

LEBANON THIS WEEK

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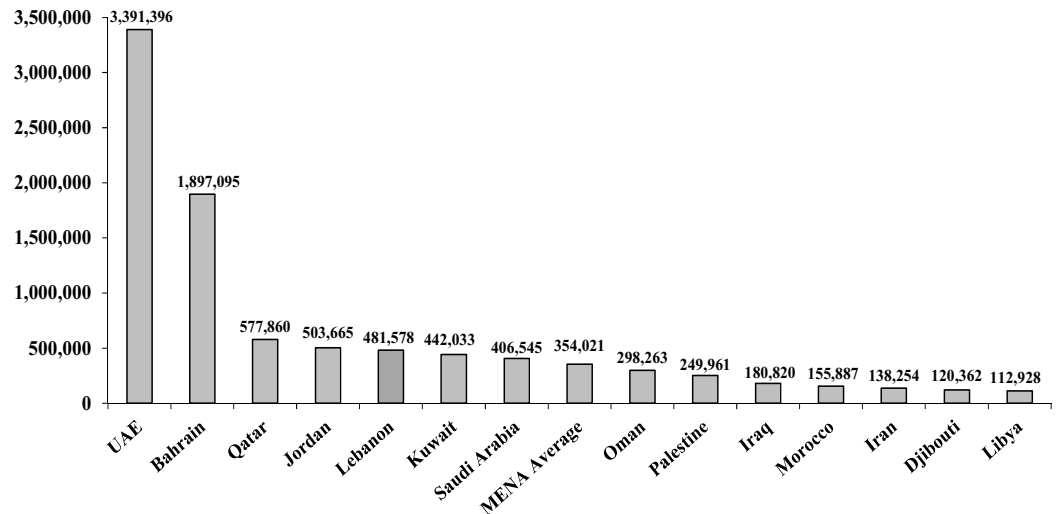
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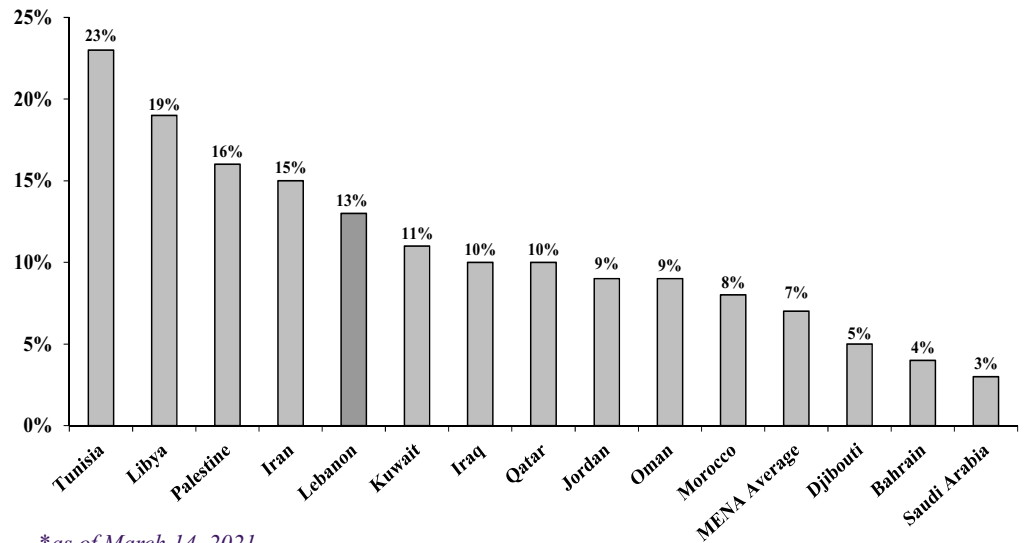
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Charts of the Week

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



Number of COVID-19 Cases Relative to the Number of Tests in MENA Countries* (%)



*as of March 14, 2021

Source: World Bank Group, Byblos Bank

Quote to Note

"Even if a government is formed in the coming weeks, the focus on macroeconomic stabilization will likely continue to be hindered by political developments."

Barclays Capital, on the political considerations related to the parliamentary and presidential elections that are scheduled to take place in 2022

Number of the Week

144,142: Number of persons in Lebanon who received the COVID-19 vaccine since the start of the vaccination campaign on February 13, according to the Ministry of Public Health

Lebanon in the News

\$m (unless otherwise mentioned)	2018	2019	2020	% Change*	Dec-19	Nov-20	Dec-20
Exports**	2,952	3,731	2,967	(20.5)	324	-	-
Imports**	19,980	19,239	9,073	(52.8)	1,346	-	-
Trade Balance**	(17,028)	(15,508)	(6,106)	(60.6)	(1,022)	-	-
Balance of Payments	(4,823)	(5,851)	(10,551)	80.3	(841)	(214)	(348)
Checks Cleared in LBP	22,133	22,145	19,937	(10.0)	2,402	1,683	1,942
Checks Cleared in FC	44,429	34,826	33,881	(2.7)	3,898	2,242	2,802
Total Checks Cleared	66,570	56,982	53,828	(5.5)	6,300	3,926	4,744
Fiscal Deficit/Surplus***	(6,246)	(5,837)	(2,535)	(56.6)	(920)	-	-
Primary Balance***	(636)	(287)	(1,136)	295.7	(521)	-	-
Airport Passengers	8,842,442	8,683,719	2,501,975	(71.2)	544,967	220,333	282,130
Consumer Price Index	6.1	2.9	84.9	8,200	7.0	133.5	145.8

\$bn (unless otherwise mentioned)	Dec-19	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	% Change*
BdL FX Reserves	29.55	22.76	20.00	19.46	19.03	18.60	(18.3)
In months of Imports	21.95	28.48	20.95	16.31	-	-	-
Public Debt	91.64	94.29	94.84	95.06	95.51	95.59	1.4%
Bank Assets	216.78****	195.71	192.57	191.09	190.31	188.04	(3.9)
Bank Deposits (Private Sector)	158.86	143.04	142.18	140.96	139.91	139.14	(2.7)
Bank Loans to Private Sector	49.77	39.64	38.60	37.68	37.11	36.17	(8.7)
Money Supply M2	42.11	40.21	40.94	42.06	43.32	44.78	11.4%
Money Supply M3	134.55	130.53	130.92	131.20	131.92	132.70	1.7%
LBP Lending Rate (%)	9.09	7.14	7.89	7.61	7.92	7.77	63
LBP Deposit Rate (%)	7.36	3.47	3.35	3.14	2.91	2.64	(83)
USD Lending Rate (%)	10.84	7.54	7.54	7.46	6.63	6.73	(81)
USD Deposit Rate (%)	4.62	1.28	1.15	1.04	0.97	0.94	(34)

*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
Solidere "A"	23.07	7.3	322,869	27.7%
Solidere "B"	23.02	6.9	141,951	18.0%
Audi Listed	1.90	9.8	21,098	13.4%
Byblos Common	0.63	5.0	13,000	4.3%
HOLCIM	14.10	2.0	10,685	3.3%
Audi GDR	1.50	4.2	10,000	2.2%
BLOM GDR	2.82	15.6	8,765	2.5%
BLOM Listed	3.50	31.6	3,765	9.0%
Byblos Pref. 08	35.00	0.0	2,600	0.8%
Byblos Pref. 09	39.55	0.0	-	0.9%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	11.88	14060.94
Oct 2022	6.10	12.63	193.22
Jan 2023	6.00	12.25	153.36
Jun 2025	6.25	11.88	57.45
Nov 2026	6.60	11.88	41.28
Feb 2030	6.65	11.88	25.36
Apr 2031	7.00	11.88	22.29
May 2033	8.20	12.13	18.14
Nov 2035	7.05	11.88	15.13
Mar 2037	7.25	11.63	13.91

Source: Refinitiv

	Mar 15-19	Mar 8-12	% Change	Feb 2021*	Feb 2020	% Change
Total shares traded	561,647	421,864	33.1	8,583,833	1,729,973	396
Total value traded	\$11,366,632	\$5,443,876	108.8	\$24,114,080	\$11,322,149	113
Market capitalization	\$8.33bn	\$7.73bn	7.8	\$7.09bn	\$6.24bn	13.8

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

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 154th globally, 13th among Arab countries in economic freedom, economy remains "mostly unfree"

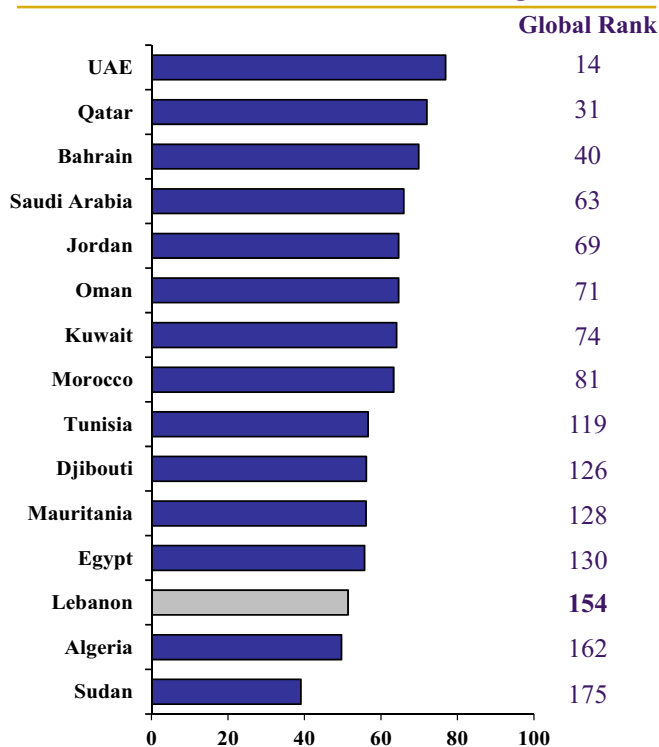
The Heritage Foundation's Index of Economic Freedom for 2021, a broad indicator of economic freedom in 178 countries, ranked Lebanon in 154th place worldwide and in 13th place among 15 Arab countries that have a full dataset. Also, Lebanon came in 44th place among 50 upper middle-income countries (UMICs) included in the survey. In comparison, Lebanon ranked in 157th place globally and in 13th place regionally in 2020, while it came in 154th place worldwide and in 12th place among Arab countries on the 2019 index.

The index evaluates individual economies based on 12 equally-weighted broad factors of economic freedom divided into four pillars that are the Rule of Law, the size of the Government, Regulatory Efficiency, and Market Openness. A country's score ranges between zero and 100, with 100 reflecting the country with the highest level of economic freedom.

Globally, Lebanon has a higher level of economic freedom than the Republic of Congo, Nepal and Chad, and a lower level than Ethiopia, Pakistan and Mozambique among economies with a GDP of \$10bn or more. It also has a higher level of economic freedom than Equatorial Guinea, Turkmenistan, Iran, Cuba and Venezuela among UMICs. Lebanon's level of economic freedom reached 51.4% in the 2021 survey relative to 51.7% in 2020 and 51.1% in the 2019 survey. Lebanon's 2021 score came well below the global level of economic freedom of 61.6%, the UMICs' level of 60.8% and the Arab level of economic freedom of 60.4%. The survey maintained Lebanon's economic freedom status in the "mostly unfree" category for the ninth consecutive year. It downgraded Lebanon in the 2013 survey from the "moderately free" category. It indicated that Lebanon's overall economic freedom score in the 2021 survey declined mainly due to a lower score on the Trade Freedom indicator.

The survey considered that Lebanon's fragile political institutions further weakened in 2020 and have not addressed the deep structural issues that prevented improvements in fiscal management and that compromised the rule of law, which, in turn, restricted economic freedom in the country. Lebanon tied with Djibouti, preceded Bangladesh and trailed Honduras globally, while it came ahead of Syria, Iraq, Libya, Mauritania, Sudan and Yemen among Arab countries on the Government Integrity Indicator. This category assesses the extent of government intervention in economic activity and the degree of corruption that follows. Also, Lebanon ranked ahead of Cameroon and behind Burkina Faso globally, while it preceded Libya regionally on the Business Freedom Indicator, which reflects the ability to create, operate and close an enterprise without undue interference from the state. This category also measures the extent that the regulatory and infrastructure environments limit the efficient operation of businesses. Further, Lebanon tied with Niger, came ahead of Argentina and trailed Ecuador globally, while it ranked ahead of only Iraq and Morocco regionally on the Labor Freedom Indicator, which assesses the legal and regulatory framework of a country's labor market.

**Index of Economic Freedom for 2021
Arab Countries' Scores & Rankings**



Source: Heritage Foundation 2021, Byblos Research

Economic Freedom in Lebanon by Category

	Arab Rank	Global Rank	Lebanon Score	Change in Score*	Long-Term Trend**	Arab Avge	Global Avge
Tax Burden	7	38	88.5	↓	-9.5	86.6	77.7
Trade Freedom	6	77	74.4	↓	-0.6	67.4	70.7
Monetary Freedom	10	81	78.3	↑	11.9	73.7	74.7
Government Spending	10	98	70.3	↓	-9.6	65.0	67.1
Investment Freedom	6	81	60.0	↔	10.0	46.8	56.4
Financial Freedom	8	80	50.0	↔	-20.0	51.3	48.5
Business Freedom	18	165	44.3	↓	-25.7	63.2	63.2
Labor Freedom	17	149	47.4	↓	N/A	56.3	59.5
Property Rights	14	129	42.3	↓	-7.7	50.1	55.3
Judicial Effectiveness	12	129	33.1	↑	N/A	43.4	45.9
Government Integrity	12	144	27.9	↑	17.9	38.8	45.4
Fiscal Health	16	177	-	↔	N/A	49.7	72.1

*year-on-year; ** Change in score from 1996 in percentage points;

Source: Heritage Foundation 2021, Byblos Research



Banque du Liban's foreign assets at \$22.5bn, gold reserves at \$15.9bn at mid-March 2021

Banque du Liban's (BdL) interim balance sheet reached \$151.6bn on March 15, 2021, constituting an increase of 2% from \$148.6bn at end-2020 and of 4.8% from \$144.7bn at mid-March 2020. Assets in foreign currency totaled \$22.5bn on March 15, 2021, representing a decrease of \$1.5bn, or of 6.4%, from \$24.1bn at the end of 2020 and a drop of \$13.2bn (-36.9%) from \$35.7bn at mid-March 2020. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds relative to \$5.35bn at mid-March 2020.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$17.5bn at mid-March 2021 and fell by \$12.9bn, or by 42.4%, from \$30.4bn a year earlier. 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 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 \$15.9bn at mid-March 2021 and regressed by 8% from \$17.3bn at end-2020, but it increased by 9.2% from \$14.6bn a year earlier. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40.7bn at mid-March 2021, up by 1.8% from \$40bn at the end of 2020 and by 6.3% from \$38.3bn a year earlier. In addition, loans to the local financial sector regressed by 4.5% from mid-March 2020 and by 0.9% from the end of 2020 to \$14.2bn on March 15, 2021. Further, deposits of the financial sector stood at \$107.7bn at mid-March 2021 and decreased by \$235.9m in the first 10 weeks of the year, while they declined by \$5.5bn from a year earlier. In addition, public sector deposits at BdL totaled \$4.8bn at mid-March 2021, increasing by \$49.2m from the end of 2020 and by \$310m from a year earlier.

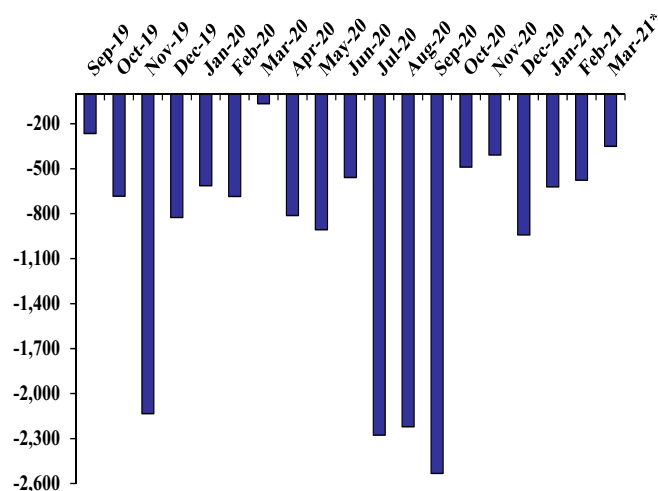
Broad money supply up 1% in January 2021, currency in circulation up 186%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP42,425bn at the end of January 2021, constituting an increase of 5.6% from LBP40,156bn at the end of 2020 and a rise of 130.5% from LBP18,408bn at end-January 2020. Currency in circulation stood at LBP30,710bn at the end of January 2021, up by 5% from LBP29,242bn at end-2020 and by 186% from LBP10,734bn at end-January 2020. Also, demand deposits in local currency stood at LBP11,715bn at the end of January 2021, representing an increase of 7.3% from end-2020 and a rise of 52.7% from end-January 2020. The increase in money supply largely reflects the migration of term deposits to demand deposits, as well as the shift to a cash-based economy.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP69,303bn at the end of January 2021, constituting an increase of 2.7% from LBP67,510bn at the end of 2020 and an expansion of 12.6% from LBP61,543bn a year earlier. Term deposits in Lebanese pounds totaled LBP26,879bn at the end of January 2021, down by 1.7% from LBP27,354bn at end-2020 and by 37.7% from LBP43,135bn at end-January 2020.

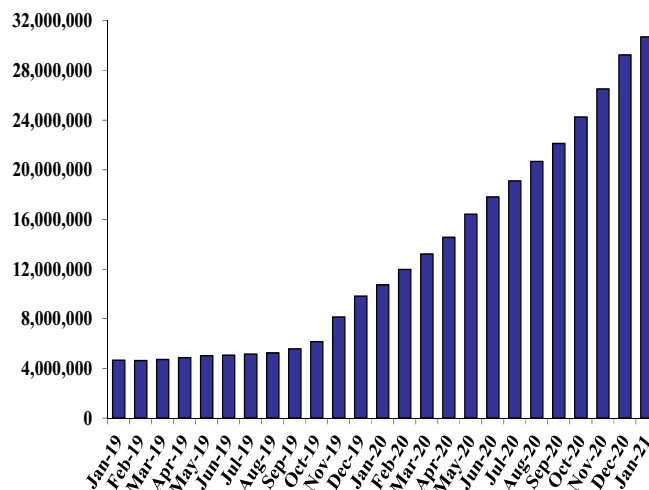
Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP201,040bn at the end of January 2021, constituting a marginal increase of 0.5% from LBP200,052bn at the end of 2020 and an upturn of 0.6% from LBP199,831bn at end-January 2020. Deposits in foreign currency totaled LBP131,327bn at the end of January 2021, down by 0.5% from end-2020 and by 4.7% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP409bn at the end of January 2021 compared to LBP519bn at the end of 2020 and to LBP449bn at end-January 2020. In parallel, M3 expanded by LBP1,209bn in January 2021 due to surge of LBP39,105bn in other items, which was partly offset by a drop of LBP16,888bn in claims of the private sector, a decline of LBP12,555bn in the net foreign assets of deposit-taking institutions, and a decrease of LBP8,453bn in the net claims of the public sector.

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



Source: Banque du Liban

Currency in Circulation (LBP Millions)



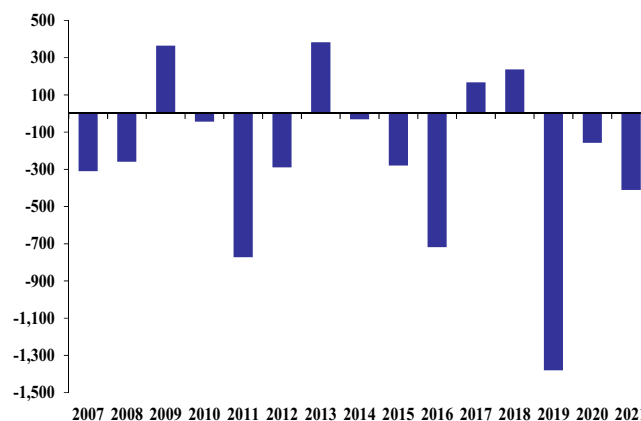
Source: Banque du Liban, Byblos Research

Net foreign assets of financial sector down \$411m in January 2021

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 \$410.6m in January 2021 compared to a decrease of \$157.9m in January 2020, and to a drop of \$348m in December 2020. The decline in net foreign assets of the financial sector in January 2021 was caused by a drop of \$630.8m in the net foreign assets of BdL, which was partly offset by an increase of \$220.2m in those of banks and financial institutions.

The increase in the banks' net foreign assets is due to a decline of their foreign liabilities relative to a slight increase of their foreign assets. The fall in foreign liabilities was driven to a large extent by a decrease in liabilities to the non-resident financial sector; while the rise in the banks' foreign assets was mostly due to the increase of the banks' claims on the non-resident financial sector. In parallel, the drop 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.

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



*in January of each year

Source: Banque du Liban

Joint parliamentary committees approve advance of LBP300bn to Electricité du Liban

The Lebanese Parliament's joint parliamentary committees approved on March 16, 2021 a draft law that provides an advance for Electricité du Liban (EdL). The law instructs Banque du Liban (BdL) to disburse LBP300bn, or \$200m based on the official exchange rate of the Lebanese pound against the US dollar, to EdL in order to finance the imports of fuel oil for electricity generation. The law also stipulates that EdL cannot use the funds to cover other expenditures. The joint parliamentary committees submitted the draft law to Parliament to ratify it.

EdL exhausted the LBP1,500bn, or \$1bn, earmarked for its expenditures in the Budget Law for 2020, which requires a law to provide it with an advance in the absence of a Budget Law for 2021. The draft budget for 2021 that the Ministry of Finance submitted to the Council of Ministers earmarked LBP1,500bn, or \$1bn, in transfers to EdL. But, according to the Lebanese Constitution, a caretaker government cannot approve a budget and forward it to Parliament for deliberation.

In parallel, the Ministry of Energy & Water announced in February 2021 that Iraq will supply Lebanon with fuel oil for electricity generation. The agreement between the Lebanese authorities and their Iraqi counterparts stipulates that Iraq will export 500,000 tons of heavy fuel oil to Lebanon in 2021. The agreement between the two countries came after the contract between the Lebanese State and the Algerian energy conglomerate Sonatrach to supply fuel oil to Lebanon expired on December 31, 2020, which raised concerns about sourcing fuel oil for electricity production in Lebanon. EdL imported 2.1 million tons of fuel oil in the first 10 months of 2020, down from 5.6 million in the same period of 2019. However, the substantial decline in EdL fuel imports masks discrepancies related to the accounting of such imports in 2019.

Further, losses at EdL have constituted a burden on public finances for more than 20 years, which has required regular transfers from the Treasury and has led to wide fiscal deficits. The latest available figures show that Treasury transfers to EdL constituted 7.3% of overall fiscal spending in the first eight months of 2020, constituting the third largest expenditures item after public sector personnel costs and debt servicing. Treasury transfers to EdL were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, and 2.8% of GDP in 2019. Aggregate transfers from the Treasury to cover EdL's losses totaled \$23.1bn between 2001 and the end of August 2020.

Banque du Liban mandates banks and money dealers to join electronic platform

Banque du Liban issued directive 934 to commercial banks operating in Lebanon stating that BdL considers that commercial banks have a license to operate as money exchange dealers and have to take the necessary measures to conduct currency exchange operations according to Law 347 dated August 6, 2001. Further, BdL asked banks operating in Lebanon to join its "Sayrafa" electronic trading platform by April 16, 2021 at the latest, to register on the electronic application of the platform, and to abide by the related conditions that BdL will issue in this regard.

BdL attributed its decision to the impact of the exceptional circumstances in Lebanon on the exchange rate of foreign currency in the local market, as well as to the need to organize foreign exchange operations in order to protect the stability of the Lebanese pound's exchange rate, and in preparation to conduct exchange operations of foreign currencies against Lebanese pound bank notes.

In parallel, BdL asked licensed money exchange dealers to join the "Sayrafa" electronic platform by April 16, 2021 at the latest or risk having their license withdrawn.

Increase in food prices in Lebanon remains highest in MENA region

In its periodic 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 March 8, 2021. It assessed the change in food prices in 19 countries in the MENA region across five main food categories that are carbohydrates, dairy products, fruits, meats and vegetables.

The prices of fresh or frozen cattle meat in Lebanon jumped by 110% between February 14, 2020 and March 8, 2021, constituting the highest increase in the price of this item in the region. Lebanon, along with Djibouti and Syria, were the only countries in the region that posted a rise of more than 35% in the price of fresh or frozen cattle meat. In comparison, the price of fresh or frozen cattle meat grew by an average of 11% in the region.

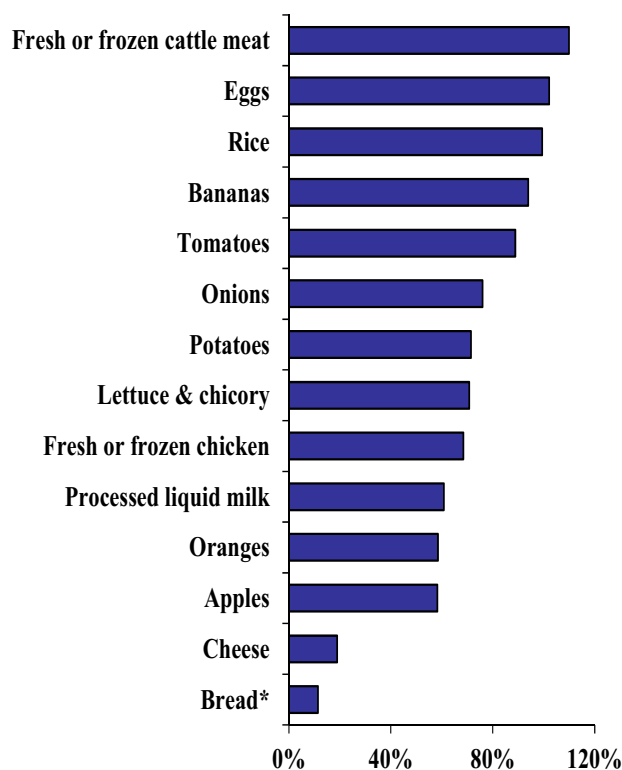
In addition, the price of eggs in Lebanon surged by 102% in the covered period, the highest price increase for this product in the MENA region. Lebanon, Djibouti, Iran, Syria and Yemen were the only countries in the region that posted a rise of more than 20% in the price of eggs. In comparison, the price of eggs increased by an average of 7% in MENA countries. Also, the price of rice in Lebanon climbed by 99.4% between February 14, 2020 and March 8, 2021, representing the highest growth rate in the price of rice regionally, relative to an average increase of 8.4% among MENA countries.

In parallel, the prices of bananas and tomatoes in Lebanon rose by 94% and 88.8%, respectively, in the covered period, the highest increase in the prices of these food products regionally. Also, the prices of onions and lettuce jumped by 76% and by 70.8%, respectively, the most significant price leap in the region for such products.

The prices of potatoes in Lebanon soared by 71.4% between February 14, 2020 and March 8, 2021, the highest rise among MENA countries and relative to an average increase of 4% in the region. Lebanon, along with Djibouti, were the only countries in the region that posted increases of above 25% in the price of potatoes. Also, the prices of fresh or frozen chicken surged by 68.4% in the covered period, the second highest upturn 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 25% in the prices of fresh or frozen chicken.

Further, the price of processed liquid milk in Lebanon rose by 60.8%, between February 14, 2020 and March 8, 2021, the second highest price expansion regionally after Djibouti. In addition, the prices of apples and oranges in Lebanon grew by 58.2% and 58.4%, respectively, 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 hikes of more than 20% in the price of oranges. Also, the price of cheese surged by 19%, 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 March 8, 2021 (%)**



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

Lebanese citizens are 123rd happiest people in the world, 13th happiest in MENA region

The United Nations' 2021 survey about the level of happiness in 149 countries ranked Lebanon as the 123rd happiest country globally and the 13th happiest nation among 17 countries in the Middle East & North Africa (MENA) region. Also, Lebanon came in 38th place among 41 upper middle-income countries (UMICs) included in the survey.

The UN's measure of happiness is based on annual surveys that opinion polling and consulting firm Gallup conducted between 2018 and 2020, with the results converted into a numerical score for each country.

The survey asked respondents to evaluate their lives by placing their current living conditions on a scale ranging from zero to 10, and to assign a score accordingly, where zero reflects the "worst possible life" and 10 points the "best possible life". However, Lebanon was among 55 countries from around the globe that did not have a survey for 2020, which means that their scores are based on the 2018 and 2019 surveys. The poll interviewed about 1,000 respondents per year in Lebanon in each of 2018 and 2019.

The survey indicated that the individual income level explains about 23% of overall happiness of Lebanese citizens, the 68th highest share globally. The social support, or having someone to count on when in distress, follows with 19% (68th highest share), then expectations of a healthy life with 13% (60th highest share globally), freedom to make life choices with 4% (third lowest share), generosity or donating money to charity with 3% (90th highest share), and perceptions of corruption with 0.6% (14th lowest share).

Globally, the survey's results show that Lebanese citizens are happier than the citizens of Namibia, the West Bank & Gaza and Myanmar, but are less happy than the citizens of Liberia, Kenya and Tunisia. Also, they are happier than their counterparts in Namibia, Jordan and Botswana among UMICs. Lebanon received a score of 4.584 points for the 2018-2019 period, with a score of 4.0242 points in 2019, the lowest score during the 2005-2019 period. The survey found that the citizens of Finland are the happiest worldwide, while those of Afghanistan are the least happy globally.

Number of new construction permits up 19% in 2020

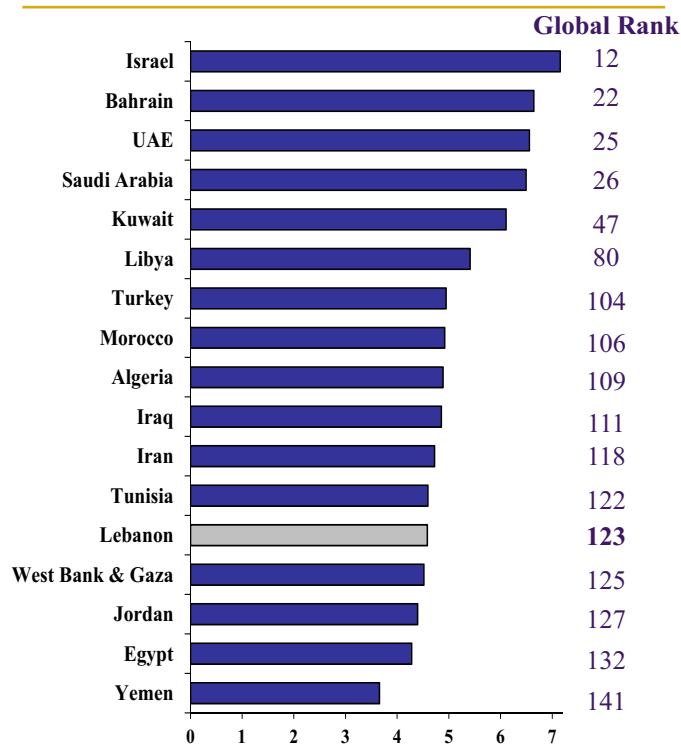
The Orders of Engineers & Architects of Beirut and of Tripoli issued 13,105 new construction permits in 2020, constituting a rise of 19.2% from 10,991 permits in 2019. In comparison, new construction permits decreased by 19.8% in 2019. The figures do not include the number of permits and related details for the month of April, due to the closure of public-sector departments during the month amid the outbreak of COVID-19 in the country. Also, the orders of engineers issued 1,907 permits in December 2020, representing an increase of 51.2% from 1,261 permits in November 2020 and a jump of 169% from 709 permits in December 2019.

Mount Lebanon accounted for 31.4% of the number of newly-issued construction permits in 2020, followed by the South with 24.3%, the North with 16.5%, the Nabatieh area with 15.6%, the Bekaa region with 7.5%, and Beirut with 2.5%. The remaining 2.2% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued for regions outside northern Lebanon increased by 68.6% in 2020, followed by permits in the North (+47.3%), the Nabatieh region (+38%), the South (+30%), and Mount Lebanon (+9.4%). In contrast, the number of permits issued for Beirut dropped by 46% and permits issued for the Bekaa region regressed by 6.4% last year.

Further, the surface area of granted construction permits reached 5,788,153 square meters (sqm) in 2020, constituting a decrease of 4.8% from 6,081,333 sqm in 2019. In comparison, the surface area of granted construction permits declined by 32.6% in 2019. Also, the surface area of granted construction permits reached 968,445 sqm in December 2020, increasing by 57.2% from 616,132 sqm in November 2020 and rising by 180% from 345,828 sqm in December 2019. Mount Lebanon accounted for 1,816,374 sqm, or 31.4% of the total in 2020. The South followed with 1,261,692 sqm (21.8%), then the North with 1,177,853 sqm (20.3%), the Nabatieh area with 694,366 sqm (12%), the Bekaa region with 507,799 sqm (8.8%), and Beirut with 96,452 sqm (1.7%). The remaining 233,617 sqm, or 4% of the total, represent the surface area of permits that the Order of Engineers & Architects of Tripoli issued for regions located outside northern Lebanon.

The surface area of new construction permits issued for Beirut dropped by 73.7% in 2020, followed by surface areas in the Bekaa region (-15.4%) and Mount Lebanon (-14.7%). In contrast, the surface area of new construction permits in the Nabatieh region expanded by 27.6%, followed by surface areas in the North (+12%) and the South (+4.7%), while surface areas for regions located outside northern Lebanon grew by 26.6% last year. In parallel, the latest available figures show that cement deliveries totaled 1.6 million tons in the first 10 months of 2020, constituting a drop of 44.7% from 2.88 million tons in the same period of 2019.

United Nations' Happiness Index for 2021
Scores & Rankings of MENA Countries



Source: United Nations, Byblos Research

Trade deficit narrows by 53% to \$6.8bn in first 11 months of 2020

Total imports reached \$10.1bn in the first 11 months of 2020, constituting a decrease of 43.7% from \$17.9bn in the same period of 2019; while aggregate exports totaled \$3.2bn and regressed by 4.6% from \$3.4bn in the covered period. As such, the trade deficit narrowed by 53% to \$6.8bn in the first 11 months of 2020 due to a decline of \$7.8bn in imports.

Non-hydrocarbon imports dropped by \$4.7bn to \$7.2bn in the first 11 months of 2020, while imports of oil & mineral fuels fell by \$3.1bn to \$2.9bn and accounted for 28.7% of total imports in the covered period. Lebanon imported 7.77 million tons of mineral fuel & oil in the first 11 months of 2020 relative to 11.78 million tons in the same period of 2019.

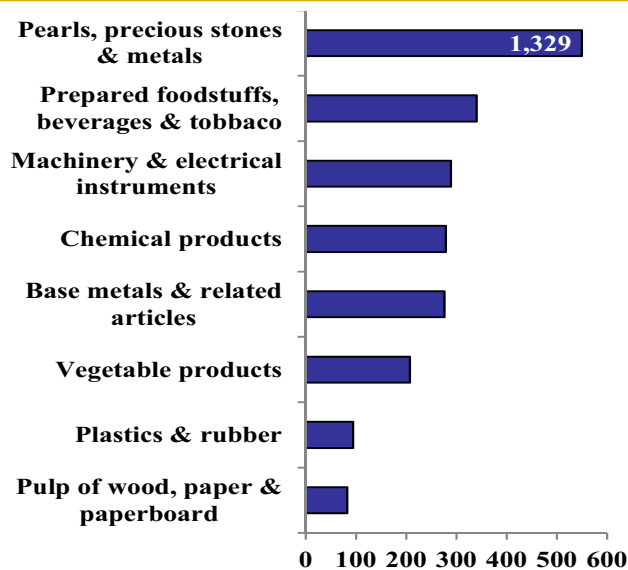
The exports of chemical products regressed by \$63.3m, or by 18.5%; followed by a decline of \$55m (-16%) in the exports of machinery & electrical instruments; a decrease of \$49.2m (-34.2%) in the exports of plastics & rubber; a contraction of \$48.6m (-37%) in the exports of pulp of wood; a downturn of \$37.1m (-65.3%) in exported mineral products; and a reduction of \$6.2m (-11.6%) in the exports of animal or vegetable fats & oils. The drop in exports was offset in part by a growth of \$55.1m (+36.2%) in the exports vegetable products, a rise of \$40.5m (+163.5%) in exported vehicles, aircraft & vessels; and an expansion of \$14m (+62.8%) in the exports of animal products.

Exports to Turkey jumped by 40.7% in the first 11 months of 2020, those to the U.S. rose by 28.2%, exports to Egypt expanded by 27.3%, those to Greece grew by 17.5%, exports to Qatar picked up by 9%, exports to Switzerland increased by 5.1%, and those to the UAE improved by 2.2%. In contrast, exported goods to Syria dropped by 44.1% in the covered period, those to Saudi Arabia regressed by 13%, and exports to Iraq decreased by 12.8%. Also, re-exports totaled \$234.3m in the covered period compared to \$508.5m in the same period of 2019. The Hariri International Airport was the exit point for 48.7% of Lebanon's exports in the first 11 months of 2020, followed by the Port of Beirut (39.5%), the Port of Tripoli (4.8%), the Masnaa crossing point (4.5%), the Port of Saida (1.6%), the Arida crossing point (0.7%), and the Abboudieh crossing point (0.3%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$1.5bn in the first 11 months of 2020 and that declined by 18.2% from the same period of 2019. Imports of machinery & electrical instruments followed with \$816.3m (-47.8%); then imported jewelry with \$807m (-7%); imports of vegetable products with \$706.6m (-18.4%); prepared foodstuff with \$681.6m (-40.1%); animal products with \$542.4m (-31.6%); vehicles, aircraft & vessels with \$400m (-64.2%); and base metals with \$330.7m (-59%). The Port of Beirut was the entry point for 62% of Lebanon's merchandise imports in the first 11 months of 2020, followed by the Hariri International Airport (25.6%), the Port of Tripoli (7.7%), the Port of Saida (3%), the Masnaa crossing point (1.1%), and the Abboudieh crossing point and the Arida crossing point (0.2% each).

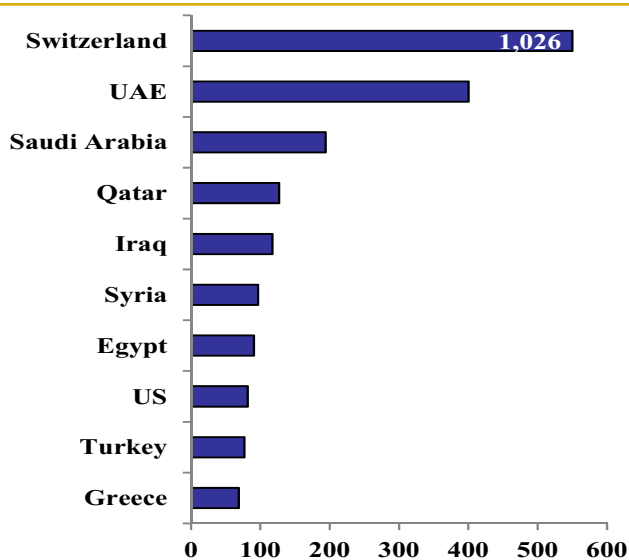
The United States was the main source of imports with \$863.4m and accounted for 8.6% of the total in the first 11 months of 2020, followed by Greece with \$769m (7.6%), Turkey with \$690.5m (7%), China with \$640.2m (6.4%), Italy with \$630m (6.2%), the UAE with \$581m (5.8%), Germany with \$507m (5%), Russia with \$479m (4.8%), France with \$343.3m (3.4%), and Switzerland with \$286.5m (2.8%). Imported goods from Russia dropped by 63%, those from China fell by 58.4%, imports from France declined by 52.3%, those from Italy decreased by 50%, those from the U.S. fell by 45%, imported goods from Germany contracted by 44%, imports from Greece fell by 38%, imports from Turkey declined by 13.4%, and those from Switzerland regressed by 1.6% year-on-year in the first 11 months of 2020. In contrast, imported goods from the UAE increased by 12%.

Main Lebanese Exports in First 11 Months of 2020 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in First 11 Months of 2020 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Private sector deposits down \$33.6bn in 17-month period ending January 2021

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$188.3bn at the end of January 2021, constituting a marginal increase of 0.2% from \$188bn at the end of 2020 and a decline of 12% from \$213.8bn at end-January 2020. 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 \$35.7bn at the end of January 2021 and declined by 1.3% from end-2020 and by 25.5% from a year earlier. Loans to the resident private sector totaled \$31.6bn, constituting a decrease of 1.2% from the end of 2020 and of 25.8% from end-January 2020. Also, credit to the non-resident private sector amounted to \$4.1bn at end-January 2021, and contracted by 1.7% from end-2020 and by 23.2% from a year earlier. In nominal terms, credit to the private sector contracted by \$462m in January 2021 relative to a decrease of \$1.86bn in the same month of 2020, as lending to the resident private sector declined by \$392.7m and credit to the non-resident private sector regressed by \$69.2m in the covered month.

The dollarization rate of private sector loans regressed from 67.8% at end-January 2020 to 59.4% at the end of January 2021. The average lending rate in Lebanese pounds was 8.53% in January 2021 compared to 9.86% a year earlier, while the same rate in US dollars was 6.52% relative to 10.07% in January 2020.

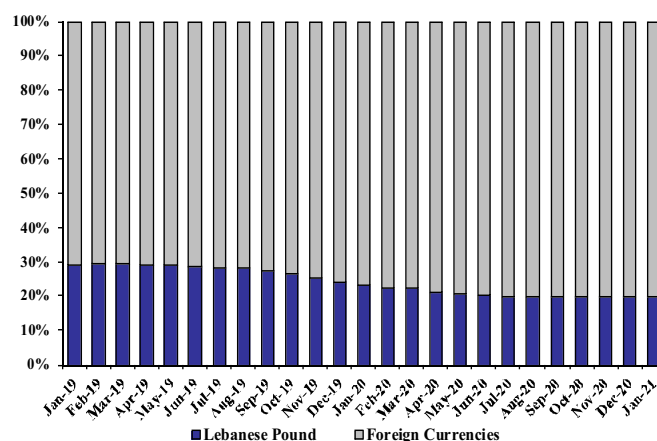
In addition, claims on non-resident financial institutions reached \$4.8bn at the end of January 2021 and increased by \$105.8m (+2.2%) from end-2020, while they dropped by \$1.3bn (-21.1%) from a year earlier and by \$4.3bn (-47.2%) from the end of August 2019. Also, deposits at foreign central banks totaled \$637m, constituting increases of \$59.4m (+10.3%) from end-2020 and of \$65.2m (+11.4%) from a year earlier. In addition, the banks' claims on the public sector stood at \$21.1bn at end-January 2021, nearly unchanged from end-2020 and down by \$6.1bn (-22.4%) from the end of January 2020. The banks' holdings of Lebanese Treasury bills stood at \$11.4bn, while their holdings of Lebanese Eurobonds reached \$9.4bn at end-January 2021. Further, the deposits of commercial banks at Banque du Liban (BdL) totaled \$110.7bn at the end of January 2021, nearly unchanged from \$110.4bn at the end of 2020 and down by 6% from \$117.6bn at the end of January 2020.

In parallel, private sector deposits totaled \$138.9bn at the end of January 2021 and contracted by a marginal 0.2% from the end of 2020 and by 10.4% from end-January 2020. Deposits in Lebanese pounds reached the equivalent of \$27.5bn at end-January 2021, up by 0.7% from the end of 2020 and down by 24% from a year earlier; while deposits in foreign currency reached \$111.4bn, as they regressed by 0.4% from end-2020 and by 6.4% from the end of January 2020. Resident deposits totaled \$111.6bn at the end of January 2021 and decreased by \$228.2m (-0.2%) from the end of 2020 and by \$12.2bn (-9.8%) from a year earlier. Also, non-resident deposits reached \$27.4bn at end-January 2021, unchanged from end-2020 and down by \$4bn (-12.8%) from the end of January 2020.

Private sector deposits decreased by \$227.1m in January 2021, with deposits in Lebanese pounds increasing by \$187.1m and foreign-currency deposits shrinking by \$414.2m. In comparison, 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 \$772.9m in December 2020. In addition, private sector deposits declined by \$10.7bn between September and December 2019. As such, aggregate private sector deposits dropped by \$33.6bn in the 17-month period ending in January 2021 and by \$35.3bn since the start of 2019. The decrease is due largely to the repayment of loans by companies and individuals, 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 80.2% at end-January 2021 compared to 80.4% at the end of 2020 and to 76.7% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$6.5bn at the end of January 2021 and decreased by from a year earlier. Also, the average deposit rate in Lebanese pounds was 2.31% in January 2021 compared to 6.62% a year earlier, while the same rate in US dollars was 0.58% relative to 4% in January 2020. The ratio of private sector loans to deposits in foreign currency stood at 19% at the end of January 2021 compared to 27.3% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 52.7% at end-January 2021 relative to 42.6% from a year earlier. As such, the total private sector loans-to-deposits ratio reached 25.7% compared to 31% at end-January 2020. The banks' aggregate capital base stood at \$17bn at the end of January 2021, down by 19% from \$21bn a year earlier.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

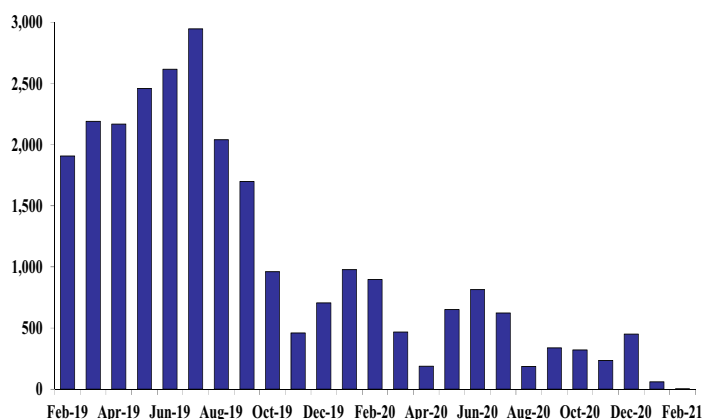
New car sales down 97% in first two months of 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 62 new passenger cars in the first two months of 2021, constituting a drop of 96.7% from 1,876 cars sold in the same period of 2020.

Individuals and institutional clients purchased 61 new cars in January and only one new vehicle in February 2021, compared to 979 new automobiles in January and 897 new cars in February 2020.

The number of new cars sold in February 2021 reached its lowest level on record. The AIA indicated that the massive drop in February 2021 came as a result of the closure of companies and of car registration centers due to the lockdown measures imposed by the government, in addition to the dramatic fluctuations of the exchange rate on the parallel market.

Number of Passenger Cars Sold



Source: Association of Automobile Importers

The market for new passenger cars in Lebanon has been facing increasing challenges in the past few years, including the contraction in economic activity, job insecurity and, more recently, the shortage of foreign currency liquidity in the local market, the emergence of a parallel exchange rate market, as well as the reduced purchasing power of consumers and a very low level of household confidence.

Further, the AIA indicated that car dealers incurred damages in the tens of millions of dollars as a result of the explosion at the Port of Beirut on August 4, 2020, as well as to the national lockdown measures that the government imposed to contain the spread of the coronavirus. It considered that a number of car dealerships could close down and lay off a large number of their employees, and that car sales could further deteriorate in the coming months. Also, it estimated that tax payments by car dealers to the Treasury regressed from \$265m in 2018 to less than \$33m in 2020, constituting a decline of 87.5%. The AIA stopped releasing its monthly data on car sales by brand, distributor and source country since January 2020.

MERIT Holding acquires Al Rifai

MERIT Holding, the parent company of shipping firm CMA CGM, announced that it has acquired 100% of the Lebanese nut-producer and retailer Al Rifai. According to MERIT Holding, the acquisition provides new growth opportunities for Al Rifai to become a global brand. It considered that the acquisition will help the company transform its business and develop the export of its products around the world, given the international maritime and logistics expertise and networks of CMA CGM.

Established in 1948, Al Rifai has 28 point of sales in Lebanon and a catalogue of more than 800 high-quality snacks. According to the company's chairman, the transaction valued the firm at about \$50m, with half of this amount consisting of Al Rifai's outstanding debt.

The Lebanese-owned and France-based container-shipping firm CMA CGM is one of the largest container shipping companies in the world. It operates a fleet of 502 vessels with a capacity of 2.71 million TEUs, and serves over 420 commercial ports.

Holcim posts net losses of \$13.2m in first half of 2020

Cement producer Holcim (Liban) sal posted unaudited net losses of \$13.2m in the first half of 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The firm's sales reached \$18.2m in the first half of 2020, while its cost of goods sold totaled \$20.8m in the covered period. This resulted in gross losses of \$2.6m in the first six months of 2020 and a gross profit margin of -14.2% in the covered period. Further, the company's total assets reached \$225.2m at the end of June 2020 compared to \$248.4m at the end of 2019. Also, the firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.8x at the end of June 2020 relative to 2.1x at end-2019. Moreover, Holcim's shareholders' equity was \$129.4m at the end of June 2020, down from \$142.7m at the end of 2019. The company's debt-to-equity ratio was 74% at the end of June 2020, nearly unchanged from 74.1% from end-2019. In parallel, Holcim's sales amounted to \$100m and its cost of goods sold totaled \$74.9m in 2019, resulting in gross profits of \$25.1m and net losses of \$0.85m in 2019. The firm produces and sells cement and other related products. Holcim's share price closed at \$14.1 on March 19, 2021, down by 2.8% from \$14.5 at end-2020.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	51.3	(3.70)
Public Debt in Foreign Currency / GDP	57.2	60.9	65.8	4.89
Public Debt in Local Currency / GDP	92.5	93.9	112.9	18.96
Gross Public Debt / GDP	149.7	154.8	178.6	23.85
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(30.2)	0.73
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	19.5	(1.53)
Fiscal Expenditures / GDP	28.9	32.4	29.7	(2.62)
Fiscal Balance / GDP	(7.1)	(11.4)	(10.3)	1.09
Primary Balance / GDP	2.7	(1.2)	(0.5)	0.65
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	256.9	262.2	5.29
Commercial Banks Assets / GDP	413.7	453.6	422.6	(31.04)***
Private Sector Deposits / GDP	317.4	316.9	309.7	(7.21)
Private Sector Loans / GDP	112.3	108.0	97.0	(10.96)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.41
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.50)

*change in percentage points 19/18; **includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks; ***The decline in assets in 2019 incorporates the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7;
Source: Association of Banks in Lebanon, International Monetary Fund, Central Administration of Statistics, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2018	2019e	2020f
Nominal GDP (LBP trillion)	82.9	80.8	99.4
Nominal GDP (US\$ bn)	55.0	51.3	25.9
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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