

LEBANON THIS WEEK

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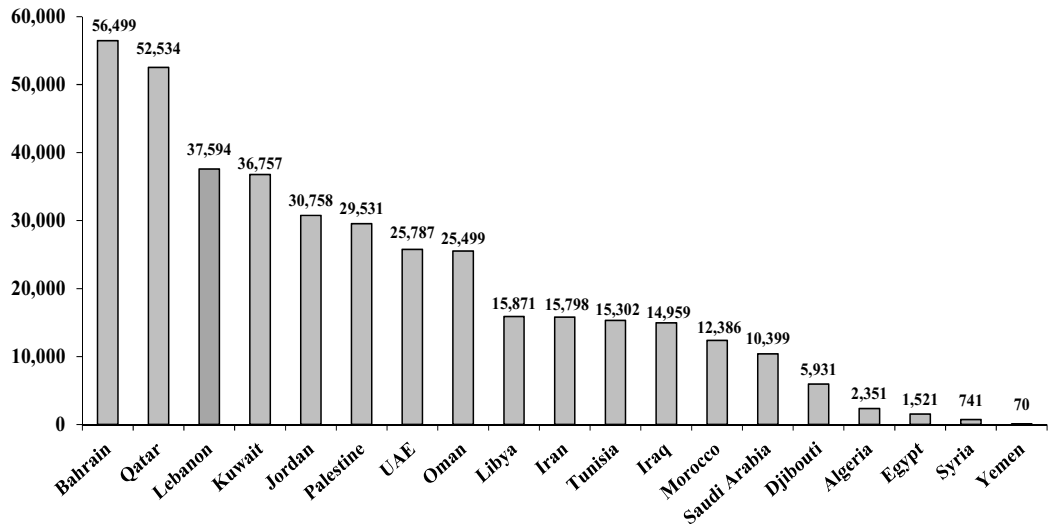
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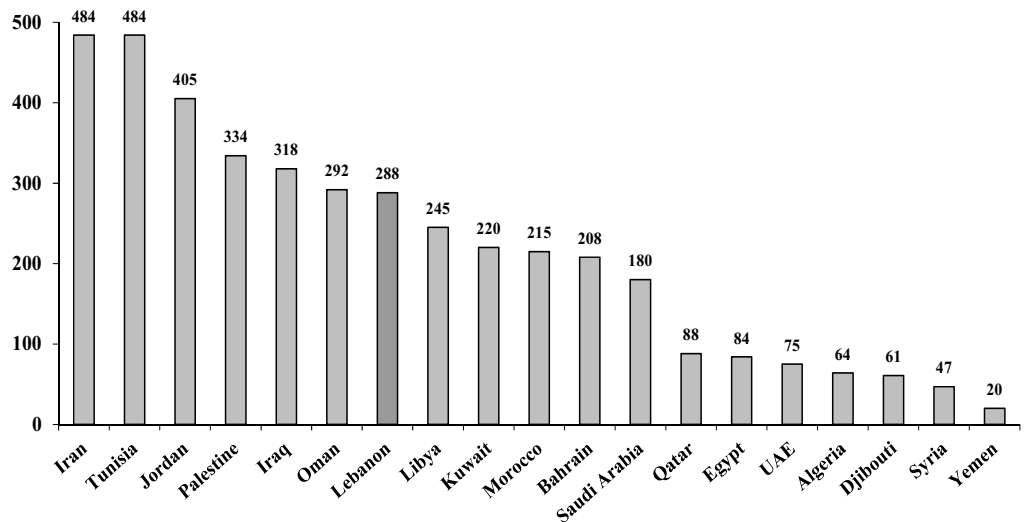
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Charts of the Week

Number of Total COVID-19 Cases per One Million Persons in MENA Countries*



Number of Total COVID-19-Related Deaths per One Million Persons in MENA Countries*



*as of January 18, 2021

Source: World Bank Group, Byblos Bank

Quote to Note

"The removal of subsidies or phased-in price increases, accompanied by a well-designed social safety net that includes cash transfers to the poor, could yield significant improvements in the well-being of low-income groups."

The Institute of International Finance, on the benefits of modifying the current subsidies mechanism

Number of the Week

0.97%: The weighted average interest rate on foreign currency deposits at Lebanese banks in November 2020, according to the Association of Banks in Lebanon

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Nov 2019	Jan-Nov 2020	% Change*	Nov-19	Oct-20	Nov-20
Exports**	3,731	2,806	2,632	(6.2)	309	-	-
Imports**	19,239	15,304	7,878	(48.5)	1,281	-	-
Trade Balance**	(15,508)	(12,498)	(5,246)	(58.0)	(972)	-	-
Balance of Payments	(5,851)	(5,010)	(10,203)	103.6	1,143	(380)	(214)
Checks Cleared in LBP	22,146	19,743	17,995	(8.9)	2,232	1,855	1,683
Checks Cleared in FC	34,827	30,928	31,079	0.5	2,946	2,626	2,242
Total Checks Cleared	56,973	50,671	49,074	(3.2)	5,178	4,481	3,925
Fiscal Deficit/Surplus***	(5,837)	(2,952)	(2,535)	(14.1)	(892)	-	-
Primary Balance***	(287)	368	(1,136)	-	17	-	-
Airport Passengers	8,683,719	8,138,752	2,219,845	(72.7)	438,674	242,817	220,333
Consumer Price Index (%)	2.9	2.5	79.0	7650	3.2	136.8	133.5

\$bn (unless otherwise mentioned)	Dec-19	Nov-19	Aug-20	Sep-20	Oct-20	Nov-20	% Change*
BdL FX Reserves	29.55	30.15	22.76	20.00	19.46	19.03	(36.9)
In months of Imports	21.95	23.54	28.48	20.95	-	-	-
Public Debt	91.64	89.48	94.27	94.81	95.04	-	-
Bank Assets	216.78****	259.69	195.71	192.57	191.09	190.31	(26.7)
Bank Deposits (Private Sector)	158.86	162.60	143.04	142.18	140.96	139.91	(14.0)
Bank Loans to Private Sector	49.77	52.48	39.64	38.60	37.68	37.11	(29.3)
Money Supply M2	42.11	43.82	40.21	40.94	42.06	43.32	(1.1)
Money Supply M3	134.55	136.44	130.53	130.92	131.20	131.92	(3.3)
LBP Lending Rate (%)	9.09	9.69	7.14	7.89	7.61	7.92	(177)
LBP Deposit Rate (%)	7.36	9.40	3.47	3.35	3.14	2.91	(649)
USD Lending Rate (%)	10.84	10.64	7.54	7.54	7.46	6.63	(401)
USD Deposit Rate (%)	4.62	6.31	1.28	1.15	1.04	0.97	(534)

*year-on-year **figures for the period reflect the first nine months of each 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
Solidere "A"	18.98	1.2	49,747	28.1%
Solidere "B"	18.57	0.9	7,686	17.9%
Audi Listed	1.21	0.8	5,098	10.6%
Byblos Common	0.50	0.0	-	4.2%
Audi GDR	1.20	0.0	-	2.1%
BLOM GDR	2.12	(3.6)	-	2.3%
HOLCIM	13.13	0.0	-	3.8%
BLOM Listed	2.07	0.0	-	6.6%
Byblos Pref. 08	43.00	0.0	-	1.3%
Byblos Pref. 09	40.00	0.0	-	1.2%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	13.50	3035.09
Oct 2022	6.10	13.00	165.89
Jan 2023	6.00	13.00	132.84
Jun 2025	6.25	12.63	53.33
Nov 2026	6.60	12.63	38.80
Feb 2030	6.65	12.75	24.01
Apr 2031	7.00	12.63	21.27
May 2033	8.20	12.75	17.45
Nov 2035	7.05	12.63	14.52
Mar 2037	7.25	12.63	13.23

Source: Refinitiv

	Jan 11-13	Jan 4-8	% Change	Dec 2020	Dec 2019	% Change
Total shares traded	64,532	106,202	(39.2)	3,480,130	1,527,358	128
Total value traded	\$1,173,009	\$1,200,920	(2.3)	\$29,046,630	\$24,640,092	18
Market capitalization	\$6.75bn	\$6.71bn	0.5	\$6.72bn	\$7.76bn	(13.3)

*BSE was closed between January 18 and 22 due to national lockdown

Source: Beirut Stock Exchange (BSE)



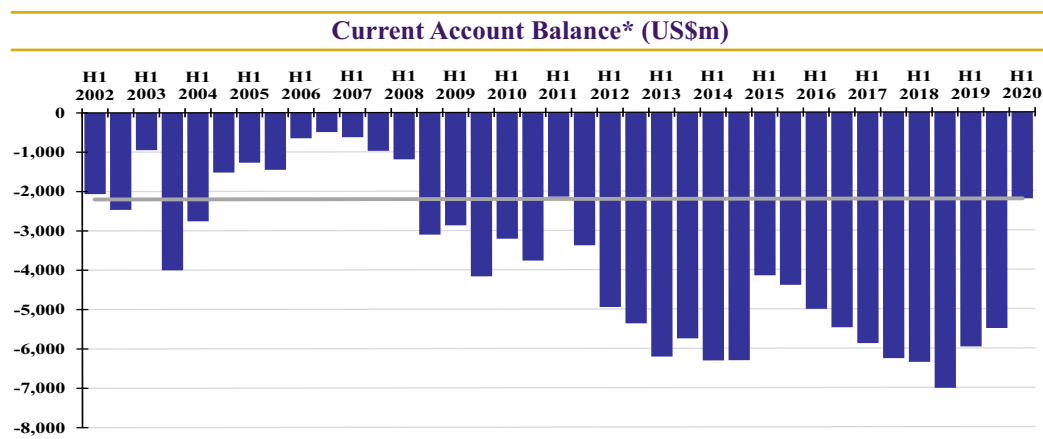
Current account deficit narrows by 63% to \$2.2bn in first half of 2020 on lower trade deficit

Figures released by Banque du Liban (BdL) show that the current account deficit reached \$2.2bn in the first half of 2020, constituting a decline of 63% from a deficit of \$6bn in the first half of 2019. The deficit was \$1.4bn in the first quarter of 2020 and decreased by 51.4% from \$2.9bn in the first three months of 2019; while it totaled \$782.6m in the second quarter of the year and dropped by 74.3% from \$3bn in the same quarter of 2019. The current account balance consists of the trade balance, which is the exports and imports of merchandise, as well as the services balance that covers the export and import of transportation services, tourism, insurance and other services. The current account balance also includes remittance inflows, investment income and general government transfers.

The trade deficit reached \$3bn in the first half of 2020, narrowed by 59.8% from \$7.3bn in the same period of 2019, and posted its lowest semi-annual level since the second half of 2006. Imported goods fell by 49.6% to \$4.8bn in the covered period, their lowest level since the second half of 2006, while exports dropped by 16.5% year-on-year to \$1.9bn, their lowest level since the second half of 2018.

Further, the inflows of expatriates' remittances to Lebanon stood at \$3.1bn in the first half of 2020, constituting a drop of 20% from \$3.9bn in the first six months of 2019 and reaching their lowest level since the first half of 2007. In addition, remittance outflows from Lebanon amounted to \$1.6bn in the first six months of the year, down by 32.4% from \$2.4bn in the same period of 2019 and constituting their fourth lowest level since BdL started publishing data about the external sector in 2002. As such, net remittance inflows to Lebanon reached \$1.5bn in the first half of 2020, similar to the levels registered in the first half and second half of 2019, and above the semi-annual average of \$1.1bn during the 2017-18 period.

In addition, tourism receipts decreased by 67.8% to \$1.3bn in the first half of 2020, while outbound tourism spending declined by 60.6% to \$1.1bn in the covered period. Tourism receipts and outbound tourism spending dropped each to their lowest semi-annual level on record. As such, net tourism receipts decreased by 83.4% to \$216.4m in the covered period, their lowest semi-annual level on record.



*Grey line is the deficit in first half of 2020
Source: Banque du Liban, Byblos Research

The other components of the balance of payments show that Lebanon's capital account balance, which includes foreign grants, posted a surplus of \$737.4m in the first half of 2020, up by 24% from a surplus of \$594.6m in the same period of 2019, the highest surplus since the first half of 2018. The capital account posted an average surplus of \$820.8m between the first half of 2013 and the first six months of 2018 due to the inflow of foreign grants to support Syrian and non-Syrian refugees, and host communities in the country. But this average regressed to \$533.5m between the second half of 2018 and the second half of 2019 due to the decline in financial grants.

In addition, Lebanon's financial account balance, which includes net foreign direct investments (FDI), net portfolio investments and other investments, posted a surplus of \$2.5bn in the first half of 2020, constituting a decrease of 49% from a surplus of \$4.9bn in the same period of 2019. It registered a surplus of \$3.2bn in the first quarter of 2020 due to higher net portfolio and FDI inflows, and a deficit of \$717.8m in the second quarter of 2020, as FDI inflows did not offset net portfolio and deposit outflows. Net portfolio inflows totaled \$3.7bn in the first half of 2020 compared to inflows of \$655m in the same period of 2019. They amounted to \$4bn in the first quarter of the year, largely due to the purchasing of Eurobonds by non-residents, while they shifted to outflows of \$324.5m in the second quarter of 2020 following the government's decision to default on sovereign Eurobonds. Also, FDI inflows reached \$1.6bn in the first half of 2020 and grew by 51.2% year-on-year due to the transfer of non-resident deposits to the real estate sector, while FDI outflows dropped by 98% to \$4m in the first six months of 2020. As such, net FDI inflows reached \$1.6bn the first half of 2020 relative to \$803.8m in the same period of 2019. Further, other investments, which is the component of the financial account balance that includes deposit flows to the banking sector, shifted from inflows of \$3.4bn in the first half of 2019 to outflows of \$2.8bn in the first six months of 2020, mostly due to the decline in foreign currency-denominated bank deposits.

In parallel, unrecorded transactions, or errors and omissions, were at -\$5.3bn in the first half of 2020 relative to -\$2.8bn in the first half of 2019, the second highest level on record relative to -\$10.4bn in the second half of 2006. According to BdL, unrecorded transactions are in part due to the inadequate sources of data on some economic sectors. They include time and other adjustments for external trade, insurance services, migrants' transfers, travel services, transportation services, private sector direct investments, and portfolio investments. Finally, BdL's net foreign assets regressed by \$4.2bn in the first half of 2020 relative to a decline of \$3.3bn in the same period of 2019.

Lebanon ranks 60th among emerging markets, 10th among Arab countries on ESG indicators for 2021

Global investment bank Goldman Sachs ranked Lebanon in 60th place among 72 emerging markets (EMs) around the world and in 10th place among 12 Arab countries on its 2021 EM Sovereign ESG Index. The bank updated its methodology for the 2021 index and, as a result, this year's scores are not comparable to the 2020 index.

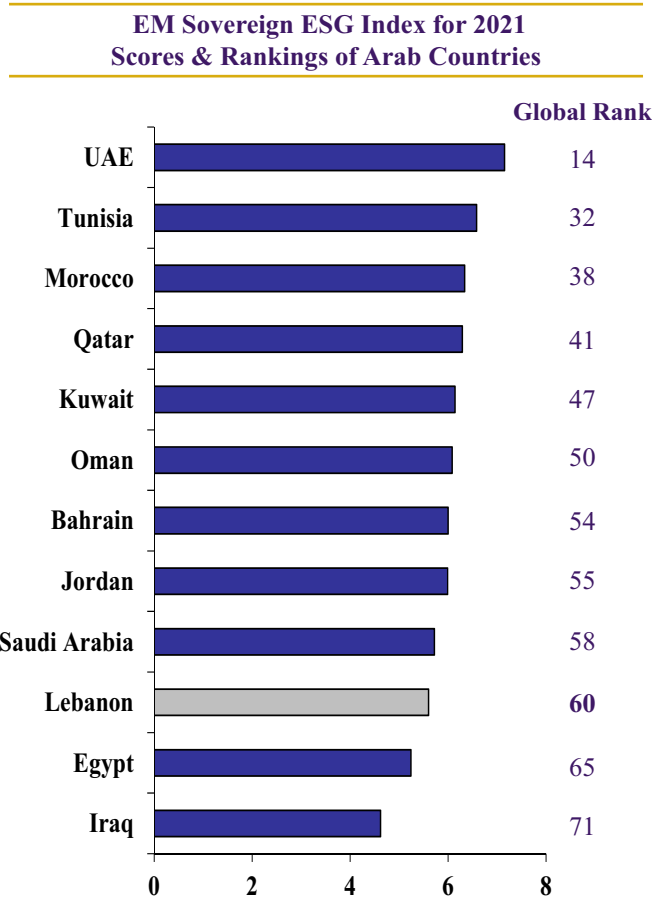
Goldman Sachs developed the index by using 29 variables that span three categories, which are the Environment, Social and Governance (ESG) indicators. The index draws from the World Bank database of ESG indicators and complements the latter with variables from a number of other sources. The index rates the ESG indicators of each country on a scale from zero to 10, with a score of 10 reflecting the highest performance. The overall score of a country is an equally-weighted average of the three scores on each category. Scores for the 2021 EM Sovereign ESG Index are based on 2019 data. Rating agencies have been increasingly taking into account ESG indicators when conducting rating reviews and when taking actions on sovereigns. As such, higher ESG scores tend to be favorable to sovereign ratings.

Lebanon performed better on the ESG Index than Gabon, Tajikistan and Zambia; while it had a worse performance than Mongolia, Saudi Arabia and Ethiopia among EMs. Lebanon received a score of 5.6 points, compared to the EM average score of 6.45 points and the Arab average of 5.98 points. Also, Lebanon's score came lower than the Gulf Cooperation Council (GCC) countries' average score of 6.23 points and the average score of non-GCC Arab countries of 5.73 points.

In parallel, Lebanon preceded India, South Africa, and Bahrain, while it trailed Pakistan, Kazakhstan and Ukraine among EMs on the Environment Indicator. This component covers a country's current usage of natural resources, its pollution level and its energy consumption, as well as the environmental risks related mainly to climate change. Lebanon trailed Morocco, Tunisia, Jordan and the UAE in the Arab region on this category.

Also, Lebanon tied with Colombia, came ahead of Suriname, El Salvador and Azerbaijan; while it ranked behind Brazil, Peru and Morocco among EMs on the Social Indicator. This category examines inequality in a country in terms of employment and access to basic resources, such as access to clean cooking fuels and to electricity, as well as the health and nutrition levels of the population. Lebanon preceded Bahrain, Saudi Arabia, Egypt, Jordan and Iraq regionally on this category.

Further, Lebanon ranked ahead of Egypt, Cameroon and Nigeria, and behind Ethiopia, Angola and Gabon among EMs on the Governance Indicator. This category examines a country's business environment, the share of its population using the Internet, the rule of law, control of corruption, and female participation both in the workforce and in government, among other variables. Lebanon ranked ahead of only Egypt and Iraq among Arab countries on this category.



Source: Goldman Sachs, Byblos Research

Components of the 2021 EM Sovereign ESG Index

	EM Rank	Arab Rank	Lebanon Score	EM Avg Score	Arab Avg Score
Environment	61	5	5.65	6.47	5.31
Social	37	7	7.53	7.31	7.52
Government	65	10	3.61	6.17	5.11

Source: Goldman Sachs, Byblos Bank

World Bank reallocates \$34m to finance purchase of COVID-19 vaccine

The World Bank approved the reallocation of \$34m under the Lebanon Health Resilience Project to help the country buy COVID-19 vaccines, amid the surge in the number of coronavirus cases in the country since the beginning of 2021. It noted that the emergency financing will provide vaccines for more than two million individuals in Lebanon, and expected the vaccines to arrive to the country by early February. This is the first time that the World Bank finances the procurement of COVID-19 vaccines for a country globally.

It indicated that the vaccine's rollout will prioritize healthcare workers who face high risks of catching the virus, individuals who are 65 years or older, specific segments of the medical staff, and people in the 55 to 64 year-old bracket who have health conditions or "comorbidities". It considered that providing the vaccine to these priority groups should help Lebanon contain the impact of the pandemic.

It added that the Lebanese government, with the support of the World Bank and other partners, conducted a COVID-19 vaccine readiness assessment, established a National COVID-19 Vaccine Committee, and prepared a draft National COVID-19 Vaccine Deployment Plan (NVDP). It noted that the draft NVDP has all the key elements that the World Health Organization (WHO) recommends and constitutes a central part of Lebanon's readiness to distribute the vaccine. It added that the NVDP will include the development of the sub-plan for the vaccine's deployment, the most critical regulatory actions for the distribution of the vaccine, the introduction of an online system for the pre-registration of members of priority groups, as well as the development and dissemination of standard operating procedures for the storage, distribution and delivery of the vaccine, among other elements. It pointed out that the government will launch a communication campaign to inform the population about the eligibility criteria, vaccination sites, timing, as well as the effectiveness of the vaccine.

In March 2020, the World Bank approved the reallocation of \$40m under the Lebanon Health Resilience Project, in order to strengthen the Ministry of Public Health's capacity to respond to the coronavirus pandemic by equipping governmental hospitals and increasing their ability to test and treat suspected cases.

According to the Ministry of Public Health, Lebanon registered a total of 279,597 confirmed coronavirus cases and 2,340 related deaths as of January 24, 2021. Also, 22% of PCR tests for the two weeks ending January 24 were positive compared to recent recommendations of the WHO's that suggest a rate of 5% or lower for two weeks before easing lockdown measures.

Opened letters of credit at \$335m for imports and \$184m for exports in first 11 months of 2020

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled \$335.4m in the first 11 months of 2020, constituting a decrease of 94% from \$5.6bn in the same period of 2019. The significant decline in the amount of LCs in the covered period is due to stricter requirements imposed by correspondent banks following the repeated downgrades of Lebanon's sovereign ratings and to the challenges that importers have faced in meeting these requirements.

Further, utilized credits for imports totaled \$427.3m in the first 11 months of 2020, constituting a decline of 92% from \$5.3bn in the same period of 2019, and were equivalent to 127.4% of opened LCs for imports in the covered period. Also, outstanding import credits stood at \$86.1m at the end of November 2020 compared to \$554.6m a year earlier. In addition, the aggregate amount of inward bills for collection reached \$272.6m in the first 11 months of 2020, down by 65.4% from \$787.4m in the same period of 2019. The outstanding amount of inward bills for collection was \$42.2m at the end of November 2020 relative to \$59.1m at end-November 2019.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled \$184m in the first 11 months of 2020, constituting a decrease of 93.5% from \$2.8bn in the first 11 months of 2019. Further, utilized credits for exports reached \$399m in the first 11 months of the year, down by 85.5% from \$2.8bn in used credits during the same period of 2019, and were equivalent to 216.8% of opened LCs for exports in the covered period. Also, outstanding export credits stood at \$166.7m at the end of November 2020 compared to \$663m a year earlier. In addition, the aggregate amount of outward bills for collection amounted to \$255.3m in the first 11 months of 2020, constituting a decline of 70.5% from \$865.4m in the same period of 2019. The outstanding amount of outward bills for collection reached \$213.3m at the end of November 2020 relative to \$310m at end-November 2019.

Banking sector has 1,141 branches at end-June 2020

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 1,141 branches at the end of June 2020, constituting a decrease of 11 branches, (-1%) from 1,152 branches at end-2019 and a decline of 36 branches (-3.1%) from 1,177 branches at end-June 2019. Commercial banks operating in Lebanon had 1,047 branches in the country at the end of June 2020, down by 11 branches from 1,058 branches at end-2019 and by 32 branches from 1,079 branches at end-June 2019. There were 556 branches of commercial banks in Beirut & its suburbs, accounting for 53% of total branches in Lebanon, followed by Mount Lebanon with 208 branches (20%), South Lebanon with 109 branches (10.4%), North Lebanon with 108 branches (10.3%), and the Bekaa with 66 branches (6.3%). Moreover, nine foreign commercial banks operating in the country had 22 branches at the end of June 2020, and four Islamic banks had 15 branches. In addition, there were 14 e-branches that offer banking services through interactive and automated machines at the end of June 2020. In parallel, commercial banks operating in Lebanon had 73 branches outside the country at the end of June 2020 relative to 77 branches abroad at the end of June 2019. Further, medium- and long-term banks had 21 branches in Lebanon at the end of June 2020, unchanged from a year earlier. There were 63 banks operating in Lebanon at the end of June 2020 compared to 65 banks a year earlier. They consisted of 47 commercial banks and 16 medium- and long-term banks.



Lebanon ranks 115th globally, eighth among Arab countries on commitment to reducing inequality

The 2020 Commitment to Reducing Inequality Index (CRI) ranked Lebanon in 115th place among 158 countries and jurisdictions globally and in eighth place among 12 Arab economies. It also ranked Lebanon in 39th place among 41 upper middle-income countries (UMICs) included in the survey.

The index classifies governments based on their commitment to reducing inequality among their citizens. It measures a government's policies and actions in the areas of public services, taxation and workers' rights, which constitute the three pillars of the index. A government's score on the index is the average of the three pillars and ranges from zero to one, with a higher score reflecting a greater commitment to reducing inequality. The CRI is co-produced by Development Finance International, a non-profit organization that is active in fighting poverty and inequality, and Oxfam International, a confederation of 20 organizations that aim to eliminate poverty.

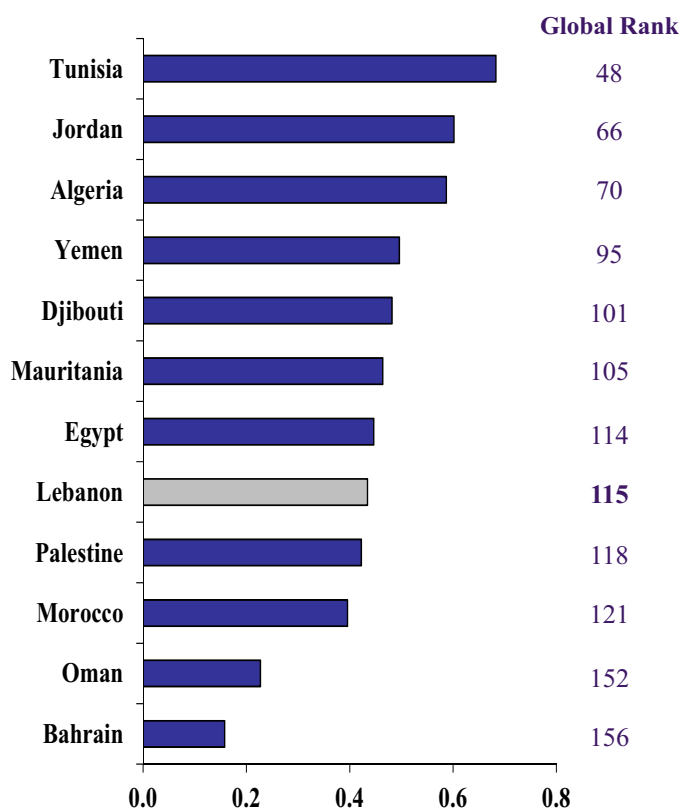
Globally, the Lebanese government's commitment to reducing inequality in the country is higher than the commitment of governments in Mozambique, Guatemala and Palestine, and is lower than in Nepal, Bangladesh and Egypt. It is also higher than the commitment of governments in Guatemala and Jamaica among UMICs. Lebanon received a score of 0.43 points, compared to the global average score of 0.57 points, the UMICs' average score of 0.59 points, and the Arab average score of 0.45 points.

Lebanon ranked in 105th globally, in 39th place among UMICs and in eighth place in the Arab world on the Progressivity of Public Services Pillar. This category measures a government's commitment to investing in education, healthcare and social protection. Globally, Lebanon ranked ahead of Sri Lanka and Honduras, and came behind Bahrain and Morocco on this indicator. It also preceded Sri Lanka and Guatemala among UMICs, as well as Oman, Egypt, Djibouti and Yemen in the region. Lebanon received a score of 0.31 points on this category, similar to the Arab region's average score, and lower than the global average score of 0.44 points and the UMICs' average score of 0.47 points.

Also, Lebanon ranked in 117th place globally, in 30th place among UMICs and in eighth place regionally on the Progressivity of Tax Policy Pillar. This category measures a government's commitment to implementing a progressive tax system and to collect taxes. Globally, Lebanon ranked ahead of the Republic of Congo and Switzerland, and came behind Poland and Egypt on this category. It also preceded Kazakhstan and came behind Turkey among UMICs, while it ranked ahead of Morocco, Oman, Palestine and Bahrain regionally on this indicator. Lebanon received a score of 0.44 points on this pillar, lower than the global average score and the UMICs' average score of 0.55 points each, and the Arab average score of 0.51 points.

Also, Lebanon ranked in 95th place globally, in 34th place among UMICs and in fourth place regionally on the Progressivity of Labor Legislation Pillar, which measures the legal protection of workers. Globally, Lebanon preceded the Philippines and Egypt and trailed Tajikistan and Colombia on this category. It also came ahead of Algeria and behind Colombia among UMICs. Regionally, Lebanon ranked behind Palestine, Tunisia and Jordan on this indicator. Lebanon received a score of 0.49 points on this pillar, lower than the global average score of 0.55 points and the UMICs' average score of 0.59 points, but higher than the Arab average score of 0.45 points.

2020 Commitment to Reducing Inequality Index Arab Countries' Scores and Rankings



Source: Development Finance International, Oxfam International, Byblos Research

Cost of living in Lebanon is 24th highest in the world, highest among Arab countries

The 2021 Cost of Living Index, produced by crowd-sourced global database Numbeo, ranked the cost of living in Lebanon as the 24th highest among 139 countries around the world and the highest among 17 Arab states. Also, the cost of living in Lebanon was the highest among 41 upper middle-income countries (UMICs) included in the survey. In comparison, Lebanon came in 34th place in the 2020 survey among 132 countries worldwide. Lebanon ranked in the 83rd percentile worldwide in the 2021 Index, which means that the cost of living in the country was higher than in 83% of the countries covered by the survey, while the cost of living in Lebanon was higher than about 74% of countries worldwide in the 2020 survey. The Cost of Living Index is an indicator of the prices of consumer goods, such as groceries, meals and drinks at restaurants, transportation, and utilities. Numbeo benchmarks the Index against New York City. It also issues a Rent Index, which is an estimation of apartment rents in a country compared to New York City rents. Numbeo relies on residents' inputs and uses data from official sources to compute the indices.

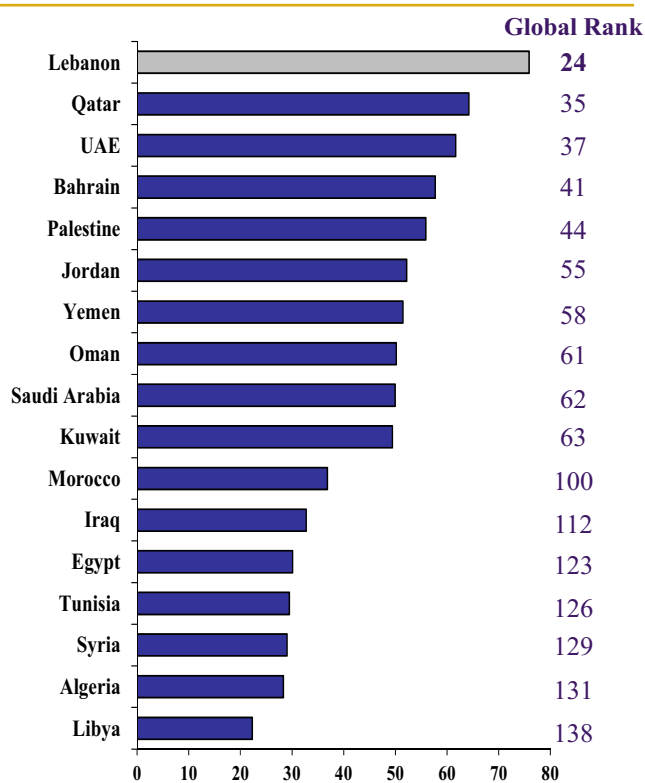
According to the Cost of Living Index, consumer goods in Lebanon are more expensive than in Austria, Malta and Italy; while they are less costly than in the Netherlands, Belgium and Finland. Lebanon received a score of 75.9 points in the 2021 survey, which means that prices in Lebanon are 24% lower than those in New York City.

In parallel, the Rent Index ranked Lebanon in 34th place globally, in first place among UMICs, and in fifth place among Arab countries. Lebanon received a score of 24.1 points on the index, which means that rent in Lebanon is 76% less expensive than in New York City. Globally, renting an apartment in Lebanon is more expensive than in Spain, Brunei Darussalam and South Korea; while it is less expensive than in Japan, France and Belgium. Further, Qatar, the UAE, Kuwait and Bahrain are the only Arab countries that have more expensive rents than Lebanon.

Also, the Groceries Index, which is an estimate of grocery prices in a country compared to New York City, ranked Lebanon in 18th place globally, and in first place among Arab countries and in UMICs. Lebanon received a score of 72.5 points, which means that groceries in Lebanon are 27.5% less expensive than they are in New York City. Globally, groceries in Lebanon are more expensive than in Puerto Rico, Sweden and Barbados; while they are cheaper than in Singapore, New Zealand and Denmark.

Finally, the Restaurant Index, which compares the prices of meals and drinks at restaurants and pubs relative to New York City, ranked Lebanon in 28th place globally and in first place among Arab countries and in UMICs. Lebanon received a score of 62.9 points on the index, which means that prices at restaurants and pubs in Lebanon are 37% less expensive than they are in New York City. Globally, meals and drinks at restaurants and pubs in Lebanon are more expensive than in Suriname, Qatar and Singapore; while they are cheaper than in Cyprus, Germany and Canada.

**Cost of Living Index for 2021
Scores & Rankings of Arab Countries**



Source: Numbeo, Byblos Research

Price of minimum survival food basket up 189% since October 2019 to LBP111,457 in December 2020

The World Food Program (WFP) indicated that the monthly average price of the food component of the Survival Minimum Expenditure Basket (SMEB) in Lebanon reached LBP111,457 in December 2020, constituting an increase of 189% from nearly LBP39,000 in October 2019. It noted that the cost of the food component of the SMEB has fluctuated between LBP105,000 and LBP111,000 since September 2020, based on the exchange rate on the parallel market, which has been broadly stable at about LBP8,000 per dollar between September and December 2020. It estimated that the average food price of the SMEB increased by 2.4% in December from the previous month.

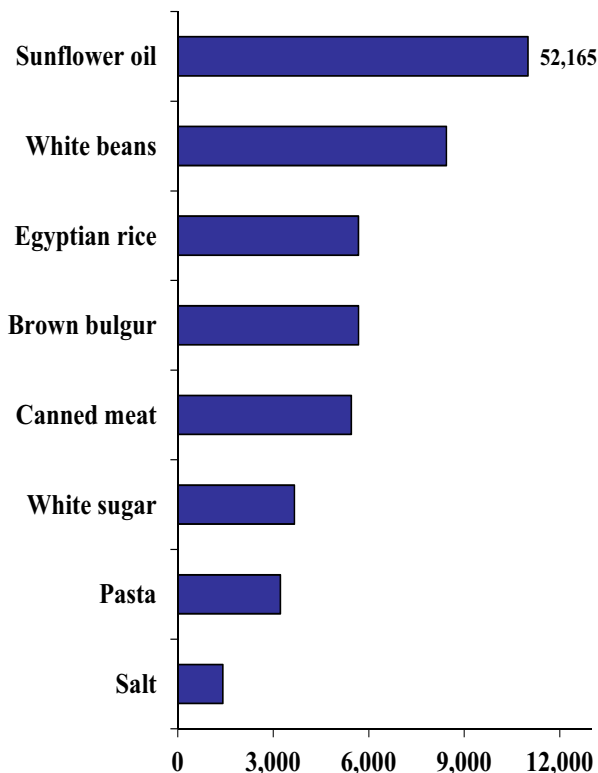
The WFP has been monitoring supply trends, food prices and the exchange rate of the Lebanese pound since the worsening of economic conditions and the start of civilian protests on October 17, 2019, in order to monitor the impact of the current crisis on vulnerable households in Lebanon. It pointed out that the SMEB consists of 6 kilograms (kgs) of rice, 3.9 kgs of bulgur, 1.5 kgs of pasta, 1.5 kgs of white beans, 1.5 kgs of sugar, 0.9 litres of sunflower oil, 0.3 kgs of salt, and 1.2 kgs of canned meat.

It estimated that the average price of sunflower oil in Lebanon increased by 464% between October 2019 and December 2020, followed by the average price of brown bulgur (+280%), white sugar (+231%), pasta (+207), meat (+188%), salt (+179%), white beans (+172%), and Egyptian rice (+130%).

In parallel, it pointed out that the monthly average food price of the SMEB increased marginally between October 2020 and December 2020 in the governorates of Akkar, the Bekaa, Mount Lebanon, the North and the South. In contrast, Beirut and Nabatieh registered a decline in the monthly average cost of the food basket. It indicated that the monthly average price of the food component of the SMEB in Beirut reached LBP122,880, the highest level across all governorates. The WFP increased the amount of food assistance to vulnerable households to LBP100,000 in October 2020. It said that the increase in food assistance could provide potential short-term relief for the most vulnerable segments of the population, but it noted that further measures are needed immediately in order to reduce as much as possible the negative impact of the economic downturn and the COVID-19 pandemic on vulnerable households.

The WFP considered that Lebanon's local commercial supply chains and retail network continue to be efficient despite an increasingly challenging operating environment. However, it pointed out that the removal or the modification of the subsidy system, without a corresponding strengthening of the current social safety nets, will limit the population's access to basic goods and services.

Prices of Components of the Survival Minimum Expenditure Basket* (LBP)



*all prices are for 1kg, except for canned meat that is priced for 200g
Source: World Food Program, Byblos Research

Lebanese startups attract \$21m in venture capital investments in 2020

Figures released by investment online platform Magnitt show that startups based in Lebanon received about \$21m in venture capital (VC) funding in 2020, constituting a drop of 34% from 2019 and relative to a decrease of 1% in 2019. VC funding in Lebanon accounted for 2% of \$1bn in VC investments in startups in the Middle East & North Africa (MENA) region in 2020, compared to a share of 4% in 2019. Startups in Lebanon attracted the fifth largest share of VC investments in the MENA region, after the UAE with 56% of total investments, Egypt (17%), Saudi Arabia (15%), and Kuwait (3%).

In parallel, there were 16 VC investment deals in startups in Lebanon in 2020, down by 64% from 45 deals in the preceding year, and compared to a 1% decrease in the number of transactions in 2019. As a result, the average VC investment in startups based in Lebanon was about \$1.3m in 2020 compared to an average of \$2.1m per deal in the MENA region.

Lebanon accounted for 3.2% of the total number of VC deals in the MENA region in 2020, relative to a share of 8% of total transactions in 2019. In comparison, the UAE attracted 26% of deals in 2020, followed by Egypt with 24%, Saudi Arabia (18%), Jordan (9%), Oman (6%), and Bahrain and Tunisia (4% each). In addition, the number of VC deals increased by 35% in Saudi Arabia, by 23% in Oman, and by 18% in Jordan in 2020; while it dropped by 47% in Tunisia, by 33% in Bahrain, by 17% in the UAE and by 10% in Egypt.

In parallel, the e-commerce sector received 16% of total VC funding in the MENA region in 2020, followed by real estate with 15%, fintech firms (14%), food & beverage companies (12%), healthcare providers (7%), transport firms (6%), and delivery & logistics companies (4%). Also, the number of VC investments in the e-commerce and the fintech sectors accounted for 12% each of the aggregate number of deals; while healthcare, delivery & logistics, food & beverage, education and IT solutions constituted 5% each of the total.

Balance sheet of investment banks down 6% in first 11 months of 2020

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP7,283bn, or \$4.83bn at the end of November 2020, constituting a decrease of 6% from LBP7,745bn, or \$5.14bn, at end-2019, and a decline of 12.2% from LBP8,295bn or \$5.5bn at the end of November 2019. The figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers reached \$1.41bn at end-November 2020, regressing by 5.7% in the first 11 months of the year and by 5.8% from end-November 2019, while claims on non-resident customers totaled \$37.3m at the end of November 2020 and rose by 16.3% from end-2019 and by 12.2% from a year earlier. In addition, claims on the resident financial sector reached \$532m at end-November 2020, decreasing by 15.2% from the end of 2019 and by 17% from the end of November 2019; while claims on the non-resident financial sector totaled \$87.4m at the end of November 2020, and improved by 40.2% from end-2019 and by 1.6% from a year earlier. Also, claims on the public sector totaled \$7.1m at end-November 2020, constituting an increase of 480% from end-2019; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached \$714m at end-November 2020, declining by 21.6% in the first 11 months of 2020 and by 20.3% from end-November 2019. In parallel, currency and deposits at central banks totaled \$1.63bn at the end of November 2020, up by 2.2% in the first 11 months of 2020 and down by 15.7% from end-November 2019.

On the liabilities side, deposits of resident customers totaled \$1.27bn at the end of November 2020, constituting a decline of 15% in the first 11 months of 2020 and a drop of 16% from a year earlier; while deposits of non-resident customers reached \$196.7m at the end of November 2020, representing a decrease of 23% from end-2019 and a decline of 24.6% from the end of November 2019. Liabilities to the resident financial sector amounted to \$97.2m at end-November 2020, down by 36.5% from end-2019; while those to the non-resident financial sector regressed by 10% from end-2019 to \$192.4m. Also, public sector deposits dropped by 56.7% in the first 11 months of 2020 to \$27.3m, while debt securities issued totaled \$18m at end-November 2020 and were nearly unchanged from end-2019. Further, the aggregate capital account of investment banks amounted to \$1.77bn at the end of November 2020, constituting increases of 2.4% in the first 11 months of 2020 and of 2.6% from the end of November 2019.

Bank Audi reaches agreement to sell Egyptian subsidiary

Bank Audi sal announced on January 20, 2021 that it has reached a definitive agreement to sell Bank Audi sae, its fully-owned subsidiary in Egypt, to the UAE-based First Abu Dhabi Bank (FAB). The two sides indicated that the deal received the preliminary approval of the Central Bank of Egypt, and expected the transaction to be completed in the next few months as it awaits the regulatory approvals of authorities in Egypt and the UAE. The Lebanese bank attributed its decision to sell its subsidiary to the difficulties that it has been facing in Lebanon for the past 16 months and indicated that the proceeds of the sale will support its capital position. The two banks did not disclose the amount of the transaction.

Bank Audi sae (Egypt) started operating in 2006 and has a network of 53 branches across the country. The bank's total assets reached EGP83.2bn or \$5.3bn and customers' loans and advances amounted to EGP29.2bn or \$1.9bn, as at the end of September 2020. Also, its customers' deposits totaled EGP73.5bn, or \$4.7bn, as at the end of September 2020. The bank posted net profits of EGP1bn or \$64.6m in the first nine months of 2020, down by 6% from EGP1.1bn or \$64m in the same period of 2019. FAB was established in the UAE following the merger of First Gulf Bank with National Bank of Abu Dhabi in 2016. FAB currently has 17 direct branches 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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