

LEBANON THIS WEEK

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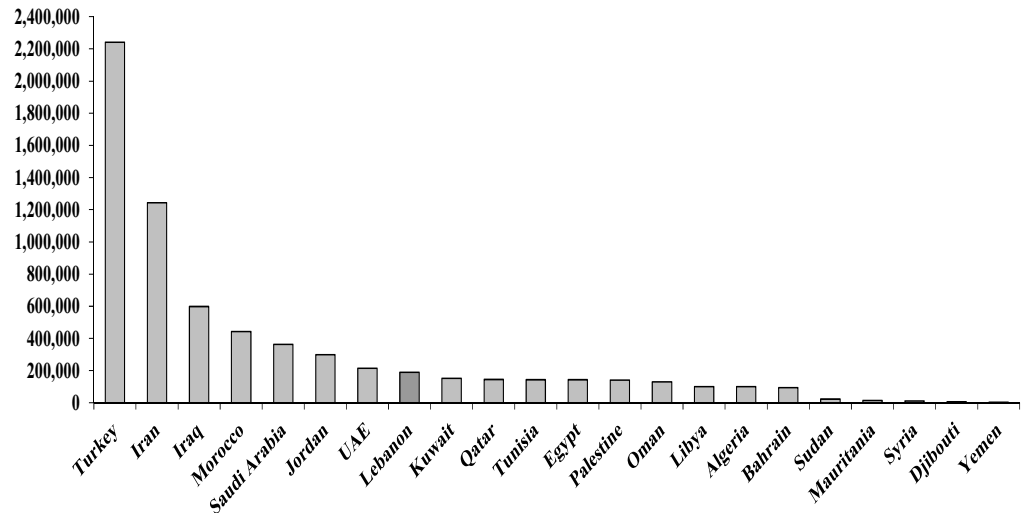
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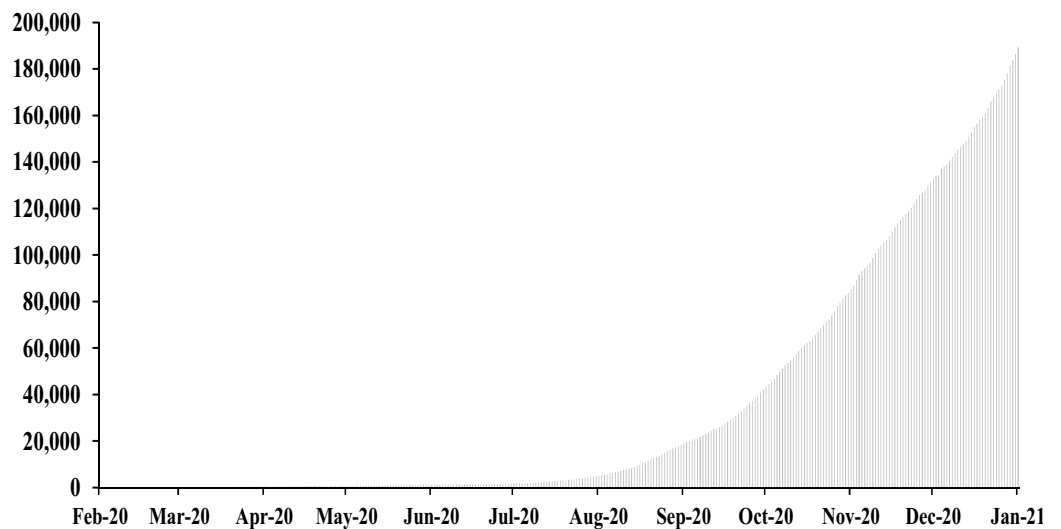
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Charts of the Week

Number of Total COVID-19 Cases in MENA Countries*



Evolution of the Number of COVID-19 Cases in Lebanon*



*as of January 3, 2021

Source: Worldometer, Ministry of Public Health, Byblos Bank

Quote to Note

"The International Monetary Fund, the World Bank and other official donors have been holding back financial support to Lebanon, mainly because of the repeated failure of the political class to implement critical mass of reforms."

The Institute of International Finance, on the opportunity cost to Lebanon from delaying the implementation of structural reforms

Number of the Week

120: Lebanon's rank among 129 countries on the protection of intellectual property rights, according to the Property Rights Alliance's 2020 International Property Rights Index

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Sep 2019	Jan-Sep 2020	% Change*	Sep-19	Aug-20	Sep-20
Exports	3,731	2,806	2,632	(6.2)	342	274	373
Imports	19,239	15,304	7,878	(48.5)	1,466	799	955
Trade Balance	(15,508)	(12,498)	(5,246)	(58.0)	(1,124)	(525)	(582)
Balance of Payments	(5,851)	(5,955)	(9,608)	61.3	(59)	(1,968)	(2,108)
Checks Cleared in LBP	22,146	16,133	14,456	(10.4)	2,060	1,433	1,645
Checks Cleared in FC	34,827	26,265	26,211	(0.2)	2,940	2,411	2,949
Total Checks Cleared	56,973	42,407	40,675	(4.1)	5,000	3,844	4,594
Fiscal Deficit/Surplus**	(5,837)	(2,952)	(2,535)	(14.1)	(542)	(436)	-
Primary Balance**	(287)	368	(1,136)	-	(208)	(430)	-
Airport Passengers	8,684,937	7,040,341	1,756,664	(75.0)	818,339	200,368	199,391
Consumer Price Index (%)	2.9	2.6	66.2	6360	1.1	120	131

\$bn (unless otherwise mentioned)	Dec-19	Sep-19	Jun-20	Jul-20	Aug-20	Sep-20	% Change*
BdL FX Reserves	29.55	29.30	25.87	23.56	22.76	20.00	(31.7)
In months of Imports	21.95	19.48	30.30	25.55	28.48	20.95	7.5
Public Debt	91.64	86.79	93.40	93.70	94.27	94.81	9.2
Bank Assets	216.78***	262.20	201.09	198.08	195.71	192.57	(26.6)
Bank Deposits (Private Sector)	158.86	170.30	144.50	143.30	143.04	142.18	(16.5)
Bank Loans to Private Sector	49.77	54.50	41.42	40.30	39.64	38.60	(29.2)
Money Supply M2	42.11	46.73	39.02	39.25	40.21	40.94	(12.4)
Money Supply M3	134.55	138.83	129.51	129.48	130.53	130.92	(5.7)
LBP Lending Rate (%)	9.09	10.92	6.84	7.15	7.14	7.89	(303)
LBP Deposit Rate (%)	7.36	9.13	4.16	3.76	3.47	3.35	(578)
USD Lending Rate (%)	10.84	10.26	7.49	7.42	7.54	7.54	(272)
USD Deposit Rate (%)	4.62	6.57	1.64	1.49	1.28	1.15	(542)

*year-on-year **figures for the period reflect the first eight 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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	18.50	9.0	270,371	27.5%	Apr 2021	8.25	14.50	2,188.41
Byblos Common	0.53	1.9	225,167	4.5%	Oct 2022	6.10	14.00	151.06
Audi GDR	1.10	0.0	45,000	2.0%	Jan 2023	6.00	13.50	125.09
Solidere "B"	18.29	9.2	42,102	17.7%	Jun 2025	6.25	13.38	50.90
BLOM GDR	2.20	9.5	13,500	2.4%	Nov 2026	6.60	13.38	37.22
HOLCIM	14.50	6.2	200	4.2%	Feb 2030	6.65	13.25	23.38
Audi Listed	1.22	0.0	-	10.7%	Apr 2031	7.00	13.50	20.42
BLOM Listed	2.07	0.0	-	6.6%	May 2033	8.20	13.50	16.87
Byblos Pref. 08	43.00	0.0	-	1.3%	Nov 2035	7.05	13.50	13.97
Byblos Pref. 09	40.00	0.0	-	1.2%	Mar 2037	7.25	13.50	12.74

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

Source: Refinitiv

	Dec 28-30	Dec 21-24	% Change	Dec 2020	Dec 2019	% Change
Total shares traded	650,340	407,403	59.6	3,480,130	1,527,358	128
Total value traded	\$5,833,703	\$4,826,906	21	\$29,046,630	\$24,640,092	18
Market capitalization	\$6.72bn	\$6.43bn	4.5	\$6.72bn	\$7.76bn	(13.3)

Source: Beirut Stock Exchange (BSE)



Cost of sending remittances from most sources decreases in fourth quarter of 2020

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 4.47% in the fourth quarter of 2020, constituting a decrease from 5.29% in the third quarter of 2020 and from 5.53% in the fourth quarter of 2019. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$22.33 in the fourth quarter of 2020 compared to \$26.45 in the preceding quarter and to \$27.65 in the fourth quarter of 2019. Lebanon was the 14th most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 4.04% in the fourth quarter of 2020 for a transfer of CAD500, down from 6.54% in the third quarter of 2020 and from 7.35% in the fourth quarter of 2019. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD20.22 in the fourth quarter of 2020 relative to CAD32.7 in the previous quarter and to CAD36.77 in the fourth quarter of 2019. Lebanon was the third costliest destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.11% in the fourth quarter of 2020 for a transfer of AUD500, representing a decrease from 7.46% in the third quarter of 2020 and from 7.23% in the fourth quarter of 2019. The cost of sending AUD500 from Australia to Lebanon was AUD35.54 in the fourth quarter of 2020 relative to AUD37.31 in the preceding quarter and to AUD36.16 in the fourth quarter of 2019. Lebanon was the fourth most expensive destination for sending AUD500 from Australia among 16 countries with available data.

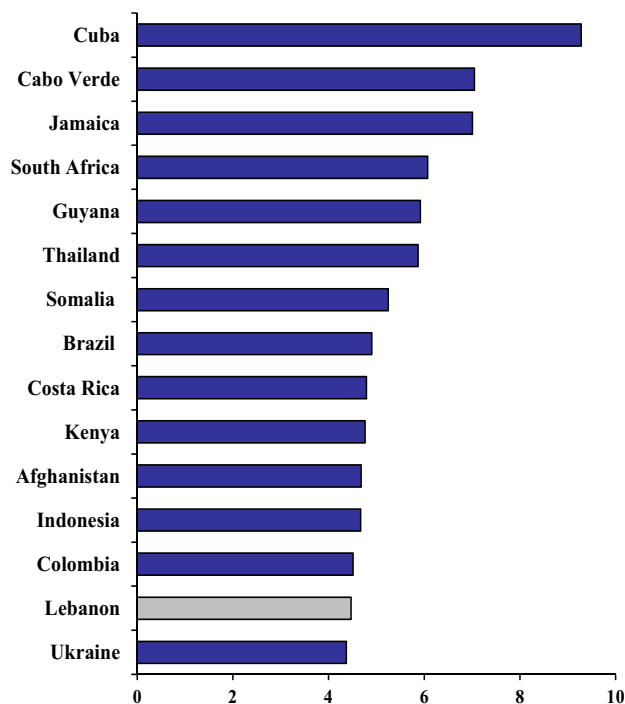
In addition, the cost of sending remittances from France to Lebanon was 7.4% in the fourth quarter of 2020 for a transfer of €345, constituting a slight decline from 7.43% in the third quarter of 2020 and compared to 6.75% in the fourth quarter of 2019. In nominal terms, the cost of sending €345 from France to Lebanon was €25.54 in the fourth quarter of 2020 compared to €25.64 in the previous quarter and to €23.3 in the fourth quarter of 2019. Lebanon was the most expensive destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 7.11% in the fourth quarter of 2020 for a transfer of £300, and regressed from 7.49% in the third quarter of 2020 and from 7.91% in the fourth quarter of 2019. In nominal terms, the cost of sending £300 from the UK to Lebanon was £21.34 in the fourth quarter of 2020 relative to £22.46 in the preceding quarter and to £23.73 in the fourth quarter of 2019. Lebanon was the seventh most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 6.92% in the fourth quarter of 2020 for a transfer of €345, constituting an increase from 6.52% in the third quarter of 2020 and a decrease from 7.33% in the fourth quarter of 2019. In nominal terms, the cost of sending €345 from Germany to Lebanon was €23.88 in the fourth quarter of 2020 relative to €22.49 in the previous quarter and to €25.28 in the fourth quarter of 2019. Lebanon was the fourth most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.9% in the fourth quarter of 2020 for a transfer of SAR1,870, equivalent to \$500, constituting a rise from 2.5% in the third quarter of 2020 and a drop from 2.96% in the fourth quarter of 2019. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR54.17 in the fourth quarter of 2020, relative to SAR46.81 in the preceding quarter and to SAR55.35 in the fourth quarter of 2019. Lebanon was the sixth most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations for Sending Remittances from the United States* (%)



*cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Surveyed economists forecast Lebanon's real GDP to contract by 26% in 2020

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy estimated that economic activity contracted by 25.9% in 2020 compared to an earlier forecast of a contraction of 17.8% in the September 2020 survey. Respondents also projected Lebanon's real GDP to stagnate in 2021 compared to a forecasted contraction of 1.5% in the September survey. The individual estimates for 2020 ranged from contractions of 20.6% to 35%, while the consensus among 66.7% of participants is that the contraction in real GDP ranged between 25% and 27.2% in 2020. In addition, the individual forecasts of growth rates for 2021 ranged from -10% to 6.2%, while the consensus forecast among 62.5% of participants is that the real GDP growth rate would range between zero percent and 6.2% in the upcoming year. The results displayed a median real GDP contraction figure of 25% for 2020, compared to a median real GDP retreat of 15% in the September survey, as well as a median real GDP growth figure of 1% for 2021. Bloomberg conducted the poll in December 2020, and the survey's results are based on the opinions of nine economists and analysts based in Lebanon and abroad.

Further, participants estimated Lebanon's average inflation rate at 97.6% in 2020, compared to a projection of 59.2% in the September survey. They forecast the inflation rate to average 42.3% in 2021. The estimates of polled economists for the direction of consumer prices in 2020 ranged from 85.5% to 138%, while 77.8% of participants considered that the inflation rate stood at between 85.5% and 100% in 2020. The opinions of surveyed analysts differed on the direction of consumer prices in 2021 with expectations ranging from 15% to 76.4%, while 62.5% of participants predicted that the inflation rate would be between 15% and 50% in the upcoming year. The poll's results revealed a median inflation rate of 90% for 2020, compared to 45% in the September survey, as well as a median of 43.5% for 2021.

In parallel, surveyed analysts estimated Lebanon's fiscal deficit at 10.9% of GDP in 2020, compared to a previous forecast of a deficit of 11.6% of GDP in the September survey, and projected the deficit at 10% of GDP in 2021. The estimates of polled economists for the fiscal deficit ranged from 4.7% of GDP to 15% of GDP in 2020, with a median deficit of 10.9% of GDP. They also expected the fiscal deficit at between 6.9% of GDP and 14.8% of GDP in 2021, with a median deficit of 8.5% of GDP. Further, surveyed analysts estimated the current account deficit at 15.1% of GDP in 2020 compared to a previous forecast of a deficit of 16.6% of GDP in the September survey, and projected the deficit to narrow to 13.2% of GDP in 2021. The estimations of polled economists for the current account deficit ranged from 11.5% of GDP to 19.7% of GDP in 2020, with a median deficit of 15.4% of GDP for 2020. The survey's participants expected the current account deficit to range between 7.6% of GDP and 18.5% of GDP in 2021, with a median deficit of 13% of GDP for 2021.

In parallel, only one respondent assigned a median probability of 75% for Lebanon to enter into a recession in the next 12 months.

Amount of cleared checks down 3%, returned checks down 38% in first 11 months of 2020

The amount of cleared checks reached \$49.1bn in the first 11 months of 2020, constituting a decrease of 3.2% from \$50.7bn in the same period of 2019. In comparison, the amount of cleared checks dropped by 17% year-on-year in the first 11 months of 2019 and by 1.5% annually in the same period of 2018. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar.

The amount of cleared checks in Lebanese pounds reached the equivalent of \$18bn in the first 11 months of 2020 and regressed by 9% from the same period last year, while the amount of cleared checks in foreign currencies was \$31.1bn and increased by a marginal 0.5% in the covered period. The dollarization rate of cleared checks expanded from 61% in the first 11 months of 2019 to 63.3% in the same period of 2020. There were 5.4 million cleared checks in the first 11 months of 2020, down by 41% from 9.1 million cleared checks in the same period of 2019. The number of checks denominated in foreign currencies accounted for 51% of total cleared checks in the first 11 months of 2020.

In addition, the amount of cleared checks reached \$4bn in November 2020, constituting a decrease of 12.4% from \$4.5bn in the preceding month and a decline of 24.2% from \$5.2bn in November 2019. Also, the amount of cleared checks in Lebanese pounds reached the equivalent of \$1.7bn in November and declined by 9.3% from \$1.9bn in October 2020 and by 24.6% from \$2.2bn in November 2019, while the amount of cleared checks in foreign currencies decreased by 14.6% month-on-month and by 24% year-on-year to \$2.2bn in November 2020. There were 427,496 cleared checks in November 2020 relative to 464,932 cleared checks in the preceding month and to 804,938 cleared checks in November 2019.

In parallel, the amount of returned checks in local and foreign currencies was \$899m in the first 11 months of 2020 compared to \$1.46bn in the same period of 2019 and to \$1.47bn in the first 11 months of 2018. This constitutes a decline of 38.4% in the first 11 months of 2020 relative to a decrease of 0.8% in the same period of 2019. The amount of returned checks in Lebanese pounds and in foreign currencies reached \$292.5m and \$608m, respectively, in the first 11 months of 2020, and decreased by 30.2% and 41.4% year-on-year, respectively. Also, there were 105,113 returned checks in the first 11 months of 2020, down by 64.3% from 294,362 returned checks in the same period of 2019. The number of returned checks in foreign currencies and in Lebanese pounds reached 57,093 and 48,020, respectively, in the first 11 months of 2020, and dropped by 69% and 56.4%, respectively, in the covered period. Further, the amount of returned checks in domestic and foreign currencies stood at \$57m in November 2020 compared to \$75.6m in the previous month and to \$319.7m in November 2019. Also, there were 4,121 returned checks in November 2020, relative to 4,557 returned checks in October 2020 and to 81,782 checks in November 2019.



Consumer Price Index up 134% in November 2020

The Central Administration of Statistics' Consumer Price Index increased by 79% in the first 11 months of 2020, compared to a growth of 2.5% in the same period of 2019.

The CPI expanded by 133.5% in November 2020 from the same month of 2019, while it registered its fifth consecutive triple-digit increase and its second largest rise based on monthly data from December 2007. The cumulative surge in inflation in the first 11 months of 2020 is due in part to the inability of authorities to monitor and contain prices, as well as to the deterioration of the Lebanese pound's exchange rate on the parallel market, which has encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. According to the International Monetary Fund, the CPI averaged 487.2% in 1987 and ended the year at 741.2%, constituting the highest inflation rates on record.

The prices of furnishings & household equipment surged by 7.7 times in November 2020 from the same month last year, followed by prices at restaurants & hotels (+7 times), prices of clothing & footwear (+5.6 times), prices of food & non-alcoholic beverages (+5.2 times), the cost of alcoholic beverages & tobacco (+5 times), the cost of miscellaneous goods & services (+3.6 times), the cost of recreation & entertainment (+3.2 times), and transportation costs (+2.3 times). In addition, the cost of communication increased by 86% year-on-year in November 2020, followed by the prices of water, electricity, gas & other fuels (+22.3%), healthcare costs (+17.3%), actual rent (+11.5%), the cost of education (+10.3%), and imputed rents (+6.5%). Also, the distribution of actual rents shows that old rents grew by 15.8% and new rents increased by 8.6% year-on-year in November 2020.

In parallel, the CPI grew by 0.52% in November 2020 from the previous month, compared to a month-on-month rise of 4% in October 2020. The cost of furnishings & household equipment increased by 6.1% month-on-month in November 2020, followed by clothing & footwear and recreation & entertainment (+2% each), miscellaneous goods & services (+1.5%), prices at restaurants & hotels and of alcoholic beverages & tobacco (+1% each), prices of food & non-alcoholic beverages (+0.6%), and healthcare costs (+0.4%). In contrast, the cost of transportation dropped by 0.8%. Further, the cost of communication, education, actual rent, and imputed rent, as well as the prices of water, electricity, gas & other fuels were nearly unchanged month-on-month in November 2020.

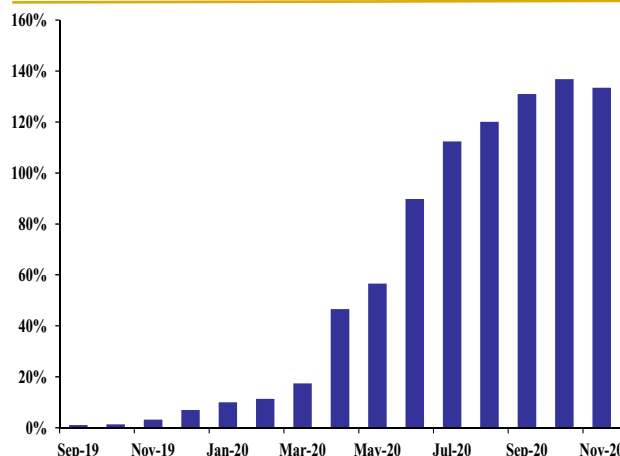
Further, the CPI increased in Beirut by 1.7%, the South by 1%, Mount Lebanon by 0.5%, and the Bekaa by 0.4% in November 2020. Also, the CPI was nearly unchanged in both the North and Nabatieh in November 2020. In parallel, the Education Price Index was unchanged, while the Fuel Price Index decreased by 3% month-on-month in November 2020.

Revenues through Port of Beirut down 45% to \$92m in first 10 months of 2020

Figures released by the Port of Beirut show that the port's revenues reached \$92.4m in the first 10 months of 2020, constituting a decline of 44.5% from \$166.5m in the same period of 2019. The Beirut Port processed 3.7 million tons of freight in the covered period, down by 36% from 5.7 million tons in the first 10 months of 2019. Imported freight amounted to 3 million tons in the first 10 months of the year, as they regressed by 40% from 5.1 million tons in the same period of 2019 and accounted for 82.5% of total freight. In addition, export cargo reached 643,000 tons in the covered period and declined by 5% from 676,000 tons in the first 10 months of 2019. It represented 17.5% of total freight in the first 10 months of 2020. A total of 1,153 vessels docked at the port in the first 10 months of the year, representing a decrease of 23.2% from 1,502 ships in the same period of 2019. The decrease in revenues and the contraction in activity at the Beirut Port in the covered period are mainly due to the deterioration of economic and financial conditions in Lebanon, to the coronavirus pandemic, as well as to the August 4 explosion at the port that led to substantial damages and to its closure for more than eight days. Further, revenues generated through the Beirut Port reached \$7.5m in October 2020 and decreased by 30% from \$10.8m in September, despite the increase in the aggregate freight that the port handled from 372,000 tons in September to 417,000 tons in October. In addition, 129 vessels docked at the port in October, up by 34.4% from 96 ships in September 2020.

In parallel, revenues generated through the Port of Tripoli reached \$10.9m in the first 10 months of 2020, constituting a decrease of 13.8% from \$12.6m in the same period of 2019. The Tripoli Port handled 1.76 million tons of freight in the covered period, which regressed by 1.8% from 1.8 million tons in the same period of 2019. Imported freight amounted to 1.29 million tons in the first 10 months of 2020 and declined by 2.5% from 1.33 million tons in the same period of last year. It accounted for 73.6% of total freight in the covered period. In parallel, exported cargo reached 463,434 tons, or 26.4% of total freight, nearly unchanged from 463,703 tons in the first 10 months of 2019. A total of 501 vessels docked at the port in the covered period, decreasing by 4.6% from 525 ships in the same period of 2019. Further, revenues generated through the Port of Tripoli declined by 20% from \$1.8m in September to \$1.4m in October 2020. The port handled 224,047 tons of freight in October, constituting a decline of 16.2% from 267,239 tons in September. In contrast, 77 vessels docked at the port in October, increasing by 18.5% from 65 ships in September 2020.

Annual Change in CPI (%)



Source: Central Administration of Statistics, Byblos Research

Lebanon has 92nd highest level of human development globally, eighth highest among Arab countries

The United Nations ranked Lebanon in 92nd place among 189 countries worldwide and in eighth place among 20 Arab countries on its Human Development Index (HDI) for 2019. Also, Lebanon ranked in 29th place among 53 upper middle-income countries (UMICs) included in the index. Lebanon's global rank regressed by two notches from the 2018 index. Also, Lebanon's global rank declined by six notches from 86th place in the 2014 survey and by 28 spots from the 2010 index. The 28 notches decline in Lebanon's rank between 2010 and 2019 is the fifth steepest globally.

The HDI uses the life expectancy, education, and income dimensions to assess the level of human development in a country. The United Nations considered that Lebanon has a "high-level" of human development, unchanged from the preceding survey. Further, Lebanon was one of 53 countries worldwide that have a "high-level" of human development. Norway has the highest level of human development in the world, while Niger has the lowest level.

Lebanon received a score of 0.744 points on the HDI in 2019, down from 0.747 in 2018 and compared to 0.748 in 2014 and 0.766 in 2010. Also, Lebanon's score was lower than the average score of 0.753 of countries that have a "high-level" of human development, while it was higher than the global average of 0.737 points and the Arab states' average of 0.705 points.

Globally, Lebanon had a higher development level than Fiji, Dominica and the Maldives, and a lower level of human development than the Dominican Republic, Moldova and Algeria. Figures on individual components of the index show that Lebanon's results on the life expectancy at birth and the mean years of schooling categories continue to be higher than the corresponding global averages, as well as higher than the averages of Arab countries and of countries with a "high-level" of human development.

In parallel, Lebanon ranked in 96th place among 162 countries globally and in ninth place among 18 Arab countries on the Gender Inequality Index (GII), which measures gender-based disadvantages in reproductive health, empowerment and the labor market. Lebanon also ranked in 32nd place among 47 UMICs included in the index. The GII's scores range from zero to one, with smaller scores indicating lower levels of inequalities. Lebanon received a score of 0.411 points on the GII, better than the global and Arab averages of 0.436 points and 0.518 points, respectively, but worse than the average score of 0.340 points in countries that have a "high-level" of human development.

In terms of demographic trends, the United Nations estimated Lebanon's young-age dependency ratio at 38.1% in 2019, which is the ratio of Lebanese aged 14 years or younger to those in the 15 to 64 year-old bracket. In comparison, it said that the young-age dependency ratio was 39.2% worldwide, 51.9% in Arab countries and 31.6% in countries that have a "high-level" of human development in 2019. Further, it estimated Lebanon's old-age dependency ratio at 10.8% in 2019, which is the ratio of Lebanese who are 65 years or older to those in the 15 to 64 year-old bracket. In comparison, it noted that the old-age dependency ratio was 14% globally, 7.5% in Arab countries and 13.8% in countries that have a "high-level" of human development in 2019.

Human Development Index 2019

	Arab Rank	Global Rank	Category*
UAE	1	31	Very High
Saudi Arabia	2	40	Very High
Bahrain	3	42	Very High
Qatar	4	45	Very High
Oman	5	60	Very High
Kuwait	6	64	Very High
Algeria	7	91	High
Lebanon	8	92	High
Tunisia	9	95	High
Jordan	10	102	High
Libya	11	105	High
Palestine	12	115	High
Egypt	13	116	High
Morocco	14	121	Medium
Iraq	15	123	Medium
Syria	16	151	Medium
Mauritania	17	157	Low
Djibouti	18	166	Low
Sudan	19	170	Low
Yemen	20	179	Low

*Level of human development

Source: UNDP, Byblos Research

Components of the 2019 Human Development Index

	Life expectancy at birth (years)	Mean years of schooling (years)	Expected years of schooling (years)	GNI per capita* (US\$)
Lebanon	78.9	8.7	11.3	14,655
Arab States	72.1	7.3	12.1	14,869
World	72.8	8.5	12.7	16,734

*At 2017 Purchasing Power Parity

Source: UNDP, Byblos Research

Main U.S. exports to Lebanon include minerals, vehicles and chemical products

The United States Department of Commerce's 2020 Country Commercial Guide (CCG) for Lebanon indicated that the challenging conditions that Lebanon is facing have affected the country's potential as a market for U.S. goods and services. It stressed that there will be opportunities for U.S. companies in Lebanon if authorities implement overdue economic and governance reforms, attract foreign capital, stabilize the exchange rate, and recapitalize the financial sector. It added that the Lebanese economy has offered in the past unique market opportunities for U.S. firms and encouraged several U.S. companies to set up offices in the country. It noted that Lebanon has the legal underpinnings of a free-market economy, a highly-educated labor force, and limited restrictions on investors, but pointed out that the economic and financial crisis in the country generated challenging market conditions. It added that the crisis disrupted the repatriation of profits by U.S. and other international firms, and that shortages of foreign currency liquidity has led some contracts to be fulfilled in Lebanese pounds rather than in US dollars. In addition, it said that some issues continue to cause frustration among local and foreign businesses. It pointed out that impediments include bureaucratic over-regulation and institutionalized corruption, arbitrary licensing decisions, complex customs procedures, outdated legislation, an ineffectual judicial system, high taxes and fees, elevated telecommunication charges and slow Internet speed, poor electricity provision, inconsistent interpretation of laws, as well as the weak enforcement of intellectual property rights. It added that Lebanon has fragmented and opaque tendering and procurement processes, which has been a deterrent for foreign investment.

The CCG said that the U.S. exported \$1.71bn worth of goods to Lebanon in 2019, which accounted for 8.9% of total Lebanese imports, compared to U.S. exports of \$1.44bn or 7.2% of Lebanese imports in 2018. It noted that the U.S. was the largest source of imports to Lebanon in 2019, followed by China, Greece, Russia and Italy. It added that major U.S. exports to Lebanon in 2019 were mineral fuel & oil (\$841m), vehicles (\$253m), chemical products (\$192m), machinery & electrical instruments (\$98m), vegetable products (\$96m), as well as prepared foodstuff, beverages and tobacco (\$54m). Further, it indicated that leading Lebanese sectors for U.S. exports and investments are the automotive market, the pharmaceuticals sector, medical equipment, the apparel sector, and the agricultural sector.

The CCG indicated that U.S. automotive exports to Lebanon dropped by 27% from \$343m in 2018 to \$253m in 2019. It noted that the size of the auto market in Lebanon decreased by 30% to \$1.12bn in 2019, and that the U.S. share of the local market stood at 21% during the year. It noted that demand for U.S. sport utility vehicles in Lebanon has been driven by their ability to withstand the country's poor road conditions and by their competitive prices. It anticipated that demand will remain for U.S. automotive products such as brakes, clutches, engine lubricants and safety accessories because of their quality advantage over foreign competitors. It projected U.S. automotive exports to Lebanon at \$66m in 2020 and at \$33m in 2021. In parallel, it said that U.S. agricultural exports to Lebanon totaled \$159m in 2019 and accounted for 5% of Lebanon's agricultural imports.

Further, the CCG said that U.S. pharmaceutical exports to Lebanon declined from \$151m in 2018 to \$147m in 2019 and accounted for 11.8% of the country's total pharmaceutical imports. It added that U.S. pharmaceutical products have an advantage over their European and Asian counterparts in the biotechnology, high-tech, anti-cancer and cardiovascular fields. It indicated that Lebanon is the leading market for imported pharmaceutical drugs in the Levant region, and that the size of the Lebanese pharmaceuticals market is estimated at about \$1bn. However, the U.S. Department of Commerce noted that the sector faces several challenges, such as the high production cost of pharmaceuticals, the presence of counterfeit products, as well as a weak regulatory framework governing pharmaceuticals. It projected U.S. pharmaceutical exports to Lebanon at \$96m in each of 2020 and 2021.

In addition, the CCG indicated that the exports of U.S. medical equipment to Lebanon declined from \$73m in 2018 to \$71m in 2019 and accounted for 21% of the country's total imports of medical equipment for the year. It forecast such exports at \$44m in 2020 and at \$30m in 2021. It considered that the sustained demand for U.S. medical equipment reflects their high quality and competitive value. Also, it said that U.S. apparel exports to Lebanon rose from \$7.3m in 2018 to \$7.9m in 2019 and accounted for 1.3% of the country's total apparel imports. It projected such exports to drop to \$2m in 2020 and \$1m in 2021.

Coincident Indicator down 36% in first seven months of 2020, reaches lowest level in July since September 2006

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, stood at 152.3 points in July 2020, compared to 152.8 in June 2020 and 304.3 in July 2019, and reached its lowest level since September 2006. The Coincident Indicator, an average of eight weighted economic indicators, regressed by a marginal 0.3% from the preceding month and dropped by 50% from July 2019. The annual decline of the indicator in July 2020 is the steepest on record and reflects the deterioration of economic and financial conditions in the country.

The indicator averaged 193.9 in the first seven months of 2020, constituting a retreat of 35.8% from an average of 302.1 in the same period of 2019 and representing its lowest level for the first seven months of a year since 2008. Also, the percentage drop in the indicator is the steepest on record in the first seven months of a year since BdL launched the indicator in 1993. The indicator averaged 229.5 in the 12 months ending July 2020, compared to an average of 242.2 in the 12-month period ending June 2020 and to an average of 302.5 in the 12 months ending July 2019. As a result, the 12-month average coincident indicator declined by 5.2% month-on-month and by 24.1% year-on-year.

In parallel, the indicator regressed 17 times and improved 11 times in the month of July since 1993. It averaged 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014, 278.6 points in 2015, 289.5 points in 2016, 305.9 points in 2017, 307.7 points in 2018, and 292.6 points in 2019.

Parliament lifts banking secrecy for one year on accounts of public institutions

The Lebanese Parliament passed on December 21, 2020 a law that lifts banking secrecy on the accounts of all ministries, public institutions and administrations, as well as of public bodies, agencies, councils and funds, and of all accounts at Banque du Liban (BdL). The law aims to facilitate the forensic audit of BdL that the government requested. As such, the law will suspend the banking secrecy law on these accounts for one year starting from the effective date of the law.

BdL Governor Riad Salamé welcomed Parliament's decision, and indicated that BdL will deliver the accounts of the public sector as well as the accounts of banks as per the request of the auditing firms. BdL previously handed over its own financial statements to the Ministry of Finance for the forensic audit. Governor Salamé stressed that BdL aims to facilitate the forensic audit, but it required a legal framework to hand over these accounts.

In November, 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 BdL. The firm attributed its decision to the fact that it did not receive all the needed information and documents that it requested 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, 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 on September 1, 2020 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".

Parliament enacts new laws, extends deadlines in existing laws

The Lebanese Parliament enacted on December 21, 2020 a law that authorizes the government to establish a partnership between the Lebanese Republic on one side, and the United Kingdom and Northern Ireland on the other side. The law aims to maintain the ties between the two sides, given that they have been governed by the agreement between the European Union and Lebanon, and that the United Kingdom is no longer a member of the European Union.

Also, Parliament ratified a law that extended for two years Law 107 dated November 30, 2018, which allowed *Electricité du Liban* to sign a two-year operating contract with *Electricité de Zahlé*, so that the latter continues to supply electricity to residents in Zahlé and 16 towns in the Bekaa.

Further, Parliament passed a law that suspends for a six-month period starting on January 2021 contractual obligations, such as penalties and fees, for bank clients who have not paid in part or in full their loan installments. Also, it extended for a period of six months the deadlines for the payments for some taxes and fees, and suspended over the same period of time the legal, judicial and contractual deadlines under Law 160, which was enacted on April 22, 2020 and was extended earlier for six months by Law 185 in August 2020.

In addition, Parliament approved a law that aims to protect the funds of the National Social Security Fund (NSSF) and of its beneficiaries. The law prohibits using the funds of the NSSF for any purpose other than what was originally intended. It stipulated that the parties that hold the NSSF's deposits or investments should reimburse them immediately in their initial currency upon the NSSF's request. It added that banks have to pay without delays the NSSF's contributions to its beneficiaries from the fund's accounts at banks.

Banque du Liban's foreign assets at \$24bn, gold reserves at \$17.3bn at end-2020

Banque du Liban's (BdL) interim balance sheet reached \$148.6bn at the end of 2020, constituting an increase of 5.2% from \$141.4bn at the end of 2019 and a decline of 4.8% from \$156.2bn at end-November 2020. Assets in foreign currency totaled \$24.1bn at end-2020, representing a drop of \$13.2bn, or 35.4%, from \$37.3bn at end-2019; and a decrease of \$942.6m, or 3.8% from end-November 2020. 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 \$19.1bn at end-2020, and fell by \$12.5bn, or by 39.6%, from the end of 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, by \$409m in November and by \$942.6m in December.

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 about 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 BdL's intervention in the currency market and to the banks' repayment of their foreign currency loans to BdL, mostly in September.

In parallel, the value of BdL's gold reserves amounted to \$17.3bn at end-2020, and increased by 24.3% from \$13.9bn at end-2019 and by 5.9% from \$16.4bn at the end of November 2020. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40bn at the end of 2020 and expanded by 5.3% from end-2019. In addition, loans to the local financial sector regressed by 4.4% from the end of 2019 and reached \$14.3bn at end-2020. Further, deposits of the financial sector stood at \$108bn at end-2020 and declined by \$4.1bn from end-2019. In addition, public sector deposits at BdL totaled \$4.5bn at end-2020 and regressed by \$905.4m from the end of 2019.

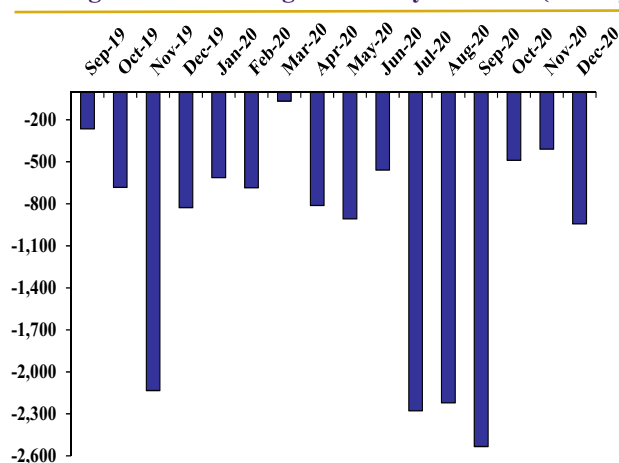
Construction activity at record low in second quarter of 2020

Banque du Liban's quarterly business survey about the opinions of business managers shows that general construction activity deteriorated sharply in the second quarter of 2020, with the balance of opinions standing at -81 relative to -75 in the first quarter of 2020 and to -48 in the second quarter of 2019. The balance of opinions for general construction activity in the second quarter of 2020 reached its lowest quarterly level since the first quarter of 2004, due to disruptions to economic activity following the worsening of economic and financial conditions in the country, as well as to the lockdown measures that the government imposed in March to contain the outbreak of the COVID-19 pandemic. 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 and the proportion of those who reported a decline in a particular indicator.

The balance of opinions about construction activity was -78 in the second quarter of 2020 compared to -76 in the preceding quarter and to -50 in the second 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 (-98), the South (-53), and the North (-35). Also, the balance of opinions about public works stood at -76 in the second quarter of 2020 compared to -79 in the first quarter of 2020 and to -36 the second quarter of 2019, and reached its second lowest quarterly level since 2004. Opinions about the level of public works were the lowest in the Bekaa and Beirut & Mount Lebanon at -100 each, followed by the South (-80), and the North (zero).

In parallel, the balance of opinions about the portfolio of projects was -96 in the second quarter of 2020 relative to -87 in the preceding quarter and to -49 in the second 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 the North and the South at -100 each, followed by Beirut & Mount Lebanon (-97), and the Bekaa (-89). Further, the balance of opinions about construction costs reached +56 in the second quarter of 2020, compared to +51 in the preceding quarter and -5 in the second quarter of 2019.

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



Source: Banque du Liban

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q2-17	Q2-18	Q2-19	Q2-20
General activity	-33	-48	-48	-81
Construction	-31	-53	-50	-78
Public works	-37	-41	-36	-76
Portfolio of projects	-36	-55	-49	-96
Construction costs	0	16	-5	56
Investments (% of yes)	25%	25%	19%	4%

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

Trade deficit narrows by 58% annually to \$5.3bn in first nine months of 2020

Total imports reached \$7.9bn in the first nine months of 2020, constituting a decrease of 48.5% from \$15.3bn in the same period of 2019; while aggregate exports declined by 6.2% to \$2.6bn in the covered period. As such, the trade deficit narrowed by 58% year-on-year to \$5.25bn in the first nine months of 2020 due to a decline of \$7.4bn in imports, which was marginally offset by a reduction of \$174m in exports.

Non-hydrocarbon imports decreased by \$4.6bn to \$5.5bn in the first nine months of 2020, while imports of oil & mineral fuels declined by \$2.8bn to \$2.4bn and accounted for 30% of total imports in the covered period. Lebanon imported 6.3 million tons of mineral fuel & oil in the first nine months of 2020 relative to 10.2 million tons in the same period of 2019.

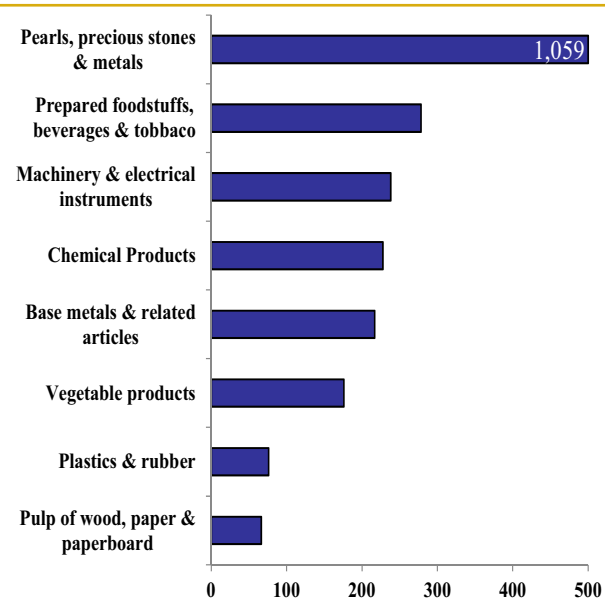
The exports of chemical products dropped by \$51.3m, or by 18.4%; followed by a fall of \$46.2m (-41%) in the exports of pulp of wood; a decrease of \$45.7m (-16%) in the exports of machinery & electrical instruments; a contraction of \$45.5m (-37.4%) in the exports of plastics & rubber; a retreat of \$37.1m (-69.3%) in exported mineral products; a decline of \$34.3m (-3%) in the exports of pearls, precious stones and metal; a reduction of \$14.6m (-6.3%) in exported base metals; a contraction of \$6.1m (-14%) in the exports of animal or vegetable fats & oils; a decrease of \$3.6m (-39%) in the exports of wood & cork, and a retreat of \$1.8m (-5%) in textile exports. The drop in exports was offset in part by the exports of vegetable products that grew by \$57.7m (+48.7%); a rise of \$36.6m (+182%) in exported vehicles, aircraft & vessels; an expansion of \$10.2m (+51%) in the exports of animal products; a growth of \$4.1m (+42.6%) in the exports of optical, photographic, medical, & musical instruments; and an increase of \$3.5m (+1.3%) in the exports of prepared foodstuff, beverages & tobacco.

Exports to Turkey jumped by 43.6% in the first nine months of 2020, those to Kuwait rose by 32%, exports to the U.S. expanded by 29%, those to Egypt grew by 13.5%, exports to Switzerland increased by 11.8%, and those to Qatar improved by 8.4%. In contrast, exported goods to Syria dropped by 50% in the covered period, those to the UAE fell by 16.6%, exports to Iraq decreased by 15%, and those to Saudi Arabia regressed by 12.4%. Re-exports totaled \$189m in the first nine months of 2020 compared to \$410.2m in the same period of 2019. The Hariri International Airport was the exit point for 48% of Lebanon's exports in the first nine months of 2020, followed by the Port of Beirut (40.4%), the Port of Tripoli (4.8%), the Masnaa crossing point (4.4%), the Port of Saida (1.5%), and the Arida crossing point (0.8%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$1.2bn in the first nine months of 2020 and that declined by 22% from the same period of 2019. Imports of vegetable products followed with \$593m (-19.2%); then imported jewelry with \$590.8m (-20.2%); imports of prepared foodstuff with \$560m (-41.5%); machinery & electrical instruments with \$515m (-61.4%); animal products with \$389.7m (-40.6%); vehicles, aircraft & vessels with \$312.6m (-67.7%); and base metals with \$248.2m (-63.8%). The Port of Beirut was the entry point for 63.6% of Lebanon's merchandise imports in the first nine months of 2020, followed by the Hariri International Airport (23.6%), the Port of Tripoli (8%), the Port of Saida (3.4%), and the Masnaa crossing point (1%).

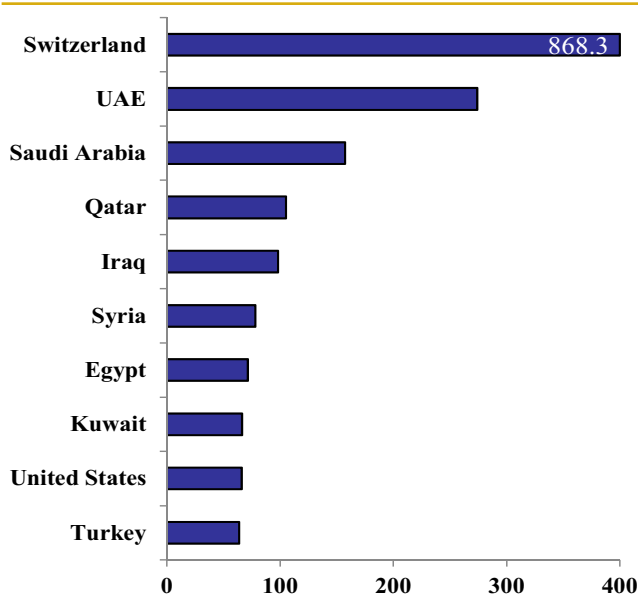
Greece was the main source of imports with \$636.2m and accounted for 8% of the total in the first nine months of 2020, followed by the U.S. with \$572.2m (7.3%), Italy with \$537m (6.8%), China with \$503m (6.4%), Turkey with \$479.8m (6%), Russia with \$439.7m (5.6%), the UAE with \$427.3m (5.4%), Germany with \$399.1m (5%), France with \$268.4m (3.4%), and Switzerland with \$228.4m (3%). Imported goods from Russia dropped by 62.4%, those from China fell by 61.7%, imports from the U.S. declined by 56.8%, those from France decreased by 56.6%, imported goods from Italy contracted by 48.2%, those from Germany fell by 47.5%, imports from Greece dropped by 40%, those from Turkey declined by 24.3%, imported goods from the UAE decreased by 3.6%, and those from Switzerland regressed by 0.4% year-on-year in the first nine months of 2020.

Main Lebanese Exports in First Nine Months of 2020 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in First Nine Months of 2020 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Stock market capitalization down 13% to \$6.7bn at end of 2020

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 49,901,171 shares in 2020, constituting a decline of 75% from 199,590,991 shares traded in 2019; while aggregate turnover amounted to \$242.5m and decreased by 73.1% from a turnover of \$901.6m in 2019. The sharp decline in the volume and turnover during 2020 came from a high base in 2019 as a result of 10 block trades in the shares of four listed companies. The market capitalization of the BSE reached \$6.7bn at the end of 2020 and regressed by 13.3% from \$7.8bn at the end of 2019, with banking stocks accounting for 49.5% of the total, followed by real estate equities (45.2%), industrial shares (4.8%), and trading firms' equities (0.5%). The market liquidity ratio was 3.6% in 2020 compared to 11.6% in 2019.

Banking stocks accounted for 68.7% of the trading volume in 2020, followed by real estate equities with 30.8%, industrial shares with 0.4%, and trading firms' equities with 0.1%. Also, real estate equities accounted for 77.3% of the aggregate value of shares traded, followed by banking stocks with 22%, industrial stocks with 0.7%, and trading firms' equities with 0.1%. The average daily traded volume for 2020 was 211,446 shares for an average daily amount of \$1m. The figures reflect a decrease of 76% in the average daily traded volume and a drop of 74.1% in the average amount in 2020. In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE rose by 242.4% in 2020, while the CMA's Banks Market Value-Weighted Index regressed by 38.1% in the covered year. The increase in the Market Value-Weighted Index is mainly due to the surge in the prices of Solidere A and of Solidere B shares by 153.4% and 151%, respectively, from end-2019, which, in turn, led to a rise in their market weights to 27.5% and 17.7%, respectively, at end-2020, the highest among listed companies on the BSE.

Import activity of top five shippers and freight forwarders down 47% in first 10 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 124,962 20-foot equivalent units (TEUs) in the first 10 months of 2020, constituting a decrease of 47.4% from 237,470 TEUs in the same period of 2019. The five shipping and freight-forwarding firms accounted for 77.8% of imports to the Lebanese market for local use and for 41% of the total import freight market, which includes transshipments to other ports, in the covered period. Mediterranean Shipping Company (MSC) handled 38,354 TEUs in imports in the first 10 months of 2020, or 12.6% of the total import freight market. Merit Shipping followed with 33,040 TEUs (10.8%), then MAERSK with 24,427 TEUs (8%), Gezairy Transport with 16,363 TEUs (5.4%) and Tourism & Shipping Services with 12,778 TEUs (4.2%). The five shipping and freight forwarding companies registered year-on-year decreases in import shipping in the first 10 months of 2020, with MSC posting a decline of 60%, the steepest among the top five firms. The import shipping operations of the five companies through the port increased by 30.6% in October 2020 from the preceding month, following a rise of nearly 11% in September 2020, as activity in the Beirut port continued to recover following the August 4 explosion at the port.

In parallel, export-shipping operations by the top five shipping and freight-forwarding firms through the Port of Beirut reached 58,343 TEUs in the first 10 months of 2020, constituting an increase of 8.4% from 53,828 TEUs in the same period of 2019. The five shipping companies and freight forwarders accounted for nearly 90% of exported Lebanese cargo and for 18.8% of the total export freight market that includes transshipments through Lebanese ports. Merit Shipping handled 32,063 TEUs of freight in the covered period, equivalent to 49.3% of the Lebanese cargo export market. MAERSK followed with 12,027 TEUs (18.5%), then Sealine Group with 6,279 TEUs (9.7%), Tourism & Shipping Services with 4,241 TEUs (6.5%), and Metz Group with 3,733 TEUs (5.7%). MAERSK registered a year-on-year increase of 21% in export shipping in the first 10 months of 2020, the highest growth rate among the top five shipping and freight forwarding companies; while Metz Group posted a drop of 42%, the steepest decline among the remaining top four firms. The export-shipping operations of the top five companies decreased by 7% in October 2020 from the previous month, following an expansion of 70.8% in September.

Bank Audi Group sells operations in Iraq, Jordan and Syria

Banque BEMO Saudi Fransi (BBSF), the affiliate of Banque BEMO Lebanon in Syria, announced on December 24, 2020 that it acquired a 49% stake in Bank Audi Syria through its purchase of the 47% share of Bank Audi Group in the bank and a 2% share from other shareholders. The two parties indicated that the transaction received the preliminary approval of the Central Bank of Syria, but that it remains subject to the final approval of other related supervisory and regulatory authorities. BBSF was established in 2004 and had assets of SYP601bn, or \$478.6m, while Bank Audi Syria launched its operations in 2005 and its aggregate assets reached SYP246bn, or \$196m, at the end of September 2020.

In parallel, the Jordan-based Capital Bank Group announced on December 29, 2020 that it acquired the assets and liabilities of Bank Audi Group's units in Iraq and Jordan. The deal stipulates that Capital Bank will acquire the operations of Bank Audi's branches in Jordan; while the National Bank of Iraq, a subsidiary of Capital Bank Group, will take over the operations of Bank Audi's branches in Iraq. The two sides indicated that they received the preliminary approvals of the Central Bank of Jordan and the Central Bank of Iraq for the transactions, but noted that the completion of the deals awaits the final approval of the related supervisory and regulatory authorities. Bank Audi's assets in Jordan reached JD506m, or \$713.7m, while the assets of its branches in Iraq totaled IQD275bn, or \$225m, at the end of September 2020. It has 14 branches in Jordan and five branches in Iraq.

In addition, Bank Audi Group is in exclusive negotiations with First Abu Dhabi Bank to sell Bank Audi sae, its fully-owned subsidiary in Egypt.



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	99.4
Nominal GDP (US\$ bn)	55.0	51.3	25.8
Real GDP growth, % change	-1.9	-6.7	-26.4
Private consumption	-1.3	-7.3	-23.4
Public consumption	6.7	2.5	-64.7
Gross fixed capital	-1.8	-11.1	-32.2
Exports of goods and services	0.5	-4.0	-31.6
Imports of goods and services	1.1	-4.9	-39.5
Consumer prices, %, average	6.1	2.9	85.2
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	5,528
Weighted average exchange rate LBP/US\$	1,507.5	1,575	3,853

Source: Institute of International Finance- December 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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