

# LEBANON THIS WEEK

## In This Issue

**Economic Indicators**.....1  
**Capital Markets**.....1  
**Lebanon in the News**.....2

Lebanon ranks 169<sup>th</sup> globally, 16<sup>th</sup> in Arab region in terms of country risk in first quarter of 2021

Banque du Liban to settle transactions on electronic platform on daily basis

Finance Ministry updates list of countries eligible for exchange of tax information

Lebanon has 20<sup>th</sup> highest level of gold reserves globally, second highest among Arab countries

United Arab Emirates lifts ban on imports of Lebanese apples

Banque du Liban's foreign assets at \$20.8bn, gold reserves at \$17.2bn at mid-June 2021

Government stalemate exacerbating social pressures and foreign currency volatility

Multiple shocks raise poverty levels

## Corporate Highlights .....7

Byblos Bank holds Ordinary General Assembly

Gross written premiums up 14% to \$486m in first quarter of 2021, claims at \$248m

CMA CGM posts net profits at \$2.1bn in first quarter of 2021

Bank Audi's losses at \$2.8m in first quarter of 2021

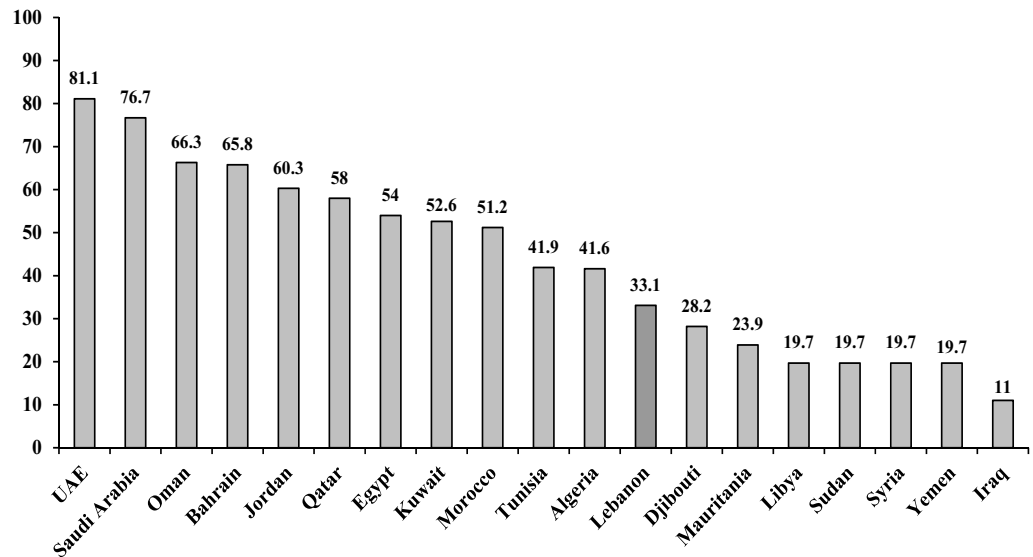
## Ratio Highlights.....9

## National Accounts, Prices and Exchange Rates .....9

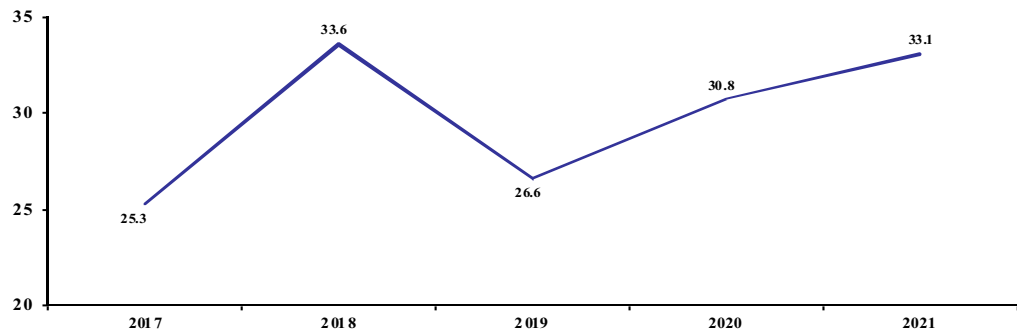
## Ratings & Outlook.....9

## Charts of the Week

**Performance of Arab Countries in terms of Judicial Effectiveness\* (%)**



**Performance of Lebanon in terms of Judicial Effectiveness\* (%)**



\*higher score reflects a more efficient, fair and independent judiciary

Source: The Heritage Foundation's 2021 Index of Economic Freedom, Byblos Bank

## Quote to Note

"As soon as an International Monetary Fund program will be in place, we will be able to look at concessional lending and guarantees, as well as provide trade measures and a macro-financial assistance program."

*Josep Borrell, the High Representative of the European Union for Foreign Affairs and Security Policy, on the way to unlock European financial support to Lebanon*

## Number of the Week

**72.3%:** Compensation of public sector workers and employees as a share of primary public expenditures in the first 11 months of 2020, according to the Ministry of Finance

## 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"	24.57	(1.4)	75,908	27.1%	Oct 2022	6.10	12.88	244.51
Byblos Common	0.93	0.0	67,269	5.8%	Jan 2023	6.00	12.88	179.94
Solidere "B"	24.72	(0.8)	59,206	17.7%	Apr 2024	6.65	13.00	86.68
Audi Listed	2.40	8.1	25,500	15.6%	Jun 2025	6.25	13.00	58.56
BLOM GDR	3.05	(7.0)	10,000	2.5%	Nov 2026	6.60	13.00	41.33
Audi GDR	2.02	(3.3)	6,500	2.7%	Feb 2030	6.65	12.88	25.07
Byblos Pref. 09	38.50	0.0	150	0.9%	Apr 2031	7.00	12.88	21.97
HOLCIM	17.00	(5.6)	146	3.7%	May 2033	8.20	12.63	18.16
BLOM Listed	3.03	(10.4)	12	7.2%	Nov 2035	7.05	13.00	14.72
Byblos Pref. 08	35.05	0.0	-	0.8%	Mar 2037	7.25	13.75	13.00

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

Source: Refinitiv

	Jun 14-18	Jun 7-11	% Change	May 2021	May 2020	% Change
Total shares traded	244,691	301,096	(18.7)	2,276,392	6,731,749	(66.2)
Total value traded	\$3,500,907	\$5,593,559	(37.4)	\$34,870,717	\$27,765,737	25.6
Market capitalization	\$9.05bn	\$9.12bn	(0.7)	\$9.18bn	\$5.98bn	53.5

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 169<sup>th</sup> globally, 16<sup>th</sup> in Arab region in terms of country risk in first quarter of 2021

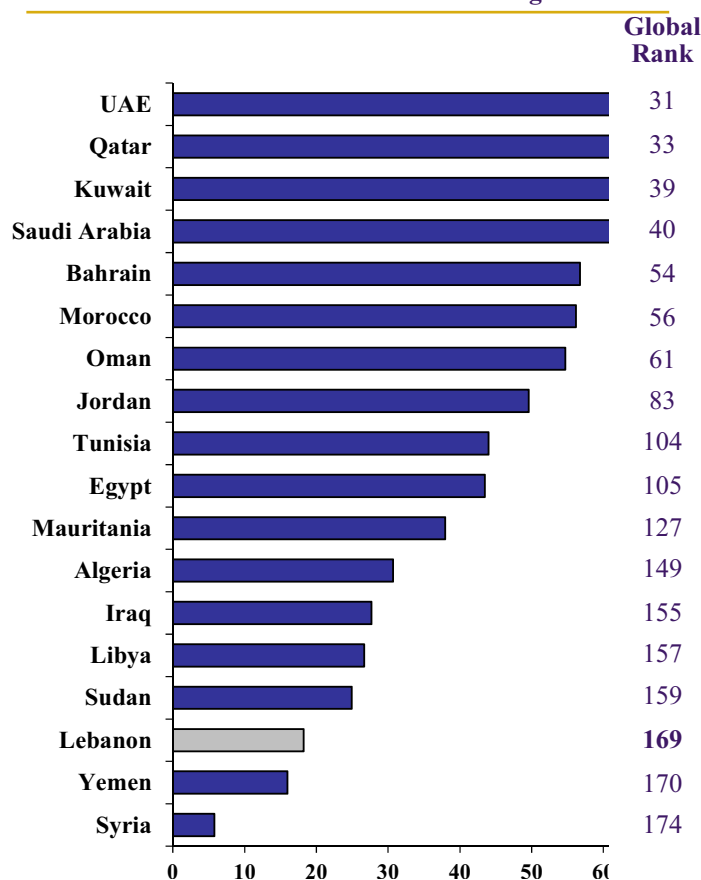
In its quarterly survey of the country risk level in 174 countries, the Euromoney Group ranked Lebanon in 169<sup>th</sup> place worldwide and in 16<sup>th</sup> place among 18 Arab countries in the first quarter of 2021. Also, Lebanon came in last place among 49 upper middle-income countries (UMICs) included in the survey. In comparison, Lebanon ranked in 167<sup>th</sup> place globally and in 16<sup>th</sup> place regionally in the fourth quarter of 2020, while it came in 163<sup>rd</sup> place worldwide and in 17<sup>th</sup> place among Arab countries in the first quarter of 2020. As such, Lebanon's global rank deteriorated by six spots year-on-year, while its regional rank improved by one notch from the first quarter of 2020. The survey evaluates the country risk level of economies by assigning a weight to five categories that cover Political Assessment, Economic Assessment, Structural Assessment, Access to International Capital Markets, and Debt Indicators. A higher score reflects a lower country risk level.

Globally, Lebanon had a lower country risk level than only Yemen, Zimbabwe, Somalia, North Korea and Syria among economies with a GDP of \$10bn or more. Lebanon's global rank declined by 40 spots on the Access to International Capital Markets category, by 36 notches on the Structural Assessment indicator, by five spots on the Political Assessment category and by one notch on the Economic Assessment indicator, while it was unchanged year-on-year on the Debt Indicators category.

Lebanon received a score of 18.22 points in the first quarter of 2021, constituting a decline of 8.6% from 19.93 points in the fourth quarter of 2020 and a drop of 24.2% from 24.05 points in the first quarter of 2020. Lebanon's score came well below the global average score of 48.67 points, the average score of 45.4 points for UMICs and the Arab countries' average of 41.43 points. Also, its score was lower than the Gulf Cooperation Council (GCC) countries' average score of 60.78 points and the average score of non-GCC Arab countries of 31.76 points. Further, Lebanon's score dropped by 48% on the Access to International Capital Markets indicator, by 30.6% on the Political Assessment category, by 16.7% on the Economic Assessment indicator and by 16.3% on the Structural Assessment category; while it was unchanged on the Debt Indicators category from the first quarter of 2020. The survey attributed the drop in the scores of most categories to the government's decision to default on its Eurobond obligations in March 2020, to the prevailing political deadlock, and to the lack of structural reform measures to address the prevailing crises.

In parallel, Lebanon ranked ahead of only Yemen, North Korea, Zimbabwe and Syria worldwide on the Economic Assessment indicator. Also, it preceded only Zimbabwe, Mali, Yemen, North Korea and Syria globally on the Political Assessment category. In addition, Lebanon fared better than the Democratic Republic of Congo and worse than Gabon worldwide; while it ranked ahead of Mauritania and trailed Algeria regionally on the Structural Assessment indicator. Further, it preceded Argentina and came behind Myanmar globally; while it ranked ahead of only Yemen, Libya and Syria among Arab countries on the Access to International Capital Markets indicator. Finally, Lebanon preceded only Mozambique, Mongolia, Cuba, Syria and North Korea worldwide on the Debt Indicators category.

Country Risk in Arab World in First Quarter of 2021  
Arab Countries' Scores & Rankings



Source: Euromoney Group, Byblos Research

Country Risk Indicators for Lebanon - First Quarter of 2021

	Weighting (%)	Score	Arab Rank	Global Rank	Arab Avg Score	Global Avg Score
Economic Assessment	35	5.10	16	170	9.64	15.80
Political Assessment	35	5.46	16	167	8.87	17.47
Structural Assessment	10	3.71	12	136	24.50	5.00
Access to Int'l Capital Mkt	10	1.82	15	151	22.50	5.11
Debt Indicators	10	2.12	17	168	20.90	5.30

Source: Euromoney Group, Byblos Research

### **Banque du Liban to settle transactions on electronic platform on daily basis**

Banque du Liban (BdL) announced that the sale of US dollars to participants on its "Sayrafa" electronic platform will take place on a daily basis starting on June 21, 2021, compared to the weekly transactions that BdL settled since the last week of May.

BdL announced on May 20 that it will sell US dollars to participant banks on its "Sayrafa" electronic platform at an exchange rate of LBP12,000 per dollar. It asked banks to register their purchasing orders, provided that they settle the full counter value in Lebanese pound bank notes at the time of the registration. BdL started settling the registered transactions on May 27 at the banks' accounts at their correspondent banks, and followed it since then with similar settlements once a week.

BdL issued on May 10, 2021 Basic Circular 157 for banks operating in Lebanon about exceptional measures related to foreign exchange operations. The circular allows banks to conduct foreign exchange operations as per Law 347 dated August 8, 2001, including the buying and selling of foreign currencies in exchange for other foreign currencies or Lebanese pounds, through BdL's "Sayrafa" electronic platform. BdL indicated that the "Sayrafa" platform is part of its initiative that aims to ease the pressure on citizens amid the prevailing crisis that has been exacerbated by the absence of a functioning government that would implement the necessary reforms, reestablish Lebanon's regional and international relations, and restore domestic confidence. It considered that the platform, which is open for banks and licensed money dealers, will provide a transparent setting for the exchange rate and for the participants in the platform. It added that market dynamics will help determine the exchange rate on the platform and that BdL will intervene when needed to control fluctuations in the exchange rate.

It noted that the banks' foreign exchange operations should cover the needs of their clients, whether they are individuals or companies, based on a market-determined exchange rate, and provided that the spread between the buying and selling exchange rates, and any additional fees, do not exceed 1% of the buying exchange rate. Specifically, it allows banks to purchase Lebanese pound banknotes from their clients and settle the counter value in foreign currency either in a "fresh account" in Lebanon or in a bank account abroad. It also allows banks to purchase foreign currencies from clients either in physical form or from their "fresh accounts", in exchange for Lebanese pounds that can be disbursed either in cash or in the clients' bank accounts in Lebanon.

In parallel, BdL indicated that not all money dealers that are registered on the "Sayrafa" platform are abiding by the procedures that require them to register all transactions on the platform. It added that the amounts of transactions that money dealers have reported so far do not correspond to the volumes of transactions that dealers usually conduct. As such, it noted that it will refer the money dealers that it considers to be in breach of the procedures to the Higher Banking Authority for disciplinary measures. It added that the total volume of transactions on the "Sayrafa" platform totaled \$35m for the week that ended on June 18, 2021.

### **Finance Ministry updates list of countries eligible for exchange of tax information**

The Ministry of Finance issued on June 14, 2021 Decision 391/1 about the application of Law 55, or the Exchange of Information for Tax Purposes Law. The ministry's decision updates the list of countries and jurisdictions that Lebanon will have to report to and exchange financial information with, as required under the Organization for Economic Co-operation and Development's (OECD) Multilateral Competent Authority Agreement for the Common Reporting Standard.

The list now consists of 67 countries, including 40 countries in Europe & Central Asia, 11 jurisdictions in Latin America & the Caribbean, nine economies in the East Asia & Pacific region, three economies in Sub-Saharan Africa, two states in South Asia, in addition to one country in North America and one country in the Middle East & North Africa region. Lebanon will be required in 2021 to report to and exchange financial information with the 67 countries about tax information covering 2020. The Lebanese Parliament ratified Law 55 on October 27, 2016, which replaced Law 43 dated November 24, 2015. The new jurisdictions that are eligible for the exchange of tax information with Lebanon are Costa Rica, Curaçao, Cyprus, and Grenada.

In July 2019, the Global Forum on Transparency and Exchange of Information for Tax Purposes rated Lebanon as "Largely Compliant" with the international standard on the exchange of information on request. The rating is based on the Global Forum's second-round peer review for Lebanon about the exchange of information on request, which assessed the legal and regulatory framework in Lebanon as at May 6, 2019, as well as the practical implementation of this framework between 2015 and 2017. The 2019 peer review covered 10 elements grouped into three categories, which are the Availability of Information, Access to Information, and Exchanging Information. A country's overall rating can be "Compliant", "Largely Compliant", "Partially Compliant" or "Non-Compliant". At the time, the Global Forum indicated that Lebanon has made encouraging progress since the 2016 peer review, as it amended many laws to make them compliant with the international standard on the exchange of information on request. It noted that Lebanon has introduced several changes to its legal framework, especially to legislations related to the Availability of Information and Access to Information.

### Lebanon has 20<sup>th</sup> highest level of gold reserves globally, second highest among Arab countries

Figures released by the World Gold Council show that Lebanon holds 286.8 tons in gold reserves as at April 2021. As such, Lebanon ranks in 20<sup>th</sup> place in terms of gold holdings among 96 countries, as well as the International Monetary Fund, the West African Economic Monetary Union, the European Central Bank and the Bank for International Settlements. It also ranks in eighth place among 65 non-OECD countries and in second place among 15 Arab countries included in the survey. The World Gold Council compiled the data from the International Monetary Fund's International Financial Statistics. The figures for gold holdings are reported for April 2021 for most countries and for March 2021 or earlier for countries with delayed reporting.

Globally, Lebanon has more gold reserves than Spain (281.6 tons), Austria (280 tons) and Poland (228.7 tons); while it holds fewer reserves than Uzbekistan (364.2 tons), Saudi Arabia (323.1 tons) and the United Kingdom (310.3 tons). Also, Lebanon holds more gold than Thailand (197.5 tons) and less than Saudi Arabia among non-OECD countries. The United States is the top holder of gold in the world with 8,133.5 tons, while Suriname ranks in last place with 1.5 tons in gold reserves. Lebanon's gold holdings accounted for about 21% of the Arab region's aggregate gold reserves, for nearly 3.1% of the holdings of non-OECD countries, and for about 0.8% of global gold reserves.

Further, the value of Lebanon's gold reserves was \$16.2bn at the end of April 2021, based on a price of \$1,767.65 per troy ounce as published by the London Bullion Market Association.

In parallel, Lebanon's gold holdings were equivalent to 39.5% of the country's official assets in foreign currency plus gold reserves as of December 2020, which ranks Lebanon in 18<sup>th</sup> place globally, in eighth place among non-OECD countries and in first place among Arab countries on this metric. Globally, Lebanon's share of gold reserves out of its official foreign assets is higher than that of the European Central Bank (33.5%), Curaçao and Sint Maarten (31.5%), and Tajikistan (24.5%); while it is smaller than the share of Belgium (40.7%), Belarus (40.3%), and Turkey (39.7%). Also, Lebanon's share of gold holdings out of its official foreign assets is higher than the share of Curaçao and Sint Maarten and lower than that of Belarus among non-OECD countries. The gold reserves of Venezuela are equivalent to 82.6% of its total foreign exchange reserves, the highest share in the world, while Hong Kong's gold holdings account for 0.02% of its total foreign assets, the lowest such share globally.

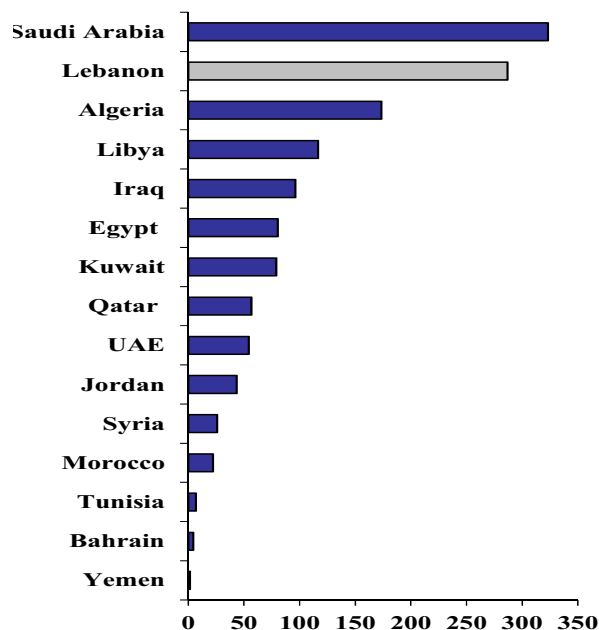
### United Arab Emirates lifts ban on imports of Lebanese apples

The Ministry of Foreign Affairs & International Cooperation of the United Arab Emirates informed Lebanon on Friday June 18, 2021 of the decision of the UAE Ministry of Climate Change and Environment to lift the ban on the import of Lebanese apples. The UAE imposed the ban in 2017 because Lebanese apples did not conform to international standards. According to the Lebanese officials, the lifting of the ban came as a result of the efforts of the Lebanese Embassy in Abu Dhabi and the Lebanese Ministry of Agriculture, which set specific standards for farmers and traders who plan to export Lebanese apples to the UAE market. Lebanon exported \$14.1m worth of fruits and vegetables to the UAE in the first 11 months of 2020, accounting for 9.7% of total Lebanese exports of such products.

Lebanese exports of fruits and vegetables to the Gulf Cooperation Council (GCC) countries totaled \$77.1m in the first 11 months of 2020, representing 53.3% of Lebanon's total exports of fruits and vegetables and 9.4% of its aggregate exports to GCC economies in the covered period. Lebanon exported \$24.2m worth of fruits and vegetables to Saudi Arabia in the first 11 months of 2020, accounting for 16.7% of Lebanese exports of fruits and vegetables. Kuwait followed with 14.4%, then Syria (11%), the UAE (9.7%), Turkey (8.7%), Qatar (7.5%), Egypt (6.7%), Jordan (6.3%), Iraq (4.8%), and Oman (3.3%).

In parallel, in April 2021, Saudi Arabia announced that it suspended the imports of fruits and vegetables from Lebanon, as well as the transit of such products through its territory to other markets. The Saudi authorities attributed their decision to their finding that these products have been used to smuggle illegal substances to the Kingdom. Saudi Arabia said that the ban will continue until Lebanese authorities provide documented guarantees that they will take the necessary actions to stop such operations.

Gold Reserves in Arab Countries (in tons)\*



\*as of April 2021

Source: World Gold Council, Byblos Research

### Banque du Liban's foreign assets at \$20.8bn, gold reserves at \$17.2bn at mid-June 2021

Banque du Liban's (BdL) interim balance sheet reached \$157.4bn on June 15, 2021, constituting increases of 6% from \$148.6bn at end-2020 and of 4.4% from \$150.7bn a year earlier. Assets in foreign currency totaled \$20.8bn at mid-June 2021, representing a decrease of \$3.2bn, or of 13.5%, from \$24.1bn at the end of 2020 and a drop of \$12.3bn (-37%) from \$33.1bn at mid-June 2020. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$15.8bn at mid-June 2021 and fell by \$12.3bn, or by 43.7%, from \$28.1bn a year earlier and by \$3.2bn, or by 17%, from \$19.1bn at the end of 2020. The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020.

In parallel, the value of BdL's gold reserves amounted to \$17.2bn at mid-June 2021 and decreased by \$121m, or by 0.7%, from the end of 2020, while it increased by \$1.4bn, or by 8.6%, from \$15.8bn from mid-June 2020. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$40.5bn at mid-June 2021, increasing by 1.2% from the end of 2020 and by 4.7% from \$38.6bn a year earlier. In addition, loans to the local financial sector totaled \$14bn, regressing by 2.1% from end-2020 and by 4.9% from mid-June 2020. Further, deposits of the financial sector stood at \$107.5bn at mid-June 2021 and declined by \$4bn from a year earlier. In addition, public sector deposits at BdL reached \$5.4bn at mid-June 2021, increasing by \$905m from the end of 2020 and by \$619.2m from a year earlier.

### Government stalemate exacerbating social pressures and foreign currency volatility

Barclays Capital considered that Lebanon has broadly avoided major social upheaval so far, despite the extended government stalemate, the sovereign default, the August 4 explosion at the Port of Beirut, and a foreign currency peg that has lost its anchor.

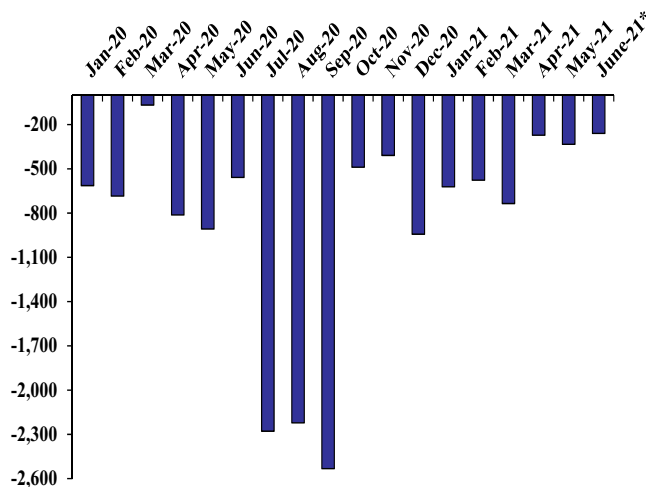
It indicated that the prolonged political paralysis and the absence of a government have moved the crisis to a new phase, with mutually reinforcing social and foreign currency volatility. It considered that the prevailing status quo cannot be sustained in the second half of 2021, and that the prevailing economic and financial pressures could potentially lead to one or a combination of scenarios that include early parliamentary elections, hyperinflation, or a popular uprising.

It noted that the economy has entered a vicious circle, with continuing pressure on Banque du Liban's (BdL) foreign currency reserves from the financing of basic imports, given that it cannot use its gold reserves without consent from Parliament. It added that BdL has repeatedly warned that it would not use the commercial banks' reserve requirements to finance the external deficit, and that it recently requested a legal signoff from the Cabinet and the President of the Republic to use reserve requirements to finance fuel oil imports for electricity generation.

It indicated that BdL will remain under pressure to finance subsidized imports amid shortages in medical supplies and other basic commodities, given the lack of a clear timetable to rationalize subsidies and the ongoing smuggling of subsidized products. It added that the existing multiple exchange rate system has created a heightened level of complexity and a multi-tiered system. It noted that BdL's recent measures have almost instituted a new quasi-official rate of LBP 12,000 per US dollar, which is closer to the parallel market than to the official exchange rate.

Barclays considered that Lebanon urgently needs to simplify its complex foreign currency system and to move to a new market-based exchange rate, among multiple pressing reforms. It added that, since neither the outgoing caretaker Cabinet nor BdL have all the legal powers to introduce any of the pressing bills and decrees to address these priorities, the formation of a Cabinet that can implement highly unpopular measures remains an urgent need.

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



\* at mid-June 2021

Source: Banque du Liban, Byblos Research

### Multiple shocks raise poverty levels

The United Nations Economic and Social Commission for Western Asia (ESCWA) indicated that the COVID-19 outbreak and the explosion at the Port of Beirut on August 4, 2020 have exacerbated the impact of the ongoing financial crisis on the Lebanese economy. It claimed that these shocks have reduced the size of the middle-income segment of the population, increased the poverty level, and worsened the level of extreme poverty in the country.

First, the survey said that the recession in Lebanon has been fuelled by the influx of Syrian refugees, as well as by the gradual decline in tourism receipts and private investments from Gulf Cooperation Council countries, which have weighed on the country's balance of payments. Second, it indicated that the deteriorating economic conditions since September 2019 have put additional pressure on the peg of the Lebanese pound to the US dollar.

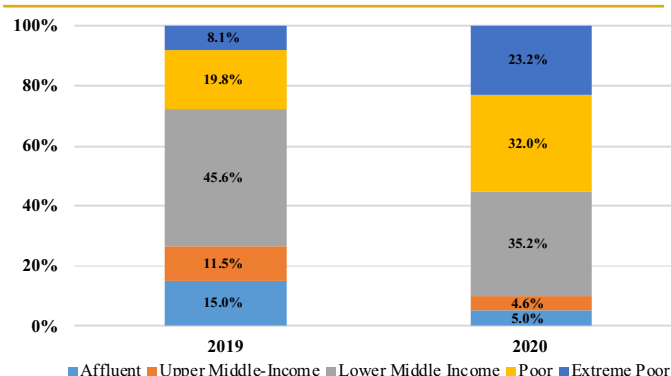
Third, it noted that the coronavirus pandemic has weighed on the country's economic activity due to the resulting lockdown measures. Fourth, it said that the explosion at the Port of Beirut has damaged Beirut's key trade and shipping hub, as well as the neighboring residential, industrial and business areas. It added that the damages that resulted from the blast require substantial resources for reconstruction and humanitarian assistance, and have weighed on the country's economic activity.

As such, the survey estimated that the poverty rate in Lebanon rose from 27.9% in 2019 to 55.2% in May 2020, while the extreme poverty level increased from 8.1% in 2019 to 23.2% last year. As a result, it considered that 1.3 million persons have become poor and 750,000 individuals have become extremely poor in 2020. It indicated that the middle-income segment of the population accounted for 39.8% of the population in 2020 compared to 57% in 2019. It considered that the major challenge that Lebanon is facing is that middle-income Lebanese, which represent the majority of the country's human capital, could turn down employment opportunities in Lebanon given the uncertainties surrounding the country's outlook, and end up emigrating to seek better professional prospects abroad. Further, it expected that the poverty rates in the country could increase from their May 2020 levels, due to the elevated inflation rates and the impact of the blast at the Beirut Port that has mainly affected supply chains, and that has weighed on incomes and on the prices of goods. It considered that few individuals have been shielded from the negative impact of these shocks. However, the survey expected Lebanon to rebound quickly from the fallout of the financial crisis and the explosion at the Port of Beirut, in case economic activity picks up again and macroeconomic stability is restored, and if the authorities enact the necessary economic and governance reforms.

In parallel, ESCWA suggested several policy measures to tackle the country's humanitarian crisis and to reduce the poverty gap. It claimed that authorities should establish a national solidarity fund and mobilize Lebanon's substantial resources, with a fair and progressive system of shared responsibility between the rich and the poor that is supported by political will and strong institutional capacity to ensure societal solidarity. It added that the solidarity fund should target the needs of vulnerable groups, including the most vulnerable segments of the population who have been affected by the explosion such as the poor, the displaced and the elderly. It estimated that the fund would require about 1% of the assets attributed to the wealthiest top 10% of the Lebanese population, in order to close the extreme poverty gap.

In addition, it considered that authorities should improve food and healthcare security, as well as social protection. It stressed that foreign financial assistance is key to supporting immediate responses, provided that the authorities direct the funds to the adequate financing of food, medication, as well as to unemployment benefits. Further, the ESCWA called on authorities to enact the necessary economic and governance reforms. It also called on authorities to improve the transparency of information on incomes, which would allow the ministries of finance, social affairs and related institutions to enhance poverty-targeting practices.

Breakdown of population by income level



Source: ESCWA

### Byblos Bank holds Ordinary General Assembly

The Ordinary General Assembly of Byblos Bank sal, which took place on June 18, 2021, heard and approved the Board of Directors' and the auditors' general and special reports for fiscal year 2020, and approved the accounts and the results of fiscal year 2020, among other items. The meeting also included electing a new Board of Directors. Byblos Bank shareholders appointed the auditors for 2021, 2022 and 2023, and also determined the compensation of auditors, of members of the Board of Directors, and of the members of board committees for fiscal year 2021, among other tasks.

Byblos Bank sal declared unaudited net losses of \$61.5m in 2020 relative to losses of \$121.5m in 2019. The Bank's net interest income reached \$547m in 2020 compared to \$239.8m in 2019; while revenues from net fees & commissions stood at \$84.5m in 2020 relative to \$95.6m in the previous year. The Bank's net operating income totaled \$224.2m in 2020 relative to \$129m in 2019. Further, operating expenditures amounted to \$209.4m in 2020 relative to \$218.1m in 2019, with personnel cost accounting for 61.2% of the total.

Also, the Bank's aggregate assets reached \$18.8bn at the end of 2020 and declined by 14% from \$21.9bn at end-2019, with net loans & advances to customers totaling \$2.6bn at the end of 2020 compared to \$4.5bn at end-2019, and net loans & advances to related parties reaching \$7.1m. Further, customer deposits amounted to \$14.7bn and deposits from related parties stood at \$250.2m at the end of 2020. As a result, aggregate deposits stood at \$14.9bn at end-2020, down by 14% from \$17.4bn at end-2019. In parallel, the Bank's equity was \$1.6bn at the end of 2020, down by 6.4% from end-2019.

### Gross written premiums up 14% to \$486m in first quarter of 2021, claims at \$248m

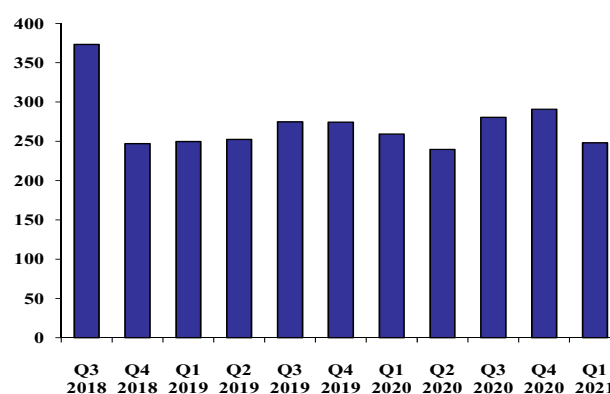
Figures released by the Insurance Control Commission show that the gross written premiums of 46 licensed insurance companies in Lebanon reached \$486.1m in the first quarter of 2021, constituting an increase of 13.7% from \$427.6m in the same quarter of 2020.

Medical insurance premiums totaled \$220.5m in the first quarter of 2021 and accounted for 45.4% of the sector's aggregate premiums. Life insurance premiums followed with \$103.8m (21.4%), then motor premiums with \$93m (19%), and property & casualty premiums with \$68.8m (14%). Further, motor insurance premiums grew by 31.2% and medical insurance premiums rose by 25.2% annually in the first quarter of 2021, while life insurance premiums declined by 6.5% and property & casualty insurance premiums regressed by 1% in the covered quarter.

Further, gross claims settled by insurance companies stood at \$248.1m in the first quarter of 2021 and decreased by 4.3% from \$259.2m in the same quarter of 2020. Gross claims paid for the medical segment amounted to \$87.5m and accounted for 35.3% of total claims settled by the insurance sector in the covered quarter. Claims disbursed for the life insurance category followed at \$76m (30.6%), then the property & casualty segment at \$48.5m (19.6%), and the motor segment at \$36.3m (14.6%). Also, property & casualty claims surged by 89.4% in the first quarter of 2021, while life insurance claims declined by 15.6%, medical claims decreased by 14.8%, and motor claims regressed by 11.7% annually.

In parallel, the sector's acquisition expenses reached \$72.1m and administrative costs totaled \$51.4m in the first quarter of 2021. Also, the insurance sector registered net investment income of \$22.3m in the covered quarter, constituting a drop of 32% from \$32.8m in the first quarter of 2020. In addition, the ratio of gross claims settled to gross written premiums stood at 51% in the covered quarter, down from 61% in the same quarter of 2020. Further, the ratio of expenditures for acquisition and administration to gross written premiums reached 25% relative to 26% in the first quarter of 2020; and the ratio of net investment income to gross written premiums stood at 4% in the covered quarter compared to 8% in the same quarter of 2020.

Paid Claims (US\$m)



Source: Insurance Control Commission, Byblos Research



### **CMA CGM posts net profits at \$2.1bn in first quarter of 2021**

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net profits of \$2.1bn in the first quarter of 2021 compared to profits of \$55.6m in the same period of 2020. The company's earnings before interest and taxes (EBIT) reached \$2.5bn in the first quarter of 2021 and grew by 6.4 times from \$382.2m in the same period last year, while revenues totaled \$10.7bn in the covered period and increased by 49.2% from the same quarter of 2020. Operating expenditures totaled \$7.5bn in the first quarter of 2021, constituting an increase of 21.3% from the same period last year.

The firm indicated that strong demand for the transport of consumer goods that began since the second half of 2020 has continued in 2021. It noted that its shipping capacity increased by 12.9% as it introduced additional vessels to its fleet to expand its deployed capacities. Also, it pointed out that it transported 5.46 million twenty-foot equivalent units (TEUs) in the first quarter of the year, up by 10.7% from the same period of 2020.

Further, the firm's consolidated assets reached \$34bn at the end of March 2021, constituting an expansion of 3.4% from \$32.9bn at end-2020. The value of the company's property and equipment reached \$19.5bn at the end of March 2021 compared to \$18.6bn at end-2020, with vessels accounting for \$13.9bn or 71% of the total, followed by containers at \$3.1bn (16.1%), land & buildings at \$1.9bn (9.7%), and other properties and equipment at \$627m (3.2%).

CMA CGM is one of the largest container shipping companies in the world and operates a fleet of 566 vessels, with a capacity of 3 million TEUs that serves over 420 commercial ports.

### **Bank Audi's losses at \$2.8m in first quarter of 2021**

Bank Audi sal, one of six listed banks on the Beirut Stock Exchange, declared unaudited consolidated net losses of \$2.8m in the first quarter of 2021 compared to losses of \$27.1m in the same period of 2020. The bank's net interest income reached \$258.4m in the first quarter of 2021, constituting an increase of 35% from \$191.3m in the same period of 2020; while it posted net fees and commissions of -\$26.4m in the covered period relative to -\$20.1m in the first quarter of 2020. Further, the bank's net operating income totaled \$116.6m in the first quarter of 2021 and increased by 6.3% from \$109.7m in the same period of 2020. In addition, the bank's operating expenditures reached \$118m in the first quarter of 2021, down by 8.8% from \$129.4m in the same period last year, with personnel cost accounting for 57.2% of the total.

In parallel, the bank's aggregate assets amounted to \$34bn at the end of March 2021 and declined by 4% from \$35.4bn at end-2020. Net loans & advances to customers totaled \$5.5bn at end-March and decreased by 8.5% from \$6.1bn at end-2020. Further, customer deposits reached \$20.9bn and regressed by 2.3% from \$21.4bn at end-2020. Also, net loans & advances to related parties amounted to \$70.6m, while deposits from related parties stood at \$136.4m at end-March 2021. In parallel, the bank's shareholders' equity was \$2.87bn at the end of March and declined by 2.8% in the first quarter of 2021.

## 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](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

---

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

---

# 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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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