

LEBANON THIS WEEK

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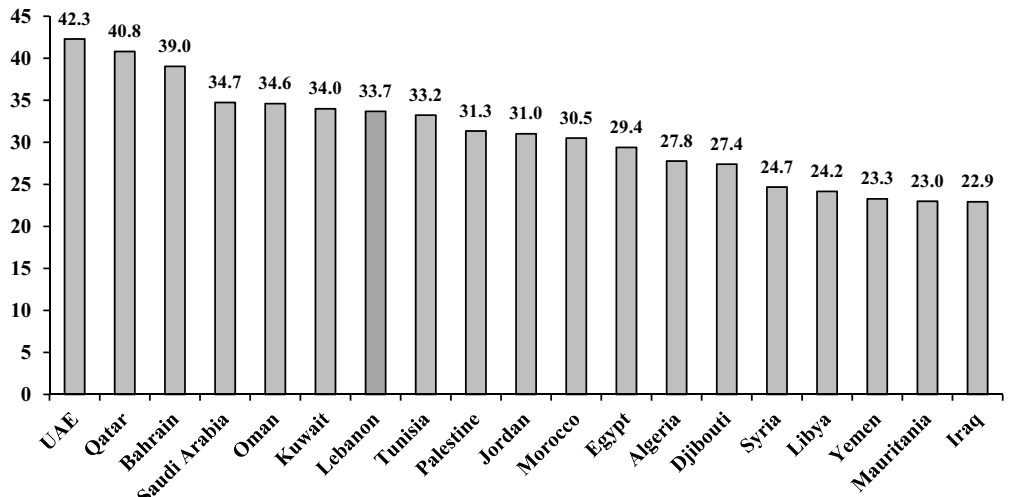
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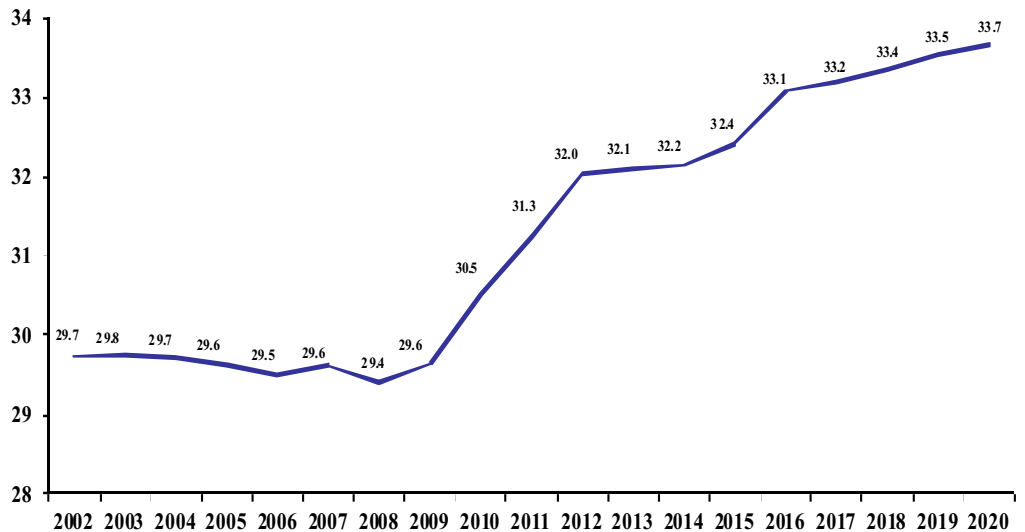
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Charts of the Week

Performance of Arab Countries on the UNCTAD Productive Capacities Index for 2020



Performance of Lebanon on the UNCTAD Productive Capacities Index



Source: United Nations Conference on Trade and Development, Byblos Bank

Quote to Note

"We see very limited prospects for near-term progress on negotiations with creditors in the context of the March 2020 sovereign default, with domestic priorities likely to be focused on securing international financial support once a new government is formed."

Global investment bank Goldman Sachs, on the outlook for the start of the government's negotiations with Eurobond holders

Number of the Week

75%: Percentage of COVID-19 patients in Lebanon who recovered from the virus as at February 20, 2021, according to the Ministry of Public Health

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	3,098	2,967	(4.2)	309	351	-
Imports**	19,239	16,612	9,071	(45.4)	1,281	1,193	-
Trade Balance**	(15,508)	(13,514)	(6,104)	(54.8)	(972)	(842)	-
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	16.31	-	-
Public Debt	91.64	89.48	94.27	94.81	95.04	95.51	6.7
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 10 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
Audi Listed	1.35	2.3	7,306,323	11.5%
Solidere "A"	19.25	(2.2)	256,148	27.8%
Solidere "B"	19.19	(1.1)	81,552	18.0%
HOLCIM	13.00	(3.7)	15,800	3.7%
Byblos Pref. 08	35.00	(18.6)	4,337	1.0%
Byblos Pref. 09	39.55	(1.1)	2,055	1.1%
BLOM GDR	2.32	9.4	1,210	2.5%
BLOM Listed	2.20	6.3	100	6.8%
Audi GDR	1.20	0.0	-	2.1%
Byblos Common	0.51	0.0	-	4.2%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	13.50	4707.48
Oct 2022	6.10	14.00	167.76
Jan 2023	6.00	14.00	133.04
Jun 2025	6.25	13.13	53.23
Nov 2026	6.60	13.25	38.35
Feb 2030	6.65	13.13	23.86
Apr 2031	7.00	13.13	21.01
May 2033	8.20	13.00	17.39
Nov 2035	7.05	13.25	14.24
Mar 2037	7.25	13.38	12.91

Source: Refinitiv

	Feb 15-19	Feb 8-12	% Change	Jan 2021	Jan 2020	% Change
Total shares traded	7,669,525	676,839	1,033	170,734	2,048,141	(91.7)
Total value traded	\$16,722,589	\$3,714,497	350	\$2,373,929	\$16,307,968	(85.4)
Market capitalization	\$6.92bn	\$6.95bn	(0.3)	\$6.75bn	\$6.96bn	(3.1)

*BSE was closed between January 14 and February 5 due to national lockdown

Source: Beirut Stock Exchange (BSE)



Household confidence drops to new record low in fourth quarter of 2020

The results of the Byblos Bank/AUB Consumer Confidence Index show that the Index averaged 16.6 points in the fourth quarter of 2020, constituting a decrease of 4.8% from 17.5 points in the third quarter of 2020 and a drop of 65.2% from 47.8 points in the fourth quarter of 2019. The Index stood at 17.2 in October, then regressed to 16.4 in November 2020 and to 16.3 in December 2020. The Index posted its lowest level on record at 14.8 last August, following the explosion at the Port of Beirut on August 4, 2020. Further, the Byblos Bank/AUB Present Situation Index averaged 15.1 points in the fourth quarter of 2020 and retreated by 3% from the preceding quarter, while the Byblos Bank/AUB Expectations Index posted an average of 17.7 points and regressed by 6% from the third quarter of 2020. The two sub-indices reached their lowest levels in the covered quarter since the Index's inception.

In addition, the average monthly score of the Index in the fourth quarter of 2020 was 84.3% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and came 82.8% below its peak of 96.7 reached in full year 2009. The fourth-quarter results constitute their lowest level in 54 quarters, as well as a third consecutive new low after the Index posted its lowest level on record in the second quarter, declined to a new level in the third quarter, and then dropped to a new all-time low in the fourth quarter of the year.

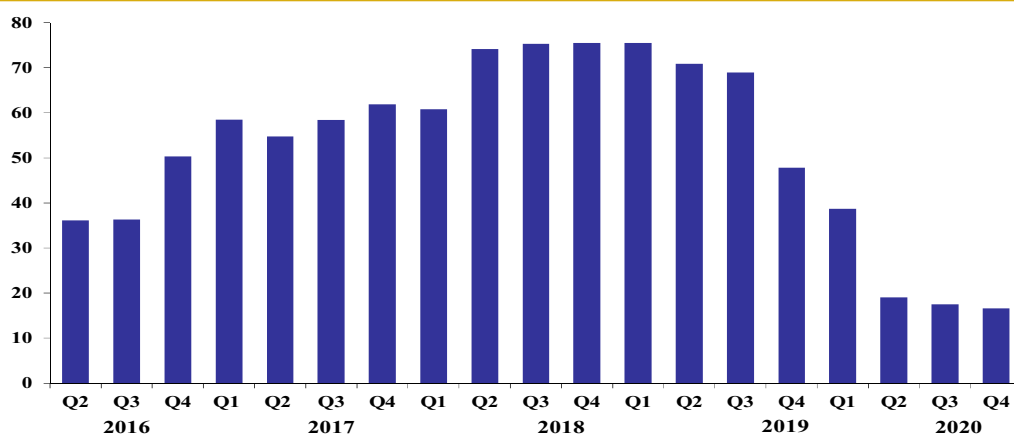
The continuing fallout from the Beirut Port explosion, the protracted investigation into the causes of the blast, the indifference of political parties in power to the socio-economic plight of citizens, as well as their debilitating lack of will to form a government despite pressing emergencies and the accumulating crises, drove household sentiment in the fourth quarter to its lowest level on record.

The results of the Byblos Bank/AUB Consumer Confidence Index for the fourth quarter of 2020 show that consumers in the 21 to 29 years-old bracket posted the highest confidence level relative to citizens in other age brackets during the covered quarter. Further, households with an income of \$2,500 or more per month continued to be relatively more confident than those who earn a lower income. In fact, the confidence level of households with an income of \$2,500 or more per month improved by 3.6% in the fourth quarter of 2020 from a very low base in the third quarter of 2020, while the confidence level of households that earned less than \$750 per month dropped by 16% quarter-on-quarter, followed by households with an income of between \$1,500 and \$2,499 per month (-4.4%), and households that earned between \$750 and \$1,499 per month (-2.5%). Moreover, the self-employed were somewhat more optimistic than housewives, private-sector employees, public-sector employees, and the unemployed during the fourth quarter of 2020, while students were the most optimistic segment overall. Also, the confidence level of private-sector employees grew by 6.5% in the fourth quarter from an extremely low level in the third quarter of 2020, followed by the sentiment of the self-employed (+4%) and that of housewives (+1.6%). In contrast, the confidence level of public-sector employees decreased by 18% quarter-on-quarter, followed by the sentiment of the unemployed (-12.4%) and students (-3.5%).

In addition, the confidence level of residents in the North decreased by 14% in the fourth quarter of 2020 from the third quarter of 2020, followed by households in Beirut (-12.3%), the Bekaa region (-5%), and Mount Lebanon (-1.2%); while the confidence level of residents in the South was nearly unchanged. The sentiment of residents in Beirut was the highest among regions during the fourth quarter of 2020, followed by households in the South, Mount Lebanon, the Bekaa, and the North. Also, the confidence level of Druze households dropped by 20.7% quarter-on-quarter in the fourth quarter of 2020, followed by the sentiment of Christian households (-14%); while the confidence level of Shiite households and Sunni households were nearly unchanged quarter-on-quarter. Shiite households registered the highest level of confidence in the fourth quarter of 2020, followed by Sunni, Christian, and Druze households.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers toward the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The Byblos Bank Economic Research and Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

Byblos Bank/AUB Consumer Confidence Index*



* Quarterly Average Score

Source: Byblos Bank Economic Research & Analysis Department, based on surveys conducted by Statistics Lebanon

Fifty four percent of Lebanese plan to take COVID-19 vaccine

A survey conducted by opinion polling firm Statistics Lebanon Ltd on the views of the Lebanese population about the coronavirus vaccine shows that 39% of respondents said they do not want to get vaccinated, 32.4% intend to receive the vaccine for sure, 21.5% indicated that they intend to be vaccinated at a later stage, while 7% are still undecided. Also, 45% of respondents in the 18 to 45 years old bracket do not want to get vaccinated, relative to 28.6% of those in the 46 to 65 years age bracket and 18.2% of those above 65 years. Further, 82% of the residents of the Akkar governorate said they do not want to get vaccinated, followed by the Baalbek-Hermel governorate with 74% of respondents, the North (52.7%), the South (47.8%), the Nabatieh governorate (44%), Beirut (28.8%), Mount Lebanon (25.9%), the Bekaa (22%), and the Keserwan and Jbeil region (16%).

In addition, the survey revealed that 17.4% of respondents have already registered on the vaccination platform, 14.4% said they plan to register, while 68.3% said they have not registered to get vaccinated. Further, 61% of participants in the survey said they hesitate to take the vaccine because they do not know what are its side effects, 37% considered that it caused deaths, 26% revealed that they do not trust the government and that the vaccine might be counterfeit, 10% stated that the president of the Pfizer company did not get vaccinated, 9% believe that the vaccine is a commercial conspiracy, and 2% thought that the coronavirus is a lie.

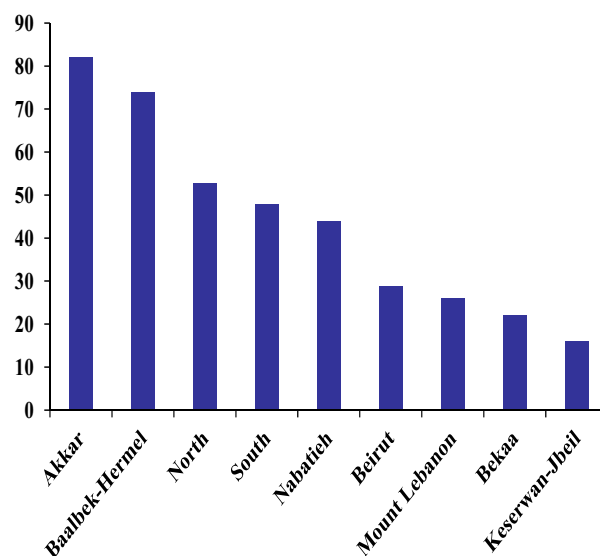
In addition, 6.5% of respondents stated that they believe the vaccine will be distributed according to medical priorities rather than to favoritism, 10.3% indicated that they trust to a certain extent that the vaccine will be distributed based on medical priorities, 28.4% and 21%, respectively, said they somewhat do not believe or do not believe at all that the vaccine will be distributed according to medical priorities, while nearly 34% are neutral about this statement.

In parallel, the survey showed that 81.5% of respondents always take the necessary preventive measures from the coronavirus, 16.5% said they sometimes take some precautions, while 1.8% do not take precautionary measures. Further, 68.8% of respondents noted that they did not get infected with the coronavirus, while 19.6% said that some members of their household were infected, and 15.8% of respondents got infected. Overall, 45.5% of surveyed Lebanese did a PCR or other COVID-19-related tests.

In addition, the survey showed that, among those who were infected or who had household members infected, 16.8% said that they received hospitalization, 11.2% needed to go to a hospital but could not find a bed, while the remaining 72% did not require hospitalization. In parallel, 2.8% of respondents have lost a household member due to the coronavirus, 4.6% lost one of their parents or siblings who lived in another house, and 17.1% of respondents lost a relative, such as an uncle or aunt.

The firm conducted the poll on a nationally representative sample of 800 males and females between February 5 and February 10, 2021 through computed assisted telephone interviewing (CATI). It selected the sample by using the probability proportional sampling technique and said that the poll has a margin of error of +/- 3.46%.

Percentage of Respondents Who Said That They Will Not Take The Vaccine



Source: Statistics Lebanon, Byblos Research

Banque du Liban's foreign assets at \$23bn, gold reserves at \$16.8bn at mid-February 2021

Banque du Liban's (BdL) interim balance sheet reached \$150.5bn on February 15, 2021, constituting an increase of 1.3% from \$148.6bn at end-2020 and of 4.8% from \$143.6bn at mid-February 2020. Assets in foreign currency totaled \$23.1bn at mid-February 2021, representing a decrease of \$944.2m, or of 3.9%, from \$24.1bn at the end of 2020 and a drop of \$13.04bn (-36%) from \$36.2bn at mid-February 2020. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds relative to \$5.7bn at mid-February 2020.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$18.1bn at mid-February 2021 and fell by \$12.4bn, or by 40.6%, from \$30.5bn at mid-February 2020. 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 2020.

In parallel, the value of BdL's gold reserves amounted to \$16.8bn at mid-February 2021 and regressed by 3.2% from \$17.3bn at end-2020, but increased by 15.5% from \$14.5bn at mid-February 2020. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40.6bn at mid-February 2021, up by 1.4% from \$40bn at end-2020 and by 6.2% from \$38.2bn at mid-February 2020. In addition, loans to the local financial sector regressed by 4.5% from mid-February 2020 and by 0.7% from the end of 2020 to \$14.2bn at mid-February 2021. Further, deposits of the financial sector stood at \$107.7bn at mid-February 2021 and declined by \$292.3m in the first six weeks of the year and by \$4.6bn from a year earlier. In addition, public sector deposits at BdL totaled \$4.8bn at mid-February 2021, increasing by \$247.7m from the end of 2020 and regressing by \$516.6m from mid-February 2020.

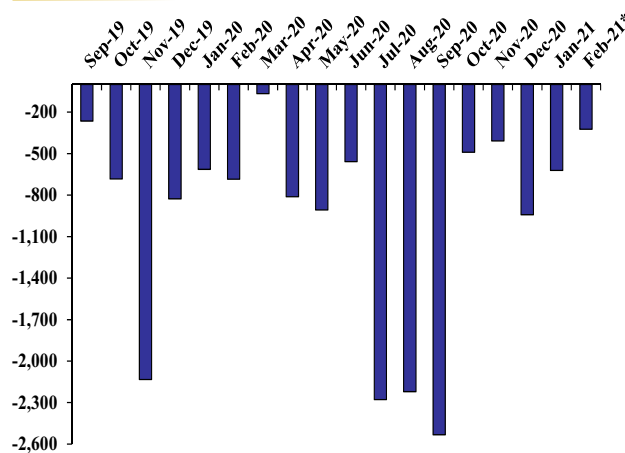
Economic and financial crisis weighs on socioeconomic conditions of Lebanese citizens

Information International, a local research and consultancy firm, considered that the Lebanese economic crisis and the coronavirus pandemic resulted in many socio-economic implications in the country. It pointed out that the marriage rate in Lebanon declined by 13.5% to 29,493 marriages in 2020 and by 18% relative to the annual average of the 2015-19 period, while the divorce rate in the country regressed by 11.1% to 6,793 divorces in 2020 and by 9.8% compared to the 2015-19 period. It added that the birth rate decreased by 14.5% to 74,049 births in 2020 and by 16.2% relative to the 2015-19 period, while the death rate increased by 8.7% to 28,637 deaths in 2020 and by 13.8% compared to the 2015-19 period.

In parallel, the firm indicated that emigration from Lebanon has been increasing in the past few years due to unfavorable economic conditions and to the lack of job opportunities. However, it noted that the number of Lebanese citizens who emigrated or temporarily relocated to another country declined by 73.5% from 66,806 persons in 2019 to 17,721 individuals in 2020. In comparison, it said that the number Lebanese who emigrated or temporarily relocated to another country reached 33,129 in 2018 and 18,863 in 2017. It attributed the drop in the number of Lebanese citizens who left the country to the spread of the coronavirus worldwide, which led to the closure of many airports, to the imposition of travel restrictions, and to the virus' adverse impact on the global economy. In addition, it said that the economic and financial crisis in Lebanon, combined with the restricted access of Lebanese people to their deposits, prevented many of them from emigrating.

Specifically, it noted that 27,207 Lebanese expatriates returned to Lebanon in the first eight months of 2020, due to the strict lockdown measures in their country of residence and to their ability to work remotely. However, it indicated that the number of Lebanese who left the country started to increase in mid-August following the Beirut Port explosion and reached 44,928 in the last four months of 2020. It considered that the significant rise in the number of Lebanese leaving the country in the last four months of 2020 signals an additional increase in emigration in 2021.

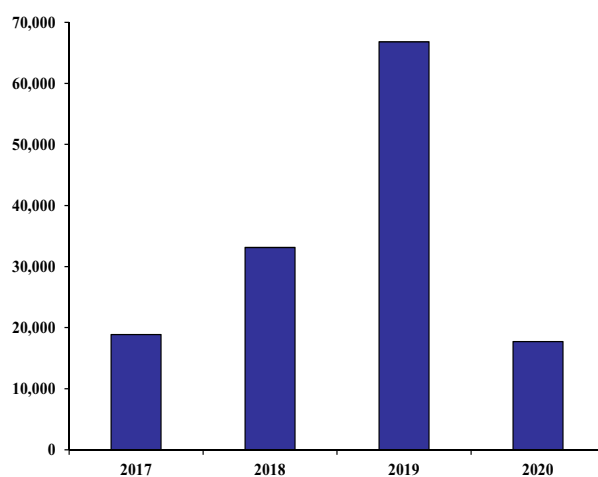
Change in Gross Foreign Currency Reserves (US\$m)



*at mid-February 2021

Source: Banque du Liban

Number of Lebanese Who Left the Country



Source: Information International, Byblos Research

Number of real estate transactions down 68% in January 2021

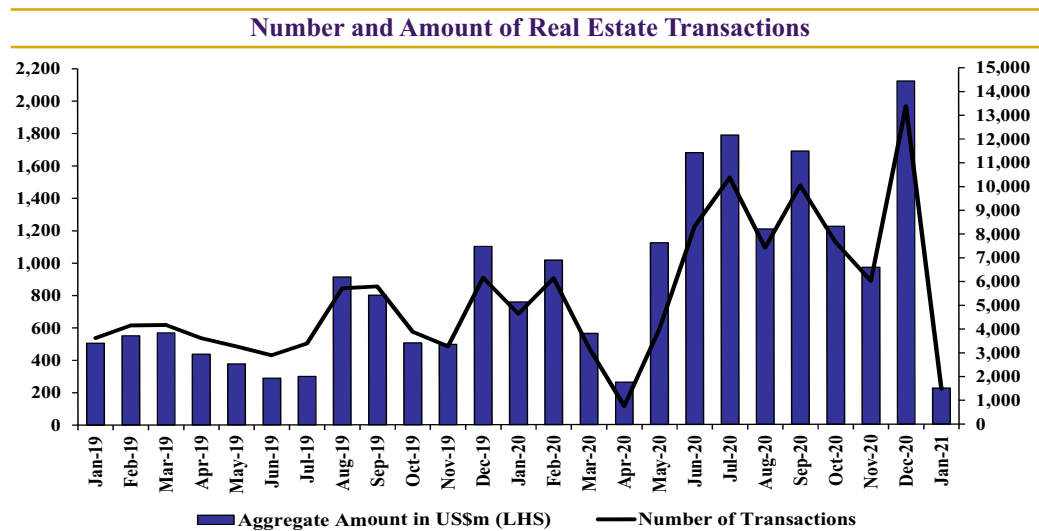
Figures released by the Ministry of Finance show that 1,482 real estate transactions took place in January 2021, constituting a decrease of 89% from 13,391 in December 2020 and a drop of 68.3% from 4,668 in January 2020. In comparison, there were 3,667 real estate transactions in January 2019 and 5,346 real estate deals in January 2018. The number of real estate transactions in the covered month reached their lowest level since April 2020. The significant decline in real estate activity in January 2021 is mainly due to the national lockdown measures that the government imposed to contain the spread of the coronavirus as of January 14, 2021, which led to the closure of many public agencies and departments and to delays in the processing of transactions.

Further, there were 359 real estate transactions in the South in January 2021, representing 24.2% of the total. The Baabda area followed with 224 deals and the Zahlé region with 222 transactions (15% each), then the North with 207 deals (14%), the Keserwan region with 171 transactions (11.5%), the Nabatieh area with 134 deals (9%), Beirut with 80 transactions (5.4%), and the Metn district with eight deals (0.5%),

The aggregate amount of real estate transactions reached \$222.8m in January 2021 and decreased by 89.5% from \$2.1bn in December 2020 and by 70.6% from \$756.8m in January 2020. In comparison, the amount of real estate deals grew by 50% year-on-year in January 2020 and regressed by 26.3% in January 2019 from the same month of 2018. Also, the value of real estate transactions in Beirut reached \$77m and accounted for 34.6% of the total in January 2021. The Keserwan area followed with \$47.2m (21.2%), the South with \$38m (17%), the Baabda district with \$29.7m (13.3%), the North with \$12.3m (5.5%), the Nabatieh region with \$6.5m (2.9%), the Zahlé area with \$5.3m (2.4%), and the Metn region with \$4m (2%). The amount of real estate transactions in the Metn district decreased by 97.3% in January 2021 from the same month of 2020, followed by the amount of deals in the Zahlé area (-81%), the Baabda district (-77.8%), the North (-70.5%), Beirut (-68.3%), the Nabatieh region (-57.7%), the Keserwan area (-47.2%), and the South (-23.4%).

In parallel, the average amount per real estate transaction was \$150,338 in January 2021, down by 5% from an average of \$158,155 in December 2020 and by 7.3% from an average of \$162,134 in January 2020. Further, there were 18 real estate transactions executed by foreigners in January 2021, compared to 241 deals in December 2020 and to 72 transactions in January 2020. The number of real estate deals by foreigners accounted for 1.2% of total real estate transactions in January 2021, down from 1.8% in December 2020 and from 1.5% in January 2020.

Further, 39% of real estate transactions executed by foreigners in January 2021 were in the Keserwan region, followed by the South (33.3%), the Baabda area (11.1%), and Beirut, the North, and the Zahlé area (5.6% each). There were no real estate deals executed by foreigners in the Metn and the Nabatieh regions in the covered month. The latest available figures show that Jordanians accounted for 30.7% of the amount of real estate transactions executed by foreigners in January 2021, followed by Dominicans (4.2%), Syrian citizens (3.6%), Iraqis (1.4%), and UAE citizens (1.1%).



Source: Ministry of Finance, Byblos Research

Net foreign assets of financial sector down \$10.6bn in 2020

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$10.6bn in 2020 compared to a decrease of \$5.9bn in 2019 and of \$4.8bn in 2018.

The cumulative deficit in 2020 was caused by a drop of \$14.3bn in the net foreign assets of BdL, which was partly offset by an increase of \$3.7bn in those of banks and financial institutions. The deficit in 2020 reached its widest level since BdL started to publish the data in 1993, mainly due to sustained drawdowns of BdL's foreign currency reserves amid the drying up of capital inflows after the government defaulted on its foreign obligations in March.

Further, the net foreign assets of the financial sector regressed by \$348.1m in December 2020 compared to declines of \$214.4m in November 2020 and of \$840.8m in December 2019. The December decrease was caused by a dip of \$1.2bn in the net foreign assets of BdL, which was partly offset by an increase of \$844m in those of banks and financial institutions.

The cumulative increase in the banks' net foreign assets is due to the steeper decline of their foreign liabilities relative to the decrease of their foreign assets. The fall in foreign liabilities was driven to a large extent by the reduction in non-resident deposits and in liabilities to the non-resident financial sector; while the decline in the banks' foreign assets was mostly due to a contraction of the banks' claims on the non-resident financial sector, as well as to a drop of their claims on non-resident customers. In parallel, the decrease in BdL's net foreign assets was due in part to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a basket of more than 300 food and non-food items, and raw materials for agriculture and industry.

Current vaccination pace in Lebanon will result in herd immunity by 2025

The Crisis Observatory at the Issam Fares Institute for Public Policy and International Affairs indicated that the start of the COVID-19 vaccination campaign has exposed several challenges that suggest that the objective of achieving herd or social immunity in Lebanon will not be reached before the summer of 2025. It attributed its estimate to the slow pace of the vaccination, the inconsistent figures of the Ministry of Public Health and of the vaccination platform, the low number of persons who have registered so far to be vaccinated, and the timid media awareness campaign. It added that a target of 4.8 million persons, or 70% of residents, need to be vaccinated to reach herd immunity.

First, it said that 25,000 persons received the vaccine in the first week of the campaign's launch, which constitutes 0.52% of the targeted population. It added that, based on the current pace of 3,571 vaccines per week, Lebanon will not be able to deliver two vaccines per resident for 70% of the population before June 15, 2025, or in four years and four months.

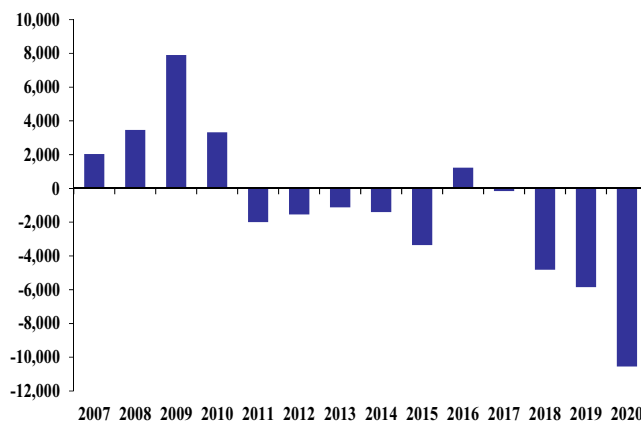
Second, it noted that more than 50% of the persons who received the vaccine were not registered on the electronic platform, which raises questions about the transparency and consistency of delivering the vaccine, despite all the promises of the Health Ministry and of the scientific committee, as well as in spite of the World Bank's monitoring through the International Red Cross Committee.

Third, it stated that the number of registered persons on the vaccination platform is still relatively low and reached 673,383 persons, or 14% of the targeted population. It considered that the main challenge for registering on the platform is the limited technological knowledge of many residents or the lack of the required legal documents, as 80% of Syrian refugees who are more than 15 years old do not have valid residency permits, in addition to a significant number of non-registered Lebanese.

Fourth, it noted that the timid media campaign has been limited to initiatives by television networks and radio stations to raise awareness about the importance of the vaccine. It noted the absence of a comprehensive media strategy to encourage people to register and to refute the fake news about the vaccine.

As such, it considered that there is a need to accelerate the vaccination campaign through an ambitious plan that aims to vaccinate the target population by September 2021 at a rate of 20,000 vaccinations per day. First, it suggested the launch of a "Vaccine Diplomacy" by the Ministry of Foreign Affairs and expatriates' organizations to get vaccines in the next few months from various countries such as China, Russia and India. Second, increasing the registration on the platform in cooperation with municipalities and mayors, as well as with international organizations in regard to refugees, through training volunteers to help people register. Third, committing to a clear and transparent methodology to deliver the vaccine to the priority segments of the population within the standards set by the higher committee. Fourth, upgrading the electronic medical registry to link vaccination centers with the Health Ministry and the platform, in order to increase the number of vaccination centers. Fifth, supporting and facilitating the task of the private sector to source the vaccine from countries and companies under the supervision of the Health Ministry. Sixth, launching a joint media campaign between private and official stakeholders, in order to raise awareness about the importance to get vaccinated.

Change in Net Foreign Assets of Financial Sector (US\$m)



Source: Banque du Liban

Lebanon ranks 64th globally, sixth among Arab countries in electronic commerce

The 2020 UNCTAD Business-to-Consumer (B2C) E-Commerce Index ranked Lebanon in 64th place among 152 countries worldwide and in sixth place among 19 Arab countries included in the survey. Also, Lebanon ranked in 15th place among 39 upper middle-income countries (UMICs) on the 2020 Index. In comparison, Lebanon ranked in 69th place globally and in seventh place regionally in the 2019 survey. Based on the same set of countries, Lebanon's global rank in 2020 improved by five spots while its regional rank rose by one notch from the 2019 survey.

The index measures the readiness of countries to engage in online commerce. It reflects the steps involved in a B2C transaction and is composed of four indicators that consist of the Internet penetration rate, the number of secure Internet servers per one million inhabitants, the payment account penetration rate, and the reliability of postal services.

Globally, Lebanon is readier for e-commerce than Azerbaijan, Bahrain and the Dominican Republic, and is less prepared than Mongolia, Brazil, and Vietnam. Also, Lebanon ranked ahead of Azerbaijan and the Dominican Republic, and came behind Kazakhstan and Brazil among UMICs. Lebanon received a score of 60.4 points relative to a score of 60.3 points on the 2019 survey. Its score came higher than the global average score of 54.9 points, the UMICs' average score of 57.8 points, and the Arab average score of 47.6 points. Also, Lebanon's score is lower than the Gulf Cooperation Council (GCC) countries' average score of 70.3 points, but is better than the average score of non-GCC Arab countries of 37.1 points.

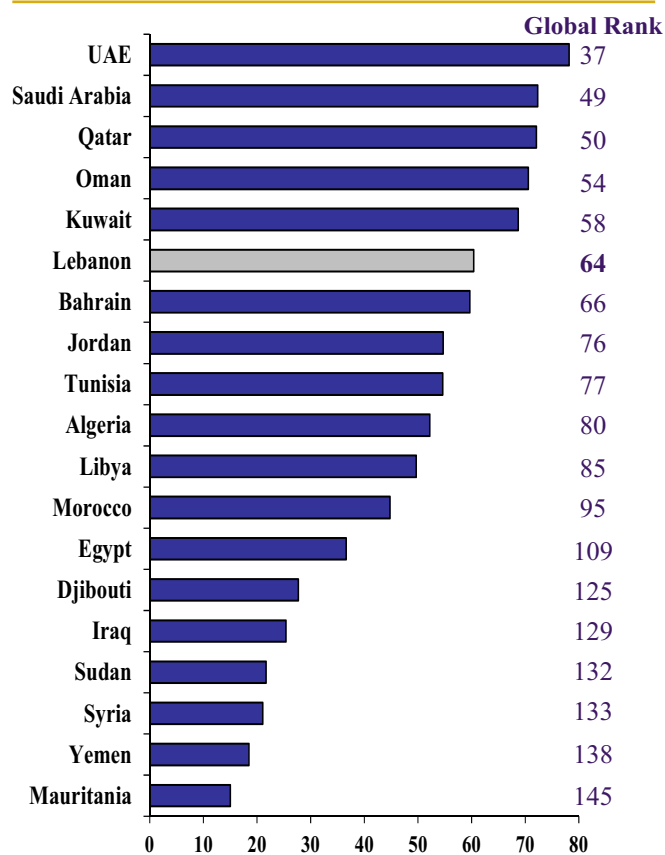
The index shows that Lebanon's Internet penetration rate in the 2020 survey was 78%, constituting the 53rd highest rate globally, the ninth highest among UMICs, and the seventh highest rate among Arab countries included in the survey. Also, Lebanon's Internet penetration rate is higher than the global penetration rate of 60%, the UMICs' rate of 68.5% and the Arab rate of 67.5%.

Further, the survey indicates that the payment account penetration rate in Lebanon stood at 45%, which, along with Honduras, Nepal and Togo, is the 97th highest rate globally, the 32nd highest among UMICs and the eighth highest rate in the Arab world. The payment account penetration rate is the percentage of respondents who are 15 years of age or older and who have an account at a bank or at another type of financial institution. Lebanon's penetration rate is lower than the global and UMICs' average penetration rates of 60.2% each, as well as the Arab countries' rate of 45.2%. In addition, according to the latest data released in 2017, 16% of Internet users in Lebanon and 13.8% of the Lebanese population used the Internet in order to purchase a product or service online.

In addition, the index reveals that there were 44 secure Internet servers per one million inhabitants in Lebanon in 2019 relative to 52.6 servers per one million inhabitants globally, 55.4 servers per one million inhabitants among UMICs, and 38 servers per one million inhabitants in the Arab region. The number of secure Internet servers per one million inhabitants in Lebanon is, along with Botswana, the 91st highest worldwide and the 31st highest among UMICs, as well as the eighth highest regionally.

Also, the index shows that the postal reliability level in Lebanon was 74% in 2020, constituting, along with Russia, the 49th highest rate globally and the ninth most elevated among UMICs, as well as the second highest rate among Arab states. Moreover, Lebanon's postal reliability level is higher than the global average rate of 47.2%, the UMICs' average of 47.1%, and the Arab average rate of 39.6%.

**Business-to-Consumer E-Commerce Index for 2020
Scores & Rankings of Arab Countries**



Source: UNCTAD, Byblos Research

Increase in food prices in Lebanon remains highest in MENA region

In its latest assessment of the impact of the COVID-19 pandemic on food-price inflation in the Middle East & North Africa (MENA) region, the World Bank indicated that prices in Lebanon have surged across all food categories between February 14, 2020 and February 2, 2021. It assessed the change in food prices in 19 countries in the MENA region across five main food categories that are carbohydrates, dairy, fruits, meats and vegetables.

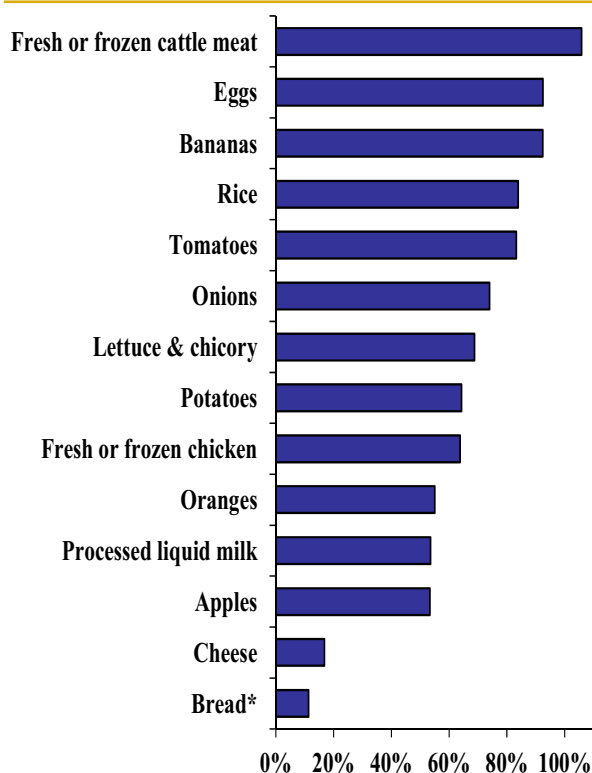
The prices of fresh or frozen cattle meat in Lebanon rose by 105.8% between February 14, 2020 and February 2, 2021, constituting the highest increase in the region. In comparison, the price of fresh or frozen cattle meat grew by an average of 10.7% in the region.

In addition, the price of eggs in Lebanon jumped by 92.5% in the covered period, the highest price increase for this product in the MENA region. Lebanon, Djibouti, Iran, Syria and Yemen were the only countries in the region that posted a rise of more than 20% in the price of eggs. In comparison, the price of eggs increased by an average of 6.8% in MENA countries. Also, the price of bananas in Lebanon surged by 92.4% between February 14, 2020 and February 2, 2021, representing the highest growth rate in the price of this fruit regionally, relative to an average increase of 9.6% among MENA countries.

In parallel, the prices of rice and tomatoes in Lebanon climbed by 84% and by 83.2%, respectively, between February 14, 2020 and February 2, 2021, the highest surge in the prices of these food products regionally. Also, the prices of onions and lettuce jumped by 74% and by 68.8%, respectively, the highest price leap in the region for such products. The prices of potatoes in Lebanon grew by 64.3% in the covered period, the highest rise among MENA countries and relative to an average increase of 4.1% in the region. Lebanon, along with Djibouti and Syria, were the only countries in the region that posted increases of above 20% in the price of potatoes. Also, the prices of fresh or frozen chicken surged by 63.8% between February 14, 2020 and February 2, 2021, the second highest increase, after Djibouti, among MENA countries and compared to an average growth of 16.4% regionally. Lebanon, along with Djibouti and Saudi Arabia, were the only countries in the region that posted increases of above 20% in the price of fresh or frozen chicken.

Further, the prices of apples and oranges in Lebanon soared by 53.3% and 55%, respectively, between February 14, 2020 and February 2, 2021, the most significant price increases for such fruits among MENA countries. Lebanon, along with Egypt, Morocco and Yemen, were the only countries in the region that posted increases of above 20% in the price of oranges. In addition, the price of processed liquid milk in Lebanon grew by 53.5%, the second highest price rise regionally, after Djibouti. Also, the price of cheese surged by 16.8%, the fourth highest price increase regionally for this category; while the price of bread and other manufactured articles sold at bakeries in Lebanon expanded by 11.3% in the covered period, representing the sixth highest increase in bread prices among MENA countries.

**Change in Food Prices in Lebanon
Between February 14, 2020 and February 2, 2021 (%)**



*bread and other manufactured articles sold at bakeries
Source: World Bank, Byblos Research

Private sector deposits down \$19.7bn, loans drop by \$13.6bn in 2020

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$188bn at the end of 2020, constituting a decrease of 13.3% from \$216.8bn at the end of 2019 and compared to a decline of 13.1% in 2019. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

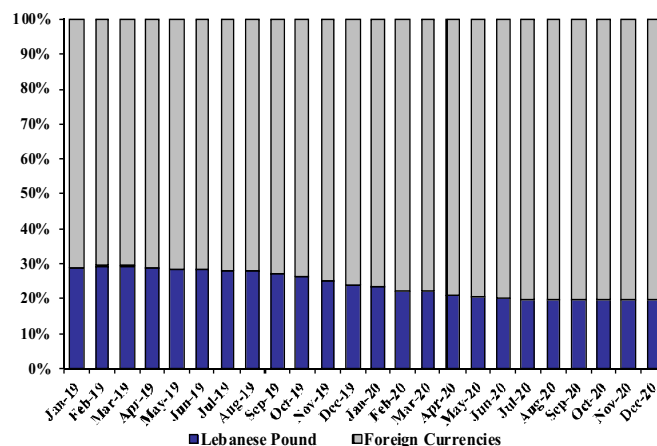
Loans extended to the private sector reached \$36.2bn at the end of 2020 and dropped by 27.3% from end-2019 relative to a decline of 16.2% in 2019. Loans to the resident private sector totaled \$32bn, constituting a decrease of 27.5% in 2020; while credit to the non-resident private sector reached \$4.1bn at end-2020 and contracted by 25.8% from end-2019. In nominal terms, credit to the private sector declined by \$13.6bn in 2020 relative to a decrease of \$9.6bn in 2019, as lending to the resident private sector declined by \$12.2bn and credit to the non-resident private sector contracted by \$1.4bn last year. The dollarization rate of private sector loans regressed from 68.7% at end-2019 to 59.6% at the end of 2020. The average lending rate in Lebanese pounds was 7.77% in December 2020 compared to 9.09% a year earlier, while the same rate in US dollars was 6.73% relative to 10.84% in December 2019.

In addition, claims on non-resident financial institutions reached \$4.7bn at the end of 2020 and dropped by \$2.1bn (-30.3%) from end-2019 and by \$4.4bn (-48.4%) from the end of August 2019. Also, deposits at foreign central banks totaled \$577.6m, constituting a decrease of \$10.8m (-1.8%) from the end of 2019. In addition, the banks' claims on the public sector stood at \$21.1bn at end-2020, down by \$7.6bn (-26.6%) from a year earlier. The banks' holdings of Lebanese Treasury bills stood at \$11.5bn, while their holdings of Lebanese Eurobonds reached \$9.4bn at end-2020. Further, the deposits of commercial banks at BdL totaled \$110.4bn at the end of 2020, down by 6.2% from \$117.7bn at the end of 2019.

In parallel, private sector deposits totaled \$139.1bn at the end of 2020 and contracted by 12.4% from the end of 2019 compared to a decrease of 8.8% in 2019. Deposits in Lebanese pounds reached the equivalent of \$27.3bn at end-2020 and declined by 28.3% from the end of 2019; while deposits in foreign currency reached \$111.8bn, as they regressed by 7.4% from end-2019. Resident deposits totaled \$111.8bn at the end of 2020 and decreased by \$14.6bn (-11.6%) from the end of 2019; while non-resident deposits reached \$27.4bn at end-2020 and regressed by \$5.1bn (-15.7%) from end-2019. In nominal terms, private sector deposits declined by \$3.8bn in January, by \$3.4bn in February, by \$2.1bn in March, by \$2.1bn in April, by \$1.2bn in May, by \$1.8bn in June, by \$1.2bn in July, by \$258.2m in August, by \$856m in September, by \$1.22bn in October, by \$1.1bn in November, and by \$773m in December 2020. As such, aggregate private sector deposits dropped by \$19.7bn in 2020 relative to a decrease of \$15.4bn in 2019, with deposits in Lebanese pounds regressing by \$10.8bn and foreign-currency deposits shrinking by \$9bn. In addition, private sector deposits declined by \$2.2bn in September, by \$1.9bn in October, by \$5.8bn in November and by \$3.7bn in December 2019. As such, aggregate private sector deposits dropped by \$33.4bn in the 16-month period ending in December 2020, due largely to the repayment of loans, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 80.4% at end-2020 compared to 76% at the end of 2019.

Further, the liabilities of non-resident financial institutions reached \$6.6bn at the end of 2020 and decreased by 25.4% from end-2019. Also, the average deposit rate in Lebanese pounds was 2.64% in December 2020 compared to 7.36% a year earlier, while the same rate in US dollars was 0.94% relative to 4.62% in December 2019. The ratio of private sector loans to deposits in foreign currency stood at 19.3% at the end of 2020 compared to 28.3% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 53.5% at end-2020 relative to 40.9% from a year earlier. As such, the total private sector loans-to-deposits ratio reached 26% compared to 31.3% at end-2019. The banks' aggregate capital base stood at \$19.9bn at the end of 2020, down by 3.8% from \$20.7bn a year earlier.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

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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