

LEBANON THIS WEEK

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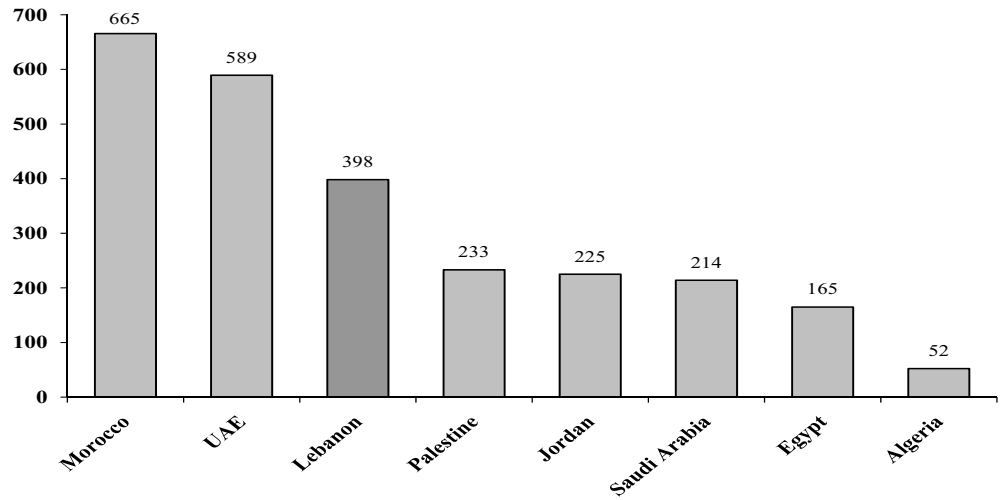
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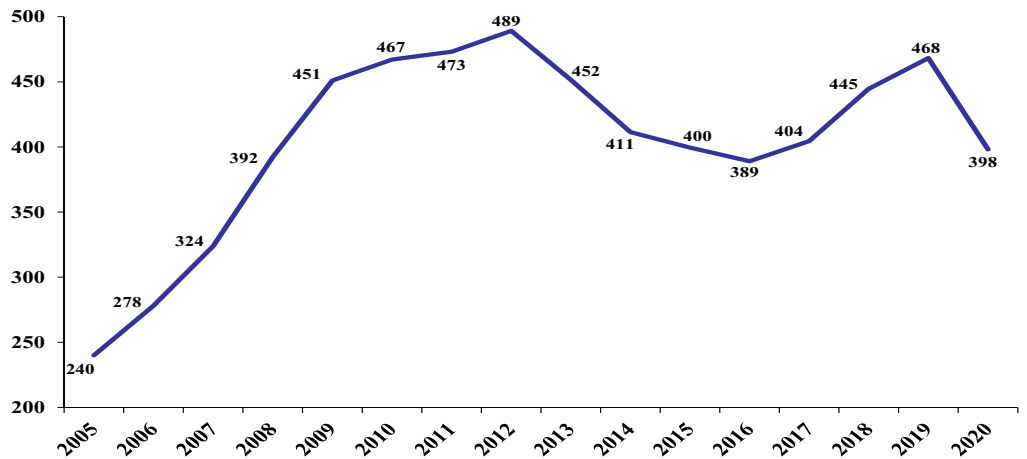
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Charts of the Week

Penetration Rates of Loan Accounts in Select Arab Countries at end-2020
 (Number of loan accounts at commercial banks per 1,000 adults)



Penetration Rate of Loan Accounts in Lebanon
 (Number of loan accounts at commercial banks per 1,000 adults)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"In-depth reforms must be launched as soon as possible, as they represent the expectations of the Lebanese people and of all the friends of Lebanon."

French President Emmanuel Macron, on the urgency of beginning the implementation of structural reforms in Lebanon

Number of the Week

32.7%: Percentage of the resident population of Lebanon, who is at least 12 years old, that has received two doses of the anti COVID-19 vaccine as of November 28, 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**	3,544	914	699	-23.6%	251	-	-
Imports**	11,310	2,931	3,329	13.6%	674	-	-
Trade Balance**	(7,765)	(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	Sep-20	Jun-21	Jul-21	Aug-21	Sep-21	% Change*
BdL FX Reserves	18.60	20.00	15.19	14.68	14.20	14.62	(26.9)
In months of Imports	15.10	-	-	-	-	-	-
Public Debt	95.59	94.81	97.75	98.19	-	-	-
Bank Assets	188.04	192.57	181.08	180.64	180.28	179.68	(6.7)
Bank Deposits (Private Sector)	139.14	142.18	134.23	134.23	133.04	132.49	(6.8)
Bank Loans to Private Sector	36.17	38.60	31.87	31.41	30.86	30.00	(22.3)
Money Supply M2	44.78	40.94	49.77	49.59	49.85	49.95	22.0
Money Supply M3	132.70	130.92	134.15	133.42	133.21	132.90	1.5
LBP Lending Rate (%)	7.77	7.89	7.32	7.26	7.52	7.65	(24)
LBP Deposit Rate (%)	2.64	3.35	1.84	1.74	1.62	1.53	(182)
USD Lending Rate (%)	6.73	7.54	6.46	5.99	5.87	6.34	(120)
USD Deposit Rate (%)	0.94	1.15	0.39	0.33	0.30	0.26	(89)

*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	0.88	0.0	88,750	4.8%	Oct 2022	6.10	14.00	440.64
Solidere "A"	30.50	0.8	78,405	29.5%	Jan 2023	6.00	14.00	267.31
Solidere "B"	30.47	1.0	20,947	19.2%	Apr 2024	6.65	14.00	101.53
BLOM GDR	3.90	9.9	7,000	2.8%	Jun 2025	6.25	14.00	64.16
Audi GDR	2.47	2.9	3,000	2.9%	Nov 2026	6.60	14.00	43.53
Audi Listed	2.33	(2.9)	1,990	13.3%	Feb 2030	6.65	14.00	25.35
HOLCIM	20.00	0.0	-	3.8%	Apr 2031	7.00	14.00	22.06
BLOM Listed	3.50	0.0	-	7.3%	May 2033	8.20	14.00	17.91
Byblos Pref. 09	37.99	0.0	-	0.7%	Nov 2035	7.05	14.00	14.63
Byblos Pref. 08	34.99	0.0	-	0.7%	Mar 2037	7.25	14.00	13.26

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

Source: Refinitiv

	Nov 23-26	Nov 15-19	% Change	October 2021	October 2020	% Change
Total shares traded	201,592	155,434	29.7	1,964,896	933,600	110.5
Total value traded	\$3,101,574	\$4,373,128	(29.1)	\$21,414,837	\$11,588,882	84.8
Market capitalization	\$10.32bn	\$10.29bn	0.35	\$10.21bn	\$6.45bn	58.5

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 106th globally, 12th in Arab world in terms of investment climate

The Milken Institute's Global Opportunities Index (GOI) for 2021 ranked Lebanon in 106th place among 143 countries worldwide and in 12th place among 16 Arab countries. In comparison, Lebanon ranked in 87th place worldwide and in 10th place among 16 Arab economies included in the 2020 survey. Based on the same set of countries included in the 2020 and 2021 surveys, Lebanon's global rank deteriorated by 19 spots from the 2020 index, while its rank among Arab countries regressed by two notches year-on-year.

The GOI aims to assess the attractiveness of the investment climate in 143 countries around the world. It provides foreign investors with a broad outlook on the global investment landscape and measures a number of factors that investors might consider when deciding where to deploy capital. The survey tracks the performance of countries based on 96 variables that it groups into five categories that are Business Perception, Economic Fundamentals, Financial Services, Institutional Framework, and International Standards & Policy.

Globally, Lebanon is better positioned to attract investments than Zambia, Uganda and the Gambia, but has less favorable conditions for investors than Nepal, Guyana and Laos. Regionally, Lebanon preceded only Algeria, Sudan, Mauritania and Yemen, while it trailed 11 Arab countries.

Global Opportunities Index for 2021 Arab Countries Rankings		
	Regional Rank	Global Rank
UAE	1	33
Qatar	2	42
Bahrain	3	44
Oman	4	49
Kuwait	5	54
Saudi Arabia	6	57
Jordan	7	79
Tunisia	8	83
Morocco	9	86
Djibouti	10	98
Egypt	11	102
Lebanon	12	106
Algeria	13	110
Sudan	14	138
Mauritania	15	140
Yemen	16	141

Source: Milken Institute, Byblos Research

Also, Lebanon ranked ahead of Cameroon, Bolivia and Cambodia, and came behind Ukraine, Liberia and Belize on the Business Perception category. This factor measures the constraints facing businesses and the degree of ease for companies to resolve disputes. Lebanon came ahead of only Mauritania and Yemen among Arab economies.

Further, Lebanon preceded Lesotho, Cameroon and Uganda, and trailed Gabon, Togo and Benin on the Economic Fundamental category. This indicator captures a country's macroeconomic outlook, workforce talent, and its potential for future innovation and development. It focuses on a country's macroeconomic performance, quality and structure of the labor force, as well as on the quality of infrastructure. Lebanon ranked ahead of only Egypt, Mauritania, Yemen and Sudan in the Arab world.

Also, Lebanon preceded Guinea, Bangladesh and Lesotho, and trailed Sierra Leone, Belize and Uganda on the Institutional Framework category. This factor measures the ability of a country's institutions to provide a supportive framework for businesses. Lebanon came ahead of only Algeria, Mauritania, Sudan and Yemen among Arab economies.

Finally, Lebanon preceded Brazil, the Dominican Republic and the Gambia, and trailed Moldova, Yemen and Vietnam on the International Standards & Policy category. This factor assesses the degree that a country's institutions, policies and legal system facilitate its global integration in terms of economic openness, taxes and regulations, and patents and trademarks relative to international standards. Lebanon preceded Egypt, Sudan, Morocco, Tunisia, Djibouti, Algeria and Mauritania among Arab countries.

Components of the 2021 Global Opportunities Index for Lebanon		
	Global Rank	Arab Rank
Business Perception	128	14
Financial Services	118	12
Institutional Framework	71	8
Economic Fundamentals	113	12
International Standards & Policies	91	9

Source: Milken Institute, Byblos Research



Banks provide one-year grace period on mortgage payments to military and security personnel

The Association of Banks in Lebanon (ABL) indicated that commercial banks agreed unanimously to extend a one-year grace period on the payments of housing loans to members of the Lebanese Army and security forces under the protocols that the banks signed with the military and security apparatus. The ABL added that the decision will not entail any additional interest payments or fees on the mortgage holders. It added that the banks will not modify the related life and housing insurance policies, in order to avoid any additional expenses for the borrowers.

Figures compiled by Banque du Liban show that the outstanding housing loans to members of the military under the protocol signed between banks and the Lebanese Army reached LBP 1,256bn at the end of March 2021, or the equivalent of \$833m based on the official exchange rate of the Lebanese pound to the US dollar. Also, outstanding mortgages to members of the Internal Security Forces (ISF) under the protocol signed between banks and the ISF totaled LBP344.3bn (\$228.5m) at end-March. Further, the outstanding amount of housing loans to members of General Security that fall under the protocol signed by banks and the General Directorate of General Security amounted to LBP 140.7bn (\$93.4m), and the outstanding mortgages to the members of State Security reached LBP2.1bn (\$1.4m) based on the protocol signed between banks and the General Directorate of State Security.

Energy Ministry sets deadline for second licensing round for offshore oil & gas exploration and production

The Ministry of Energy & Water announced that oil and gas companies that are interested in participating in the second licensing round for offshore oil and gas exploration in Lebanon's territorial waters must submit their applications by June 15, 2022. It added that interested companies must submit Licensing Round Applications to the ministry and to the Lebanese Petroleum Administration, as per the procedure defined in the tender protocol.

The ministry had extended three times already the deadline to participate in the second licensing round for offshore oil and gas exploration. It postponed the deadline from the end of January 2020 to the end of April of the same year, in response to requests from international oil companies to allow them to complete their administrative, technical and financial preparations. It then extended the deadline from the end of April to June 1, 2020, and it extended momentarily the deadline on May 29, 2020, citing the outbreak of the coronavirus pandemic. The ministry attributed its previous decisions to the impact of the COVID-19 pandemic on the petroleum sector worldwide, which led to a sharp fall in oil prices amid low global oil demand. It added that the coronavirus shock negatively affected the financial and logistics capabilities of oil companies, which have reduced their investments and delayed exploration projects.

The Council of Ministers approved in April 2019 the launch of the second licensing round for offshore oil & gas exploration and production in Lebanon's territorial waters. Eight blocks are open for bidding for the second licensing round, including Block 1 and Block 2, which are located in the north of Lebanon's offshore Exclusive Economic Zone, Block 3, Block 5, Block 6 and Block 7 in the center of the zone, and Block 8 and Block 10 that are in the south of Lebanon's territorial waters.

In parallel, the ministry announced in January 2021 that the consortium that won bids for the exploration of oil and gas in Block 4 and Block 9 of Lebanon's territorial waters will continue its petroleum activities in the country. The consortium consists of Total E&P Liban sal, Eni Lebanon B.V. and Novatek Lebanon sal, and is operating under the leadership of Total. The five-year exploration phase for the first round is divided into a first phase of three years followed by a timeframe of two years. The ministry indicated that the explosion at the Port of Beirut on August 4, 2020 caused damages to the supply base designated for the implementation of petroleum activities in Lebanese maritime waters. Total E&P Liban sal, which is the operator of the consortium, announced in April 2020 that the results of the drilling of Lebanon's first exploration well were "negative". It indicated that it found evidence of traces of gas in the well, which confirms the presence of a hydrocarbon system in Lebanon's territorial waters. However, it said that it did not find reservoirs in the Tamar formation, which was the main target of the exploration well that is located 30 kilometers offshore of Beirut. It pointed out that despite the "negative" results, the exploration has provided valuable information that will be incorporated in future complementary studies about the exploration potential of Lebanon's offshore Exclusive Economic Zone.

International contributions to Lebanon Crisis Response Plan at \$1.2bn in first nine months of 2021

The United Nations indicated that international contributions to the Lebanon Crisis Response Plan (LCRP) reached \$806m in the first nine months of 2021 and represented 29% of the \$2.75bn that the LCPR appealed for to assist the affected Lebanese and non-Lebanese individuals in the country during the year. It added that international contributions reached \$288m in the first quarter, \$216m in the second quarter and \$302m in the third quarter of 2021.

It also noted that it carried over \$351.8m from funding it received in 2020, which is equivalent to 13% of the total appealed funds for 2021. As such, it said that international contributions covered 42% of the funds appealed, resulting in a funding gap of \$1.6bn, or 58% in the first nine months of 2021. The Lebanon Crisis Response Plan 2017-2021 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country.

The UN pointed out that financial disbursements for the education sector reached \$197.8m in the first nine months of 2021, or 17.3% of the total, followed by outlays for food security with \$181.7m (16%), support to the healthcare sector with \$160.1m (14%), basic assistance with \$157.3m (13.7%), the water sector with \$106.1m (9.3%), social protection with \$90m (7.8%), livelihoods with \$85.6m (7.5%), social stability with \$72m (6.3%), child protection with \$36m (3.2%), shelter with \$35.2m (3%), sexual and gender-based violence with \$22.4m (2%) and the energy sector with \$0.88m (0.1%).

Lebanese impact-driven startups attract \$11m in venture capital investments between 2016 and September 2021

Figures released by investment online platform Magnitt show that "impact-driven" startups based in Lebanon received about \$11m in venture capital (VC) funding between the start of 2016 and the end of September 2021. Impact-driven startups are defined as firms that aim to create positive social or environmental, effects along with financial returns. VC funding in Lebanon accounted for 2% of the \$444m in VC investments in impact-driven startups in the Middle East & North Africa (MENA) region during the covered period. Also, startups in Lebanon attracted the sixth largest share of VC investments in impact-driven startups in the MENA region, after the UAE with 37% of total impact investments, Saudi Arabia (27%), Egypt (19%), and Jordan (9%).

In parallel, there were 27 VC investments in impact-driven startups in Lebanon between the beginning of 2016 and the end of September 2021, which accounted for 7% of the total number of VC investments in impact projects in the MENA region in the covered period. In comparison, Saudi Arabia attracted 20% of the total number of VC investments in impact startups in the covered period, followed by Egypt with 19%, the UAE (16%), Jordan (12%), and Bahrain and Qatar (5% each).

Further, the energy sector was the recipient of 25% of VC investments in impact startups in the MENA region during the covered period, followed by placements in education technology companies (18%), healthcare providers (14%), financial technology firms (10%), and enterprise solution providers (8%). Also, the number of VC investments in the healthcare and education technology startups accounted for 20% each of the aggregate number of deals, while enterprise software represented 7% of the total, and the sport & fitness and agriculture sectors constituted 6% each of the total in the covered period.

Consultative Group calls for IMF-backed economic and fiscal reforms

The third Consultative Group (CG) meeting of the Reform, Recovery and Reconstruction Framework (3RF) indicated that the economic, financial and social conditions in Lebanon have deteriorated since the last CG meeting in July 2021. It called on authorities to implement key macroeconomic and fiscal reforms in the framework of a program supported by the International Monetary Fund (IMF), which it considered key for the stabilization and recovery of the Lebanese economy. It added that the government should maximize the potential benefits of the new Special Drawing Rights that it received from the IMF in September 2021. Also, it called on donors to contribute to the 3RF through the Lebanon Financing Facility or bilateral programs that are in line with the commitments of the 3RF. The CG consists of the European Union, the United Nations, the Lebanese government, and Lebanese civil society organizations.

Regarding the Improving Services & Infrastructure pillar, the CG indicated that there is a need for a housing recovery strategy and action plan to rebuild the areas that were affected by the explosion at the Port of Beirut, with this strategy linking housing to a wider urban recovery and maintaining the heritage and cultural aspect of the houses.

In terms of the Social Protection, Inclusion & Culture pillar, the CG pointed out 36,000 extremely poor households are now benefiting from the National Poverty Targeting Plan, nearly twice the plan's target, and it expected this number to exceed 70,000 households. Also, it said more than 300,000 families that have been affected by the economic crisis nationwide are benefiting from in-kind assistance, and that about 20,000 disabled beneficiaries will soon receive social grants. It reiterated its call for authorities to pass a transparent budget for 2022 that includes substantial funding for social protection. In addition, the CG welcomed the authorities' decision to immediately implement the World Bank's Emergency Social Safety Net and to form a ministerial committee on social protection and a technical committee to work on the national Social Protection Strategy.

Concerning the Jobs & Economic Opportunities pillar, it noted that authorities launched the Building Beirut Businesses Back and Better Fund (B5) to support the recovery of targeted micro- and small- enterprises that were directly affected by the explosion at the Port of Beirut. Also, it welcomed the Parliament's commitment to expedite the enactment of the competition, insolvency and bankruptcy laws. It said that the Minister of the Economy & Trade pledged to finalize the implementation decree for the e-transaction law and to develop a detailed action plan to deliver on the Business Environment Strategy in coordination with the 3RF working group.

Regarding the Improving Governance & Accountability pillar, the CG said that authorities formed an inter-ministerial committee to implement the new public procurement law. Also, it pointed out that Parliament called on the international community for technical and financial support to draft 10 decrees that are needed for the law to enter into force in August 2022. It also welcomed the efforts of the government and Parliament to work with the Rule of Law working group of the 3RF to review drafts of the independence of the judiciary law and to request the assistance of the European Commission for Democracy through Law in finalizing the draft law.

In December 2020, the World Bank, the United Nations and the European Union launched an 18-month Reform, Recovery, and Reconstruction Framework (3RF) for Lebanon, in response to the August 4 explosion at the Port of Beirut. The 3RF aims to achieve three central goals in response to the August 4 blast, which are to re-establish a sustainable livelihood for the population affected by the explosion; to rebuild critical assets, services and infrastructure; as well as to implement reforms to support reconstruction and improve governance in the public sector. The initiative builds on the identified needs and recommendations of the World Bank's Rapid Damage and Needs Assessment that estimated the physical damage from the blast at between \$3.8bn and \$4.6bn.



Amount of cleared checks down 32%, returned checks down 45% in first 10 months of 2021

The amount of cleared checks reached \$30.8bn in the first 10 months of 2021, constituting a drop of 31.7% from \$45.2bn in the same period of 2020. In comparison, the amount of cleared checks marginally decreased by 0.8% in the first 10 months of 2020 and declined by 18.4% in the same period of 2019 from the corresponding periods of the preceding year. 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 LBP22,727bn, or the equivalent of \$15.1bn, in the first 10 months of 2021 and regressed by 7.6% from the same period last year, while the amount of cleared checks in foreign currencies was \$15.7bn and contracted by 45.4% in the covered period. Also, there were 2.7 million cleared checks in the first 10 months of 2021, down by 44.5% from 5 million checks in the same period last year. The dollarization rate of cleared checks regressed from 64% in the first 10 months of 2020 to 51% in the same period of 2021, while the number of checks denominated in foreign currencies accounted for 52.3% of total cleared checks in the covered period compared to 50.7% a year ago.

In addition, the amount of cleared checks totaled \$2.2bn in October 2021, constituting decreases of 13% from \$2.5bn in the preceding month and of 51% from \$4.5bn in October 2020. The amount of cleared checks in Lebanese pounds reached LBP1,956bn (\$1.3bn), in October 2021, as it declined by 9.7% from \$1.4bn in September 2021 and regressed by 30% from \$1.8bn in October 2020. Further, the amount of cleared checks in foreign currencies was \$891m in October 2021, as it regressed by 17.2% from the previous month and dropped by 66% from October 2020. There were 190,453 cleared checks in October 2021 relative to 204,595 cleared checks in the preceding month and to 464,932 cleared checks in October 2020.

In parallel, the amount of returned checks in local and foreign currencies was \$464.4m in the first 10 months of 2021 compared to \$841.8m in the same period of 2020 and to \$1.14bn in the first 10 months of 2019. This constituted a drop of 44.8% in the first 10 months of 2021 relative to decreases of 26% and 14% in the first 10 months of 2020 and 2019, respectively. The amount of returned check in Lebanese pounds reached LBP204bn (\$135.3m), in the first 10 months of 2021 and declined by 51% from the same period last year, while the amount of returned checks in foreign currencies was \$330m and decreased by 41.8% in the covered period. Also, there were 22,388 returned checks in the first 10 months of 2021, down by 77.8% from 100,992 checks in the same period of 2020. The number of returned checks in foreign currencies reached 13,649 in the first 10 months of 2021 and dropped by 75% from the first 10 months of 2020, while the number of returned checks in Lebanese pounds totaled 8,739 and retreated by 81.2% year-on-year.

Further, the amount of returned checks in domestic and foreign currencies stood at \$57m in October 2021 compared to \$76.3m in the previous month and to \$75.6m in October 2020. Also, there were 1,679 returned checks in October 2021, relative to 1,950 returned checks in September 2021 and to 4,557 checks in October 2020.

Compensation of public-sector personnel absorbs 58% of public revenues in first five months of 2021

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled LBP3,830bn, or the equivalent of \$2.5bn, in the first five months of 2021, constituting a decrease of 5.4% from LBP4,051 (\$2.7bn) in the same period of 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. Salaries, wages and related benefits accounted for 60.3% of the total, followed by retirement benefits (31.5%), end-of-service indemnities (4.2%), and transfers to public institutions to cover salaries (4%). Further, transfers to public institutions to cover salaries decreased by 24.5%; end-of-service indemnities declined by 15.8%; and salaries, wages and related benefits regressed by 7%; while retirement salaries increased by 2.5% in the covered period. The compensation of public-sector personnel represented the largest component of current primary spending and accounted for 74.3% of such expenditures in the first five months of 2021 compared to 70.7% in the same period of 2020. It also represented 54% of fiscal spending in the first five months of 2021 relative to 46.5% in the same period of 2020; while it absorbed 57.5% of public revenues in the first five months of 2021 relative to 71.1% of government receipts in the same period of 2020.

In parallel, salaries, wages and related benefits paid to public-sector workers amounted to LBP2,312bn (\$1.5bn), in the first five months of 2021 compared to LBP2,484bn (\$1.7bn) in the same period of 2020. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament. The breakdown of salaries, wages and related benefits paid to public-sector employees shows that allowances decreased by \$87.6m, other payments given to non-military bodies declined by \$21.9m, benefits fell by \$10m, while basic salaries rose by \$5.3m year-on-year. Benefits include payments for transportation, overtime and family-related benefits, while other payments to non-military bodies consist of the State's contribution to mutual funds and to the National Social Security Fund, as well as bonuses, among others. Basic salaries were nearly unchanged at \$1.2bn in the first five months of 2021, allowances declined by 36.4% to \$153.2m, other payments decreased by 19% to \$93m and benefits retreated by 17% to \$48.4m from the first five months of 2020.

In addition, salaries and benefits of military personnel reached \$1bn and accounted for 67.2% of salaries, wages and related benefits paid to public sector employees in the first five months of 2021. The salaries and benefits of personnel in public education followed with \$245.4m (16% of the total), then civil staff with \$154.6m (10.1%), the government's contributions to the Civil Servants Cooperative with \$83.6m (5.4%), and the salaries and benefits of customs employees with \$18.6m (1.2%). Also, the Lebanese Army's salaries and benefits totaled \$643.5m and represented 62.4% of the salaries and benefits of military personnel. The salaries of the Internal Security Forces followed with \$290m (28%), then those of the General Security Forces with \$75m (7.3%), and the salaries of State Security Forces with \$23.2m (2.2%).

Consumer Price Index up 174% year-on-year in October 2021

The Central Administration of Statistics' Consumer Price Index increased by 137.8% in the first 10 months of 2021 from the same period of 2020. In comparison, it grew by 73.4% and by 2.5% in the first 10 months of 2020 and 2019, respectively.

The CPI rose by 173.6% in October 2021 from the same month of 2020, while it registered its 16th consecutive triple-digit increase since July 2020. The cumulative surge in inflation is due in part to the inability of authorities to monitor and contain retail prices, as well as to the deterioration of the Lebanese pound's exchange rate on the parallel market and the gradual lifting of subsidies on hydrocarbons, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. Further, the emergence of an active black market for gasoline during the summer has put upward pressure on prices and on inflation. According to the International Monetary Fund, the CPI averaged 487.2% in 1987 and ended the year at 741.2%, constituting the highest inflation rates on record.

Transportation costs surged by 6.1 times in October 2021 from the same month last year, followed by the prices of food & non-alcoholic beverages and rates at restaurants & hotels (+4 times each), the prices of water, electricity, gas & other fuels (+3.7 times), healthcare costs (3.3 times), the cost of alcoholic beverages & tobacco (+3.2 times), the prices of clothing & footwear (+3.1 times), and prices of furnishings & household equipment (+2.5 times). In addition, the prices of miscellaneous goods & services jumped by 136.4% year-on-year in October 2021, followed by the cost of recreation & entertainment (+126.8%), the cost of education (+35%), communication costs (+34.5%), actual rent (+4.1%), and imputed rent (+2.6%). Also, the distribution of actual rent shows that new rent grew by 5.4% and old rent increased by 2.2% in October 2021 from the same month last year.

In parallel, the CPI increased by 16.4% in October 2021 from the previous month, compared to a month-on-month rise of 8.2% in September 2021 and of 10.2% in August 2021. Prices of clothing & footwear prices surged by 36.3% month-on-month in October 2021, followed by prices of water, electricity, gas and other fuels (+35%), transportation costs (+34.9%), education cost (+34%), the cost of recreation & entertainment (+32%), rates at restaurants & hotels (13%), prices of food & non-alcoholic beverages (+11%), prices of alcoholic beverages & tobacco (+8.5%), healthcare costs and the cost of miscellaneous goods & services (+6.8% each), prices of furnishings & household equipment (+4.7%), and communication costs (+1.1%). Also, actual rent and imputed rent were unchanged in October 2021 from the preceding month.

Further, the CPI increased by 20.4% in the Bekaa, by 20.1% in Nabatieh, by 18.5% in the North, by 18% in the South, by 14.6% in Beirut, and by 14.5% in Mount Lebanon, during October 2021 from the previous month. In parallel, the Fuel Price Index surged by 74.5%, while the Education Price Index increased by 40.3% month-on-month in October 2021.

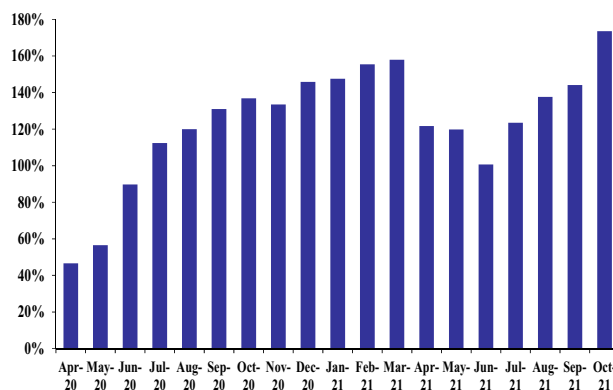
Treasury transfers to Electricité du Liban down 28% to \$217.5m in first quarter of 2021

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled LBP327.8bn, or \$217.5m, in the first three months of 2021, constituting a decline of 28% from LBP455.05bn or from \$302m in the same period of 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. Reimbursements for the purchase of natural gas, fuel and gas oil reached \$217.3m in the first quarter of 2021, or 99.9% of transfers; while EdL's debt servicing represented the balance of around \$0.2m, or 0.1% of the total.

The decline in transfers is mainly due to a decrease of \$83.5m in reimbursements for the purchase of natural gas, fuel and gas oil, which mostly consist of payments to the Kuwait Petroleum Corporation and to the Algerian energy conglomerate Sonatrach. Debt servicing dropped by 94% year-on-year in the first three month of 2021, while reimbursements fell by 77.8% from the same period last year.

Treasury transfers to EdL accounted for 8.4% of budgetary primary expenditures in the first quarter of 2021 relative to 10.4% in the same period of 2020. They constituted the third largest expenditure item, or 7% of overall fiscal spending, after personnel cost with 48.8% and interest payments (15.3%). EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, 2.8% of GDP in 2019, and 1.5% of GDP in 2020.

Annual Change in CPI (%)



Source: Central Administration of Statistics, Byblos Research

Term deposits account for 65% of customer deposits at end-September 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 \$142.6bn at the end of September 2021, constituting a decrease of \$8.6bn, or 5.7%, from \$151.2bn the end of 2020. Total deposits include private sector deposits that reached \$132.5bn, as well as public sector deposits that stood at \$5.2bn and deposits of non-resident financial institutions that stood at \$5bn at the end of September 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar.

Term deposits in all currencies reached \$92.3bn at the end of September 2021 and declined by \$16.9bn, or by 15.5%, from \$109.2bn at end-2020; while they accounted for 64.7% of total deposits in Lebanese pounds and in foreign currency as at end-September 2021 relative to a share of 72.2% at the end of 2020.

The decline in term deposits is due to a drop of 26.3% in the term deposits of the non-resident financial sector, a decrease of 19.7% in the term deposits in Lebanese pounds of the resident private sector, a dip of 15.3% in the foreign currency-denominated term deposits of the resident private sector, a decrease of 14.3% in the term deposits in Lebanese pounds of the public sector, and a 13.6% decline in the term deposits of non-residents. This was partly offset by an increase of 3.7% 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 \$74.2bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$51.8bn and accounted for 36.3% of aggregate deposits at the end of September 2021. Term deposits of non-residents followed with \$18.4bn (12.9%), then term deposits in Lebanese pounds of the resident private sector with \$14.3bn (10%), term deposits of the public sector in Lebanese pounds with \$3.6bn (2.5%), term deposits of the non-resident financial sector with \$3.5bn (2.4%), and term deposits of the public sector in foreign currency with \$690m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$50.3bn at the end of September 2021 and increased by \$8.3bn, or by nearly 20%, from \$42bn at end-2020. They accounted for 35.3% of total deposits at end-September 2021 relative to a share of 27.8% at end-2020. The increase in demand deposits was mainly due to a growth of \$4.8bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$2.8bn in demand deposits in Lebanese pounds of the resident private sector, and an increase of \$785.5m in demand deposits of non-residents.

Demand deposits in foreign currency of the resident private sector totaled \$30.3bn and represented 21.3% of deposits at end-September 2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$10.1bn (7.1%), then demand deposits of non-residents with \$7.5bn (5.3%), demand deposits of the non-resident financial sector with \$1.4bn (1%), demand deposits in Lebanese pounds of the public sector with \$723.4m (0.5%), and demand deposits in foreign currency of the public sector with \$203.8m (0.1%).

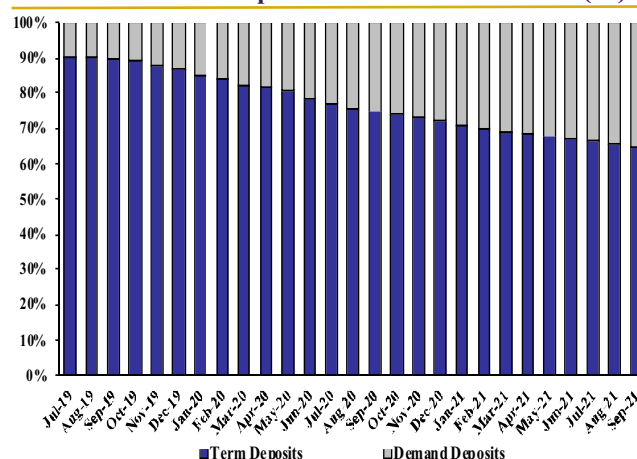
Launch of French-language news portal

A group of Lebanese journalists announced the launch of a French-language news portal named "*Ici Beyrouth*", an independent news platform that combines web-based and audiovisual material. The portal will provide information, analysis and investigative journalism, and distribute its content on digital platforms. As of now, the news service has nearly 25 full time, part time and freelance journalists.

The news content is currently accessible for free but will include subscriptions at a later stage. The portal, which is funded by a group of resident and expatriate Lebanese businessmen, has a Strategic Council of about 30 persons in order to oversee its operations and ensure that the allocation of funds takes place in a transparent manner. *Ici Beyrouth*, along with the daily *L'Orient-Le Jour* that has print and online editions, are the only French-language daily news providers in the country.

The launch of *Ici Beyrouth* comes in the wake of the closure of several newspapers and media outlets in the country. On October 31, 2021, the Lebanese English-language daily newspaper, *The Daily Star* closed down citing financial pressures, the latest among a number of newspapers to cease operations in Lebanon. In October 2020, the country's oldest newspaper *An-Nahar* stopped updating its English website. In February 2019, the daily *Al-Mustaqbal* suspended its printed edition after 20 years of publishing. In September 2018, *Al-Anwar* newspaper stopped publishing printed copies after around 60 years in the market, while pan-Arab newspaper *Al-Hayat* closed its Beirut offices in June 2018 and suspended its printed edition. Also, the daily *As-Safir* ended its operations in December 2016, and *Al-Balad* newspaper closed down in June 2018. In addition, *Al-Ittihad* newspaper suspended its operations in December 2017, just two months after its launch.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP (\$bn)	51.3	22.6	23.2	0.60
Public Debt in Foreign Currency / GDP	63.0	58.1	-	-
Public Debt in Local Currency / GDP	108.1	95.9	-	-
Gross Public Debt / GDP	171.1	154.0	299.4	145.5
Trade Balance / GDP	(29.0)	(12.5)	(22.2)	(9.71)
Exports / Imports	19.4	31.3	47.7	16.40
Fiscal Revenues / GDP	20.7	16.4	10.0	(6.37)
Fiscal Expenditures / GDP	31.6	20.8	14.7	(6.09)
Fiscal Balance / GDP	(10.9)	(4.4)	(4.7)	(0.29)
Primary Balance / GDP	(0.5)	(1.0)	(2.3)	(1.22)
Gross Foreign Currency Reserves / M2	70.2	41.5	-	-
M3 / GDP	251.2	213.7	-	-
Commercial Banks Assets / GDP	404.8	302.9	-	-
Private Sector Deposits / GDP	296.6	224.1	-	-
Private Sector Loans / GDP	92.9	58.3	-	-
Private Sector Deposits Dollarization Rate	80.3	80.4	-	-
Private Sector Lending Dollarization Rate	68.7	59.6	-	-

*change in percentage points 21/20;

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

	2019	2020e	2021f
Nominal GDP (LBP trillion)	80.8	93.6	182.3
Nominal GDP (US\$ bn)	51.6	22.6	23.2
Real GDP growth, % change	-6.7	-26.2	-8.3
Private consumption	-7.3	-20.2	-10.0
Public consumption	2.5	-67.0	-60.0
Gross fixed capital	-11.1	-31.3	-21.5
Exports of goods and services	-4.0	-35.8	1.1
Imports of goods and services	-4.9	-38.0	-21.0
Consumer prices, %, average	2.9	84.9	140.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	1,625	5,549	13,569
Weighted average exchange rate LBP/US\$	1,566	4,142	7,865

Source: Institute of International Finance- September 2021

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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