

LEBANON THIS WEEK

In This Issue

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

Utilized credits by private sector at \$39bn at end-June 2021, advances against real estate at 46% of total

Banque du Liban's foreign assets at \$18bn, gold reserves at \$16.8bn at mid-January 2022

Banque du Liban clarifies foreign currency exchange operations

Lebanon ranks 108th worldwide, second in Arab region in terms of human freedoms

Banque du Liban removes quotas on banks' purchases of US dollar banknotes

Banque du Liban extends measures on interest rates and on fixed income instruments

Deterioration in commercial activity slows down in second quarter of 2021

Broad money supply down 1% in first 11 months of 2021, currency in circulation up 34%

UN basic assistance at \$152m in first nine months of 2021

Tourist spending down 14%, number of re-funds down 28% in 2021

Corporate Highlights8

Term deposits account for 64% of customer deposits at end-November 2021

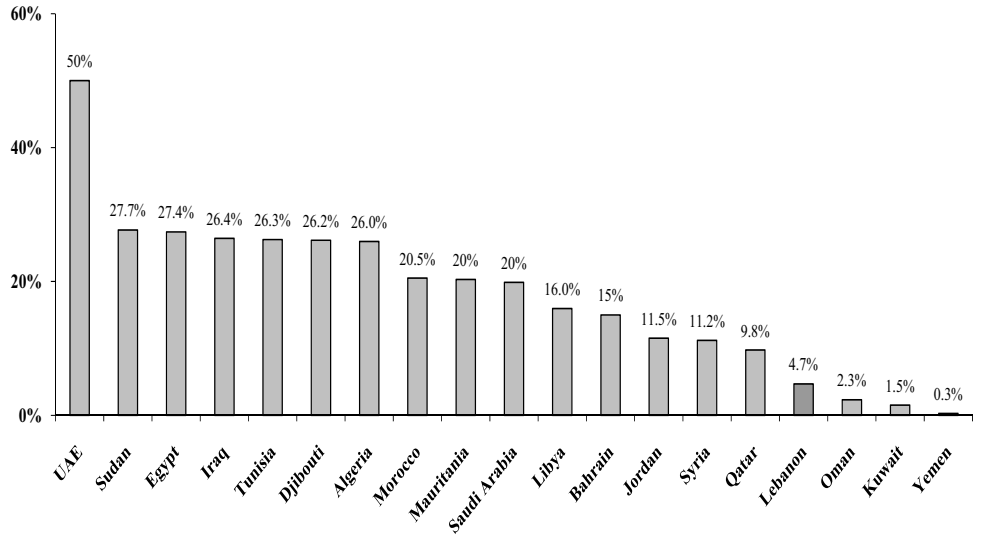
Banking sector has 1,017 branches at end-June 2021

CMA CGM acquires US-based company

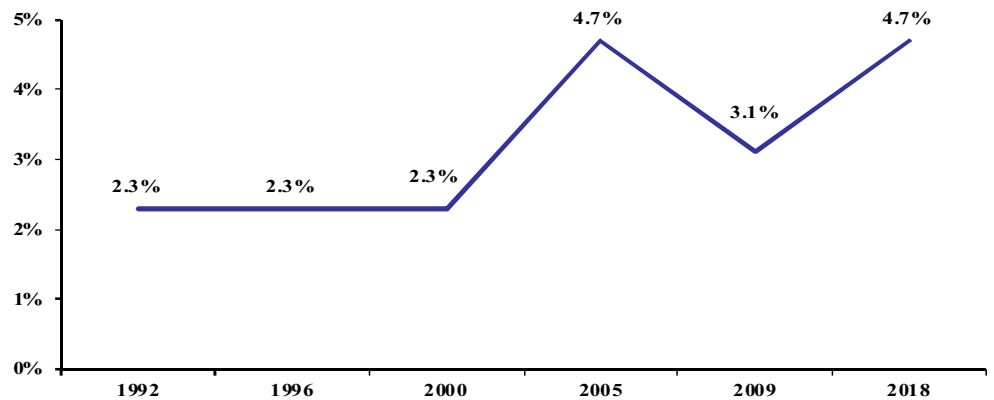
Ratio Highlights.....10
National Accounts, Prices and Exchange Rates10
Ratings & Outlook.....10

Charts of the Week

Percentage of Females in National Parliaments in Arab Countries*



Percentage of Females in the Lebanese Parliament



*As of June 2021

Source: Inter-Parliamentary Union Databases 2021

Quote to Note

"The discussions are ongoing and are looking to lay the groundwork for what might be a Fund-supported program."

Dr. Gerry Rice, Director of the Communications Department at the International Monetary Fund, on the state of discussions between Lebanese authorities and the IMF

Number of the Week

37.4%: 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 January 15, 2022, 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	98.73	-	-
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 %
Solidere "B"	30.70	(1.6)	40,504	19.8%	Oct 2022	6.10	9.75	834.36
Solidere "A"	30.57	(3.3)	33,142	30.3%	Jan 2023	6.00	9.75	424.51
Byblos Common	0.82	0.0	12,000	4.6%	Apr 2024	6.65	9.75	134.86
BLOM GDR	3.31	0.0	4,783	2.4%	Jun 2025	6.25	9.75	81.73
Audi Listed	2.08	(9.6)	2,840	12.1%	Nov 2026	6.60	9.75	54.18
Audi GDR	1.90	6.1	707	2.3%	Feb 2030	6.65	9.75	30.90
HOLCIM	19.00	0.0	-	3.7%	Apr 2031	7.00	9.75	26.79
Byblos Pref. 08	34.99	0.0	-	0.7%	May 2033	8.20	9.75	21.64
Byblos Pref. 09	37.99	0.0	-	0.8%	Nov 2035	7.05	9.75	17.62
BLOM Listed	3.75	0.0	-	8.0%	Mar 2037	7.25	9.75	15.94

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

Source: Refinitiv

	Jan 10-14	Jan 3-7	% Change	December 2021	December 2020	% Change
Total shares traded	94,036	74,631	26	1,283,538	3,480,130	(63.1)
Total value traded	\$2,357,606	\$640,486	268.1	\$22,004,921	\$29,046,630	(24.2)
Market capitalization	\$10.09bn	\$10.35bn	(2.45)	\$10.61bn	\$6.72bn	57.8

Source: Beirut Stock Exchange (BSE)



Utilized credits by private sector at \$39bn at end-June 2021, advances against real estate at 46% of total

Figures issued by Banque du Liban show that utilized credits by the private sector totaled \$38.7bn at the end of June 2021, constituting a decline of \$4bn, or 9.4%, from \$42.7bn at end-2020 and a decrease of \$10bn (-20.6%) from \$48.76bn at end-June 2021. The drop in lending is mostly due to clients' decision to settle their loans prior to their maturity, to limited demand for new loans amid political and economic uncertainties, and to the risk aversion of lenders amid the challenging conditions in the country. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar.

Utilized personal credits reached \$12.56bn and accounted for 32.5% of the total at the end of June 2021, followed by credits for trade & services with \$12.55bn (32.4%), for construction with \$6.16bn (16%), industry with \$4.04bn (10.4%), financial intermediaries with \$1.77bn (4.6%), and agriculture with \$535m (1.4%), while other sectors represented the remaining \$1.1bn (2.8%).

The distribution of utilized credits by type of collateral shows that advances against real estate totaled \$17.66bn and accounted for 45.6% of the collateral for utilized credits at the end of June 2021. Advances against personal guarantees followed with \$5.32bn (13.7%), then advances against cash collateral or bank guarantees with \$1.67bn (4.3%), advances against financial values with \$967m (2.5%) and advances against other real guarantees with \$650.5m (1.7%); while overdrafts totaled \$12.43bn or 32% of the total.

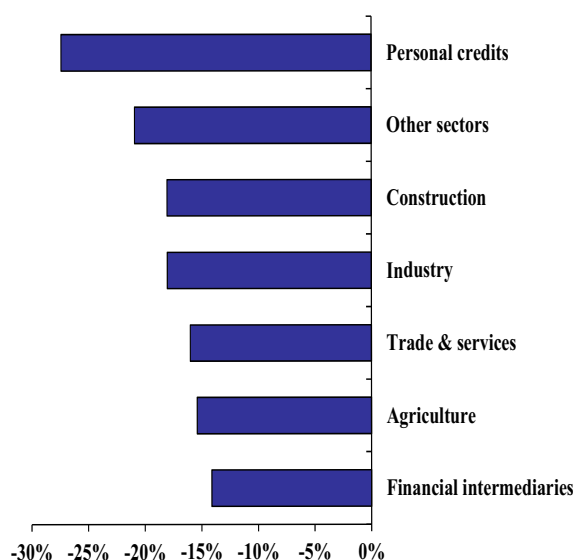
Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 46% of loans to trade & services, followed by retail with 17.3%; real estate, rent & employment services with 13.6%; transport & storage with 9.8%; hotels & restaurants with 8%; and educational services with 5%.

In addition, utilized credits for personal loans declined by 17%, and included mortgages that decreased by 10.8% in the first half of 2021. Also, utilized credits for industry regressed by 6.7% in the covered period, followed by utilized credits for trade & services (-6.3%), agriculture (-3.9%), construction (-1.9%) and financial intermediaries (-1.5%), while utilized credits for other sectors contracted by 9.2% from the end of 2020. Also, personal loan beneficiaries represented 84.2% of total loan beneficiaries, followed by trade & services with 11.2% of beneficiaries, industry with 3.1%, construction with 1.4%, agriculture with 1.1% and financial intermediaries with 0.5%, while other sectors accounted for the remaining 4.1% of loan beneficiaries.

Further, the aggregate number of loan beneficiaries reached 379,070 at the end of June 2021 and declined by 57,392 (-13%) in the first half of 2021. Also, 44% of beneficiaries had loans that range from LBP5m to LBP25m at the end of June, followed by beneficiaries with loans of less than LBP5m (20.7%), those with credits in the LBP25m to LBP100m range (17.4%), beneficiaries with loans ranging from LBP100m to LBP500m (15.7%), those with credits between LBP500m and LBP1bn (1%), beneficiaries with loans ranging from LBP1bn to LBP5bn (0.7%), as well as beneficiaries with credits in the LBP5bn to LBP10bn bracket and those with loans that exceed LBP10bn (0.2% each). Beirut and its suburbs accounted for 75% of bank credits and for 55% of beneficiaries. Mount Lebanon followed with 12.9% of credits and 17.8% of beneficiaries, then North Lebanon with 4.6% of credits and 11% of beneficiaries, South Lebanon with 4% of credits and 8.8% of beneficiaries, and the Bekaa region with 3.5% of credits and 7.3% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$73.9bn at the end of June 2021, constituting declines of 11.4% in the first half of 2021 and of 22.8% from a year earlier. They included endorsement & guarantees of \$70.55bn, or 95.5% of the total, followed by letters of undertaking with \$1.58bn (2.1%), commitments on notes with \$1.35bn (1.8%), and forward operations \$169.5m and financing commitments with \$163m (0.2% each), while other commitments accounted for \$77.3m of the total (0.1%).

Change in Utilized Credits at End of June 2021* (%)



*from end-June 2020

Source: Banque du Liban

Banque du Liban's foreign assets at \$18bn, gold reserves at \$16.8bn at mid-January 2022

Banque du Liban's (BdL) interim balance sheet reached \$164bn on January 15, 2022, constituting increases of 0.5% from \$163.2bn at end-2021 and of 10.3% from \$148.7bn a year earlier. Assets in foreign currency totaled \$17.8bn at mid-January 2022, representing a decrease of \$115.3m, or of 0.6%, from the end of 2021 and a drop of \$6bn (-25.4%) from \$23.7bn at mid-January 2021. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$12.68bn at mid-January 2022 and regressed by \$115.3m (-1%) from \$12.8bn at the end of 2021. They dropped by \$376.6m (-3%) from \$13.06bn at mid-December 15, 2021 and by \$6bn (-32.2%) from \$18.7bn at mid-January 2021. 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. However, the decline in BdL's assets in foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

In parallel, the value of BdL's gold reserves amounted to \$16.8bn at mid-January 2022, constituting an increase of \$221.4m (+1.3%) from the end of 2021 and a decrease of \$288m (-1.7%) from \$17.1bn at mid-January 2021. The value of gold reserves reached a peak of \$18.13bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$41.35bn at mid-January 2022, increasing by \$76.5m (+0.2%) from the end of 2021 and by \$1.27bn (+3.2%) from \$40.07bn a year earlier. In addition, loans to the local financial sector totaled \$13.6bn, regressing by 0.6% from the end of 2021 and by 4% from mid-January 2021. Further, the deposits of the financial sector stood at \$108.5bn at mid-January 2021 and declined by \$885.1m from a year earlier. In addition, public sector deposits at BdL reached \$7.56bn at mid-January 2021, decreasing by \$200.3m from the end of 2021 and surging by \$2.95bn from a year earlier.

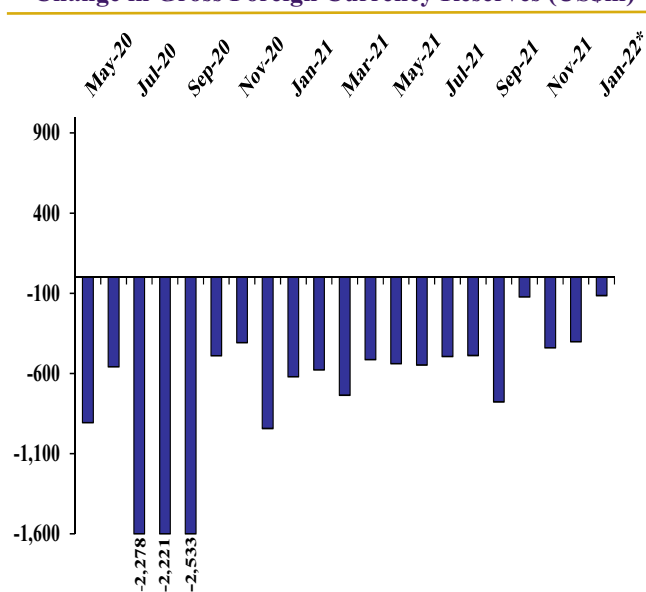
Banque du Liban clarifies foreign currency exchange operations

Banque du Liban (BdL) issued Intermediate Circular 608 on December 23, 2021 and Circular 610 dated December 27, 2021 addressed to banks, which are related to Basic circulars 151 and 159.

First, Circular 608 amends Basic Circular 159 dated August 17, 2021 about exceptional restrictions on some banking operations. It added to the second clause of the circular that, with the exception of "fresh dollars", banks can only conduct operations with their clients in foreign currencies at the exchange rate that BdL determines in its dealings with banks, which is currently LBP 1507.5 to the US dollar; the exchange rate set in Basic Circular 151; and the exchange rate set in Basic Circular 158.

Second, BdL indicated that Circular 610 amends Basic Circular 151 dated April 21, 2020 about exceptional measures related to cash withdrawals from accounts at banks in Lebanon, in order to avoid any confusion in the implementation of the circular. It added that the amendment consists of clarifying operations in US dollars, whereby the circular stated that all operations that banks conduct with their clients in US dollars remain subject to the exchange rate that BdL determines in its dealings with banks.

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



*at mid-January 2021

Source: Banque du Liban, Byblos Research

Lebanon ranks 108th worldwide, second in Arab region in terms of human freedoms

The Fraser Institute's 2021 Index of Human Freedom ranked Lebanon in 108th place among 165 countries globally and in second place among 19 Arab economies. Lebanon's global rank regressed by eight spots from the 2020 survey, while its regional rank was unchanged year-on-year.

The index measures the extent of human freedoms in a country, or the absence of forced constraints imposed on individuals. It includes 82 variables distributed into 12 broad indicators of economic and personal freedoms that are the Rule of Law; Security and Safety; freedoms of Movement; Religion; Association, Assembly & Civil Society; Expression & Information; Relationships; as well as the Size of Government; Legal System & Property Rights; Access to Sound Money; Freedom to Trade Internationally; and Regulations. The 12 factors are grouped into two sub-indices that are the Personal Freedom Sub-Index and the Economic Freedom Sub-Index. A country's overall score on the index is the average of the two sub-indices and ranges from zero to 10, with a higher score reflecting a higher level of human freedom.

Globally, Lebanon has a higher level of human freedom than Kenya, Belarus and Sri Lanka, and a lower level than Gabon, Mozambique, and Kazakhstan among economies with a GDP of \$10bn or more. Lebanon received a score of 6.76 points, lower than the global average score of 7.12 points, but higher than the Arab average score of 5.52 points, the Gulf Cooperation Council (GCC) countries' average score of 5.89 points and the average score of non-GCC Arab countries of 5.36 points.

Lebanon ranked in 106th place globally and in second place regionally on the Personal Freedom Sub-Index. This category captures the level of civil liberties in a country, such as the freedom of speech, religion, association and assembly. Globally, Lebanon ranked ahead of Mexico, Zambia and Belarus, and came behind Thailand, Tunisia, and Niger on this indicator. Also, Lebanon came second to Tunisia in the Arab world. Lebanon received a score of 6.76 points on this category, compared to the global average score of 7.26 points and the Arab region's average score of 5.03 points.

Also, Lebanon came in 83rd place globally and in sixth place regionally on the Economic Freedom Sub-Index. This category measures the extent that a country's policies and institutions support economic freedoms. Globally, Lebanon ranked ahead of Belarus, Kenya and Sri Lanka, and came behind Gabon, Mozambique and Kazakhstan on this category. Regionally, Lebanon trailed only Jordan, Bahrain, the UAE, Qatar and Saudi Arabia on this indicator. Lebanon received a score of 6.76 points on this category, relative to the global average score of 6.93 points and the Arab average score of 6.21 points.

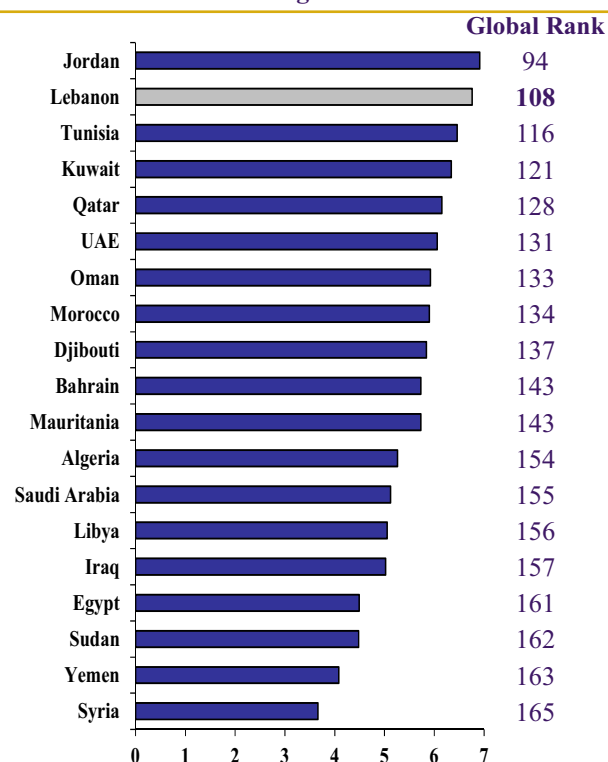
Banque du Liban removes quotas on banks' purchases of US dollar banknotes

Banque du Liban (BdL) issued on January 11, 2022 a statement related to Basic Circular 161 dated December 16, 2021 addressed to banks about exceptional measures related to cash withdrawals from accounts at banks in Lebanon. The follow up statement stipulates that BdL authorize banks to purchase US dollar banknotes from the latter with the Lebanese pounds that they hold, or from their clients' holdings of Lebanese pounds banknotes, at the exchange rate of the US dollar on BdL's Sayrafa electronic exchange platform.

Circular 161 indicated that BdL will provide commercial banks cash US dollar banknotes instead of the supply of Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the US dollar, based on the operations conducted on BdL's Sayrafa electronic exchange platform on the previous day. It added that the supply of the dollar banknotes will consist of the preset monthly ceiling for each bank.

Also, BdL asked all banks to disburse the dollar banknotes in full to their clients at the Sayrafa exchange rate as specified, instead of settling the depositors' withdrawal amounts or cash operations at counters in Lebanese pounds, based on the authorized ceiling of each client. Further, it noted that clients can submit a written request in case they do not want to withdraw their monthly ceiling in US dollars. The clauses of the circular expire at the end of January 2022. But the banks' quotas have been insufficient to meet the US dollar amounts for the withdrawals of depositors, which prompted BdL to issue its follow up decision.

Index of Human Freedom for 2021
Scores & Rankings of Arab Countries



Source: Fraser Institute, Byblos Research

Banque du Liban extends measures on interest rates and on fixed income instruments

Banque du Liban (BdL) issued Intermediate Circular 609 on December 23, 2021 addressed to banks, financial institutions and auditors that extended until June 30, 2022 the implementation of Intermediate Circular 536 dated December 4, 2019, Intermediate Circular 541 issued on January 30, 2020, and Intermediate Circular 544 dated February 13, 2020.

First, Circular 536 stipulated that BdL will, exceptionally and for a period of six months, apply new rules on the interest income it pays on term deposits that banks placed in US dollars at BdL and on the Certificates of Deposits that it issued in US dollars. Specifically, BdL will pay 50% of the interest income in US dollars and 50% in Lebanese pounds.

Second, Circular 541 indicated that banks and financial institutions operating in Lebanon have to pay the principal and coupons of the bonds that they issued in accounts at banks operating in the country. It said that the same rules will apply to the payments of the principal and interest on Certificates of Deposits and interbank certificates issued by banks and financial institutions. It added that the measures that the clearinghouse MidClear introduced at the time on foreign transfers will apply to the payments of principal and coupons of the aforementioned bonds and certificates.

Third, Circular 544 capped the interest rates on deposits in foreign currency with a maturity of one month at 2%, the rates on deposits with a maturity of six months at 3%, and the interest rates on deposits with a maturity of one year or more at 4%. Further, the circular capped the interest rates on Lebanese pounds deposits with a maturity of one month at 5.5%, the rates on deposits with a maturity of six months at 6.5%, and the interest rates on deposits with a maturity of one year or more at 7.5%. The ceilings applied on new deposit accounts or on renewed deposits after February 2, 2020.

Also, the circular asked banks to reflect the decline in deposit interest rates at the time on the Beirut Reference Rate (BRR), which constitutes the basis for calculating the Beirut Prime Lending Rate after adding the cost of liquidity and refinancing, credit risk, and the profitability of banks. According to the circular, all the aforementioned measures on deposits will apply for six months.

Deterioration in commercial activity slows down in second quarter of 2021

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for the volume of commercial sales reached -65 in the second quarter of 2021, relative to -71 in the first quarter of 2021 and to -74 in the second quarter of 2020. The balance of opinions for the second quarter of 2021 reflects the disruptions to economic activity following the worsening of economic, as well as financial conditions in the country and the impact of the explosion at the Port of Beirut on August 4, 2020, in addition to the gradual relaxation of lockdown measures in Lebanon. The balance of opinions for the volume of commercial sales in the second quarter of 2021 reached its sixth lowest quarterly level since 2004, after posting -74 in the second quarter of 2020, -73 in the third quarter of 2006 due to the Israeli war on Lebanon, -71 in the first quarter of 2021, -70 in the first quarter of 2005 following the assassination of Prime Minister Rafic Hariri, and -68 in the third quarter of 2020.

The survey covers the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions was the lowest in the Bekaa at -91, followed by the South (-81), Beirut & Mount Lebanon (-69), and the North (-23). The survey shows that the balance of opinions about the sales of food items was -52 in the second quarter of 2021, unchanged from the preceding quarter and to -48 in the second quarter of 2020. Also, the balance of opinions about the sales of non-food products was -72 in the covered quarter, relative to -82 in the previous quarter and to -92 in the second quarter of 2020; while it was -66 for inter-industrial goods, compared to -72 in the first quarter of 2021 and relative to -67 in the second quarter of 2020. Further, the balance of opinions for inventory levels in all commercial sub-sectors was -53 in the second quarter of 2021, compared to -57 in the previous quarter and to -47 in the second quarter of 2020. Opinions about the level of inventories were the lowest in the North region as they reached -76, followed by the South (-68), the Bekaa area (-57) and Beirut and Mount Lebanon (-32).

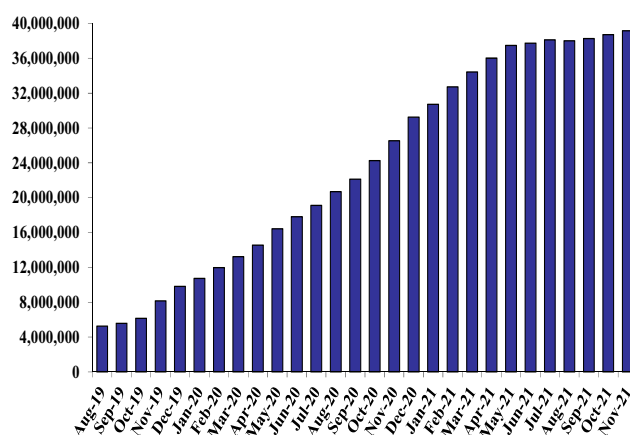
Commercial Activity: Year-on-Year Evolution of Opinions				
Aggregate results	Q2-18	Q2-19	Q2-20	Q2-21
Sales volume	-34	-30	-74	-65
Number of employees	-8	-7	-40	-36
Inventories of finished goods	-3	-7	-47	-53
Q2-21 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-69	-23	-81	-91
Inventories of finished goods	-32	-76	-68	-57

Source: Banque du Liban business survey for second quarter of 2021

Broad money supply down 1% in first 11 months of 2021, currency in circulation up 34%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP54,029bn at the end of November 2021, constituting an increase of 34.5% from LBP40,156bn at the end of 2020 and a rise of 44.6% from LBP37,372bn at end-November 2020. Currency in circulation stood at LBP39,138bn at the end of November, and surged by 33.8% in the first 11 months of the year and by 47.6% from LBP26,520bn at end-November 2020. Also, demand deposits in local currency stood at LBP14,891bn at end-November 2021, representing an increase of 36.4% in the first 11 months of the year and a rise of 37.2% from the end of November 2020. Money supply M1 grew by a marginal 0.3% in November from LBP53,872bn at the end of the previous month, with currency in circulation expanding by 1.1% and demand deposits in local currency declining by 1.8% 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.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP75,531bn at the end of November 2021, constituting increases of 12% in the first 11 months of the year and of 15.6% from LBP65,312bn a year earlier. Term deposits in Lebanese pounds totaled LBP21,503bn at the end of November 2021, declining by 21.4% from LBP27,354bn at end-2020 and by 23% from LBP27,940bn at end-November 2020. Money supply M2 was nearly unchanged in November from the previous month, with term deposits in local currency nearly unchanged from the previous month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP198,418bn at the end of November 2021, declines of 0.8% in the first 11 months of the year and of 0.2% from LBP198,875bn at end-November 2020. Deposits in foreign currency totaled LBP122,471bn at the end of November 2021, down by 7.2% from end-2020 and by 8% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP415.7bn at the end of November 2021 compared to LBP519.2bn at the end of 2020 and to LBP546bn at end-November 2020. Money supply M3 decreased by 0.6% from the preceding month, while debt securities issued by the banking sector rose by 26.3% and deposits in foreign currency regressed by 1.1% month-on-month. In parallel, M3 fell by LBP1,634bn in the first 11 months of 2021 due to a surge of LBP19,764bn in other items, which was partly offset by a drop of LBP10,833.4bn in the claims of the private sector, a decline of LBP7,030.8bn in net claims on the public sector, and a downturn of LBP3,534bn in the net foreign assets of deposit-taking institutions.

UN basic assistance at \$152m in first nine months of 2021

The United Nations indicated that international contributions for the basic assistance track of the Lebanon Crisis Response Plan (LCRP) reached \$151.6m in the first nine months of 2021 compared to \$96.5m in the same period of 2020. They consisted of \$50.5m in the first quarter, \$42.3m in the second quarter and \$58.8m in the third quarter of 2021. They represented 28.7% of the \$527.5m that the LCPR appealed for to assist affected Lebanese and non-Lebanese individuals in the country in the first nine months of the year. It also noted that \$7.7m were carried over from funding received in 2020, which is equivalent to 1.6% of the total appealed funds. 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.

Also, the UN indicated that it distributed the LCRP assistance to 1,442,366 individuals across Lebanon in the first nine months of 2021 who consist of 1.19 million displaced Syrians, or 82.6% of the total, followed by 224,560 vulnerable Lebanese citizens (15.6%), 26,585 Palestinian refugees from Syria (1.8%), and 81 Palestinian refugees in Lebanon.

Further, it said that the LCRP support resulted in the injection of \$81.5m in the Lebanese economy in the form of cash assistance in the covered period. It disbursed \$26m as regular cash transfers to Syrian, Lebanese and Palestinian households in the first quarter, \$23.2m in the second quarter, and \$31m in the third quarter of 2021. It noted that the cash assistance reached 283,773 households with multi-sector cash transfers in the covered period, which consist of 238,228 Syrian households or 84% of the total, followed by 37,237 Lebanese households (13%), and 8,308 Palestinian families (3%). In addition, it pointed out that 5,500 households received cash from the UNICEF Integrated Child Well-Being Program.

In parallel, the UN stated that the Bekaa region accounted for 25% of cash assistance for Syrian refugees in the first nine months of 2021, followed by Mount Lebanon (20%), the North (16%), the Baalbeck-Hermel governorate (14%), the Akkar administrative district (13%), the South (7%), the Nabatieh area (4%), and Beirut (1%).

Tourist spending down 14%, number of refunds down 28% in 2021

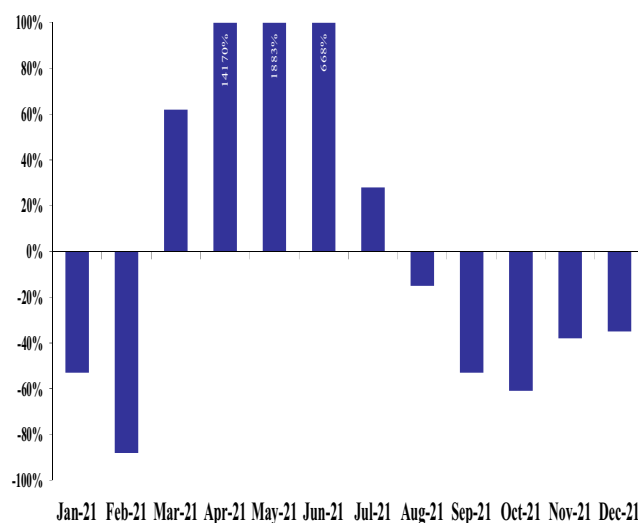
Figures issued by Global Blue, the value-added tax (VAT) refund operator for international shoppers, show that spending by visitors in Lebanon declined by 14% in 2021 compared to a drop of 68% in 2020. The figures cover purchases on which visitors claimed VAT refunds. Spending above €5,000 per visitor accounted for 69% of total expenditures by visitors, followed by expenditures between €1,501 and €5,000 (15%), spending between €301 and €750 and expenditures between €751 and €1,500 (6% each), and outlays of less than €300 (4%). Spending by visitors contracted by 49% year-on-year in the first quarter of 2021, by 23% in the third quarter, and by 46% in the fourth quarter, while it jumped by 2,205% in the second quarter of the year.

Further, visitors from the UAE accounted for 17% of total tourist expenditures in 2021, followed by visitors from Egypt and Syria with 6% each, Kuwait and Qatar with 5% each, and Saudi Arabia with 4%; while visitors from other countries represented the remaining 58%. Also, spending by travelers from Qatar surged by 50% in 2021, followed by expenditures by visitors from Kuwait (+42%). In contrast, spending by visitors from Saudi Arabia fell by 63% last year, followed by expenditures by tourists from Syria (-36%), Egypt (-32%), and the UAE (-4%), while the outlays of visitors from other countries declined by 9%.

in addition, Beirut attracted 79% of aggregate expenditures in 2021, followed by the Metn area with 18%, and the Baabda & Aley region with 2%. In parallel, fashion & clothing accounted for 70% of total spending in 2021, followed by watches & jewelry with 15%, outlays at department stores with 7%, payments on sports equipment & clothing with 3%, and disbursements on home & garden products with 2%. Spending on watches & jewelry and outlays on home & garden products dropped by 77% each, expenditures on sports equipment & clothing decreased by 45%, spending on fashion & clothing contracted by 31%, and expenditures of department stores regressed by 16%, while expenditures on other categories dipped by 64% in the covered period.

In parallel, the total number of refund transactions by visitors declined by 28% annually in 2021. Visitors from Egypt accounted for 13% of the number of refund transactions in the covered period, followed by those from the UAE (11%), Syria (9%), Saudi Arabia (5%), Qatar (3%), and Kuwait (2%), while other countries represented the remaining 57%. Refund transactions for amounts of less than €300 accounted for 60% of the total number of refunds, followed by spending of €301 to €750 (17%), outlays of between €751 and €1,500 (9%), disbursements of €1,501 to €5,000 (8%), and payments of more than €5,000 (5%).

Change in Visitors' Spending (Year-on-Year)



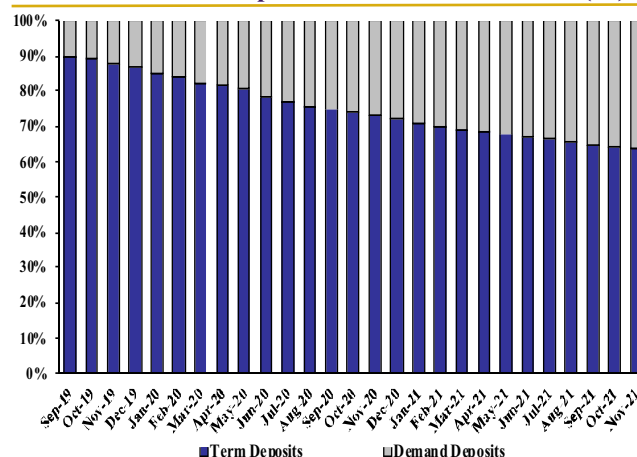
Source: Global Blue, Byblos Research

Term deposits account for 64% of customer deposits at end-November 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 \$139.34bn at the end of November 2021, constituting a decrease of \$11.9bn, or of 7.8%, from \$151.2bn at the end of 2020. Total deposits include private sector deposits that reached \$129.53bn, as well as public sector deposits that stood at \$4.87bn and deposits of non-resident financial institutions that amounted to \$4.94bn at the end of November 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar.

Term deposits in all currencies totaled \$88.9bn at the end of November 2021 and declined by \$20.27bn, or by 18.6%, from \$109.2bn at end-2020; while they accounted for 63.8% of total deposits in Lebanese pounds and in foreign currency as at end-November 2021 relative to a share of 72.2% at the end of 2020.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

The decline in term deposits is due to a drop of 26.7% in the term deposits of the non-resident financial sector, a decrease of 21.5% in the term deposits in Lebanese pounds of the resident private sector, a dip of 17.8% in each of the foreign currency-denominated term deposits of the resident private sector and in the term deposits in Lebanese pounds of the public sector, and a 17.2% decline in the term deposits of non-residents. This was partly offset by an increase of 5% 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 \$77.6bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$50.28bn and accounted for 36% of aggregate deposits at the end of November 2021. Term deposits of non-residents followed with \$17.1bn (12.3%), then term deposits in Lebanese pounds of the resident private sector with \$13.95bn (10%), term deposits of the non-resident financial sector with \$3.5bn and term deposits of the public sector in Lebanese pounds with \$3.42bn (2.5% each), and term deposits of the public sector in foreign currency with \$699m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$50.42bn at the end of November 2021 and increased by \$8.4bn, or by 20%, from \$42bn at end-2020. They accounted for 36.2% of total deposits at end-November 2021 relative to a share of 27.8% at end-2020. The increase in demand deposits was mainly due to a rise of \$5.04bn in foreign currency-denominated demand deposits of the resident private sector, an expansion of \$2.67bn in demand deposits in Lebanese pounds of the resident private sector, and an upturn of \$980.8m in demand deposits of non-residents.

Demand deposits in foreign currency of the resident private sector totaled \$30.56bn and represented 22% of deposits at end-November 2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$9.95bn (7%), then demand deposits of non-residents with \$7.72bn (5.5%), demand deposits of the non-resident financial sector with \$1.45bn (1%), demand deposits in Lebanese pounds of the public sector with \$514.7m (0.4%), and demand deposits in foreign currency of the public sector with \$230.2m (0.2%).

Beirut and its suburbs accounted for 66.4% of private-sector deposits and for 49% of the number of depositors at the end of June 2021, the latest available figures. Mount Lebanon followed with 15% of deposits and 19% of beneficiaries, then South Lebanon with 7% of deposits and 11.5% of depositors, North Lebanon with 6.5% of deposits and 12% of beneficiaries, and the Bekaa with 5% of deposits and 8.4% of depositors.

Banking sector has 1,017 branches at end-June 2021

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 1,017 branches at the end of June 2021, constituting a decline of 70 branches, or of 6.4% from 1,087 branches at end-2020 and a decrease of 124 branches (-11%) from 1,141 branches at end of June 2020. Commercial banks had 996 branches in total at the end of June 2021 compared to 1,065 branches at end-2020 and to 1,120 branches at end-June 2020. Further, medium- and long-term banks had 21 branches in Lebanon at the end of June 2021, unchanged from a year earlier.

The breakdown of commercial banks' branches shows that banks had 943 local branches at the end of June 2021, down by 49 branches from 992 branches at end-2020 and by 104 branches from 1,047 branches at end-June 2020. There were 498 branches of commercial banks in Beirut & its suburbs that accounted for 52.8% of total branches in the country, followed by Mount Lebanon with 188 branches (20%), North Lebanon with 99 branches (10.5%), South Lebanon with 94 branches (10%), and the Bekaa with 64 branches (6.8%). In addition, nine foreign commercial banks operating in the country had 22 branches and four Islamic banks had 14 branches at the end of June 2021. In addition, there were 14 e-branches that offer banking services through interactive and automated machines at end-June 2021.

In parallel, commercial banks operating in Lebanon had 53 branches outside the country at the end of June 2021 compared to 73 branches a year earlier. Further, there were 46 commercial banks and 15 medium- and long-term banks operating in Lebanon at the end of June 2021, relative to 47 commercial banks and 16 medium- and long-term banks operating in Lebanon a year earlier.

CMA CGM acquires US-based company

Moody's Investors Service indicated that the Lebanese-owned and France-based container-shipping firm CMA CGM, announced its intention to acquire the global contract logistics division of Ingram Micro Inc., a U.S. information technology company that provides, among others, e-commerce order fulfillment services to small- and medium-sized enterprises. It said that the amount of the transaction is \$3bn and that the acquiring firm will not incur additional debt to its balance sheet. The agency considered the acquisition to be credit positive for CMA CGM, despite a slightly negative effect on its retained cash flow-to-net debt ratio, although the ratio stood at a record high of 120% in the third quarter of 2021.

Further, it said that the acquisition will complement the company's subsidiary CEVA logistics AG in the contract logistics industry and support its objective to become one of the five largest global third-party logistics players in the world. It noted that CEVA generates more than two thirds of its revenues from e-commerce sales channels. It indicated that CMA CGM's rating and outlook remain unchanged, due to the company's strong operating performance and significant deleveraging during the last 12 months amid a robust market environment for the global container shipping segment, although the transaction will result in significant cash outflows.

Moody's upgraded on September 13, 2021, the corporate family rating of CMA CGM from 'B1' to 'Ba3', as well as its probability of default rating from 'B1-PD' to 'Ba3-PD', and its senior unsecured bond ratings from 'B3' to 'B2'. Also, it maintained the 'positive' outlook on the ratings. CMA CGM is one of the largest container shipping companies in the world and operates a fleet with more than 500 vessels, with a capacity of 3 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.

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

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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

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

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

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

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

ARMENIA

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

NIGERIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

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