the first nine months of 2020 and accounted for 38% of the sector's aggregate premiums. Life insurance premiums followed with \$311m (26.2%), then motor premiums with \$241.7m (20.4%), and property & casualty with \$183m (15.4%). Further, medical insurance premiums grew by 3.2% annually in the first nine months of 2020, while life insurance premiums declined by 12.8%, property & casualty insurance premiums decreased by 10.5% and motor insurance premiums regressed by 8% in the covered period.

Further, gross claims settled by insurance companies stood at \$779.6m in the first nine months of 2020, and increased by 0.7% from \$774.5m in the same period of 2019. Gross claims paid for the medical segment amounted to \$302.4m and accounted for 38.8% of total claims settled by the insurance sector in the covered period. Claims disbursed for the life insurance category followed at \$296.1m (38%), then the motor segment at \$125.6m (16.1%), and the property & casualty segment at \$55.5m (7.1%). Also, life insurance claims rose by 30% in the first nine months of 2020, while property & casualty claims declined by 24%, motor claims regressed by 19%, and medical claims decreased by 5.2%.

In parallel, the sector's acquisition expenses reached \$194.2m and administrative costs totaled \$140.4m in the first nine months of 2020. Also, the insurance sector registered net investment losses of \$113.2m in the covered period, relative to net investment income of \$146.3m in the first nine months of 2019. In addition, the ratio of gross claims settled to gross written premiums stood at 66% in the covered period, up from 62% in the same period of 2019. Further, the ratio of expenditures for acquisition and administration to gross written premiums reached 28%, nearly unchanged from 29% in the first nine months of 2019; and the ratio of net investment income to gross written premiums stood at -10% in the covered period compared to +12% in the same period of 2019.

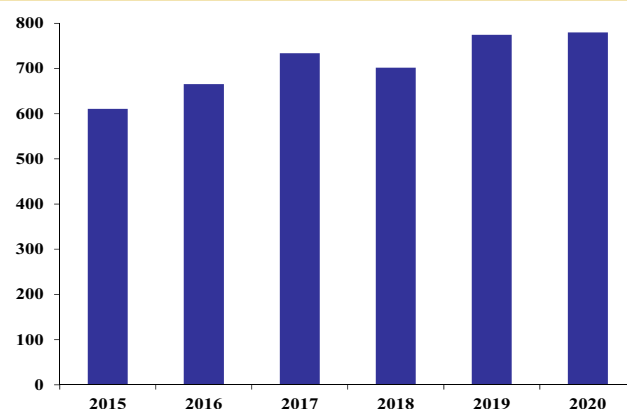
Balance sheet of investment banks down 4% in first nine months of 2020

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP7,447bn, or \$4.94bn based on the official exchange rate, at the end of September 2020, constituting a decrease of 3.8% from \$5.14bn, at end-2019, and a decline of 10% from \$5.49bn at the end of September 2019.

On the assets side, claims on resident customers reached \$1.46bn at end-September 2020, and regressed by 2.6% from the end of 2019 and by 3.4% from end-September 2019; while claims on non-resident customers totaled \$29.5m at the end of September 2020 and declined by 8% from end-2019 and by 13% from a year earlier. In addition, claims on the resident financial sector reached \$680m at end-September 2020, increasing by 8.4% from the end of 2019 and decreasing by 5% from the end of September 2019; while claims on the non-resident financial sector totaled \$90m at the end of September 2020, and improved by 44.2% from end-2019 and by 59.2% from a year earlier. Also, claims on the public sector totaled \$3.7m at end-September 2020, constituting an increase of 203.3% from end-2019; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached \$827m at end-September 2020, and declined by 9% from end-2019 and by 11.3% from end-September 2019. In parallel, currency and deposits at BdL and at foreign central banks totaled \$1.44bn at the end of September 2020, down by 9.5% in the first nine months of 2020 and by 21% from end-September 2019.

On the liabilities side, deposits of resident customers reached \$1.3bn at the end of September 2020, constituting a decline of 12.5% in the first nine months of 2020 and a drop of 15% from a year earlier; while deposits of non-resident customers reached \$216.3m at the end of September 2020, representing a decrease of 15.2% from end-2019 and a decline of 22% from the end of September 2019. Liabilities to the resident financial sector amounted to \$126.7m at end-September 2020, down by 17.2% from end-2019; while those to the non-resident financial sector grew by 1% from end-2019 to \$215.4m. Also, public sector deposits regressed by 40.4% in the first nine months of 2020 to \$37.6m, while debt securities issued totaled \$18m at end-September 2020 and were nearly unchanged from end-2019. Further, the aggregate capital account of investment banks amounted to \$1.77bn at the end of September 2020, constituting a rise of 2.3% from end-2019 and from end-September 2019.

Paid Claims* (US\$m)



*in the first nine months of each year

Source: Insurance Control Commission, Byblos Research

BLC Bank posts net profits of \$17m in first nine months of 2020

BLC Bank, one of six listed banks in Lebanon, announced unaudited consolidated net profits of \$16.7m in the first nine months of 2020, compared to net losses of \$31.85m in 2019. The bank's net interest income reached \$64m in the first nine months of 2020 compared to \$53m in 2019; while its net fees & commissions income stood at \$13m in the covered period relative to \$17.7m in 2019. Further, the bank's net operating income totaled \$59m in the first nine months of 2020 compared to \$73.4m in 2019. In parallel, the bank's operating expenditures reached \$44.7m in the covered period relative to \$68.1m in 2019, with personnel cost accounting for 67% of the total.

In addition, total assets reached \$4.1bn at the end of September 2020, constituting a decline of 8.6% from end-2019, while loans & advances to customers decreased by 27.2% from end-2019 to \$1bn. Also, customer deposits totaled \$3.2bn at the end of September 2020 and regressed by 10.3% in the first nine months of the year. Further, the bank's total equity reached \$506.5m at end-September 2020 and increased by 3.4% from the end of 2019.

Bank Audi does not register profits in first nine months of 2020

Bank Audi sal's unaudited financial statement shows that the bank did not register profits in the first nine months of 2020, similar to the first nine months of 2019. The bank's net interest income reached \$794.6m in the first nine months of 2020, down by 6% from \$844.3m in the same period of 2019; while it posted net fees and commissions of -\$283.2m in the covered period, relative to +\$144.1m in the first nine months of 2019. Further, the bank's net operating income totaled \$511m in the first nine months of 2020 and declined by 6% from \$543.4m in the same period of 2019. In addition, the bank's operating expenditures reached \$443m in the first nine months of 2020, down by 7% from \$476.2m in the same period last year, with personnel cost accounting for 55.2% of the total.

In parallel, the bank's aggregate assets amounted to \$35.2bn at the end of September 2020 and declined by 11% from \$39.5bn at end-2019. Net loans & advances to customers totaled \$8.5bn at end-September and dropped by 17.5% from \$10.3bn at end-2019. Further, customer deposits reached \$26.4bn and decreased by 10.4% from \$29.4bn at end-2019. Net loans & advances to related parties amounted to \$73.5m, while deposits from related parties stood at \$124.2m at end-September 2020. In parallel, the bank's shareholders' equity was \$3.04bn at end-September and grew by 2.5% in the first nine months of 2020.



Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	51.3	(3.70)
Public Debt in Foreign Currency / GDP	57.2	60.9	65.8	4.89
Public Debt in Local Currency / GDP	92.5	93.9	112.9	18.96
Gross Public Debt / GDP	149.7	154.8	178.6	23.85
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(30.2)	0.73
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	256.9	262.2	5.29
Commercial Banks Assets / GDP	413.7	453.6	422.6	(31.04)***
Private Sector Deposits / GDP	317.4	316.9	309.7	(7.21)
Private Sector Loans / GDP	112.3	108.0	97.0	(10.96)
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 incorporates 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, International Monetary Fund, 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 trillion)	82.9	80.8	127.6
Nominal GDP (US\$ bn)	55.0	51.3	30.4
Real GDP growth, % change	-1.9	-6.8	-26.6
Private consumption	-1.3	-7.3	-25.3
Public consumption	6.7	-43.6	-45.2
Gross fixed capital	-1.8	-11.3	-41.1
Exports of goods and services	0.5	-4.0	-35.3
Imports of goods and services	1.1	-4.9	-39.3
Consumer prices, %, average	6.1	2.9	91.3
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	5,662
Weighted average exchange rate LBP/US\$	1,507.5	1,575	4,201

Source: Institute of International Finance- October 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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