

LEBANON THIS WEEK

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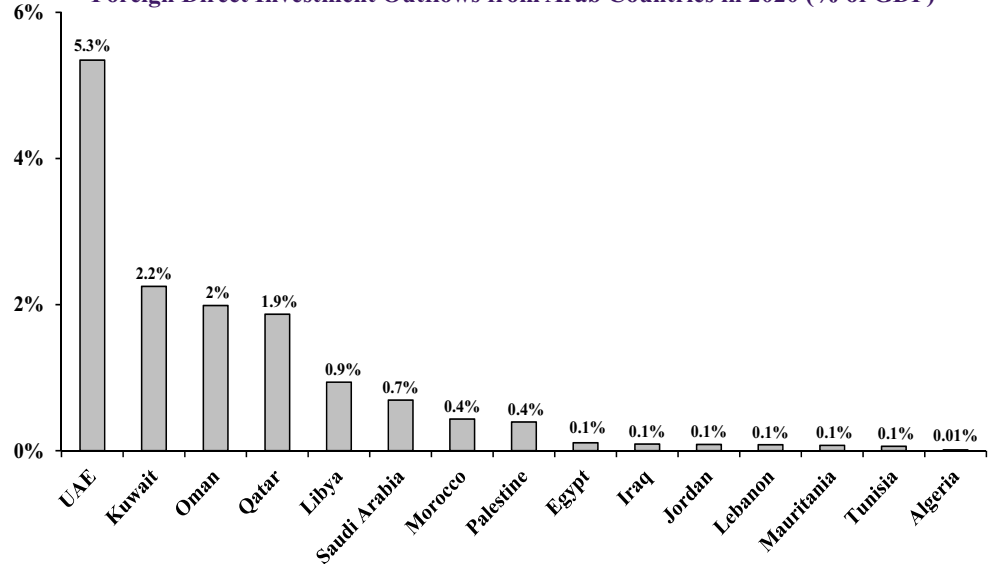
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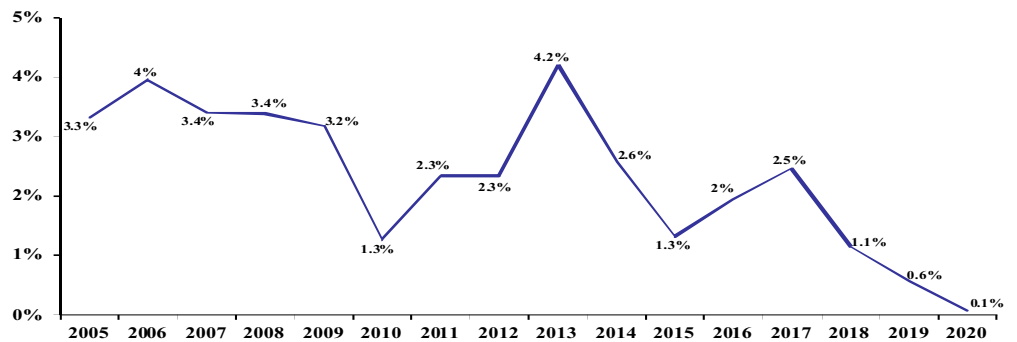
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Charts of the Week

Foreign Direct Investment Outflows from Arab Countries in 2020 (% of GDP)



Foreign Direct Investment Outflows from Lebanon (% of GDP)



Source: UNCTAD, Institute of International Finance, International Monetary Fund, Byblos Bank

Quote to Note

"Let me urge Lebanon's political leaders to coalesce around a new government that has the will and the mandate to implement reforms."

Ms. Kristalina Georgieva, Managing Director of the International Monetary Fund, on the need to form a government in order for the IMF to have a counterparty to negotiate reforms and financial assistance to Lebanon

Number of the Week

22.4%: Percentage of the resident population of Lebanon that is 18 years or older that has received a second dose of the COVID-19 vaccine as at August 15, 2021, according to the Ministry of Public Health

Lebanon in the News

\$m (unless otherwise mentioned)	2020	Jan-May 2020	Jan-May 2021	% Change*	May-20	Apr-21	May-21
Exports**	3,250	914	699	-23.6%	251	-	-
Imports**	10,078	2,931	3,329	13.6%	674	-	-
Trade Balance**	(6,828)	(2,017)	(2,631)	30.5%	(423)	-	-
Balance of Payments	(10,551)	(2,191)	(1,574)	-28.2%	(888)	(546)	(181)
Checks Cleared in LBP	19,937	7,748	7,481	-3.5%	1,105	1,719	1,611
Checks Cleared in FC	33,881	13,845	9,456	-31.7%	1,467	2,108	1,501
Total Checks Cleared	53,828	21,597	16,941	-21.6%	2,572	3,828	3,112
Fiscal Deficit/Surplus	(2,535)	(1,998)	-	-	(247)	-	-
Primary Balance	(1,136)	(716)	-	-	(120)	-	-
Airport Passengers	2,501,975	1,191,376	1,052,191	-11.7%	20,253	216,344	286,371
Consumer Price Index	84.9	28.6	138.0	10940	56.5	121.7	119.8

\$bn (unless otherwise mentioned)	Dec-20	May-20	Feb-21	Mar-21	Apr-21	May-21	% Change*
BdL FX Reserves	18.60	26.44	17.49	16.75	16.23	15.71	(40.6)
In months of Imports	15.10	39.24	16.94	-	-	-	-
Public Debt	95.59	93.15	96.83	-	-	-	-
Bank Assets	188.04	203.84	188.13	186.26	184.53	183.35	(10.1)
Bank Deposits (Private Sector)	139.14	146.30	138.85	136.95	136.02	135.11	(7.6)
Bank Loans to Private Sector	36.17	42.91	35.49	34.20	33.11	32.53	(24.2)
Money Supply M2	44.78	38.78	47.50	47.96	48.59	49.30	27.1
Money Supply M3	132.70	129.67	134.60	134.11	134.34	134.49	3.7
LBP Lending Rate (%)	7.77	8.45	7.59	8.02	8.00	7.86	(59)
LBP Deposit Rate (%)	2.64	4.63	2.11	1.96	2.01	1.85	(278)
USD Lending Rate (%)	6.73	7.90	6.92	7.14	6.88	6.61	(129)
USD Deposit Rate (%)	0.94	1.99	0.54	0.52	0.49	0.42	(157)

*year-on-year; **figures for the period reflect the first quarter of each 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 %
Byblos Common	0.98	(1.0%)	575,648	5.1%	Oct 2022	6.10	11.88	314.39
Solidere "A"	34.32	8.6%	171,514	31.6%	Jan 2023	6.00	11.88	218.76
BLOM GDR	3.25	0.0%	35,039	2.2%	Apr 2024	6.65	11.88	97.73
Solidere "B"	34.26	7.9%	31,089	20.5%	Jun 2025	6.25	11.88	64.40
Audi Listed	2.50	7.3%	10,500	13.5%	Nov 2026	6.60	11.88	44.76
Byblos Pref. 09	38.38	(0.3%)	6,504	0.7%	Feb 2030	6.65	11.88	26.63
BLOM Listed	3.20	0.0%	-	6.3%	Apr 2031	7.00	11.88	23.27
HOLCIM	20.95	0.0%	-	3.8%	May 2033	8.20	11.88	18.99
Audi GDR	2.16	0.0%	-	2.4%	Nov 2035	7.05	12.25	15.34
Byblos Pref. 08	34.99	0.0%	-	0.6%	Mar 2037	7.25	12.25	13.93

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

Source: Refinitiv

	Aug 10-13	Aug 2-6	% Change	July 2021	July 2020	% Change
Total shares traded	864,822	577,788	49.7	1,814,751	2,315,343	(-21.6)
Total value traded	\$9,482,711	\$5,095,006	86.1	\$30,622,302	\$29,362,347	4.0
Market capitalization	\$10.86bn	\$10.35bn	4.96	\$9.81bn	\$6.20bn	58.2

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 50th globally, seventh in Arab countries in terms of liner shipping connectivity in second quarter of 2021

The United Nations Conference on Trade & Development's (UNCTAD) Liner Shipping Connectivity Index (LSCI) ranked Lebanon in 50th place among 181 countries and territories around the world and in seventh place among 19 Arab countries for the second quarter of 2021. Lebanon's global rank regressed by 11 spots from the first quarter of 2021, and improved by eight spots from the second quarter of 2020. Also Lebanon's rank among Arab countries deteriorated by one notch quarter-on-quarter, while it improved by two notches from a year ago.

The LSCI assesses the level of a country's integration into global liner shipping networks. The index is a composite of six components that capture the deployment of container ships by liner shipping firms to a country's ports. The components are the number of scheduled ship calls per week in a country, the total deployed capacity offered by a country's fleet, the number of liner shipping firms that provide services from and to the country, the number of regular liner shipping services from and to a country, as well as the average size in Twenty-Foot-equivalent Units of the ships deployed by the scheduled service, and the number of direct shipping routes to and from a given country. A country's score is a composite of the six indicators, with a higher score reflecting a better performance on the index. Starting in 2020, UNCTAD started publishing the index as a quarterly series, and revised all data from 2004 onwards.

Globally, Lebanon has a higher level of connectivity to global shipping networks than Chile, Brazil and Togo, and is less connected than Ghana, Ecuador, and Australia. It also has a higher connectivity level to global shipping networks than Iraq, Jordan and Djibouti, and is less connected than Egypt, Oman and Qatar among the Arab countries.

Further, Lebanon received a score of 37.04 points in the second quarter of 2021, constituting a decline of 14.2% from a score of 43.16 in the first quarter of 2021 and an increase of 10.2% from a score of 33.62 in the fourth quarter of 2020. Lebanon's score is higher than the global average score of 27.61 points and the Arab average of 32.72 points. However, it is lower than the Gulf Cooperation Council (GCC) countries' average score of 47.82 points, but higher than that of non-GCC Arab countries of 25.76 points.

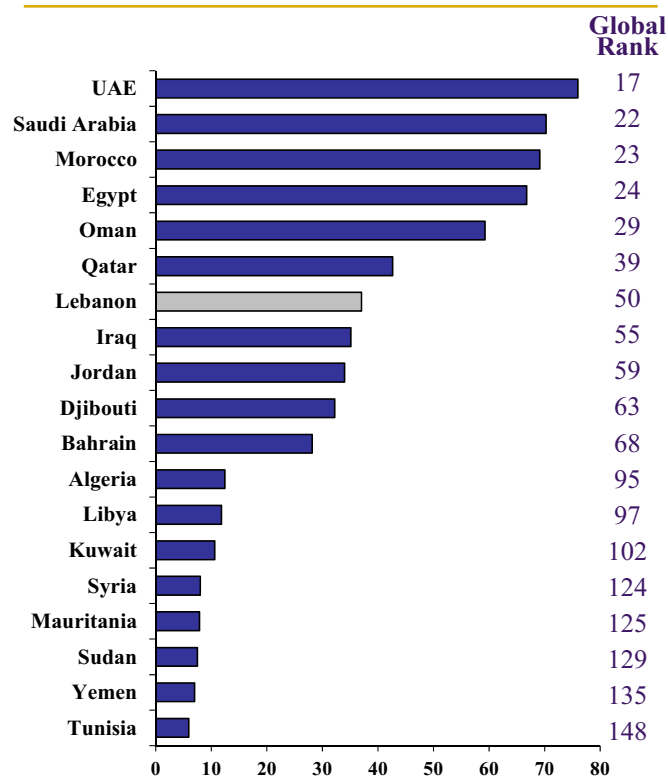
Revenues through Port of Beirut down 6% to \$43m in first five months of 2021

Figures released by the Port of Beirut show that the port's revenues reached \$43.1m in the first five months of 2021, constituting a decline of 6% from \$45.8m in the same period of 2020. The Beirut Port processed 2.06 million tons of freight in the covered period, up by 10.3% from 1.87 million tons in the first five months of 2020. Imported freight amounted to 1.76 million tons, as it increased by 11.6% from 1.57 million tons in the same period of 2020 and accounted for 85% of the total freight volume processed through the port. In addition, export cargo reached 307,000 tons in the covered period and increased by 3.4% from 297,000 tons in the first five months of 2020. It represented 15% of aggregate freight in the first five months of 2021. A total of 525 vessels docked at the port in the first five months of the year, representing a decrease of 23% from 682 ships in the same period of 2020.

The decline in revenues at the Beirut Port is mainly due to the deterioration of economic and financial conditions in Lebanon, as well as to the impact on the economy of the coronavirus pandemic and the August 4 explosion at the port. Further, revenues generated through the Beirut Port reached \$7.7m in May 2021 and grew by 1.1% from \$7.6m in April. The port handled 401,000 tons of freight in May, constituting an increase of 2.6% from 391,000 tons in April. In addition, 107 vessels docked at the port in May, unchanged from April 2021.

In parallel, revenues generated through the Port of Tripoli reached \$9.8m in the first five months of 2021, constituting a surge of 136% from \$4.2m in the same period of 2020. The port processed 1,134,807 tons of freight in the covered period, up by 69.7% from 668,596 tons in the first five months of 2020. Imported freight amounted to 795,152 tons in the first five months of 2021 and increased by 57.5% from 504,954 tons in the same period of 2020. It accounted for 72% of the freight processed through the port in the covered period. In parallel, exported cargo reached 339,655 tons, or 28.% of total freight, constituting a jump of 107.6% from 163,642 tons in the first five months of 2020. A total of 315 vessels docked at the port in the covered period, representing a surge of 61.5% from 195 ships in the same period of 2020. Further, revenues generated through the Port of Tripoli amounted to \$2.1m in May 2021 and increased by 7.5% from \$1.9m in the preceding month. The port handled 235,597 tons of freight in May, down by 12.8% from 270,272 tons in April 2021. Also, 74 vessels docked at the port in May, regressing by 6.3% from 79 ships in April 2021.

Liner Shipping Connectivity Index for Second Quarter Arab Countries' Scores & Rankings



Source: UNCTAD, Byblos Research

World Bank launches \$25m fund to support businesses damaged by Beirut Port explosion

The World Bank announced that it will launch a \$25m fund, named the Building Beirut Businesses Back and Better (B5) Fund (B5), to support the recovery of targeted micro- and small- enterprises (MSEs) that were directly affected by the explosion at the Port of Beirut on August 4, 2020, as well as to sustain the operations of eligible microfinance institutions (MFIs). Also, the fund aims to preserve jobs in the private sector and reduce business closures and layoffs. It said that the explosion, which came on top of the ongoing economic and financial crisis as well as the COVID-19 outbreak, had a severe impact on the productive sectors in Lebanon. It noted that about 10,000 privately-owned businesses located within a five kilometers radius of the explosion site suffered significant physical damages and lost inventory, while the blast affected the firms' productivity and revenue generation, which led to bankruptcies and significant layoffs.

The World Bank indicated that the B5 fund will initiate the implementation of priority projects planned under the Lebanon Financing Facility (LFF), and will provide the Lebanese people with immediate socioeconomic relief, support the recovery of micro-, small- and medium-sized enterprises (MSMEs), and prepare for the reconstruction of the damaged areas. Also, it said that the Kafalat Corporation will manage the fund and that it will deploy the grants to businesses in a transparent and timely way. Kafalat is a state-sponsored organization that provides financial guarantees for loans earmarked for the setup and expansion of SMEs in productive sectors, and that currently oversees the Supporting Innovation in Small and Medium Enterprises Project that the World Bank is funding. It added that Kafalat will be responsible for the implementation and management of projects, selection of third-party contractors, as well as for monitoring and evaluating these projects.

In addition, the World Bank said that the B5 Fund will provide grants to about 4,300 MSEs to cover working capital, technical services, equipment, and repairs. Also, it noted that the fund will select about 30% of MSEs that are owned or led by women, and that it will identify and support entrepreneurs and businesses who directly or indirectly suffer from a disability as a result of the blast. It added that the fund will cover part of the operational expenses of up to five MFIs serving micro and small businesses, low-income segments of the population, and the informal sector.

The Partnership Council of the LFF approved the B5 Fund on April 29, 2021. Established in December 2020 in the aftermath of the Beirut port explosion, the LFF is a five-year multi-donor trust fund that aims to pool grants and funds, as well as to coordinate financing to support the socioeconomic recovery of vulnerable people and businesses that were affected by the blast. The LFF aims to provide the foundation for medium-term recovery and the reconstruction of the Port of Beirut and affected neighborhoods. It has three priorities that consist of the socioeconomic and business recovery; preparing for reform and reconstruction; as well as strengthening the coordination, monitoring, accountability and oversight of the Reform, Recovery and Reconstruction Framework (3RF).

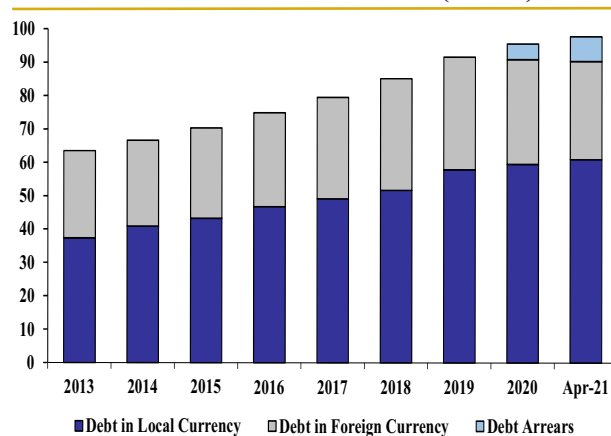
Gross public debt at \$98bn at end-April 2021

Lebanon's gross public debt reached \$97.8bn at the end of April 2021, constituting an increase of 2.3% from \$95.6bn at the end of 2020 and a rise of 5.3% from \$92.9bn at the end of April 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$2.2bn in the first four months of 2021 relative to an increase of \$1.2bn in the same period of 2020.

Debt denominated in Lebanese pounds totaled \$61bn at the end of April 2021 and expanded by 2.25% from end-2020 and by 4.2% from a year earlier; while debt denominated in foreign currency stood at \$36.9bn and grew by 2.3% from end-2020 and by 7% from end-April 2020. On March 7, 2020, the Lebanese government decided to default on the \$1.2bn Eurobond that was due on March 9, 2020. It also announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. About \$7.4bn of the debt stock denominated in foreign currency were in arrear as at the end of April 2021.

Local currency debt accounted for 62.3% of the gross public debt at the end of April 2021 and foreign currency-denominated debt represented the balance of 37.7%, compared to 63% and 37, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.49% in April 2021, while the weighted life of Treasury bills and bonds was 1,621 days. BdL held 38.5% of the public debt at the end of April 2021, followed by commercial banks (15.7%), and non-bank resident financial institutions (8.1%); while other investors, including foreign investors, held 35.6% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2.1%. BdL held 61.8% of the Lebanese pound-denominated public debt at the end of April 2021 compared to 58.8% a year earlier, while commercial banks accounted for 25.2% of the local debt relative to 28% at end-April 2020. Also, public agencies, financial institutions and the public held 13% of the local debt at the end of April 2021, compared to 13.2% a year earlier. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.5% of foreign currency denominated debt at the end of April 2021, followed by multilateral institutions with 4%, and foreign governments with 1.5%. In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, stood at \$86.9bn at the end of April 2021 and grew by 1.6% in the first four months of the year. Further, the gross market debt accounted for about 52% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

Lebanon's Gross Public Debt (US\$bn)



Source: Ministry of Finance, Byblos Research

Payment cards at 2.65 million at end of June 2021, ATMs total 1,810

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,649,449 cards at the end of June 2021, constituting a decline of 184,252 cards (-6.5) from the end of 2020 and a decrease of 322,832 cards (-10.8%) from end-June 2020. In comparison, the number of payment cards issued in Lebanon increased by 80,152 cards (+2.8%) in the 12 months ending in June 2020.

Payment cards held by residents accounted for 97% of total cards issued in Lebanon at the end of June 2021. The distribution of payment cards by type shows that debit cards with residents reached 1,699,318 and accounted for 64% of the total, followed by prepaid cards with residents at 531,781 (20%), credit cards with residents at 275,090 (10.4%), debit cards held by non-residents at 64,012 and charge cards with residents at 63,011 (2.4% each), credit cards with non-residents at 11,366 (0.4%), charge cards held by non-residents at 3,827 (0.1%), and prepaid cards with non-residents at 1,044 (0.04%).

The number of debit cards with residents dropped by 80,395 (-4.5%) in the first half of 2021; the number of credit cards with residents fell by 75,309 (-21.5%); charge cards with residents dipped by 13,285 (-17.4%); the number of debit cards held by non-residents shrank by 6,185 cards (-8.8%); prepaid cards with residents decreased by 5,051 cards (-1%); credit cards held with non-residents contracted by 2,445 cards (-17.7%); charge cards with non-residents decreased by 1,472 (-27.8%); and prepaid cards with non-residents regressed by 110 cards (-9.5%).

In parallel, the number of prepaid cards with residents rose by 50,181 cards (+10.4%) in the 12-months ending June 2021. In contrast, the number of resident debit cards dropped by 180,019 (-9.6%), the number of credit cards with residents decreased by 153,765 (-36%), resident charge cards declined by 19,390 (-23.5%), non-resident debit cards diminished by 13,561 (-17.5%), credit cards with non-residents shrank by 6,929 (-38%), non-resident charge cards contracted by 2,486 (-39.4%), and prepaid cards with non-residents regressed by 181 (-14.8%) in the covered period. The decline in credit cards held by residents and non-residents in the 12-months ending June 2021 was due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 44,400 at the end of June 2021, constituting a decrease of 3,457 points-of-sales (-7.2%) from 47,857 at end-June 2020. Also, the number of PoS accepting payment cards regressed by 1,323 PoS in the first half of the year. There were 4.2 points-of-sales per square kilometer in Lebanon at the end of June 2021.

In parallel, there were 1,810 ATMs across Lebanon at the end of June 2021, constituting a decline of 137 ATMs from a year earlier and a decrease of 64 ATMs in the first half of 2021. The Mount Lebanon area had 660 ATMs at end-June 2021, equivalent to 36.5% of the total, followed by the Greater Beirut area with 650 ATMs (36%), the North with 191 ATMs (10.6%), the South with 142 ATMs (7.8%), the Bekaa region with 137 ATMs (7.6%), and the Nabatieh area with 30 ATMs (1.7%). As such, there were 173 ATMs per 1,000 square kilometers in Lebanon at the end of June 2021 compared to 185 ATMs per 1000 square kilometers at the end of June 2020.

Coincident Indicator down 40% in first quarter of 2021

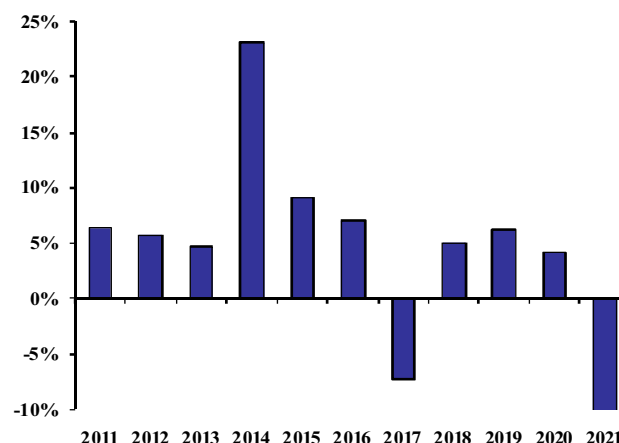
Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, stood at 141.1 in March 2021 compared to 145.3 in the previous month and to 199.7 in March 2020. The Coincident Indicator, an average of eight weighted economic indicators, regressed by 29.3% in March 2020 from the same month of the previous year, and reflecting the deterioration of economic and financial conditions in the country. Also, the indicator regressed by 2.9% from February 2021.

The indicator averaged 143.4 in the first quarter of 2021, constituting a decline of 40% from an average of 239 in the same period of 2020 and representing its lowest level in the first quarter of a year since the 135.5 mark it recorded in 2000. The percentage drop in the indicator is the steepest on record in the first quarter of a year since BdL launched the indicator in 1993.

The indicator averaged 156.3 in the 12 months ending March 2021, compared to an average of 161.2 in the 12-month period ending February 2021 and to an average of 277.1 in the 12 months ending March 2020. As a result, the 12-month average coincident indicator decreased by 3% month-on-month and dropped by 43.6% year-on-year.

In parallel, the indicator declined 11 times and improved 17 times in the month of March since 1993. It averaged 256.6 in 2012, 264.7 in 2013, 273.2 in 2014, 278.6 in 2015, 289.5 in 2016, 305.9 in 2017, 307.7 in 2018, 292.6 in 2019, and 180.2 points in 2020.

Change in Number of Payment Cards (%)



Source: Banque du Liban, Byblos Research

Broad money supply up 1% in first half of 2021, currency in circulation up 29%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP51,266bn at the end of June 2021, constituting an increase of 27.7% from LBP40,156bn at the end of 2020 and a rise of 90% from LBP27,002bn at end-June 2020. Currency in circulation stood at LBP37,730bn at the end of June, and surged by 29% in the first half of the year and by 111.8% from LBP17,817bn at end-June 2020. Also, demand deposits in local currency stood at LBP13,536bn at end-June 2021, representing an increase of 24% in the first half of the year and a rise of 47.4% from the end of June 2020. Money supply M1 grew by 2.5% in June from LBP49,993bn at the end of the previous month, with currency in circulation expanding by 0.7% and demand deposits in local currency growing by 8.2% 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 LBP75,032bn at the end of June 2021, constituting increases of 11.1% in the first half of the year and of 27.6% from LBP58,820bn a year earlier. Term deposits in Lebanese pounds totaled LBP23,766bn at the end of June 2021, decreasing by 13% from LBP27,354bn at end-2020 and by 25.3% from LBP31,818bn at end-June 2020. Money supply M2 grew by 1% in June from the previous month, with term deposits in local currency regressing by 2.3% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP202,238bn at the end of June 2021, representing an increase of 1.1% in the first half of the year and an upturn of 3.6% from LBP195,197bn at end-June 2020. Deposits in foreign currency totaled LBP126,877bn at the end of June 2021, down by 4% from end-2020 and by 6.6% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP328bn at the end of June 2021 compared to LBP519bn at the end of 2020 and to LBP493bn at end-June 2020. Money supply M3 decreased by a marginal 0.3% from the preceding month, while deposits in foreign currency regressing by 1% and debt securities issued by the banking sector decreasing by 3.3% month-on-month. In parallel, M3 grew by LBP2,186bn in the first half of 2021 due to a surge of LBP15,773bn in other items, which was partly offset by a drop of LBP5,781bn in the claims of the private sector, a decline of LBP4,458bn in the net foreign assets of deposit-taking institutions, and a downturn of LBP3,349bn in net claims on the public sector.

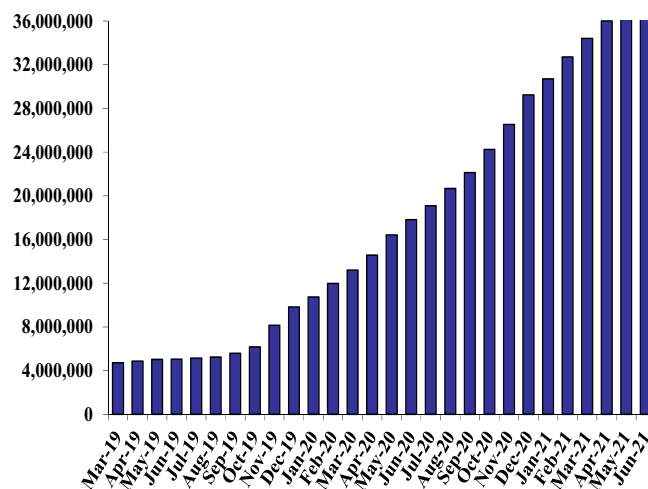
Opened letters of credit at \$26.5m for imports and \$62m for exports in first half of 2021

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled \$26.5m in the first half of 2021, constituting a decrease of 91% from \$293.5m in the same period of 2020. The significant decline in the amount of LCs in the covered period is due to stricter requirements imposed by correspondent banks following the repeated downgrades of Lebanon's sovereign ratings and to the challenges that importers have faced in meeting these requirements.

Further, utilized credits for imports totaled \$31.2m in the covered period, constituting a decline of 91.5% from \$368.4m in the first half of 2020, and were equivalent to 118% of opened LCs for imports in the first half of 2021. Also, outstanding import credits stood at \$38.8m at the end of June 2021 compared to \$158.6m a year earlier. In addition, the aggregate amount of inward bills for collection reached \$133.4m in the covered period, down by 18.5% from \$163.6m in the first half of 2021. The outstanding amount of inward bills for collection was \$52m at the end of June 2021 relative to \$31m a year earlier.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled \$61.7m in the first half of 2021, constituting a decrease of 51% from \$125.7m in the same period of 2020. Further, utilized credits for exports reached \$41.3m in the covered period, down by 87% from \$314.2m in used credits the first half of 2020, and were equivalent to 67% of opened LCs for exports in the first half of 2021. Also, outstanding export credits stood at \$116.4m at the end of June 2021 compared to \$255.4m a year earlier. In addition, the aggregate amount of outward bills for collection amounted to \$97m in the first half of 2021 and dropped by 38.2% from \$157m in the same period of 2020. The outstanding amount of outward bills for collection reached \$216.8m at the end of June 2021 relative to \$249.4m a year earlier.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

Trade deficit widens by 31% to \$2.6bn in first quarter of 2021

Total imports reached \$3.3bn in the first quarter of 2021, constituting an increase of 13.6% from \$2.9bn in same period of 2020; while aggregate exports totaled \$698.6m and dropped by 23.6% from \$914m in the first quarter of 2020. As such, the trade deficit widened by 30.5% to \$2.6bn in the first quarter of 2021, mainly due to a decline of \$215.4m in exports.

Non-hydrocarbon imports increased by \$545.3m to \$2.5bn in the first quarter 2021, while imports of oil & mineral fuels fell by \$146.6m to \$853.3m and accounted for 25.6% of total imports in the covered period. Lebanon imported 1.85 million tons of oil & mineral fuel in the first quarter of 2021 relative to 1.87 million tons in the first quarter of 2020.

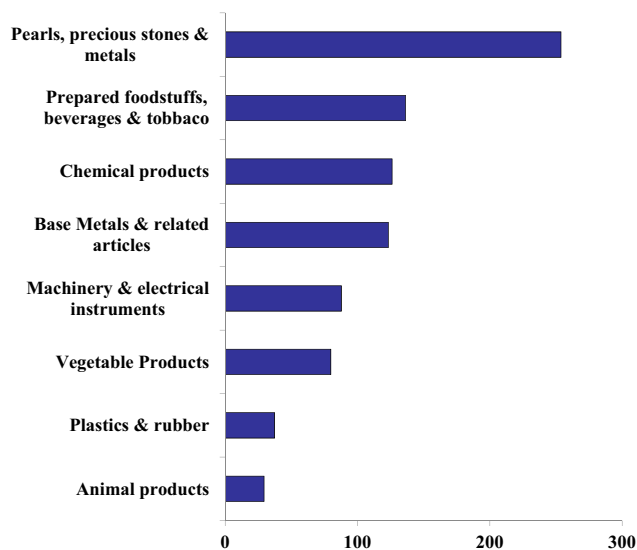
The decline in exports was due to a drop of \$119.6m, or of 32%, in the exports of jewelry during the covered period; followed by a decline of \$2.6m (-45.3%) in the exports of mineral products; a decrease of \$1.8m (-42.3%) in the exports of footwear; and a contraction of \$1.6m (-35.5%) in exported raw hides & skins.

Exports to the U.S. surged by 73.8% in the first quarter of 2021, those to Qatar grew by 32.7%, exported goods to Egypt increased by 24%, exports to the UAE expanded by 3.8%, and those to Jordan improved by 0.7%. In contrast, exported goods to Switzerland dropped by 80.5% in the covered period, those to Iraq declined by 25.5%, exports to Syria decreased by 22.5%, those to Greece contracted by 19.3%, and exports to Saudi Arabia regressed by 11.3%. Also, re-exports totaled \$78.7m in the covered period compared to \$47.4m in the first quarter of 2020. The Port of Beirut was the exit point for 47% of Lebanon's exports in the covered period, followed by the Hariri International Airport (34.4%), the Port of Tripoli (8.3%), the Masnaa crossing point (7.4%), the Port of Saida (2.1%), the Arida crossing point (0.6%), and the Abboudieh crossing point (0.3%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$491.8m in the first quarter of 2021 and that rose by 36.7% from same period of 2020. The imports of jewelry followed with \$300.8m (+12.4%), then imported vegetable products with \$275m (+24.8%); imports of machinery & electrical instruments with \$220m (+22%); prepared foodstuff with \$216m (+16.5%); the imports of vehicles, aircraft & vessels with \$213.3m (+101.3%), animal products with \$173.7m (+5.7%); and base metals with \$132.6m (+59.2%). The Port of Beirut was the entry point for 61.4% of Lebanon's merchandise imports in the first quarter of 2021, followed by the Hariri International Airport (24.7%), the Port of Tripoli (8.7%), the Port of Saida (2.8%), the Masnaa crossing point (1.7%), the Arida crossing point (0.5%), and the Abboudieh crossing point (0.2%).

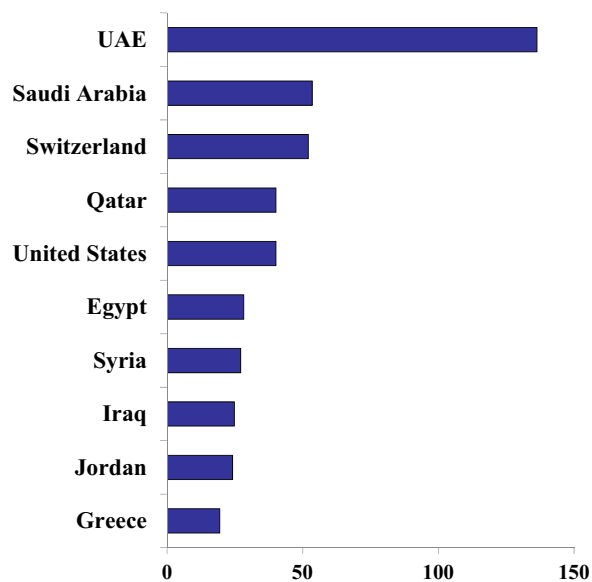
Greece was the main source of imports with \$307.7m and accounted for 9.2% of the total in the first quarter of 2021, followed by Turkey with \$300m (9%), China with \$252.3m (7.6%), the U.S. with \$206m (6.2%), the UAE with \$190.3m (5.7%), Germany with \$167.7m (5%), Russia with \$144.6m (4.3%), Switzerland with \$125.9m (3.8%), France with \$115.6m (3.5%), and Ukraine with \$109m (3.3%). Imported goods from Switzerland jumped by 115.2% in the first quarter of 2021, followed by imports from China (+57.2%), Ukraine (+42.5%), Germany (+33.7%), Turkey (+33%), France (+27.5%), the U.S. (+13%), Greece (+10.6%), Russia (+6.7%), and the UAE (+5%).

Main Lebanese Exports in First Quarter of 2021 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

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



Source: Lebanese Customs Administration, Byblos Research

Increase in food prices in Lebanon still highest in MENA region

In its periodic assessment of the impact of the COVID-19 pandemic on food-price inflation in the Middle East & North Africa (MENA) region, the World Bank indicated that prices in Lebanon have surged across all food categories between February 14, 2020 and July 26, 2021. It assessed the change in food prices in 19 countries in the MENA region across five main food categories that are carbohydrates, dairy products, fruits, meats and vegetables. For comparative purposes, the average price increases of food items in the MENA region exclude the price increase of these products in Lebanon.

The prices of fresh or frozen cattle meat in Lebanon jumped by 123.2% in the covered period, constituting the highest increase in the price of this item in the region. Lebanon, along with Djibouti, were the only countries in the region that posted a rise of more than 60% in the price of fresh or frozen cattle meat. In comparison, the price of fresh or frozen cattle meat grew by an average of 10.5% in the MENA region excluding Lebanon.

In addition, the price of processed liquid milk and potatoes in Lebanon climbed by 57% each between February 14, 2020 and July 26, 2021. Lebanon, along with Djibouti and Iran, were the only three countries in the MENA region that posted increase above 50% in processed liquid milk, compared to an average growth of 10.65% in the MENA countries. Also, Lebanon posted the highest growth rate in the price of potatoes in the region, relative to an average increase of 3.6% among MENA countries excluding Lebanon.

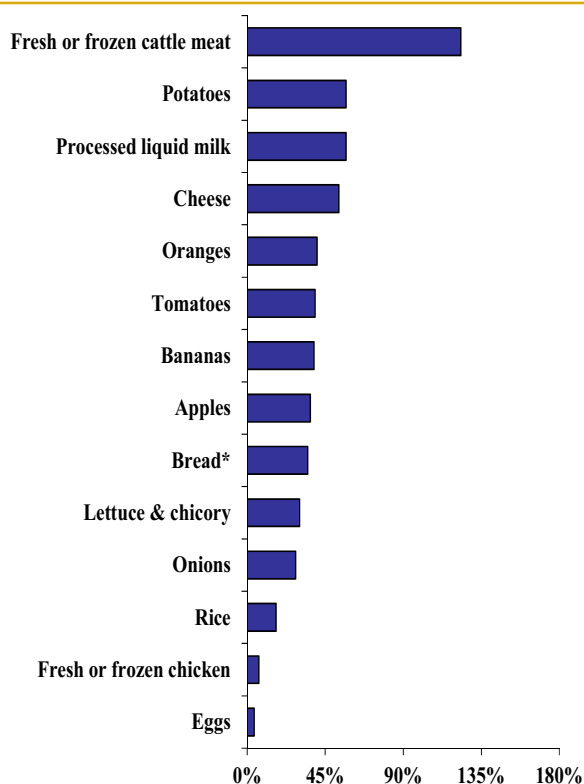
Further, the price of cheese in Lebanon rose by 53% between February 14, 2020 and July 26, 2021, the highest increase in the prices of this product regionally, relative to an average price expansion of 5% among MENA countries, excluding Lebanon. Also, the prices of oranges jumped by 40.3% in the covered period, representing the most significant price leap in the region.

Also, the prices of tomatoes in Lebanon rose by 39.2% in the covered period, constituting the second highest upturn in the price of such products among MENA countries after Syria and compared to an average growth of 5.52% regionally. Also, the prices of bananas and apples surged by 38.6% and 36.4% respectively, between February 14, 2020 and July 26, 2021, representing the highest increase in the price of these products in the MENA region.

In parallel, the price of bread and other manufactured articles sold at bakeries in Lebanon expanded by 35% between February 14, 2020 and July 26, 2021, representing the fourth highest increase in bread prices among MENA countries, behind prices in Syria (+88.5%), Tunisia (+40.9%), and Iran (+40.2%). In comparison, the price of bread rose by an average of 13.84% in MENA countries excluding Lebanon. Also, the prices of lettuce and onions in Lebanon soared by 30.2% and 28%, respectively, between February 14, 2020 and July 26, 2021.

According to the World Bank, the prices of rice jumped by 16.7% in the covered period, representing the fourth highest increase in the price of rice among MENA countries, behind prices in Syria (+53.8%), Qatar (+25.8%) and Yemen (+24.7%). Also, the prices of eggs and fresh or frozen chicken grew by 6.7% and 4.1%, respectively, between February 14, 2020 and July 26, 2021.

Change in Food Prices in Lebanon (%)
(between February 14, 2020 and July 26, 2021)



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

New car sales down 48% in first seven months of 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 2,423 new passenger cars in the first seven months of 2021, constituting a decline of 47.6% from 4,622 cars sold in the same period of 2020 and a drop of 85% from 16,124 in the first seven months of 2019. Individuals and institutional clients purchased 61 new cars in January, one new vehicle in February, 512 new automobiles in March, 373 cars in April, 487 vehicles in May, 602 new cars in June, and 387 new vehicles in July 2021. In comparison, clients bought 979 new vehicles in January, 897 automobiles in February, 468 new cars in March, 188 vehicles in April, 651 new automobiles in May, 815 in June, and 624 new cars in July 2020.

The AIA indicated that the drop in the sales of new cars in the covered period is due to the deterioration of the political, economic and financial situation in the country, the closure of companies and car registration centers due to the lockdown measures that the government imposed at the start of 2021; as well as to the fluctuations of the exchange rate of the US dollar on the parallel market.

Also, 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, the reduced purchasing power of consumers, and a very low level of household confidence.

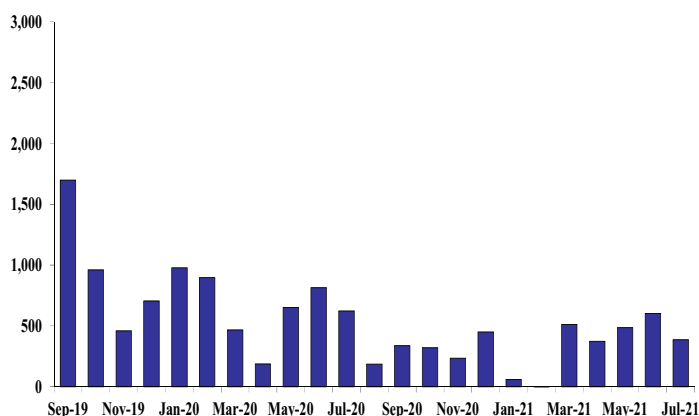
Further, the AIA indicated that car dealers incurred damages in the tens of millions of dollars as a result of the explosion at the Port of Beirut on August 4, 2020, as well as due to the national lockdown measures that the government imposed to contain the spread of the coronavirus. It considered that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

Bank of Beirut posts net losses of \$250m in 2020

Bank of Beirut sal, one of six listed banks on the Beirut Stock Exchange, announced unaudited consolidated net losses of \$250m in 2020 compared to net losses of \$122.1m in 2019. The bank's net operating income registered losses of \$28.2m in 2020 relative to profits of \$98.1m in 2019, mainly due to a rise in losses on financial investments from \$37.2m in 2019 to \$343.2m in 2020. Net interest income amounted to \$586m in 2020 and increased by 11% year-on-year, while net fees and commission totaled \$51.8m and declined by 48.6% from 2019. Also, total operating expenditures regressed by 8% to \$188.2m in 2020, with staff expenses accounting for 51% of the total.

In parallel, the bank's total assets reached \$13.4bn at the end 2020 and declined by 17.5% from end-2019, while loans & advances to customers, excluding those to related parties, totaled \$3.9bn and decreased by 21% from a year earlier. Also, customer deposits, excluding those from related parties, totaled \$10.5bn at the end of 2020 and regressed by 12.7% from a year earlier. Deposits from related parties stood at \$240.1m and decreased by 10%, while net loans & advances to related parties reached \$23.1m at end-2020 and declined by 43.8% from end-2019. Further, the bank's equity reached \$1.4bn at the end of 2020 and regressed by 12.8% from the end of 2019.

Number of New Passenger Cars Sold



Source: Association of Automobile Importers

Ratio Highlights

(in % unless specified)	2018	2019	2020	Change*
Nominal GDP (\$bn)	55.0	51.3	33.4	(17.88)
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)	(12.0)	16.93
Exports / Imports	14.8	19.4	31.3	11.95
Fiscal Revenues / GDP	20.9	20.7	15.8	(4.90)
Fiscal Expenditures / GDP	32.2	31.6	20.0	(11.60)
Fiscal Balance / GDP	(11.3)	(10.9)	(4.2)	6.70
Primary Balance / GDP	(1.1)	(0.5)	(1.0)	(0.47)
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 2020

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative
Capital Intelligence Ratings	SD	SD	-	C-	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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