

LEBANON THIS WEEK

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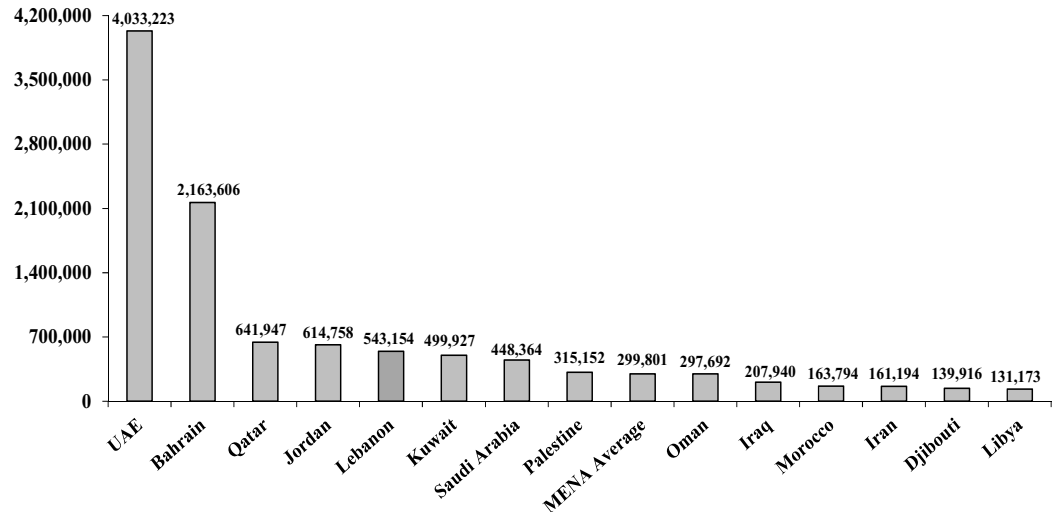
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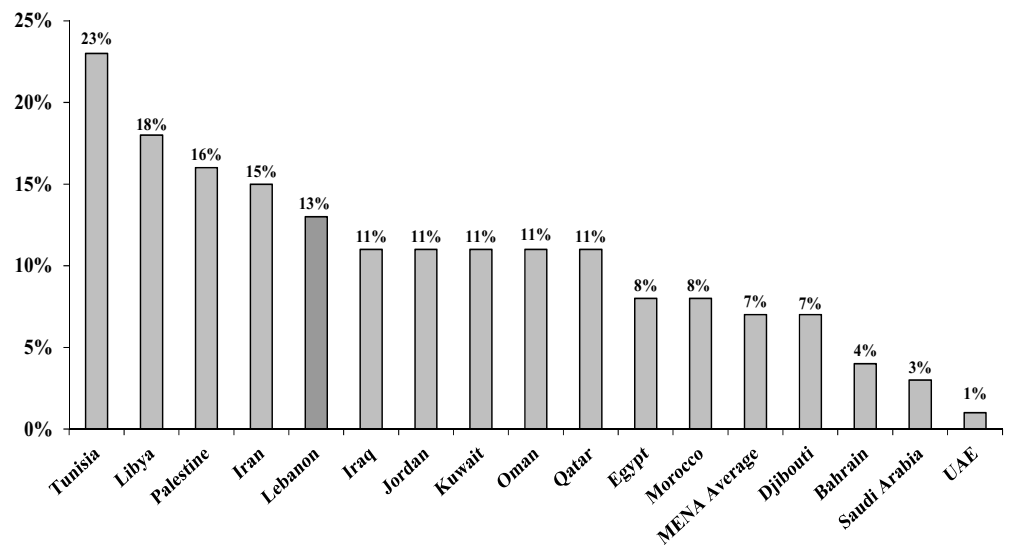
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Charts of the Week

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 April 11, 2021

Source: World Bank Group, Byblos Bank

Quote to Note

"Lebanon has an outdated and fragmented public procurement system with considerable capacity and technology gaps, resulting in inefficiencies and high risks of corruption."

The World Bank, on one of the main reasons for the mismanagement of public funds

Number of the Week

30%: Size of the informal sector as a share of the Lebanese economy in 2019, according to the updated national accounts issued by the Central Administration of Statistics

Lebanon in the News

\$m (unless otherwise mentioned)	2018	2019	2020	% Change*	Dec-19	Nov-20	Dec-20
Exports**	2,706	3,407	3,250	(4.6)	324	283	-
Imports**	18,411	17,893	10,078	(43.7)	1,346	1,006	-
Trade Balance**	(15,705)	(14,486)	(6,828)	(52.9)	(1,022)	(723)	-
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	28.49	20.95	16.31	18.91	-	-
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 11 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"	24.00	(0.2)	133,436	26.5%
Byblos Common	0.81	15.7	121,891	5.1%
Solidere "B"	23.96	(2.2)	65,441	17.2%
BLOM GDR	3.30	23.6	35,811	2.7%
Audi Listed	2.50	(8.4)	35,600	16.2%
BLOM Listed	3.60	0.0	23,858	8.5%
Audi GDR	1.80	4.0	11,000	2.4%
HOLCIM	16.40	9.3	3,900	3.5%
Byblos Pref. 09	35.00	0.0	600	0.8%
Byblos Pref. 08	35.00	0.0	-	0.8%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct 2022	6.10	11.50	220.43
Jan 2023	6.00	10.88	174.38
Apr 2024	6.65	11.00	88.74
Jun 2025	6.25	11.50	59.63
Nov 2026	6.60	11.38	42.82
Feb 2030	6.65	10.75	26.86
Apr 2031	7.00	11.38	22.95
May 2033	8.20	10.75	19.35
Nov 2035	7.05	11.50	15.45
Mar 2037	7.25	11.88	13.84

Source: Refinitiv

	Apr 12-16	Apr 6-9	% Change	Mar 2021	Mar 2020	% Change
Total shares traded	432,205	367,597	17.6	2,293,580	4,520,173	(49.3)
Total value traded	\$5,305,492	\$7,130,729	(25.6)	\$39,350,211	\$15,709,340	105.5
Market capitalization	\$9.07bn	\$9.1bn	(0.3)	\$8.9bn	\$6.2bn	43.4

Source: Beirut Stock Exchange (BSE)



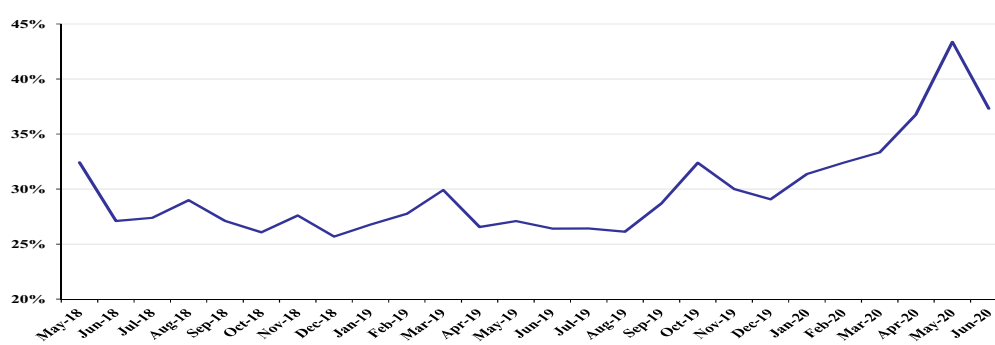
More than 37% of surveyed Lebanese in June 2020 expected real estate prices to increase in coming six months

The Byblos Bank survey about real estate price perception in Lebanon, which has a starting point of May 2018, shows that 39.2% of surveyed Lebanese in the second quarter of 2020 expected the prices of residential units or apartments across the country to increase in the following six months, the highest quarterly average since the start of the time series, relative to 32.4% in the first quarter of 2020, 30.5% in the fourth quarter of 2019 and to about 27% in each quarter since 2018.

The share of Lebanese who are projecting an increase in residential real estate prices has been on an upward trend since September 2019. In fact, 27% of respondents anticipated a rise in prices in the first eight months of 2019, with this share picking up to 30% between September and December 2019. The share of Lebanese who expected residential real estate prices to increase has exceeded 30% consistently on a monthly basis since January 2020 and reached a peak of 43.4% in May 2020. It was 37.3% in June 2020, in line with the monthly averages of 35.8% in the first six months of 2020, of 28.1% in full year 2019, and of 27.8% in the May to December 2018 period. In comparison, 39% of Lebanese in June 2020 anticipated real estate prices to stay the same in the following six months, while 23.6% projected a decrease in prices in the next six months.

The perception of Lebanese about the trajectory of residential real estate prices has been tilted towards an increase in prices, with the share of Lebanese who are anticipating a stagnation in prices regressing from nearly 50% in August 2019 to 42% at the end of 2019, 41% in March and 39% in June 2020, while the percentage of Lebanese who are expecting prices to decrease fluctuated between 22.4% and 29% between August 2019 and June 2020.

Share of Respondents Expecting an Increase in Real Estate Prices in Following Six Months

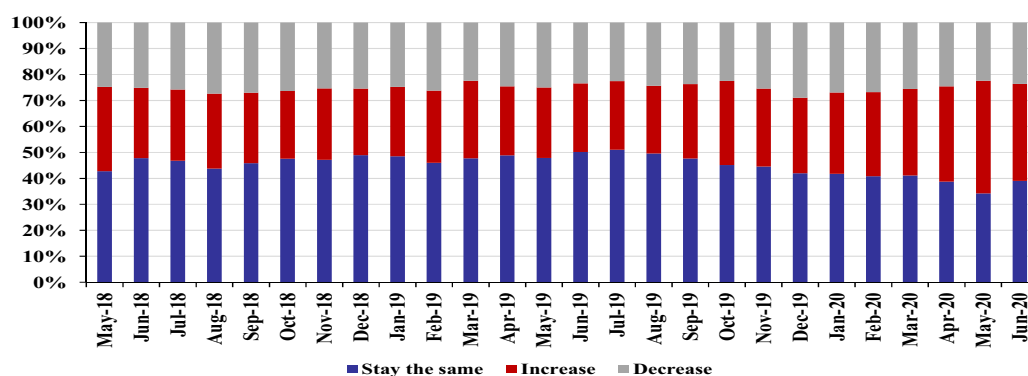


Source: Byblos Bank Economic Research & Analysis Department

The perception about real estate prices is due in large part to the rise in demand for residential real estate since the fourth quarter of 2019, after years of stagnation in demand. The migration of a share of deposits from the banking sector to the real estate sector, as a result of the crisis that erupted in October 2019, triggered the increase in demand for residential units and raised expectations that this trend will continue as long as the crisis persists. Further, the variation in asking prices for the same residential unit, depending on the method of payment, has inflated prices disproportionately, with sellers discounting their prices if the transaction is settled in cash in part or in full.

The survey is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The surveyed persons are asked about their expectations for the prices of residential units or apartments in the coming six months. The Byblos Bank Economic Research & Analysis Department has been compiling the survey's monthly data since May 2018. The survey has a margin of error of $\pm 2.83\%$, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

Respondents' Perception about Real Estate Prices in Coming Six Months



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

Economic activity to contract by 4.7% in 2021, foreign aid and investments depend on reforms

The UAE-based Emirates NBD Bank indicated that the COVID-19 pandemic is exacerbating the impact of the ongoing challenges that the Lebanese economy is facing, including the financial crisis, the depreciation of the Lebanese pound and the aftermath of the explosion at the Port of Beirut on August 4, 2020. It added that the re-imposition of coronavirus-related lockdown measures in January, following the increase in the number of cases, has weighed on private consumption. As such, it projected real GDP to shrink by 4.7% in 2021 relative to a contraction of 27.3% in 2020.

In addition, it indicated that the purchasing power of Lebanese households has been significantly constrained by the ongoing depreciation of the exchange rate on the parallel market, despite the ongoing use of the official rate for essential imports, for paying taxes, registering transactions, and conducting other official formalities at public agencies, and for paying utility bills. It indicated that the inflation rate averaged 84.3% in 2020 and reached 146% annually in December of last year, with food inflation surging to 402% in the same month. It pointed out that the downward pressure on the currency started in April 2020, following the government's decision to default on the March 2020 Eurobond, and projected the inflation rate to average 55% annually in 2021 as the exchange rate continues to depreciate. Also, it forecast Lebanon's GDP per capita in US dollars to decline by 22% by the end of 2021 compared to its level in 2019 at the official exchange rate, while it estimated GDP per capita in dollars to drop by about 90% at the current parallel market rate over the same period of time.

Also, the bank noted that the reconstruction of many areas of Beirut that were damaged by the August 4 blast requires sizeable investments, but it did not expect the funds to materialize given the current economic and financial crises. It anticipated that few private international investors will be willing to fund construction projects in Lebanon, given the volatility of the exchange rate, and that additional foreign support will materialize only when authorities make tangible progress on key reforms. It added that the activity of the private sector has declined gradually, while the government's ability to spend is constrained by its wide fiscal deficit and a worsening credit profile following the government's decision to default on its foreign obligations in March of last year.

Further, it indicated that authorities have made little progress on the formation of a new government, six months after a majority in Parliament nominated a Prime Minister-designate. In this context, it did not expect tangible progress on the economic front until the authorities make some progress on the political scene. It stressed the need for the formation of an effective government and for the implementation of key reforms, in order to unlock foreign aid and investments, which it deemed crucial to Lebanon's economic recovery.

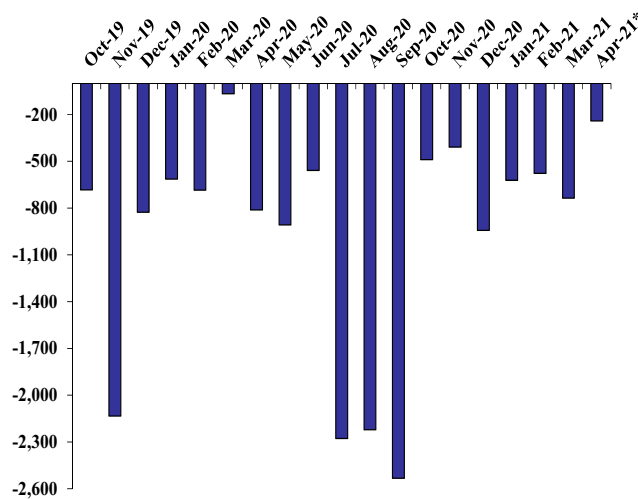
Banque du Liban's foreign assets at \$21.9bn, gold reserves at \$16.1bn at mid-April 2021

Banque du Liban's (BdL) interim balance sheet reached \$153.7bn on April 15, 2021, constituting an increase of 3.4% from \$148.6bn at end-2020 and of 4% from \$147.7bn at mid-April 2020. Assets in foreign currency totaled \$21.9bn on April 15, 2021, representing a decrease of \$2.2bn, or of 9%, from \$24.1bn at the end of 2020 and a drop of \$12.8bn (-36.8%) from \$34.7bn at mid-April 2020. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from mid-April 2020.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$16.9bn at mid-April 2021 and fell by \$12.8bn, or by 43%, from \$29.6bn 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 large number of other food and non-food items, as well as raw materials for agriculture and industry.

In parallel, the value of BdL's gold reserves amounted to \$16.1bn at mid-April 2021 and regressed by 7% from \$17.3bn at end-2020, but it increased by 2% from \$15.8bn 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 \$40.8bn at mid-April 2021, and increased by 2.1% from \$40bn at the end of 2020 and by 6.3% from \$38.4bn a year earlier. In addition, loans to the local financial sector regressed by 4.6% from mid-April 2020 and by 1.4% from the end of 2020 to \$14.1bn on April 15, 2021. Further, deposits of the financial sector stood at \$107.5bn at mid-April 2021 and decreased by \$486.5m from end-2020, while they declined by \$5.1bn from a year earlier. In addition, public sector deposits at BdL totaled \$5.5bn at mid-April 2021, increasing by \$946.9m from the end of 2020 and by \$553.9m from a year earlier.

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



*at mid-April 2021

Source: Banque du Liban, Byblos Research

Amount of cleared checks down 61%, returned checks down 76% in first two months of 2021

The amount of cleared checks reached \$4.9bn in the first two months of 2021, constituting a drop of 60.5% from \$12.5bn in the same period of 2020. In comparison, the amount of cleared checks increased by 28.4% year-on-year in the first two months of 2020 and declined by 12% annually in the same period of 2019. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The amount of cleared checks in Lebanese pounds reached the equivalent of \$2.1bn in the first two months of 2021 and decreased by 53.2% from the same period last year, while the amount of cleared checks in foreign currencies was \$2.8bn and dropped by 64.7% in the covered period. The dollarization rate of cleared checks regressed from 64% in the first two months of 2020 to 57.3% in the same period of 2021. There were 469,569 cleared checks in the first two months of 2021, down by 68% from 1.5 million cleared checks in the same period of 2020. The number of checks denominated in foreign currencies accounted for 54.6% of total cleared checks in the first two months of 2021.

In addition, the amount of cleared checks totaled \$2.7bn in February 2021, constituting an increase of 19.6% from \$2.3bn in the preceding month and a decline of 53.8% from \$5.8bn in February 2020. Also, the amount of cleared checks in Lebanese pounds reached the equivalent of \$1.3bn in February 2021, as it surged by 63.3% from \$0.8bn in January 2021 and dropped by 41.2% from \$2.2bn in February 2020, while the amount of cleared checks in foreign currencies decreased by 4.5% month-on-month and by 61.7% year-on-year to \$1.4bn in February 2021. There were 246,453 cleared checks in February 2021 relative to 223,116 cleared checks in the preceding month and to 708,512 cleared checks in February 2020.

In parallel, the amount of returned checks in local and foreign currencies was \$65m in the first two months of 2021 compared to \$266m in the same period of 2020 and to \$244.8m in the first two months of 2019. This constitutes a decline of 75.6% in the first two months of 2021 relative to increases of 8.7% and 4% in the first two months of 2020 and 2019, respectively. The amount of returned checks in Lebanese pounds and in foreign currencies reached \$24.5m and \$40m, respectively, in the first two months of 2021, and decreased by 74.3% and 76.6% year-on-year, respectively. Also, there were 4,622 returned checks in the covered period, down by 88.8% from 41,193 returned checks in the first two months of 2020. The number of returned checks in foreign currencies and in Lebanese pounds reached 1,962 and 2,660, respectively, in the first two months of 2021, and dropped by 88.6% and 89%, respectively, in the covered period. Further, the amount of returned checks in domestic and foreign currencies stood at \$33.2m in February 2021 compared to \$31.8m in the previous month and to \$112.8m in February 2020. Also, there were 2,331 returned checks in February 2021, relative to 2,291 returned checks in January 2021 and to 15,662 checks in February 2020.

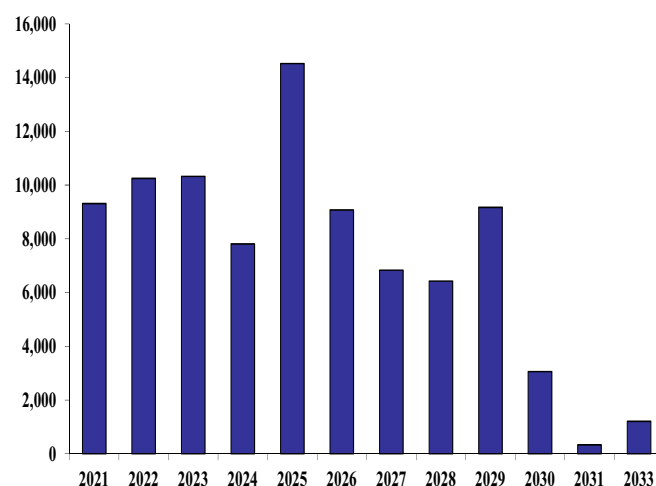
Nearly 89% of Treasury securities in Lebanese pounds have five-year maturities or longer

Figures released by the Association of Banks in Lebanon (ABL) show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP88,341bn, or the equivalent of \$58.6bn, at the end of January 2021, compared to LBP86,036bn, or \$57.1bn, at the end of January 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.52% in January 2021 compared to 6.46% in January 2020.

The distribution of outstanding Treasury securities shows that 15-year Treasury bonds accounted for 1.6%, or LBP1,417bn, of aggregate securities denominated in Lebanese pounds at the end of January 2021; 12-year Treasury securities represented 3.5% of the total (LBP3,076bn); and 10-year Treasury bonds had a share of 38% (LBP33,487bn). Also, the share of eight-year Treasury securities was 0.1% (LBP67bn), seven-year Treasury bonds accounted for 21.6% (LBP19,087bn), five-year Treasury securities represented 24.3% (LBP21,425bn), the share of three-year Treasury bonds was 7.6% (LBP6,709bn), two-year Treasury bills represented 2.2% (LBP1,900bn), one-year T-bills accounted for 1.1% (LBP1,009bn), the share of six-month T-bills was 0.14% (LBP121bn), and three-month T-bills represented 0.05% (LBP43bn) of the total. As such, 64.7% of outstanding Treasury securities have seven-year maturities or longer and 88.9% have five-year maturities or more.

In parallel, LBP733bn in outstanding Treasury securities denominated in Lebanese pounds matured in January 2021, of which 32.2% were one-year Treasury bills, 31% were five-year Treasury securities, 28% were three-year Treasury bonds, 4.1% were two-year Treasury securities, 3% were six-month Treasury bills, and 2% three-month Treasury bills. According to ABL, LBP9,315bn of outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2021, while LBP10,256bn will come due in 2022.

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*As at end-January 2021

Source: Association of Banks in Lebanon, Byblos Research

Consumer Price Index up 155% year-on-year in February 2021

The Central Administration of Statistics' Consumer Price Index increased by 151.5% in the first two months of 2021 from the same period of 2020. In comparison, it grew by 10.7% and by 3.2% in the first two months of 2020 and 2019, respectively.

The CPI expanded by 155.4% in February 2021 from the same month of 2020, while it registered its eighth consecutive triple-digit increase since July 2020 and its largest year-on-year rise based on monthly data from December 2007. The cumulative surge in inflation is due in part to the inability of authorities to monitor and contain prices, as well as to the deterioration of the Lebanese pound's exchange rate on the parallel market, which has encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. According to the International Monetary Fund, the CPI averaged 487.2% in 1987 and ended the year at 741.2%, constituting the highest inflation rates on record.

Prices at restaurants & hotels surged by 7.2 times in February 2021 from the same month last year, followed by prices of clothing & footwear and of furnishings & household equipment (+7.1 times each), prices of food & non-alcoholic beverages (+5.2 times), prices of alcoholic beverages & tobacco (+5 times), the cost of miscellaneous goods & services (+4.3 times), transportation costs (+3.3 times), the cost of recreation & entertainment (+3.2 times), and communication costs (+2.1 times). In addition, the prices of water, electricity, gas & other fuels increased by 49.7% year-on-year in February 2021, followed by healthcare costs (+17.2%), the cost of education as well as actual rent (+10.2% each), and imputed rents (+6.5%). Also, the distribution of actual rents shows that old rents grew by 10.3% and new rents increased by 10.2% year-on-year in February 2021.

In parallel, the CPI grew by 4.6% in February 2021 from the previous month, compared to a month-on-month rise of 2.8% in January 2021 and of 8.1% in December 2020. The cost of communication jumped by 10% month-on-month in February 2021, followed by the prices of food & non-alcoholic beverages (+9.2%), water, electricity, gas & other fuels (+8.2%), transportation costs (+5.4%), prices of alcoholic beverages & tobacco (+5%), the cost of miscellaneous goods & services (+4.2%), the cost of furnishings & household equipment (+4.1%), prices at restaurants & hotels (+3.3%), the prices of clothing & footwear (+3%), and the cost of recreation & entertainment (+1.8%). Also, healthcare and education costs, as well as actual and imputed rents, were nearly unchanged month-on-month in February 2021. Further, the CPI increased in the North by 6.6%, in Nabatieh by 6%, in the South by 5%, in the Bekaa by 4.5%, in Mount Lebanon by 4.1%, and in Beirut by 2.8% during February 2021. In parallel, the Education Price Index was unchanged, while the Fuel Price Index increased by 10.6% month-on-month in February 2021.

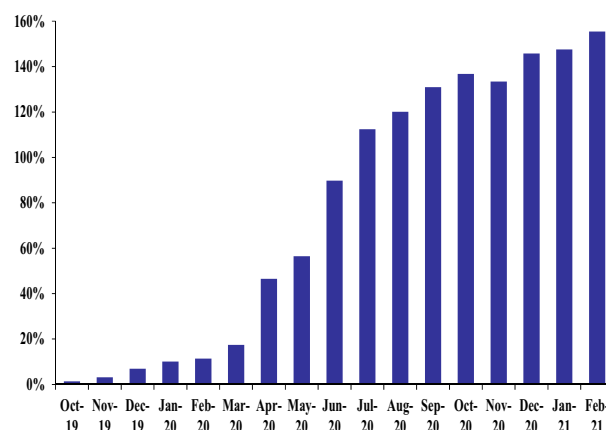
Capital Market Authority clarifies measures for foreign portfolios

The Capital Markets Authority issued on April 1, 2021 Announcement 71 to financial institutions in Lebanon about clients who own portfolios of financial securities outside of Lebanon. It noted that if the clients decide to liquidate their financial positions abroad, then the financial institution must transfer the resulting funds to either an account at a foreign bank or to a "fresh funds" account in Lebanon, depending on the clients' request.

Further, it said that the financial institution must comply with the client's request if he or she wishes to transfer the portfolios of financial securities that are outside of Lebanon to a foreign financial institution of their choice, provided that the client has not used the underlying portfolio as collateral to get a loan and that these financial instruments are not under any other obligations that would prevent such transfer.

In addition, the CMA pointed out that the financial institution still has to abide by the request of the client to liquidate or transfer his or her financial position, even if it has received facilities against the financial instruments or portfolio of the client and with the client's written permission to use the portfolio as collateral.

Annual Change in CPI (%)



Source: Central Administration of Statistics, Byblos Research

Term deposits account for 70% of customer deposits at end-February 2021

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$150.9bn at the end of February 2021, constituting a decrease of \$308.9m, or 0.2% from \$151.2bn the end of 2020. Total deposits include private sector deposits that reached \$138.85bn, deposits of non-resident financial institutions that amounted to \$6.46bn, and public sector deposits that stood at \$5.6bn at the end of February 2021.

Term deposits in all currencies reached \$105.6bn at the end of February 2021 and declined by \$3.6bn, or by 3.3%, from \$109.2bn at end-2020; while they accounted for 70% of total deposits in Lebanese pounds and in foreign currency as at end-February 2021 relative to a share of 72.2% at the end of 2020.

The decline in term deposits is due to a dip of 3.8% in each of the foreign currency-denominated term deposits and term deposits in Lebanese pounds of the resident private sector, a 3.2% decline in the term deposits of the non-resident financial sector, a 2.1% contraction in the term deposits of non-residents, and a 0.9% decrease in the term deposits in Lebanese pounds of the public sector. This was partly offset by a marginal increase of 1% in foreign currency-denominated term deposits of the public sector. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$60.9bn since the end of September 2019.

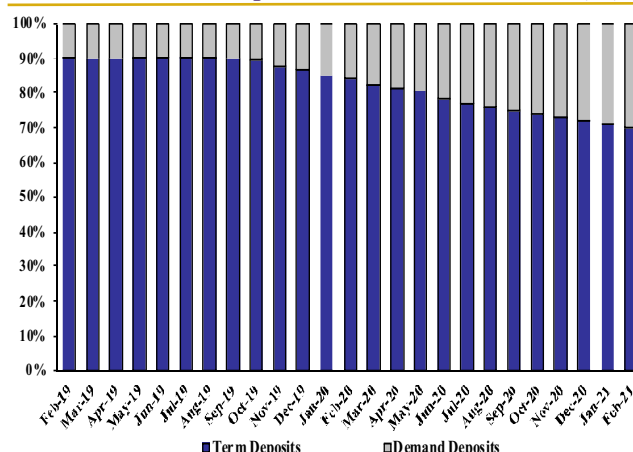
Further, foreign currency-denominated term deposits of the resident private sector reached \$58.9bn and accounted for 39% of aggregate deposits at the end of February 2021. Term deposits of non-residents followed with \$20.2bn (13.4%), then term deposits in Lebanese pounds of the resident private sector with \$17.1bn (11.3%), term deposits of the non-resident financial sector with \$4.6bn (3.1%), term deposits of the public sector in Lebanese pounds with \$4.1bn (2.7%), and term deposits of the public sector in foreign currency with \$672.1m (0.4%).

In parallel, demand deposits in all currencies at commercial banks stood at \$45.3bn at the end of February 2021 and increased by \$3.28bn, or by 7.8%, from \$42bn at end-2020. They accounted for 30% of total deposits at end-February 2021 relative to a share of 27.8% at end-2020. The increase in demand deposits was mainly due to a growth of \$1.7bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$1.1bn in demand deposits in Lebanese pounds of the resident private sector, and an increase of \$316.4m in demand deposits of non-residents.

Also, demand deposits in foreign currency of the resident private sector totaled \$27.2bn and represented 18% of deposits at end-February 2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$8.4bn (5.6%), then demand deposits of non-residents with \$7.05bn (4.7%), demand deposits of the non-resident financial sector with \$1.84bn (1.2%), demand deposits in Lebanese pounds of the public sector with \$549.3m (0.4%), and demand deposits in foreign currency of the public sector with \$241m (0.2%).

The latest available figures show that Beirut and its suburbs accounted for 66% of private-sector deposits and for 48.4% of the number of depositors at the end of September 2020. Mount Lebanon followed with 15.2% of deposits and 18.8% of beneficiaries, then South Lebanon with 7.3% of deposits and 11.9% of depositors, North Lebanon with 6.6% of deposits and 12.4% of beneficiaries, and the Bekaa with 5% of deposits and 8.5% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Broad money supply up 1.4% in first two months of 2021, currency in circulation up 12%

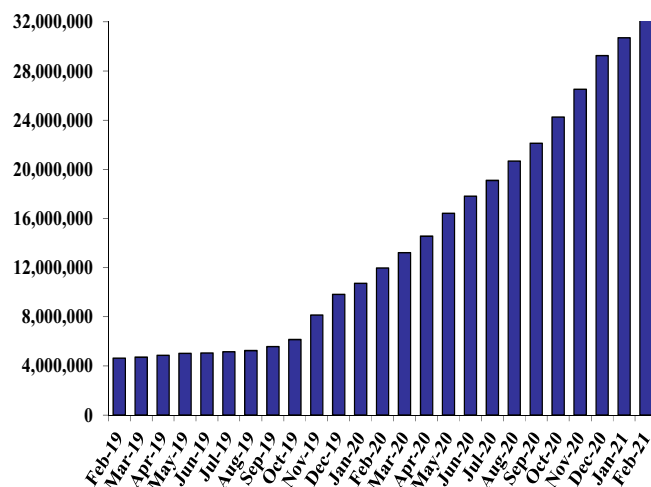
Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP45,298bn at the end of February 2021, constituting an increase of 12.8% from LBP40,156bn at the end of 2020 and a rise of 131.7% from LBP19,549bn at end-February 2020. Currency in circulation stood at LBP32,715bn at the end of February 2021, and surged by 12% from LBP29,242bn at end-2020 and by 173.3% from LBP11,972bn at end-February 2020. Also, demand deposits in local currency stood at LBP12,583bn at the end of February 2021, representing an increase of 15.3% from end-2020 and a rise of 66% from end-February 2020. Money supply M1 rose by 6.8% in February from LBP42,425bn at end-January 2021, with currency in circulation growing by 6.5% and demand deposits in local currency expanding by 7.4% month-on-month. 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 LBP71,602bn at the end of February 2021, constituting an increase of 6.1% from LBP67,510bn at the end of 2020 and an expansion of 20% from LBP59,677bn a year earlier.

Term deposits in Lebanese pounds totaled LBP26,304bn at the end of February 2021, and decreased by 3.8% from LBP27,354bn at end-2020 and by 34.4% from LBP40,127bn at end-February 2020. Money supply M2 grew by 3.3% in February from LBP69,303bn at end-January 2021, with term deposits in local currency regressing by 2.1% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP202,917bn at the end of February 2021, constituting an increase of 1.4% from LBP200,052bn at the end of 2020 and an upturn of 2.8% from LBP197,405bn at end-February 2020. Deposits in foreign currency totaled LBP131,007bn at the end of February 2021, down by 0.8% from end-2020 and by 4.6% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP308bn at the end of February 2021 compared to LBP519bn at the end of 2020 and to LBP474bn at end-February 2020. Money supply M3 grew by 1% from LBP201,040bn at the end of January 2021, with deposits in foreign currency regressing by 0.2% and debt securities issued by the banking sector declining by 24.8% month-on-month. In parallel, M3 expanded by LBP2,865bn in the first two months of 2021 due to a surge of LBP4,143bn in other items and an increase of LBP2,109bn in the net claims on the public sector, which were partly offset by a drop of LBP2,742bn in the net foreign assets of deposit-taking institutions and a decline of LBP654bn in the claims on the private sector.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

Lebanon ranks 132nd globally, fifth among Arab countries on gender gap index

The World Economic Forum ranked Lebanon in 132nd place among 156 countries and in fifth place among 16 Arab countries on its Global Gender Gap Index for 2021. It also ranked Lebanon in 39th place among 42 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank improved by 13 spots based on the same set of countries from 2020.

The index ranks countries according to their proximity to gender equality rather than on the degree of female empowerment. It aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Empowerment.

Globally, Lebanon had a narrower gender gap than Turkey, Côte d'Ivoire and Papua New Guinea, and a wider gender gap than Egypt, Bhutan and Jordan. It also ranked ahead of only Turkey, Iran, and Iraq among UMICs, and came behind the UAE, Tunisia, Egypt and Jordan among Arab countries.

Lebanon received a score of 0.638 points, which means that Lebanon closed about 64% of the gender gap. Still, Lebanon's score was lower than the global average of 0.704 points and the UMICs' average of 0.707 points. In contrast, Lebanon's score was higher than the Arab average of 0.613 points. Further, Lebanon's score improved by 3.8% from the 2020 survey.

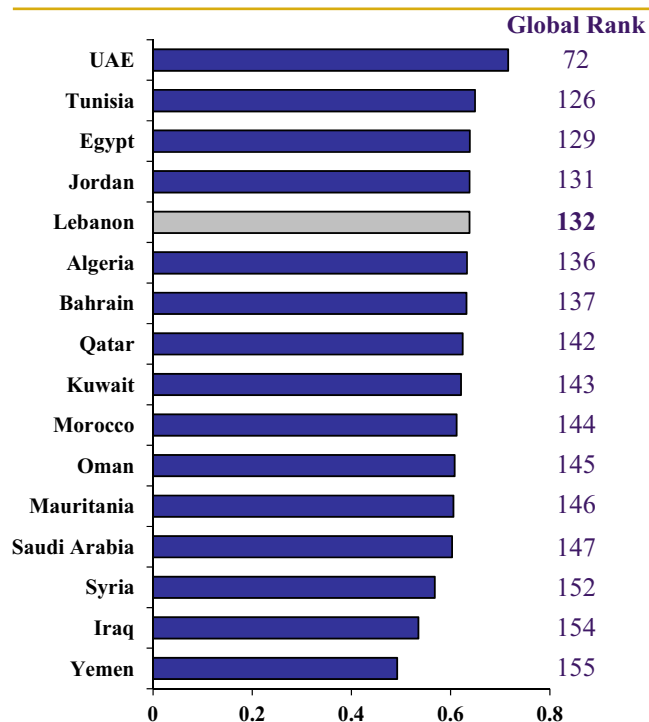
Lebanon was ranked in 139th place globally, in 39th among UMICs, and sixth among Arab countries, on the Economic Participation & Opportunity Sub-Index. As such, Lebanon ranked ahead of Turkey, Mali and Algeria, and trailed Qatar, Kuwait and the Maldives. According to the survey, Lebanon closed 48.7% of the gap between men and women on this category, compared to the narrowing of the gender gap by 65.6% globally.

Also, Lebanon ranked in 113th place worldwide, in 35th place among UMICs, and in 11th place among Arab states, on the Educational Attainment Sub-Index. This category captures the gap between females' and males' current access to education through the ratios of women to men in primary-, secondary- and tertiary-level education. As such, Lebanon preceded India, Rwanda, and Morocco, and trailed Bosnia and Herzegovina, Algeria and Laos worldwide. Lebanon closed about 96.4% of the gender gap in education, compared to the narrowing of the gender gap by 95.4% worldwide.

Further, Lebanon reached 82nd place globally, 26th among UMICs and in first place among Arab countries on the Health & Survival Sub-Index. The health and survival category measures the differences between the health of females and males, as reflected by the gap between women's and men's life expectancy and by the sex ratio at birth. As such, Lebanon ranked ahead of Austria, Montenegro, and North Macedonia, while it came behind Finland, Tanzania, and Chad. Lebanon closed about 97% of the gender gap on this category, which is equal to the global average.

Finally, Lebanon ranked in 112th place worldwide, 29th place among UMICs, and seventh place in the Arab region, on the Political Empowerment Sub-Index. This category captures the ratio of females to males in ministerial-level positions and who hold parliamentary seats, in addition to the number of years that females serve in executive office. Lebanon closed 12.9% of the gender gap on this category, while countries worldwide closed about 23.5% of the political gender gap.

**Global Gender Gap Index for 2021
Scores & Rankings of Arab Countries**



Source: World Economic Forum, Byblos Research

Components of the 2021 Global Gender Gap Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Average	Arab Average	UMICs Average
Economic Participation & Opportunity	139	6	39	0.487	0.656	0.429	0.651
Educational Attainment	113	11	35	0.964	0.954	0.943	0.987
Health & Survival	82	1	26	0.970	0.970	0.963	0.970
Political Empowerment	112	7	29	0.129	0.235	0.118	0.221

Source: World Economic Forum, Byblos Research

Corporate Highlights

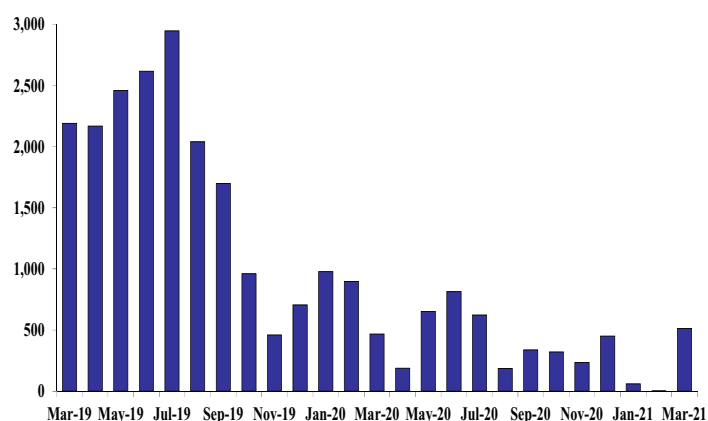
New car sales down 75.5% in first quarter of 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 574 new passenger cars in the first quarter of 2021, constituting a drop of 75.5% from 2,344 cars sold in the same period of 2020.

Individuals and institutional clients purchased 61 new cars in January, one new vehicle in February and 512 new automobiles in March 2021, compared to 979 new cars in January, 897 new vehicles in February and 468 new automobiles in March 2020.

The AIA indicated that the drop in the sales of new cars in the covered period 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 New 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. The AIA stopped releasing its monthly data on car sales by brand, distributor and source country since January 2020.

Lebanon represented in *Forbes* magazine's list of world billionaires

Forbes magazine's annual survey of the world's billionaires for 2021 included six persons from Lebanon, unchanged from the 2020 survey. The list included three family members of the late Prime Minister Rafiq Hariri, two members of the Mikati family, and one member from the Mouawad family. The survey ranked Former Prime Minister Najib Mikati in 1249th place, down from 1001st place in the 2020 survey, with an estimated net worth of \$2.5bn compared to \$2.1bn last year. Similarly, Mr. Taha Mikati was ranked in 1249th place, down from 945th place in the 2020 survey, with an estimated net worth of \$2.5bn in 2021 relative to \$2.2bn in the 2020 survey. The survey indicated that the Mikati brothers made their fortune from the telecommunications sector mainly. Mr. Bahaa Hariri followed in 1580th place, down from 1063rd place in 2020, with a net wealth of \$2bn, mostly from real estate and investments, unchanged from the 2020 survey.

Further, Mr. Robert Mouawad ranked in 2141st place, down from 1415th place in the 2020 survey, with an estimated net worth of \$1.4bn, mainly from the jewelry sector, compared to \$1.5bn a year earlier. Also, Mr. Ayman Hariri came in 2663rd place, down from 1613th place in the 2020 survey, with a net worth evaluated at \$1.3bn, unchanged from last year's survey; while Mr. Fahd Hariri ranked in 2524th place, down from 1851st place in 2020, with a net worth of \$1.1bn, similar to the previous year. The magazine noted that the two Hariri brothers made their money from the constructions sector and from investments. The survey ranks individuals according to their assets, including stakes in public and private companies, real estate, art and cash.

Select Billionaires of Lebanese Descent on *Forbes*' 2021 list of the World's Richest People

	Rank	Worth (\$bn)	Trend*	Source	Country
Carlos Slim Helu & family	16	62.8	Up	Telecom	Mexico
Rodolphe Saadé & family	203	10.9	Up	Shipping	France
George Joseph	1580	2	Up	Insurance	United States
Alfredo Harp Helu & family	2378	1.2	Up	Banking	Mexico

*in net worth

Source: *Forbes* magazine, Byblos Research

Stock market activity posts best performance in Arab world in first quarter of 2021

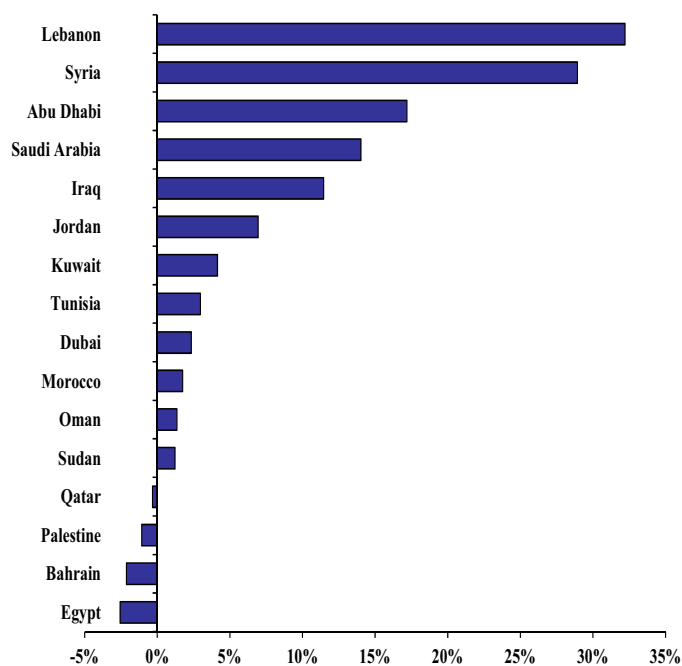
Figures released by the Arab Federation of Exchanges show that market activity on the Beirut Stock Exchange (BSE) increased by 32.2% in the first quarter of 2021 based on the BLOM Stock Index, constituting the best performance among 16 Arab equity markets. In addition, the BSE outperformed the global equity markets (+4.5%), the stocks of emerging markets (+2.3%), as well as the Arab equity markets (+9.7%) in the covered quarter.

The uptick in the activity on the BSE is mainly due to the surge in the prices of Solidere A and of Solidere B shares by 29.7% and 30.7%, respectively, in the first quarter of the year, which, in turn, led to a rise in their market weights to 27% and 17.5%, respectively, at the end of March 2021.

In parallel, the market capitalization of the BSE reached \$8.9bn at the end of March 2021 and accounted for 0.3% of the aggregate market capitalization of Arab stock markets. It was higher than the market capitalization of the Tunis Bourse (\$8.6bn), the Palestine Exchange (\$3.5bn), the Damascus Securities Exchange (\$1.5bn), and the Khartoum Stock Exchange (\$215.6m).

Further, the value of shares traded on the BSE totaled \$39.3m in the first quarter of 2021 and accounted for 0.04% of the total value of shares traded on Arab equity markets. It was higher than the turnover on the Bahrain Bourse (\$36.7m), the Damascus Securities Exchange (\$23.7m), the Iraq Stock Exchange (\$23.5m), the Palestine Exchange (\$12.2m), and the Khartoum Stock Exchange (\$3.4m).

Performance of Arab Stock Markets in First Quarter of 2021 (% change*)



Source: Arab Federation of Exchanges

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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island - Sky Tower - Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293