

LEBANON THIS WEEK

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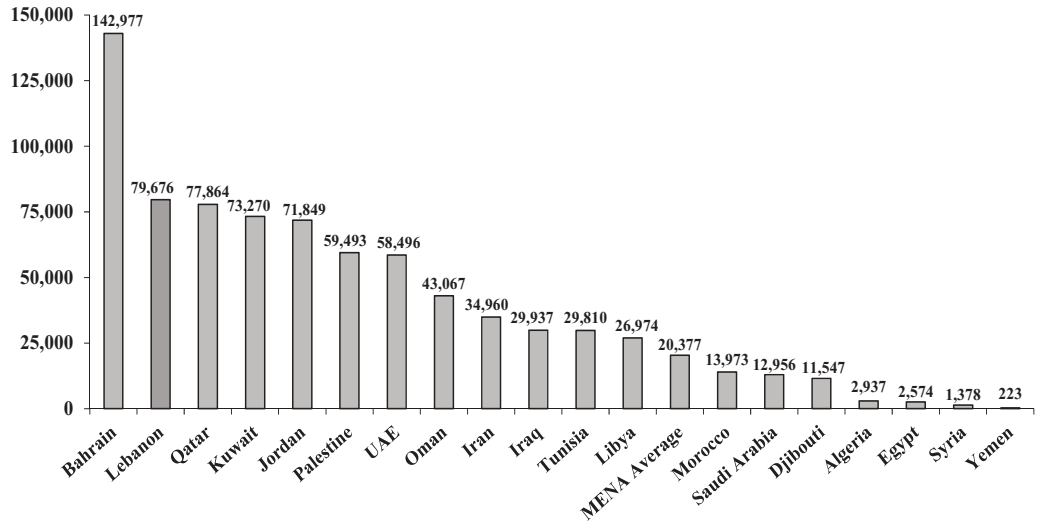
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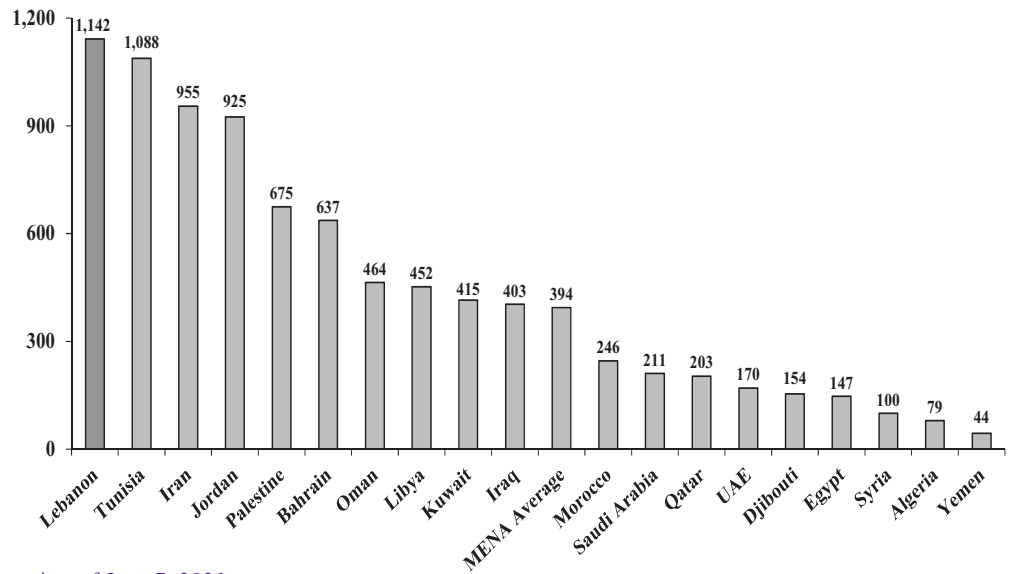
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Charts of the Week

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



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



*as of June 7, 2021

Source: World Bank Group, Byblos Bank

Quote to Note

"Lebanon urgently needs to adopt and implement a credible, comprehensive and coordinated macro-financial stability strategy, within a medium-term macro-fiscal framework."

The World Bank, on the economic roadmap that Lebanese authorities have to develop

Number of the Week

10: Number of months that Lebanon has been without a functioning government

Lebanon in the News

\$m (unless otherwise mentioned)	2020	Jan-Mar 2020	Jan-Mar 2021	% Change*	Mar-20	Feb-21	Mar-21
Exports	3,546	914	-	-	238	-	-
Imports	11,310	2,931	-	-	826	-	-
Trade Balance	(7,765)	(2,017)	-	-	(588)	-	-
Balance of Payments	(10,551)	(1,062)	(847)	(20.2)	(557)	(341)	(96)
Checks Cleared in LBP	19,937	5,645	4,150	-26.5%	1,144	1,307	2,043
Checks Cleared in FC	33,881	10,430	5,847	-43.9%	2,407	1,384	3,014
Total Checks Cleared	53,828	16,079	10,001	-37.8%	3,552	2,692	5,059
Fiscal Deficit/Surplus	(2,709)	(1,655)	-	-	(498)	-	-
Primary Balance	(648)	(676)	-	-	(138)	-	-
Airport Passengers	2,501,975	1,165,094	549,476	(52.8)	187,570	141,260	201,935
Consumer Price Index	84.9	13.0	153.7	14070	17.5	155.4	157.9

\$bn (unless otherwise mentioned)	Dec-20	Apr-20	Jan-21	Feb-21	Mar-21	Apr-21	% Change*
BdL FX Reserves	18.60	27.37	17.98	17.49	16.75	16.23	(40.7)
In months of Imports	15.10	36.77	19.61	-	-	-	-
Public Debt	95.59	92.88	95.94	96.83	-	-	-
Bank Assets	188.04	205.75	188.34	188.13	186.26	184.53	(10.3)
Bank Deposits (Private Sector)	139.14	147.52	138.91	138.85	136.95	136.02	(7.8)
Bank Loans to Private Sector	36.17	43.90	35.71	35.49	34.20	33.11	(24.6)
Money Supply M2	44.78	38.64	45.97	47.50	47.96	48.59	25.8
Money Supply M3	132.70	129.52	133.36	134.60	134.11	134.34	3.7%
LBP Lending Rate (%)	7.77	9.29	8.53	7.59	8.02	8.00	(129bps)
LBP Deposit Rate (%)	2.64	5.06	2.31	2.11	1.96	2.11	(295bps)
USD Lending Rate (%)	6.73	7.79	6.52	6.92	7.14	6.88	(91bps)
USD Deposit Rate (%)	0.94	2.32	0.58	0.54	0.52	0.49	(183bps)

*year-on-year

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE*	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	24.92	-0.3)	167,725	27.3%	Oct 2022	6.10	13.25	234.43
Byblos Common	0.93	0.0	70,117	5.8%	Jan 2023	6.00	13.25	173.69
Solidere "B"	24.93	0.4	47,554	17.8%	Apr 2024	6.65	13.25	85.02
Audi GDR	2.09	4.0	9,000	2.7%	Jun 2025	6.25	13.00	58.24
HOLCIM	18.01	(10.0)	2,000	3.9%	Nov 2026	6.60	13.25	40.75
BLOM Listed	3.38	7.0	2,000	8.0%	Feb 2030	6.65	13.13	24.77
BLOM GDR	3.28	(0.3)	1,000	2.7%	Apr 2031	7.00	13.00	21.82
Audi Listed	2.22	0.0	-	14.3%	May 2033	8.20	12.63	18.13
Byblos Pref. 08	35.05	0.0	-	0.8%	Nov 2035	7.05	13.25	14.56
Byblos Pref. 09	38.50	0.0	-	0.8%	Mar 2037	7.25	13.88	12.92

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

Source: Refinitiv

	Jun 7-11	May 31-Jun 4	% Change	May 2021	May 2020	% Change
Total shares traded	381,366	381,366	(15.7)	2,276,392	6,731,749	(66.2)
Total value traded	\$5,186,306	\$5,186,306	(19.6)	\$34,870,717	\$27,765,737	25.6
Market capitalization	\$9.10bn	\$9.10bn	(0.3)	\$9.18bn	\$5.98bn	53.5

Source: Beirut Stock Exchange (BSE)



Banque du Liban facilitates foreign currency cash withdrawals from bank accounts

Banque du Liban (BdL) issued on June 8, 2021 Circular 158 for banks operating in Lebanon about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2021.

First, the circular stipulates that only physical persons can benefit from these measures and that moral entities, such as companies and organizations, are not eligible. It added that clients must have had a foreign currency account as at October 31, 2019. It noted that qualified clients can withdraw up to \$400 in foreign currency banknotes per month and up to the equivalent of \$400 converted to Lebanese pounds at the rate of LBP12,000 per US dollar, with half of the amount disbursed in cash and the other half to be used through a payment card.

Second, the circular stated that the amounts that are eligible for withdrawals consist of a client's aggregate foreign currency deposit balance as at March 31, 2021 net of the amounts that the depositor converted from Lebanese pounds to foreign currencies since the end of October 2019; net of existing cash collateral and margins; net of the aggregate balance of any retail and housing loans instalments in foreign currencies that the depositor is paying in Lebanese pounds at the official exchange rate as per BdL Circular 568; and net of any withdrawals of cash banknotes or transfers abroad after the end of March 2021. In addition, the circular said that the eligible balance should not be greater than the balance at end-October 2019 and should not exceed the net balance as at June 8, 2021.

Also, the circular ruled that depositors who have not complied with the requirement of Circular 154 dated August 27, 2021, about repatriating a percentage of funds that they transferred abroad since July 2017, are ineligible for the new measures. Further, it stipulates that eligible depositors who want to take advantage of these measures cannot benefit simultaneously from Circular 151 that authorized clients to withdraw dollar deposits at the rate of LBP 3,900 per dollar.

Third, the circular declared that banks should start identifying immediately the customers who qualify for these measures and inform them about their eligibility. It added that, in case the client decides to benefit from Circular 158, he or she should ask the bank to open a new "Special Sub Account", and that the bank has to transfer to this new account up to \$50,000 in any foreign currency from the account that the customer identifies. Also, it noted that the amounts transferred to this account will not carry any interest rate, and will not be subject to any fees or commissions; while customers cannot transfer to or deposit in this account any amounts other than the original transfer of up to \$50,000. In addition, the customer has to lift the banking secrecy on the "Special Sub Account" in favor of BdL and the Banking Control Commission only.

Fourth, the circular indicates that banks and BdL will equally source the foreign currency liquidity needed for the withdrawals, as 50% of the funds will originate from freeing part of the compulsory reserves that commercial banks place at BdL, while banks can use their deposits at correspondent banks abroad for this purpose. Also, the circular authorized banks to use the liquidity that they accumulated at correspondent banks as per Circular 154. The latter mandated banks to place at an account at foreign correspondent banks, by the end of February 2021, the equivalent of at least 3% of the aggregate amount of the bank's deposits in foreign currency as at end-July 2020. Circular 158 added that, in case the liquidity in this account falls short of the 3% floor, banks have until the end of 2022 to meet the threshold. In addition, the circular forbids banks from using the foreign currency liquidity that covers "Fresh Accounts" that clients opened as per Circular 150 of April 2020, as well as the liquidity that clients repatriated in compliance with Circular 154, while it noted that BdL will transfer to banks on a monthly basis its share of the funds.

Further, the client can withdraw in full or in part, and at any time, the monthly authorized limit; while the amounts that the client does not retrieve will accumulate in the account for retrieval at any point in time. In addition, the circular asks banks to submit to BdL monthly reports on the balances in the "Special Sub Accounts" and on the payments, while BdL will establish a central unit to monitor the operations.

In parallel, BdL issued Circular 586 dated June 8, 2021 that modifies the compulsory reserve requirements of commercial banks at BdL from 15% to 14% of their foreign currency deposits. BdL indicated in a separate press release that the disbursements in the first year under Circular 158 will cover the entire foreign currency deposits at 800,000 accounts, which consist of about 70% of depositors accounts at commercial banks.

Coincident Indicator down 45% year-on-year in January 2021

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, reached 143.7 points in January 2021 compared to 173.8 in December 2020 and 259 in January 2020. The Coincident Indicator, an average of eight weighted economic indicators, decreased by 17.3% month-on-month and dropped by 44.5% year-on-year in January 2021, constituting the steepest annual decline on record in the month of January and reflecting the deterioration of economic and financial conditions in the country.

The indicator averaged 170.6 in the 12 months ending January 2021, compared to an average of 180.2 in the 12-month period ending December 2020 and to an average of 289.5 in the 12 months ending January 2020. As a result, the 12-month average coincident indicator declined by 5.3% month-on-month, while it decreased by 41.1% year-on-year.

In parallel, the indicator regressed 16 times and improved 12 times in the month of January since 1994. It averaged 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014, 278.6 points in 2015, ~~289.5~~ 289.5 points in 2016, 305.9 points in 2017, 307.7 points in 2018, 292.6 points in 2019, and 180.2 points in 2020.

Number of real estate transactions up 59% in first five months of 2021

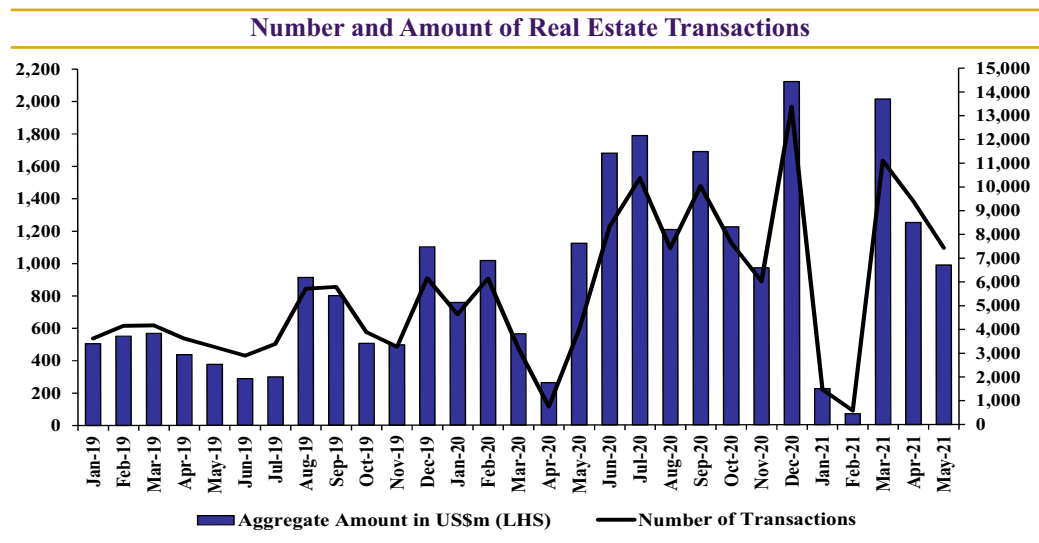
Figures released by the Ministry of Finance show that 30,014 real estate transactions took place in the first five months of 2021, constituting an increase of 59% from 18,877 in the same period of 2020. In comparison, there were 19,024 real estate transactions in the first five months of 2019 and 22,707 real estate deals in the same period of 2018. The increase in the number of transactions in the covered period is due in part to the easing of the national lockdown measures that the government imposed to contain the spread of COVID-19, which led to the reopening of many public agencies and departments starting in March 2021 and to the resumption of the processing and official registration of real estate transactions. More specifically, the increase reflects the normalization of real estate activity in March, April and May 2021 following closures in the first two months of the year, as well as higher volume of transactions relative to March, April and May 2020, when Lebanon witnessed the first round of coronavirus-related lockdown measures. Moreover, there were 7,434 real estate transactions in May 2021, constituting a decline of 21% from 9,398 in April 2021, compared to 4,036 transactions in May 2020.

Further, there were 5,849 real estate transactions in the Baabda region in the first five months of 2021, representing 19.5% of the total. The North followed with 4,491 deals (15%), then the South with 3,865 transactions (12.9%), the Zahlé region with 3,423 deals (11.4%), then the Keserwan area with 3,295 transactions (11%), the Nabatieh area with 3,023 deals (10.1%), the Metn district with 2,807 transactions (9.4%), and Beirut with 2,155 deals (7.2%).

The aggregate amount of real estate transactions reached \$4.53bn in the first five months of 2021 and increased by 21.8% from \$3.72bn in the same period of 2020. In comparison, the amount of real estate deals grew by 52.5% in the first five months of 2020 and regressed by 24.4% in the same period of 2019 from the first five months of 2019 and 2018, respectively. Further, the value of real estate transactions in Beirut reached \$1.13bn and accounted for 25% of the total in the first five months of 2021. The Baabda area followed with \$966.5m (21.3%), then the Metn district with \$662.6m (14.6%), the Keserwan area with \$553.9m (12.2%), the South with \$483.6m (10.7%), the North with \$340.4m (7.5%), the Zahlé area with \$201.5m (4.4%), and the Nabatieh region with \$142.3m (3.1%). The amount of real estate transactions in the North rose by 103.2% in the first five months of 2021 from the same period of 2020, followed by the amount of deals in the Zahlé area (+95.5%), the Baabda district (+70.5%), the Nabatieh region (+66.3%), the South (+59.3%), and the Keserwan area (+41%). In contrast, the amount of real estate transactions in Beirut dropped by 19.3% annually in the first five months of 2021 and those in the Metn district regressed by 2% year-on-year. In addition, the aggregate amount of real estate transactions reached \$983.85m in May 2021, constituting a decline of 21% from \$1.25bn in April 2021 and compared to \$1.12bn in May 2020.

In parallel, the average amount per real estate transaction was \$150,960 in the first five months of 2021, down by 23.4% from an average of \$196,994 in the same period of 2020. Further, there were 425 real estate transactions executed by foreigners in the first five months of 2021, compared to 295 deals in the same period of 2020 and to 403 transactions in the first five months of 2019. The number of real estate deals by foreigners accounted for 1.4% of total real estate transactions in the covered period, down from 1.6% in the first five months of 2020 and from 2.1% in the same period of 2019.

Further, 28% of real estate transactions executed by foreigners in the first five months of 2021 were in the Baabda area, followed by the South (17.2%), the Metn district (13.6%), Beirut and the Keserwan region (13.2% each), the North (8.2%), the Zahlé area (4.7%), and the Nabatieh region (1.9%). The latest available figures show that Syrian citizens accounted for 28.6% of the amount of real estate transactions executed by foreigners in April 2021, followed by Saudi citizens (26%), Iraqi nationals (18%), Qatari citizens (5.3%), and Kuwaiti nationals (2.3%).



Source: Ministry of Finance, Byblos Research

Travel and tourism industry contributes 4% of GDP in 2020

The World Travel & Tourism Council (WTTC) estimated that the broad travel and tourism industry in Lebanon contributed 4.2% of the country's GDP in 2020, down from a contribution of 19.4% of GDP in 2019. It also estimated that the travel and tourism sector generated LBP5,484bn (\$3.6bn) in output in 2020, constituting a drop of 81% from LBP28,705bn (\$19bn) in 2019, due to the steep decline in tourism activity as a result of travel restrictions and lockdown measures in response to the COVID-19 pandemic. The estimates represent the direct, indirect and induced impacts of the industry on economic activity. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

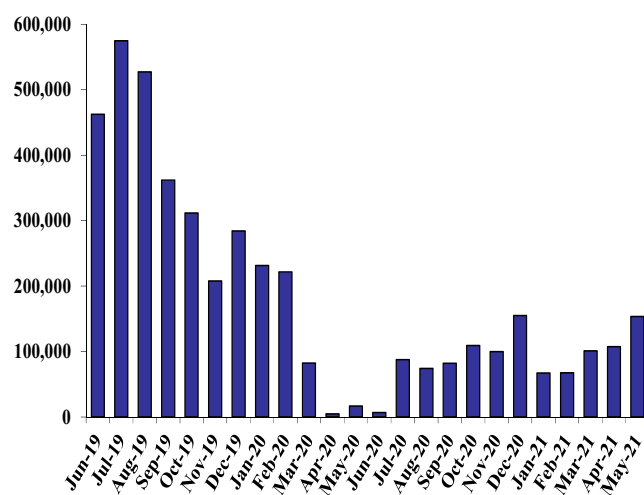
It pointed out that the travel and tourism industry in Lebanon lost 111,900 jobs last year, as it employed 318,500 persons in 2020, constituting a decline of 26% from 430,400 jobs in 2019. As such, the industry accounted for 17.4% of total employment in Lebanon in 2020 compared to a share of 19.1% in 2019. Also, the WTTC estimated the aggregate spending by international visitors in Lebanon at LBP3,093bn (\$2.1bn) in 2020 relative to LBP23,865bn (\$15.8bn) in 2019, and accounted for 19.5% of Lebanon's exports of goods and services last year compared to 66.7% in 2019. Also, spending by local visitors on travel and tourism reached LBP1,126bn (\$747.1m) in 2020, constituting a decrease of 48.7% from LBP2,198bn (\$1.5bn) in domestic spending in 2019. Further, leisure spending in Lebanon reached \$2.7bn in 2020 compared to \$16.3bn in 2019; while spending related to business activities declined from \$947.3m in 2019 to \$107.4m in 2020.

Number of airport passengers down 11% in first five months of 2021

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1,052,191 passengers utilized the airport (arrivals, departures and transit) in the first five months of 2021, constituting a decline of 11.7% from 1,191,376 passengers in the same period of 2020, and relative to 3,139,690 passengers in the first five months of 2019.

The number of arriving passengers decreased by 11% year-on-year to 496,275 in the first five months of 2021, compared to 556,966 passengers in the same period of 2020 and to 1.55 million passengers in the first five months of 2019. Also, the number of departing passengers totaled 536,099 in the first five months of 2021 and decreased by 13.7% from 620,991 passengers in the same period last year, relative to nearly 1.57 million in the first five months of 2019. In parallel, the airport's aircraft activity totaled 11,723 take-offs and landings in the first five months of 2021, representing a decline of 2.7% from 12,051 takeoffs and landings in the same period of 2020. In comparison, aircraft activity dropped by 55.1% in the first five months of 2020 and increased by a marginal 0.5% in the same period of 2019. In addition, the HIA processed 29,819 metric tons of freight in the first five months of 2021 that consisted of 11,230 tons of import freight and 18,589 tons of export freight. Middle East Airlines had 3,917 flights in the covered period and accounted for 33.4% of HIA's total aircraft activity.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Iraq doubles fuel oil commitment to Lebanon to one million tons

The Lebanese caretaker government announced on June 9, 2021 that the Iraqi Council of Ministers approved an additional 500,000 tons in fuel oil supply to Lebanon for a total of one million tons in 2021. Last February, the Lebanese and Iraqi authorities reached an agreement whereby Iraq will export 500,000 tons worth \$200m of heavy fuel oil to Lebanon in 2021. The volume is equivalent to one sixth of Lebanon's fuel oil needs for electricity production. 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 generation in Lebanon. In parallel, the Lebanese Parliament enacted on March 29, 2021 a draft law that provides an advance of LBP300bn, or \$200m, based on the official exchange rate of the Lebanese pound against the US dollar, to the state-owned Electricité du Liban (EdL) in order to finance the imports of fuel oil for electricity production.

EdL has exhausted the LBP1,500bn, or \$1bn, earmarked for its expenditures in the Budget Law for 2020. The LBP300bn, or \$200m payment, is a part of the LBP1,500bn, or \$1bn, that the draft budget for 2021 allocated as transfers to EdL. However, the payment required a law in the absence of a Budget Law for 2021, given that, according to the Lebanese Constitution, a caretaker government cannot approve a budget and forward it to Parliament for deliberation. In parallel, the Lebanese Ministry of Public Health and its Iraqi counterpart signed on April 2, 2021 a framework agreement stipulating that Lebanon would provide medical services to Iraqi medical centers in exchange for fuel oil supplies from Iraq for electricity generation. The Ministry of Energy & Water indicated that Lebanon will deposit the amount in a special account at Banque du Liban so that Iraq can spend the money domestically on any type of service, including on medical and healthcare services. In return, Lebanon will provide specialized medical teams and experts to assist Iraq in managing new medical centers and facilities and to train Iraqi medical and hospital crews.

Broad money supply up 1% in first four months of 2021, currency in circulation up 23%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP48,402bn at the end of April 2021, constituting an increase of 20.5% from LBP40,156bn at the end of 2020 and a rise of 115.8% from LBP22,427bn at end-April 2020. Currency in circulation stood at LBP36,016bn at the end of April, and surged by 23.2% in the first four months of the year and by 147.3% from LBP14,562bn at end-April 2020. Also, demand deposits in local currency stood at LBP12,386bn at end-April 2021, representing an increase of 13.5% in the first four months of the year and a rise of 57.5% from the end of April 2020. Money supply M1 grew by 3.5% in April from LBP46,753bn at the end of the previous month, with currency in circulation expanding by 4.6% and demand deposits in local currency increasing by a marginal 0.4% 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 LBP73,248bn at the end of April 2021, constituting an increase of 8.5% in the first four months of the year and an expansion of 25.8% from LBP58,243bn a year earlier. Term deposits in Lebanese pounds totaled LBP24,846bn at the end of April 2021, and decreased by 9.2% from LBP27,354bn at end-2020 and by 30.6% from LBP35,815bn at end-April 2020. Money supply M2 grew by 1.3% in April from the previous month, with term deposits in local currency regressing by 2.7% month-on-month.

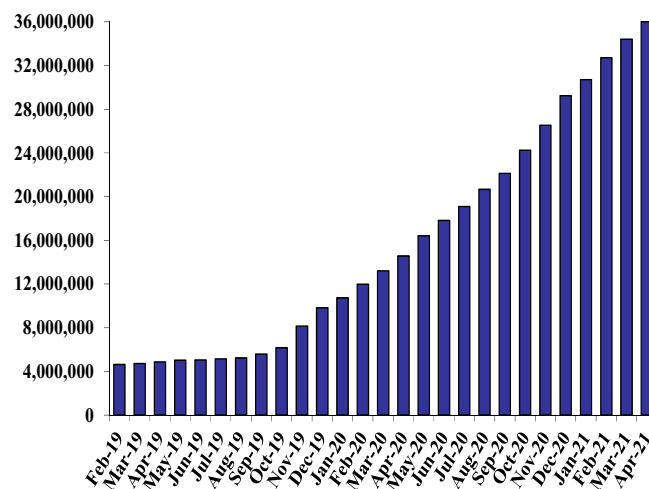
Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP202,511bn at the end of April 2021, constituting an increase of 1.2% in the first four months of the year and an upturn of 3.7% from LBP195,245bn at end-April 2020. Deposits in foreign currency totaled LBP128,909bn at the end of April 2021, down by 2.4% from end-2020 and by 5.6% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP354bn at the end of April 2021 compared to LBP519bn at the end of 2020 and to LBP474bn at end-April 2020. Money supply M3 expanded by a marginal 0.2% the preceding month, with deposits in foreign currency regressing by 0.5% and debt securities issued by the banking sector increasing by 10.8% month-on-month. In parallel, M3 grew by LBP2,459bn in the first four months of 2021 due to a surge of LBP10,560bn in other items, which was partly offset by a drop of LBP3,998bn in the claims of the private sector, a decline of LBP3,518bn in the net foreign assets of deposit-taking institutions, and a downturn of LBP586bn in net claims on the public sector.

Amount of cleared checks down 22%, returned checks down 52% in first five months of 2021

The amount of cleared checks reached \$16.9bn in the first five months of 2021, constituting a drop of 21.6% from \$21.6bn in the same period of 2020. In comparison, the amount of cleared checks declined by 7.8% year-on-year in the first five months of 2020 and decreased by 15.5% 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 \$7.5bn in the first five months of 2021 and regressed by 3.5% from the same period of last year, while the amount of cleared checks in foreign currencies was \$9.5bn and dipped by 31.7% in the covered period. The dollarization rate of cleared checks regressed from 64.1% in the first five months of 2020 to 55.8% in the same period of 2021. There were 1.55 million cleared checks in the first five months of 2021, down by 38% from 2.5 million cleared checks in the same period of 2020. The number of checks denominated in foreign currencies accounted for 54.5% of total cleared checks in the covered period. In addition, the amount of cleared checks totaled \$3.1bn in May 2021, constituting a decline of 18.7% from \$3.8bn in the preceding month and an increase of 21% from \$2.5bn in May 2020. Also, the amount of cleared checks in Lebanese pounds reached the equivalent of \$1.6bn in May 2021, as it declined by 6.3% from \$1.7bn in April 2021 and surged by 45.8% from \$1.1bn in May 2020, while the amount of cleared checks in foreign currencies dropped by 28.8% month-on-month and increased by 2.3% year-on-year to \$1.5bn in May 2021. There were 294,156 cleared checks in May 2021 relative to 344,205 cleared checks in the preceding month and to 300,262 cleared checks in May 2020.

In parallel, the amount of returned checks in local and foreign currencies was \$228.2m in the first five months of 2021 compared to \$477m in the same period of 2020 and to \$606.3m in the first five months of 2019. This constitutes a drop of 52.2% in the first five months of 2021 relative to a decrease of 21.3% and a decline of 3.6% in the first five months of 2020 and 2019, respectively. The amount of returned checks in Lebanese pounds and in foreign currencies reached \$72.3m and \$156m, respectively, in the first five months of 2021, and declined by 57.1% and 49.5% year-on-year, respectively. Also, there were 13,101 returned checks in the first five months of 2021, down by 81.7% from 71,530 returned checks in the same period of 2020. The number of returned checks in foreign currencies reached 7,932 in the first five months of 2021 and dropped by 78.7% from the first five months of 2020, while the number of returned checks in Lebanese pounds totaled 5,169 and declined by 85% year-on-year. Further, the amount of returned checks in domestic and foreign currencies stood at \$47.8m in May 2021 compared to \$42.5m in the previous month and to \$45.8m in May 2020. Also, there were 1,950 returned checks in May 2021, relative to 2,629 returned checks in April 2021 and to 7,049 checks in May 2020.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

Foreign direct investments at \$2.3bn in first nine months of 2020

Figures released by Banque du Liban show that foreign direct investments (FDI) in Lebanon totaled \$2.3bn in the first nine months of 2020 compared to \$1.47bn in the first nine months of 2019. FDI inflows in the covered period were in line with the average of \$2.05bn for the first nine months per year between 2002 and 2019, with a high of \$2.67bn in the first nine months of 2009. FDI figures in the first nine months of 2020 consist largely of the transfer of non-resident deposits at local commercial banks to the real estate sector, according to the International Monetary Fund's (IMF) balance of payments methodology to record the movement of non-resident deposits, rather than to the foreign flow of capital into local projects.

FDI inflows amounted to \$998.5m in the first quarter of 2020 compared to \$646.3m in the same quarter of 2019, their highest level in the first quarter per year since 2002. They totaled \$555.1m in the second quarter 2020 relative to \$393.4m in the same period of 2019, which is lower than the average of \$787.3m in the second quarter of a year between 2002 and 2019. Also, FDI inflows amounted to \$746.6m in the third quarter of 2020 compared to \$430m in the same quarter of 2019, their sixth highest level in the third quarter of a year since 2002.

In parallel, FDI outflows from Lebanon amounted to \$20.7m in the first nine months of 2020 compared to \$289.8m in the same period of 2019. They reached their second lowest level for the first nine months of a year since 2002. FDI outflows from Lebanon posted an average of \$626.5m for the first nine months per year between 2002 and 2019, with a high of \$1.4bn in the first nine months of 2013.

As such, net FDI inflows to Lebanon reached \$2.28bn in the first nine months of 2020, compared to \$1.18bn in the first nine months of 2019, according to the IMF's methodology. Net FDI inflows to Lebanon posted their highest level for the first nine months of a year between 2002 and 2019. They averaged \$1.42bn between 2002 and 2019.

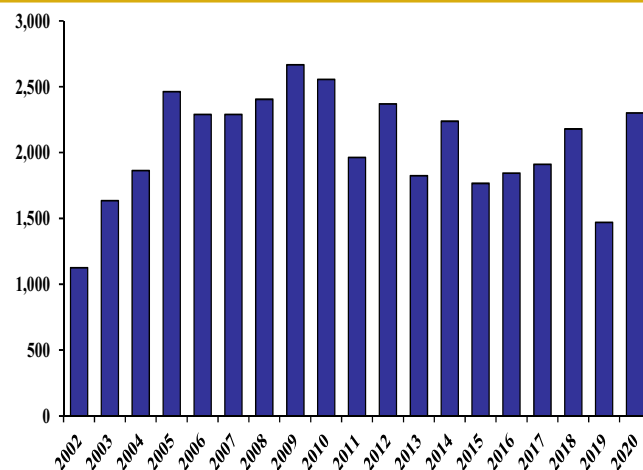
More than 89% of Treasury securities in Lebanese pounds have five-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP90,024bn, or the equivalent of \$59.7bn, at the end of April 2021, compared to LBP86,433bn, or \$57.3bn, at end-April 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 6.49% in April 2021, nearly unchanged from April 2020.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds accounted for 37.6% or LBP33,865bn, seven-year Treasury bonds had a share of 21.9% (LBP19,676bn), and five-year Treasury securities represented 24.7% (LBP22,251bn) of aggregate securities denominated in Lebanese pounds at the end of April 2021. Also, the share of three-year Treasury bonds was 7.5% (LBP6,785bn), 12-year Treasury securities represented 3.4% of the total (LBP3,076bn), the share of two-year Treasury bills was 1.9% (LBP1,680bn), 15-year Treasury bonds accounted for 1.6% (LBP1,417bn), one-year T-bills had a share of 1.1% (LBP1,021bn), six-month T-bills accounted for 0.12% (LBP111bn), the share of three-month T-bills was 0.08% (LBP75bn), and of eight-year Treasury securities represented 0.07% (LBP67bn) of the total.

As such, 64.5% of outstanding Treasury securities have seven-year maturities or longer and 89.3% have five-year maturities or more. In parallel, LBP648bn in outstanding Treasury securities denominated in Lebanese pounds matured in April 2021, of which 46.3% were three-year Treasury bonds, 16.7% were one-year Treasury bills, 16.4% were two-year Treasury securities, 14% were five-year Treasury securities, 3.4% were six-month Treasury bills, and 3.1% were three-month Treasury bills. According to ABL, LBP7,882bn of outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2021, while LBP10,598bn will come due in 2022.

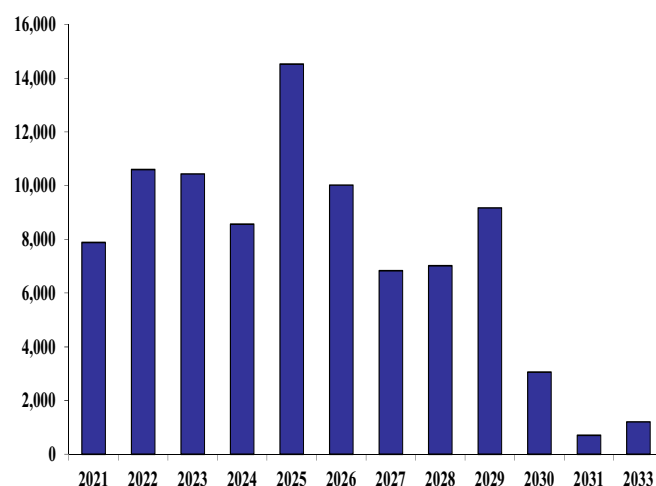
Foreign Direct Investment Inflows* (US\$m)



*in the first nine months of each year

Source: Banque du Liban, Byblos Research

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



*As at end-April 2021

Source: Association of Banks in Lebanon, Byblos Research

Trade deficit narrows by 11% to \$733m in January 2021

Total imports reached \$916.5m in January 2021, constituting a decrease of 20.6% from \$1.15bn in same month of 2020; while aggregate exports totaled \$189m and dropped by 44.8% from \$333m in January 2020. As such, the trade deficit narrowed by 10.7% to \$732.6m in January 2021, mainly due to a decline of \$237m in imports.

Non-hydrocarbon imports declined by \$11.4m to \$684m in January 2021, while imports of oil & mineral fuels fell by \$225.7m to \$232.4m and accounted for 25.4% of total imports in the covered month. Lebanon imported 552,638 tons of oil & mineral fuel in January 2021 relative to 791,112 tons in the same month of 2020.

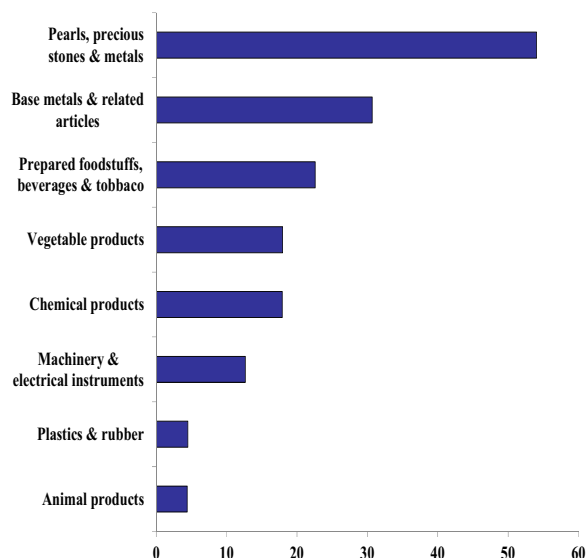
The drop in exports was mostly due to the exports of jewelry that fell by \$105.1m, or by 66%; followed by a decline of \$9.8m (-43.7%) in the exports of machinery & electrical instruments; a decrease of \$7.1m (-23.8%) in the exports of prepared foodstuff; a decline of \$6.1m (-25.5%) in exported chemical products; a dip of \$5m (-56%) in the exports of pulp of wood; a contraction of \$3.4m (-62.7%) in exported vehicles, aircraft & vessels; and a downturn of \$3.1m (-40.4%) in the exports of plastics & rubber.

Exports to Spain surged by 92% in January 2021, those to Egypt rose by 50.4% and exports to Greece grew by 1.6%. In contrast, exported goods to Switzerland dropped by 81.3% in the covered month, those to Iraq declined by 43%, exports to Saudi Arabia decreased by 37.7%, those to Syria fell by 25.2%, exported goods to the UAE declined by 24.8%, those to the U.S. contracted by 13.2%, and exports to Qatar regressed by 0.3%. Also, re-exports totaled \$27.3m in the covered month compared to \$23m in January 2020. The Port of Beirut was the exit point for 42.8% of Lebanon's exports in January 2021, followed by the Hariri International Airport (36.3%), the Port of Tripoli (9%), the Masnaa crossing point (7.3%), the Port of Saida (3.4%), the Abboudieh crossing point (0.7%), and the Arida crossing point (0.6%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$146.4m in January 2021 and that rose by 15.8% from same month of 2020. Imported jewelry followed with \$82m (-10.2%); then imports of vegetable products with \$66.5m (-12.2%); prepared foodstuff with \$61m (-15.4%); the imports of machinery & electrical instruments with \$56.6m (-15.8%); vehicles, aircraft & vessels with \$53.7m (+29.7%); animal products with \$52m (-20.6%); and base metals with \$39.3m (+33.1%). The Port of Beirut was the entry point for 60.2% of Lebanon's merchandise imports in January 2021, followed by the Hariri International Airport (25.5%), the Port of Tripoli (8.8%), the Port of Saida (3%), the Masnaa crossing point (1.7%), the Arida crossing point (0.6%), and the Abboudieh crossing point (0.2%).

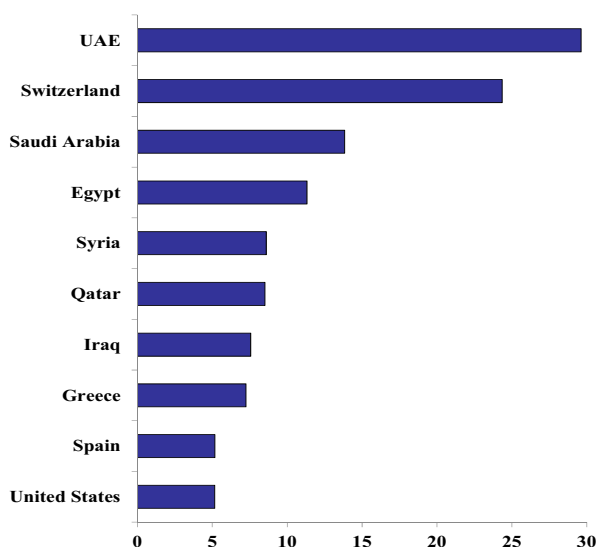
Turkey was the main source of imports with \$105m and accounted for 11.5% of the total in January 2021, followed by China with \$72.3m (8%), Greece with \$69.7m (7.6%), the UAE with \$64.2m (7%), the U.S. with \$54m (6%), Germany with \$48m (5.2%), Russia with \$43.2m (4.7%), Ukraine with \$34.3m (3.7%), France with \$31m (3.4%), and Switzerland with \$28.8m (3%). Imported goods from Greece dropped by 38% in January 2021, those from Russia fell by 33.5%, and imports from the U.S. declined by 26%. In contrast, imported goods from Switzerland surged by 65.8% in the covered month, those from Ukraine rose by 24.5%, imports from France grew by 14.5%, those from China increased by 9.7%, imported goods from Germany expanded by 6.7%, those from the UAE improved by 3.2%, and imports from Turkey increased by 2%.

Main Lebanese Exports in January 2021 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in January 2021 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Term deposits account for 69% of customer deposits at end-April 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 \$147.23bn at the end of April 2021, constituting a decrease of \$3.97bn, or 2.6% from \$151.2bn the end of 2020. Total deposits include private sector deposits that reached \$136bn, deposits of non-resident financial institutions that amounted to \$5.38bn, and public sector deposits that stood at \$5.83bn at the end of April 2021.

Term deposits in all currencies reached \$101.15bn at the end of April 2021 and declined by \$8.05bn, or by 7.4%, from \$109.2bn at end-2020; while they accounted for 68.7% of total deposits in Lebanese pounds and in foreign currency as at end-April 2021 relative to a share of 72.2% at the end of 2020.

The decline in term deposits is due to a drop of 21% in the term deposits of the non-resident financial sector, a decrease of 9% in the term deposits in Lebanese pounds of the resident private sector, a dip of 7.4% in the foreign currency-denominated term deposits of the resident private sector, and a 5.5% decline in the term deposits of non-residents. This was partly offset by increases of 4.5% in the term deposits in Lebanese pounds of the public sector and of 2% 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 \$65.3bn since the end of September 2019.

Also, foreign currency-denominated term deposits of the resident private sector reached \$56.7bn and accounted for 38.5% of aggregate deposits at the end of April 2021. Term deposits of non-residents followed with \$19.5bn (13.2%), then term deposits in Lebanese pounds of the resident private sector with \$16.2bn (11%), term deposits of the public sector in Lebanese pounds with \$4.35bn (3%), term deposits of the non-resident financial sector with \$3.76bn (2.6%), and term deposits of the public sector in foreign currency with \$679.5m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$46.08bn at the end of April 2021 and increased by \$4.08bn, or by 9.7%, from \$42bn at end-2020. They accounted for 31.3% of total deposits at end-April 2021 relative to a share of 27.8% at end-2020. The increase in demand deposits was mainly due to a growth of \$2.55bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$977.2m in demand deposits in Lebanese pounds of the resident private sector, and an increase of \$599.7m in demand deposits of non-residents.

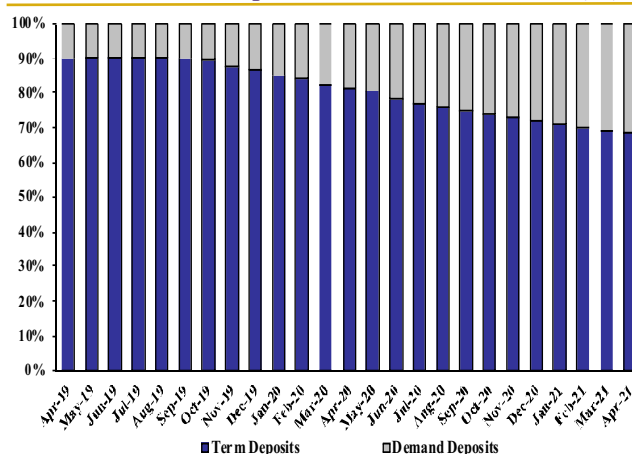
Further, demand deposits in foreign currency of the resident private sector totaled \$28.07bn and represented 19% of deposits at end-April 2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$8.26bn (5.6%), then demand deposits of non-residents with \$7.33bn (5%), demand deposits of the non-resident financial sector with \$1.62bn (1.1%), demand deposits in Lebanese pounds of the public sector with \$548m (0.4%), and demand deposits in foreign currency of the public sector with \$253.6m (0.2%).

Import activity of top five shipping firms and freight forwarders up 47% in first quarter of 2021

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port reached 50,303 20-foot equivalent units (TEUs) in the first quarter of 2021, constituting an increase of 47% from 34,209 TEUs in the same period of 2020. The five shipping and freight forwarding firms accounted for 85.2% of imports to the Lebanese market and for 64% of the total import freight market in the first quarter of 2021. Merit Shipping handled 16,827 TEUs in the covered period, equivalent to 21.4% of the total import freight market. Mediterranean Shipping Company (MSC) followed with 13,202 TEUs (16.8%), then MAERSK with 9,637 TEUs (12.2%), Lotus Shipping with 5,668 TEUs (7.2%), and Gezairi Transport with 4,969 TEUs (6.3%). The five shipping and freight forwarding firms registered year-on-year increases in import shipping in the first quarter of 2021, with Merit Shipping posting an expansion of 107.7%, the highest among the top five companies. The import shipping operations of the five firms through the port regressed by 24.7% in March 2021 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 15,808 TEUs in the first quarter of 2021, constituting a marginal increase of 0.5% from 15,724 TEUs in the same period of 2020. The five shipping companies and freight forwarders accounted for 94.5% of exported Lebanese cargo and for 24% of the total export freight market in the first quarter of 2021. Merit Shipping handled 11,052 TEUs of freight in the first quarter of 2021, equivalent to 66% of the Lebanese cargo export market. MAERSK followed with 2,069 TEUs (12.4%), then Tourism & Shipping with 1,109 TEUs (6.6%), Gezairi Transport with 830 TEUs (5%), and MSC with 748 TEUs (4.5%). Merit Shipping registered a rise of 51% in exports the first quarter of 2021, the highest growth rate among the top five shipping and freight forwarding companies, while MSC posted a drop of 46%, the steepest decline among the five firms. The export-shipping operations of the top five companies regressed by 9.3% in March 2021 from the previous month.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Ratio Highlights

(in % unless specified)	2018	2019	2020	Change*
Nominal GDP (\$bn)	55.0	51.3	25.2	(26.06)
Public Debt in Foreign Currency / GDP	60.6	63.0	55.8	(7.17)
Public Debt in Local Currency / GDP	93.4	108.1	92.2	(15.87)
Gross Public Debt / GDP	154.0	171.1	148.1	(23.04)
Trade Balance / GDP	(30.8)	(29.0)	-	-
Exports / Imports	14.8	19.4	-	-
Fiscal Revenues / GDP	20.9	20.7	-	-
Fiscal Expenditures / GDP	32.2	31.6	-	-
Fiscal Balance / GDP	(11.3)	(10.9)	-	-
Primary Balance / GDP	(1.1)	(0.5)	-	-
Gross Foreign Currency Reserves / M2	63.8	70.2	41.5	(28.63)
M3 / GDP	255.6	251.2	205.6	(45.67)
Commercial Banks Assets / GDP	451.3	404.8	291.3	(113.50)
Private Sector Deposits / GDP	315.3	296.6	215.5	(81.10)
Private Sector Loans / GDP	107.4	92.9	56.0	(36.91)
Private Sector Deposits Dollarization Rate	70.6	80.3	80.4	0.08
Private Sector Lending Dollarization Rate	69.2	68.7	59.6	(9.12)

*change in percentage points 20/19;

Source: Banque du Liban, Central Administration of Statistics, Institute of International Finance, 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 2019

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