

LEBANON THIS WEEK

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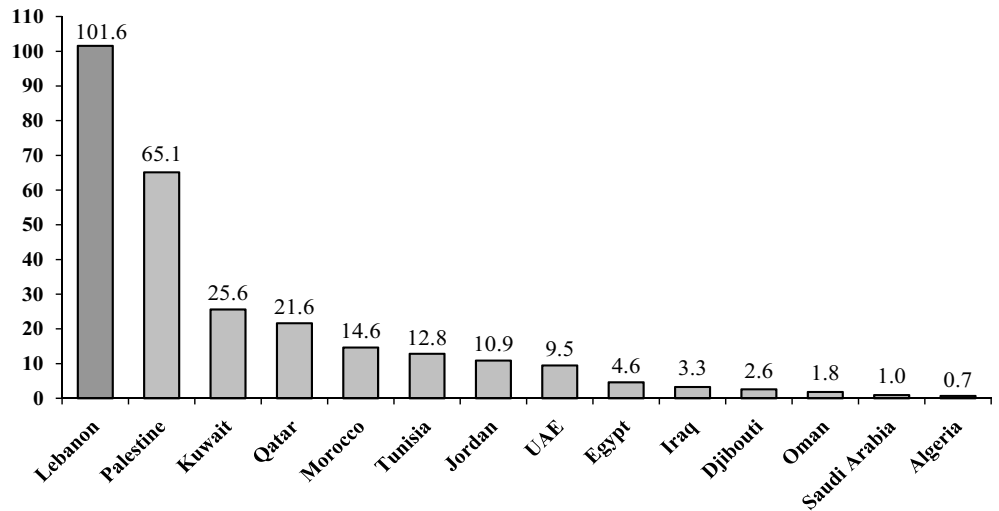
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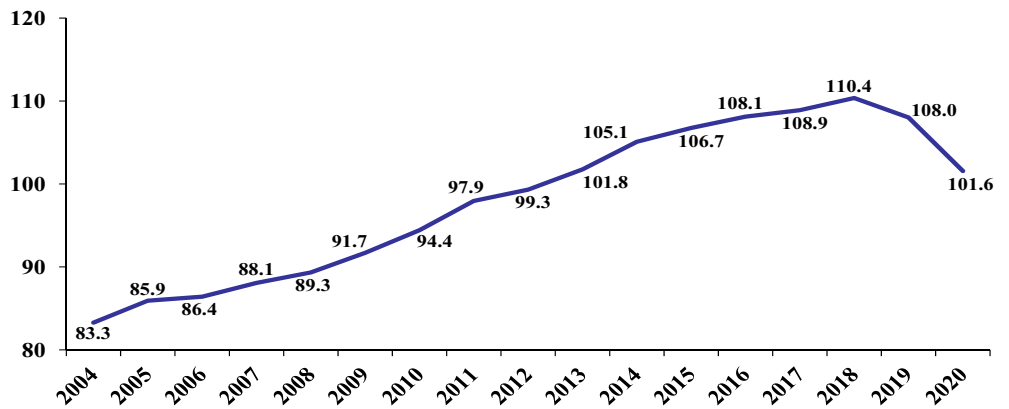
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Charts of the Week

Penetration Rate of Bank Branches in Arab Countries at end-2020
(number of branches per 1,000 km²)



Penetration Rate of Commercial Banks' Branches in Lebanon
(number of branches per 1,000 km²)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"The economic recovery in Lebanon in 2022 and 2023 is conditional on the adoption and implementation of reforms."

The United Nations' Economic and Social Commission for Western Asia, on what Lebanese authorities need to do in order for the country to emerge from the economic crisis

Number of the Week

2,605%: Percentage increase in the prices of food and non-alcoholic beverages in Lebanon between the end of 2019 and the end of 2021, according to the Central Administration of Statistics

Lebanon in the News

\$m (unless otherwise mentioned)	2020	Jan-Nov 2020	Jan-Nov 2021	% Change*	Nov-20	Oct-21	Nov-21
Exports**	3,544	914	699	-23.5%	251	-	-
Imports**	11,310	2,931	3,329	13.6%	674	-	-
Trade Balance**	(7,766)	(2,017)	(2,630)	30.4%	(423)	-	-
Balance of Payments	(10,551)	(10,203)	(1,576)	-84.6%	(214)	(154)	160
Checks Cleared in LBP	19,937	17,995	16,901	-6.1%	1,683	1,298	1,825
Checks Cleared in FC	33,881	31,079	16,700	-46.3%	2,242	891	949
Total Checks Cleared	53,828	53,828	33,607	-37.6%	3,926	2,189	2,773
Fiscal Deficit/Surplus***	(2,535)	(2,223)	187	-	514	-	-
Primary Balance***	(1,136)	(876)	1,152	-	666	-	-
Airport Passengers	2,501,975	2,219,814	3,879,144	74.8%	220,333	415,231	344,737
Consumer Price Index	84.9	79.0	145.6	6660	133.5	173.6	201.1

\$bn (unless otherwise mentioned)	Dec-20	Nov-20	Aug-21	Sep-21	Oct-21	Nov-21	% Change*
BdL FX Reserves	18.60	19.03	14.20	14.62	14.49	14.05	(26.2)
In months of Imports	15.10	-	-	-	-	-	-
Public Debt	95.59	95.51	98.74	99.22	99.80	-	-
Bank Assets	188.04	190.31	180.28	179.68	178.90	175.60	(7.7)
Bank Deposits (Private Sector)	139.14	139.91	133.04	132.49	131.65	129.53	(7.4)
Bank Loans to Private Sector	36.17	37.11	30.86	30.00	29.18	28.04	(24.4)
Money Supply M2	44.78	43.32	49.85	49.95	50.03	50.10	15.6
Money Supply M3	132.70	131.92	133.21	132.90	132.42	131.62	(0.2)
LBP Lending Rate (%)	7.77	7.92	7.52	7.65	7.46	7.20	(72)
LBP Deposit Rate (%)	2.64	2.91	1.62	1.53	1.34	1.23	(168)
USD Lending Rate (%)	6.73	6.63	5.87	6.34	6.86	6.75	12
USD Deposit Rate (%)	0.94	0.97	0.30	0.26	0.23	0.20	(77)

*year-on-year; **figures for the period reflect the first quarter of each year; ***figures for the period reflect the first half 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 "A"	30.60	0.7	144,737	30.3%	Oct 2022	6.10	9.25	966.41
Byblos Common	0.82	0.0	79,567	4.6%	Jan 2023	6.00	9.25	466.45
Solidere "B"	30.53	2.3	37,457	19.7%	Apr 2024	6.65	9.25	141.47
Audi Listed	2.10	1.0	20,000	12.3%	Jun 2025	6.25	9.25	84.91
BLOM GDR	3.50	7.0	14,640	2.6%	Nov 2026	6.60	9.25	55.99
BLOM Listed	3.59	0.0	10,000	7.7%	Feb 2030	6.65	9.25	31.79
Byblos Pref. 08	34.99	0.0	-	0.7%	Apr 2031	7.00	9.25	27.54
Byblos Pref. 09	37.99	0.0	-	0.8%	May 2033	8.20	9.25	22.23
HOLCIM	19.00	0.0	-	3.7%	Nov 2035	7.05	9.38	17.97
Audi GDR	1.90	0.0	-	2.3%	Mar 2037	7.25	9.25	16.35

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

Source: Refinitiv

	Jan 24-28	Jan 17-21	% Change	December 2021	December 2020	% Change
Total shares traded	321,701	211,722	51.9	1,283,538	3,480,130	(63.1)
Total value traded	\$5,781,427	\$2,357,606	20.7	\$22,004,921	\$29,046,630	(24.2)
Market capitalization	\$10.08bn	\$9.9bn	0.94	\$10.61bn	\$6.72bn	57.8

Source: Beirut Stock Exchange (BSE)



Draft budget forecasts fiscal deficit at 28.4% of expenditures, equivalent to 3.5% of GDP for 2022

The annex to the draft budget for 2022 that the Ministry of Finance submitted to the Council of Ministers shows budget expenditures at LBP49,417bn and revenues at LBP39,154bn, leading to a budget deficit of LBP10,263bn, which would be equivalent to 20.8% of expenditures or 2.3% of GDP. The budget also includes LBP5,250bn in Treasury transfers to *Électricité du Liban* (EdL), which would increase the projected fiscal spending to LBP54,667bn and lead to a deficit of LBP15,513bn, equivalent to 28.4% of expenditures or 3.5% of GDP. It also forecast a primary deficit of 0.6% of GDP for this year relative to an estimated primary surplus of 0.3% of GDP in 2021.

The ministry's projections are based on a real GDP growth rate of 3%, a deflator of 90%, a nominal GDP of LBP440,255bn for 2022, and an increase in nominal GDP of 96% from the previous year. It also forecast nominal GDP at \$22bn, which implies a weighted exchange rate of LBP20,000 per US dollar for the current year. In comparison, the ministry estimated that real GDP contracted by 2% in 2021, based on a deflator of 120%, a nominal GDP of LBP224,964, an increase in nominal GDP of 116% from the previous year. It also estimated the nominal GDP at \$22.31bn for 2021, based on a weighted exchange rate of LBP10,083 per dollar for the year.

The ministry indicated that the main objective of the 2022 budget is to contain the fiscal deficit in order to maintain financial discipline and limit the country's indebtedness, in light of the absence of any new sources of financing. It said that the most significant challenge in preparing the budget was to adopt a specific exchange rate of the Lebanese pound to the US dollar in order to project revenues and expenditures.

It considered that the main risks to fiscal adjustment consist of political instability and the resulting paralysis in decision-making, the rapid and sudden fluctuations of the exchange rate of the Lebanese pound to the dollar, as well the presence of several exchange rates in the local market. It noted that the unification of the multiple exchange rates of the pound to the US dollar in the Lebanese market remains the most significant obstacle to monetary and financial stability.

It cautioned that the volatility of the exchange rate could result in higher public spending from the budget forecast, which would result in higher financing needs that would exceed the expected revenues and lead to a wider deficit, given that expenditures adjust faster than revenues to the exchange rate fluctuations. It added that global oil prices could lead to the increase in Treasury transfers to EdL and to current expenditures, which may cause an increase in financing needs and additional pressure on the exchange rate. Also, it said that one of the biggest challenges in preparing the budget for 2022 is the commitment of a limited number of public agencies to prepare their budgets according to the required norms.

The ministry stated that the budget assumes a new exchange rate for customs in order to revalue imports and collect tariffs, and will work on adjusting the value of the fiscal stamp and real estate transaction fees and other administrative charges based on a realistic exchange rate. It noted that the impact of this adjustment will be gradual and partial on Treasury revenues.

It added that one of the factors that affect public finances is the accumulation of the government's arrears that have yet to be determined. In addition, it noted the need to review the size of the public sector in order to downsize it after preparing job descriptions for essential employees and setting performance appraisal benchmarks, as well as the need to reform the public pension system and related benefits. It also took into consideration, when estimating the public debt for 2022, the ongoing suspension of payments of interest and principal on Eurobond obligations, which means that the government's financing needs will be sourced in the local currency.

Based on the Finance Ministry's assumptions, the budget forecasts fiscal spending at 12.5% of GDP and revenues at 8.9% of GDP for 2022. The distribution of the main spending components shows current expenditures at 12% of GDP that include the compensation of public-sector personnel at 4.3% of GDP, debt servicing at 1.7% of GDP, social allocations to public sector workers at 1.65% of GDP, in addition to urgent and exceptional spending of 2.1% of GDP and transfers to EdL at 1.2% of GDP, while capital spending is at 0.5% of GDP. On the revenues side, the budget projects tax revenues at 7.6% of GDP and non-tax receipts at 1.3% of GDP. The distribution of tax revenues shows receipts from excise tax on goods & services at 4.5% of GDP; followed by the tax on income, profits & capital gains at 1.34% of GDP; receipts from custom duties at 0.8% of GDP; and income from property taxes at 0.7% of GDP; while other taxes would generate 0.4% of GDP.

Banque du Liban sets specific guidelines for banks to refuse checks

Banque du Liban (BdL) issued on January 25, 2022 Intermediate Circular 611 to banks that modifies Basic Circular 147 dated September 3, 2019 about the opening of bank accounts. The modification stipulates that banks should not refuse checks that clients deposit in their current accounts except in two cases: first, if they do not conform with the clauses of Law 44 about combating money laundering and the financing of terrorism. Second, if they do not conform with the regulations that BdL issues, especially with the clauses of Basic Decision 7818 dated May 18, 2001 about the monitoring of banking and financial operations for combating money laundering and the financing of terrorism, and with the clauses of Basic Decision 6939 dated March 25, 1998 about the solvency ratios of banks.

Lebanon signs deals for supply of electricity from Jordan

The Ministry of Energy & Water signed agreements on January 26, 2022 with its Jordanian and Syrian counterparts to supply electricity from Jordan to Lebanon via a grid that runs through Syria. It said that the World Bank will extend a loan to Lebanon in order to cover the costs of importing and transporting electricity through the grid from Jordan. Further, the ministry indicated that Lebanon expects to receive 250 megawatts of electricity as a result of the deal, which will result in an additional supply of up to three hours of electricity per day in the country.

The agreements between Lebanon, Jordan and Syria are part of the Lebanese authorities' efforts to increase the supply of electricity in Lebanon in light of the inability of Lebanon's main power provider, the state-owned and money-losing Electricité du Liban (EdL), to meet demand for electricity in the country, as well as due to the acute shortages of fuel oil that the country needs for power generation and the lack of foreign currency for the imports of hydrocarbons. The other two initiatives consist of purchasing fuel oil from Iraq and getting gas from Egypt.

In July 2021, the Lebanese authorities reached a deal with their Iraqi counterparts that allows the Lebanese government to buy one million tons of heavy fuel oil from Iraq and to resell it through monthly spot tenders on behalf of EdL in order to meet power production needs in the country. The ministry said that the Iraqi heavy fuel oil is unsuitable for Lebanon's power plants, so the Lebanese government has been exchanging the imports with refined fuel oil through tenders to swap the Iraqi heavy fuel oil with 'Grade B' fuel oil. According to the signed agreement, the Lebanese authorities will buy one million tons of heavy fuel oil for the benefit of EdL in exchange for medical and consulting services, and Iraq will export two shipments per month to Lebanon. The volume is equivalent to one third of Lebanon's fuel oil needs for electricity production.

In September 2021, Egypt agreed to supply Lebanon's power plants with natural gas through the Arab Gas Pipeline that runs through Jordan and Syria. The agreement stipulates that about 650 million cubic meters of gas will be shipped to Lebanon through the pipeline to the Deir Ammar power station in the north, which will lead to the production of 450 megawatts (MW) of electricity and add electricity output by three to four hours per day. The ministry clarified that the contracts to transport electricity and gas from Jordan and Egypt, respectively, to Lebanon through Syria will not be targeted by U.S. sanctions in place, given that "no cash is going from any side to Syria".

Credible and comprehensive reforms are key to reverse socioeconomic conditions

In its latest report that it prepared in the fall of 2021 and published in January 2022, the World Bank indicated that the financial crisis in Lebanon, the COVID-19 outbreak and the explosion at the Port of Beirut on August 4, 2020 have had a compounded effect on the country's economy, albeit with different magnitudes. It projected real GDP to shrink by 10.5% in 2021, following an estimated contraction of 21.4% in 2020. It expected nominal GDP to decline from \$52bn in 2019 to \$21.8bn in 2021, constituting a decrease of 58%, the steepest decline among 193 countries. Also, it anticipated that all components of GDP, except for net exports, will negatively contribute to growth in 2021. It noted that the trade and services balance has been improving, driven by the tourism sector, as tourist arrivals surged by 101.2% in the first seven months of 2021.

It said that financial and monetary turbulence continues to drive the crisis in the country. It indicated that the exchange rate of the Lebanese pound to the US dollar on the parallel market depreciated by 211% to more than LBP22,000 per dollar in the first 11 months of 2021. It noted that the prevailing multiple exchange rates constitute a key distortion to official fiscal data on both the revenues and expenditures sides. It considered that the regressive inflationary pressures are disproportionately affecting the poor and the middle class.

In parallel, the World Bank expected public finances to improve in 2021, as it anticipated the decline in public spending to outweigh the decrease in public revenues. It projected revenues to decline from an already low 13.1% of GDP in 2020 to 6.6% in 2021, constituting the third lowest such ratio worldwide, ahead of only Somalia and Yemen. Also, it forecast public expenditures to fall by 9.4 percentage points to 7% of GDP in 2021, due in part to a favorable arrangement with Banque du Liban on domestic debt and to drastic cuts in primary spending, as well as to lower debt servicing costs from the government's Eurobond default in March 2020. As such, it projected the primary fiscal deficit to narrow from 0.8% of GDP in 2020 to 0.2% of GDP in 2021, and for the fiscal deficit to narrow from 3.3% of GDP in 2020 to 0.4% of GDP this year. In addition, it forecast the public debt level at 183% of GDP at the end of 2021 relative to 179% of GDP at end-2020. It indicated that the surge in inflation is rapidly eroding the real value of the domestic debt, but pointed out that the sharp depreciation of the exchange rate is making Lebanon's sovereign debt burden unsustainable.

Further, it anticipated that the wider trade deficit in the first quarter of 2021 will be offset by strong remittance inflows and tourist receipts, as well as by the lifting of foreign currency subsidies on imported goods that will limit import growth. As such, it projected the current account deficit to slightly widen from 9.3% of GDP in 2020 to 9.8% of GDP in 2021, and to remain significantly lower than the average annual historical trend 22.5% of GDP in the 2013-19 period.

Finally, the World Bank urged the Lebanese government to adopt and implement a credible, comprehensive, and equitable reforms plan in order to reverse the prevailing deterioration of socioeconomic conditions. As such, it urged authorities to implement a new monetary policy framework that would restore investor confidence and the stability of the exchange rate, ad to adopt a debt restructuring program that would result in short-term fiscal space and the medium-term sustainability of the public debt. It also called on authorities to implement a gradual and equitable fiscal adjustment that aims to regain confidence in fiscal policy, to adopt growth-enhancing reforms, and to step up social protection.



Lebanon ranks 154th globally, 14th among Arab countries on corruption perception index

Transparency International, a global anti-corruption advocacy association, ranked Lebanon in 154th place among 180 countries around the world and in 14th place among 19 Arab countries on its Corruption Perceptions Index for 2021. In comparison, Lebanon came in 149th place globally and in 14th place regionally on the 2020 index. Based on the same set of countries in the 2020 and 2021 surveys, Lebanon's rank deteriorated by five spots, while its regional rank was unchanged year-on-year. Lebanon ranked in the 14th percentile worldwide on the 2021 Index, which means that the perceived level of corruption in the country was lower than only 14% of the countries covered by the index.

The organization uses data sources from independent institutions specializing in governance and business climate analysis, in order to assess the perceived degree of corruption in the public sector of each country. The rankings are based on scores that range from zero to 100, with lower scores denoting a higher perception of corruption.

Globally, Lebanon is perceived to have the same level of corruption as the Central African Republic and Nigeria. It is also considered to be less corrupt than Cambodia, Honduras, Iraq and Zimbabwe, and is perceived as more corrupt than Guatemala, Guinea, Iran and Tajikistan.

Lebanon received a score of 24 points, constituting its lowest score since the organization changed its methodology for the index in 2012. In comparison, Lebanon posted a score of 28 points in the 2015, 2016, 2017, 2018 and 2019 surveys, and a score of 25 in the 2020 survey. Lebanon's score in 2021 came below the global average score of 43.3 points and the Arab region's average score of 36.4 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 53.7 points and the average score of non-GCC Arab countries of 28.4 points.

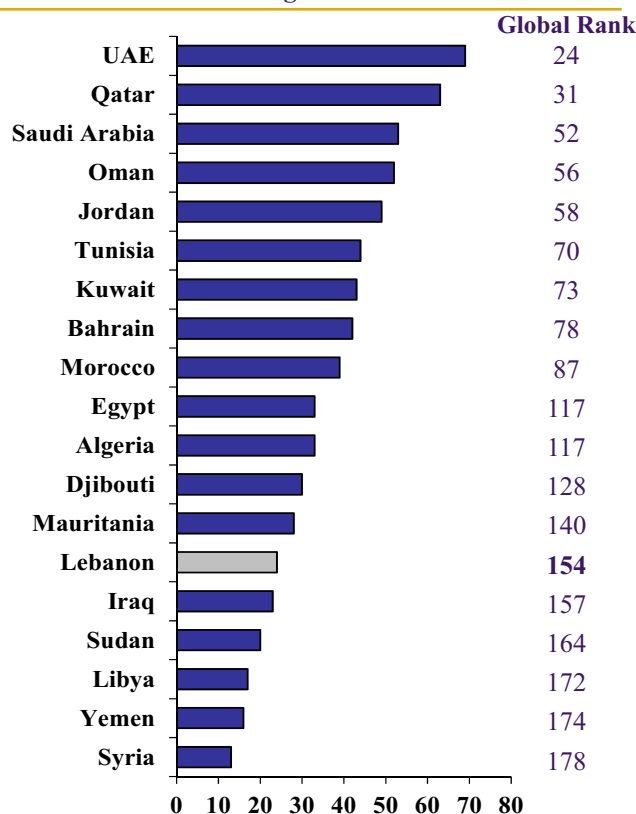
Lebanon was among 33 countries globally that received a score between 20 and 29 points, a category that Transparency International classified as the third worst among 10 categories globally in terms of corruption perception. Denmark, Finland and New Zealand were perceived as the least corrupt countries worldwide, while the survey found South Sudan to be the most corrupt country in the world.

Banque du Liban extends implementation of Circular 161

Banque du Liban (BdL) issued on January 26, 2022 Intermediate Circular 612 addressed to banks that extended until February 28, 2022 the clauses of Circular 161 dated December 16, 2021 about exceptional measures related to cash withdrawals from accounts at commercial banks in Lebanon. Circular 161 indicated that BdL will provide banks with cash US dollar banknotes instead of the supply of Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the 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. But the banks' quotas have been insufficient to meet the dollar amounts for the withdrawals of depositors, which prompted BdL to issue a follow up decision on January 11, 2022 that authorizes 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 dollar on BdL's Sayrafa electronic exchange platform. This is the second extension of Circular 161, as the latter was originally set to expire at the end of 2021, but BdL extended its clauses until the end of January and then until the end of February 2022, with the possibility of extending it further.

Corruption Perceptions Index 2021
Scores & Rankings of Arab States



Source: Transparency International, Byblos Research

Occupancy rate at Beirut hotels at 43%, room yields down 50% in first 11 months of 2021

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five stars hotels in Beirut was 42.5% in the first 11 months of 2021 relative to 24.4% in the same period of 2020, and compared to an average rate of 48.4% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the eighth highest in the region in the covered period, while it was the lowest in the first 11 months of 2020. Beirut's occupancy rates reached 29% in January, 17% in February, 34% in March, 35% in April, 50% in May, 54% in June, 76% in July, 59% in August, 45.4% in September, 35.3% in October, and 30.5% in November 2021. In comparison, they were 34% in January, 42% in February, 14% in March, 2% in April, 5% in May, 4% in June, 12% in July, 39% in August, 43.4% in September, 37% in October, and 25% in November 2020. The occupancy rate at hotels in Beirut increased by 19.1 percentage points in the first 11 months of 2021. In comparison, the average occupancy rate in Arab markets declined by 10.6 percentage points year-on-year.

Also, the average rate per room at Beirut hotels was \$40 in the first 11 months of 2021, decreasing by 72.3% from \$145 in the same period of 2020 and constituting the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$134.5 that decreased by \$0.5, or 0.4% from the first 11 months of 2020. The average rate per room at Beirut hotels reached \$73 in August, \$70 in September, \$68 in October, and \$62 in November 2021. In comparison, it was \$195 in August, \$158 in September, \$180 in October, and \$215 in November 2020.

Further, revenues per available room (RevPAR) amounted to \$17 at Beirut hotels in the covered period compared to \$34 in the first 11 months of 2020, and were the lowest in the region. EY indicated that it used the same methodology to calculate the REvPAR as it did for the average rate per room. Beirut's RevPAR regressed by 49.5% year-on-year and posted the steepest decrease regionally. The RevPAR at hotels in Beirut reached \$43 in August, \$32 in September, \$24 in October, and \$19 in November 2021. In comparison, they were \$76 in August, \$68 in September, \$67 in October, and \$54 in November 2020. Abu Dhabi had the highest hotel occupancy rate in the region at 77% in the first 11 months of 2021, while Dubai registered the highest average rate per room at \$254 and the highest RevPAR at \$159 in the covered period.

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

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP91,626bn or the equivalent of \$60.8bn, at the end of 2021, compared to LBP88,141bn or \$58.5bn at end-2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.55% in December 2021 compared to 6.52% in December 2020.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP34,622bn and accounted for 37.8% of aggregate securities denominated in Lebanese pounds at the end of 2021, followed by five-year Treasury securities with LBP21,841bn (23.8%), seven-year bonds with LBP20,840bn (22.7%), three-year Treasury bonds with LBP5,599bn (6%), 12-year Treasury securities with LBP3,076bn (3.4%), two-year Treasury bonds with LBP2,501bn (2.7%), 15-year Treasury securities with LBP1,417bn (1.5%), one-year Treasury bills with LBP1,293bn (1.4%), six-month T-bills with LBP286bn (0.3%), and three-month T-bills with LBP151bn (0.2%). As such, 65.4% of outstanding Treasury securities have seven-year maturities or longer and 89.3% have five-year maturities or more.

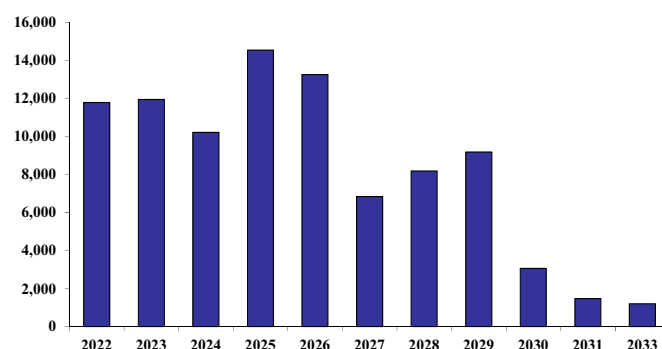
In parallel, LBP1,354bn in outstanding Treasury securities denominated in Lebanese pounds matured in December 2021, of which 81.2% were five-year Treasury bonds, 8.7% consisted of three-year Treasury bills, 5.9% were two-year Treasury bonds, 2.6% consisted of six-month Treasury securities, 1% were one-year Treasury bills, and 0.6% consisted of three-month T-bills. According to ABL, LBP11,779bn in outstanding Treasury bonds in Lebanese pounds will mature in 2022, and LBP11,939bn will come due in 2023.

Hotel Sector Performance in First 11 Months of 2021

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	77	55	3.4
Doha	74	72	21.4
Dubai	63	159	91.8
Ras Al Khaimah	58	97	24.3
Riyadh	57	77	9.4
Cairo-City	54	52	87.8
Jeddah	47	97	41.8
Beirut	43	17	(49.5)
Madina	40	42	46.4
Kuwait City	39	88	22.4
Manama	38	48	55.2
Muscat	32	25	(12.0)
Amman	31	42	40.7
Makkah	25	36	6.1

Source: EY, Byblos Research

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



*as at end-2021

Source: Association of Banks in Lebanon, Byblos Research

Number of registered real estate transactions up 34% in 2021

Figures released by the Ministry of Finance show that the ministry registered 110,094 real estate transactions in 2021, constituting an increase of 34% from 82,202 in 2020. In comparison, it registered 50,352 real estate transactions in 2019 and 60,714 real estate deals in 2018. The increase in the number of registered transactions in the covered period is due in part to the easing of the national lockdown measures that the government imposed to contain the spread of COVID-19, which led to the reopening of many public agencies and departments starting in March 2021 and to the resumption of the processing and official registration of real estate transactions. More specifically, the increase reflects the normalization of real estate activity in the 10-month period ending December 2021 following closures in the first two months of the year, as well as to the higher number of registered transactions relative to March, April and May 2020, when Lebanon witnessed the first round of coronavirus-related lockdown measures. Moreover, the ministry registered 16,440 real estate transactions in December 2021, constituting a surge of 53.5% from 10,708 in November 2021, and compared to 13,391 transactions in December 2020.

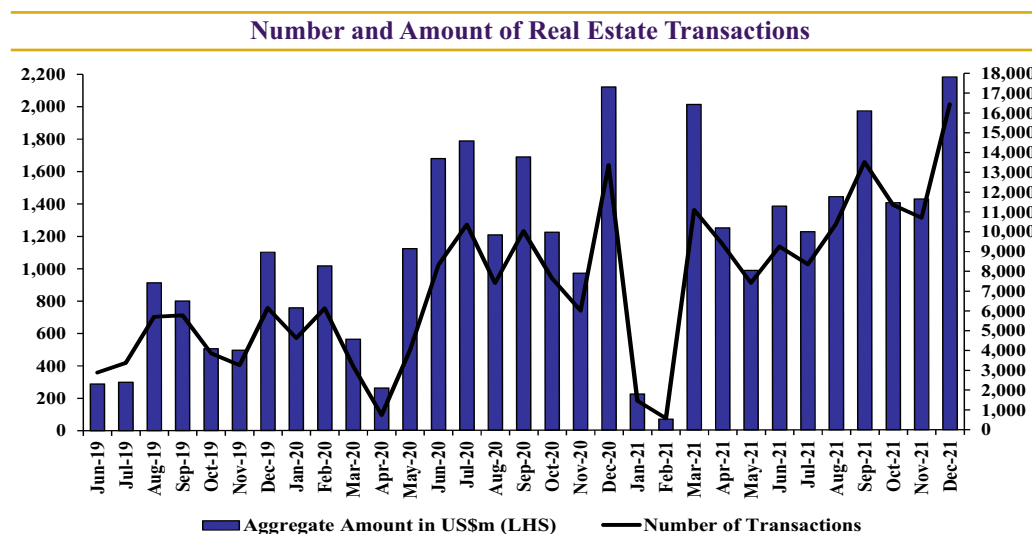
Further, the ministry registered 23,146 real estate transactions in the Baabda/Aley/Chouf region in 2021, representing 21% of the total. The North followed with 14,457 deals (13.1%), then the South governorate with 13,687 transactions (12.4%), the Keserwan/Jbeil area with 13,098 deals (12%), 10,978 deals (10%), the Bekaa/Baalbeck-Hermel region with 10,354 transactions (9.4%), and Beirut with 8,378 deals (7.6%).

The aggregate amount of registered real estate transactions reached LBP23,442.3bn, or \$15.55bn based on the official exchange rate of the US dollar, in 2021, and increased by 8.1% from LBP21,687.7bn (\$14.4bn) in 2020. In comparison, the amount of real estate deals surged by 110.4% in 2020 and decreased by 16% in 2019. Further, the value of registered real estate transactions in Beirut amounted to \$4.1bn and accounted for 26.4% of the total in 2021. The Baabda/Aley/Chouf area followed with \$2.7bn (17.4%), then the Northern Metn district with \$2.5bn (16.1%), the Keserwan/Jbeil area with \$2.06bn (13.3%), the South governorate with \$1.6bn (10.6%), the North with \$1.1bn (7.3%), the Bekaa/Baalbeck-Hermel region with \$605.7m (4%), and the Nabatieh governorate with \$549m (3.5%).

The amount of registered real estate transactions in the North rose by 49.3% in 2021, followed by deals in the South governorate (+39.6%), the Bekaa/Baalbeck-Hermel area (+34.5%), the Nabatieh governorate (+33%), the Keserwan/Jbeil region (+24.2%), and the Baabda/Aley/Chouf area (+7.7%). In contrast, the amount of registered real estate transactions in Beirut decreased by 14% in 2021 and those in the Northern Metn district regressed by 0.7%. In addition, the aggregate amount of real estate transactions reached \$2.18bn in December 2021, constituting a surge of 52.8% from \$1.43bn in November 2021 and compared to \$2.12bn in December 2020.

In parallel, the average amount per registered real estate transaction was LBP212.93m (\$141,247) in 2021, down by 19.3% from an average of LBP263.83m (\$175,015) in 2020. Further, there were 1,467 real estate transactions executed by foreigners in 2021, compared to 1,0257 deals in 2020 and to 993 transactions in 2019. The number of real estate deals by foreigners accounted for 1.3% of the registered real estate transactions in 2021, down from 1.5% in 2020 and from 2% in 2019.

Further, 25% of real estate transactions executed by foreigners in 2021 were in the Baabda/Aley/Chouf area, followed by the South governorate (20.3%), the Northern Metn district (14.4%), Beirut (14%), the Keserwan/Jbeil region (12%), the North (7.1%), the Bekaa/Baalbeck-Hermel region (5.5%), and the Nabatieh governorate (1.8%). The latest available figures show that American citizens accounted for 9.5% of the amount of real estate transactions executed by foreigners in November 2021, followed by Syrian nationals (8.7%), Saudi citizens (6%), Jordanian nationals (4.3%), and Iraqi citizens (3.5%).



Gross public debt at \$100bn at end-October 2021 at official exchange rate

Figures issued by the Ministry of Finance show that Lebanon's gross public debt reached \$99.8bn at the end of October 2021, constituting an increase of 4.4% from \$95.6bn at the end of 2020 and an expansion of 5% from \$95.06bn at the end of October 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 \$4.2bn in the first 10 months of 2021 relative to an increase of \$3.4bn in the same period of 2020. The size of the gross public debt would become \$42.6bn when the portion of the debt denominated in Lebanese pounds is converted to US dollars at the exchange rate of LBP 20,850 per dollar that prevailed on the parallel market at the end of October 2021. Conversely, the public debt becomes LBP888.2bn when the dollar-denominated debt is converted to Lebanese pounds at the same parallel market rate.

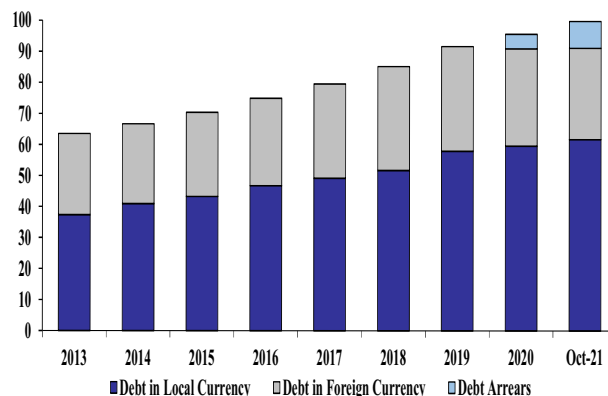
Debt denominated in Lebanese pounds totaled LBP92,951bn, or the equivalent of \$61.7bn, at the end of October 2021, and expanded by 3.6% in the first 10 months of 2021 and by 3.8% from a year earlier; while debt denominated in foreign currency stood at \$38.14bn and grew by 5.8% from end-2020 and by 7% from end-October 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. According to the Finance Ministry, about \$8.68bn of the debt stock denominated in foreign currency were in arrear as at end-October 2021.

Local currency debt accounted for 61.8% of the gross public debt at the end of October 2021 and foreign currency-denominated debt represented the balance of 38.2%, compared to 62.5% and 37.5%, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.56% in October 2021, while the weighted life of Treasury bills and bonds was 1,550 days. BdL held 38.2% of the public debt at end-October 2021, followed by commercial banks (15%), and non-bank resident financial institutions (8.7%); while other investors, including foreign investors, held 36.2% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2%.

BdL held 61.8% of the Lebanese pound-denominated public debt at the end of October 2021 compared to 60.8% a year earlier, while commercial banks accounted for 24.1% of the local debt relative to 26.4% at end-October 2020. Also, public agencies, financial institutions and the public held 14.2% of the local debt at the end of October 2021, compared to 12.8% a year earlier. Further, investors in Eurobonds and special T-bills in foreign currencies held 94.7% of the foreign currency-denominated debt at the end of October 2021, followed by multilateral institutions with 4%, and foreign governments with 1.4%.

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 \$87.7bn at the end of October 2021 and grew by 2.5% in the first 10 months of the year. Also, the latest available figures show that 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

Byblos Bank registers losses of LBP27bn in 2021

Byblos Bank sal declared unaudited net losses of LBP26.9bn (\$17.9m) in 2021 relative to audited net losses of LBP156.4bn (\$103.8m) in 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The Bank's net interest income reached LBP1,097.5bn in 2021 compared to LBP828.5bn in 2020, while revenues from net fees & commissions stood at LBP73.9bn last year relative to LBP127.8bn in 2020. Also, net operating income totaled LBP457bn (\$303m) in 2021 relative to LBP213.4bn (\$141.5m) in 2020. Further, the Bank's operating expenditures reached LBP317.2bn (\$210.4m) in 2021, nearly unchanged from 2020, with personnel cost accounting for 52.3% of the total.

Also, Byblos Bank's aggregate assets reached LBP25,986.5bn (\$17.2bn) at the end of 2021 and declined by 8.1% from LBP28,278bn (\$18.8bn) at end-2020. Net loans & advances to customers totaled LBP2,816bn (\$1.87bn) at the end of 2021 compared to LBP3,926.7bn (\$2.6bn) at end-2020, while net loans & advances to related parties reached LBP8.6bn (\$5.7m) relative to LBP11.3bn (\$7.5m) at end-2020. Further, customer deposits stood at LBP19,757.86bn (\$13.1bn) at end-2021, down by LBP2,261bn (\$1.5bn) or by 10.3% from LBP22,019bn (\$14.6bn) at end-2020. In parallel, the Bank's equity was LBP2,731.8bn (\$1.8bn) at the end of 2021, up by 16.2% from LBP2,351.2bn (\$1.6bn) at the end of 2020.

New car sales down 24% in 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 4,702 new passenger cars in 2021, constituting a decline of 23.6% from 6,152 vehicles sold in 2020 and a drop of 78.6% from 21,991 cars sold in 2019.

Individuals and institutional clients purchased and registered 61 new cars in January, one new vehicle in February, 512 automobiles in March, 373 new cars in April, 487 vehicles in May, 602 new automobiles in June, 387 cars in July, 255 new vehicles in August, 553 automobiles in September, 254 new cars in October, 613 vehicles in November, and 604 new automobiles in December 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 cars in June, 624 new vehicles in July, 186 automobiles in August, 338 new cars in September, 321 vehicles in October, 235 new automobiles in November, and 450 cars in December 2020. The association stopped releasing its monthly data on car sales by brand, distributor and source country since January 2020.

The AIA attributed the drop in the sales of new cars in 2021 to the deterioration of political, economic and financial conditions in the country, as well as to the fluctuations of the exchange rate of the US dollar on the parallel market and the dealers' difficulties in opening letters of credit for their imports. Further, it said 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. 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 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.

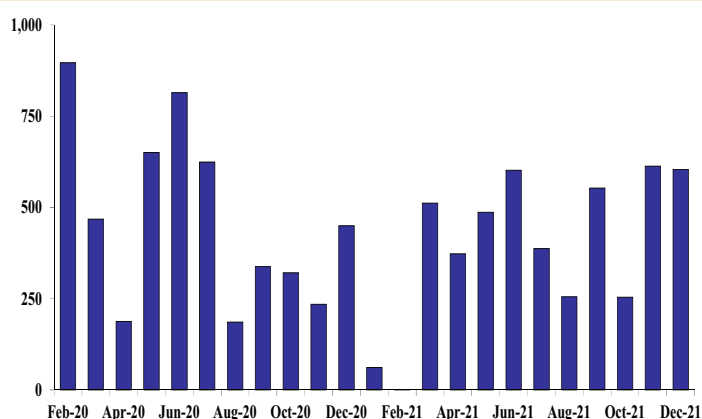
CMA withdraws license of Julius Baer following office closure

The Capital Markets Authority indicated that, in accordance with Capital Markets Law 161, it withdrew the license of Julius Baer (Lebanon) sal, the local affiliate of the Swiss private banking group Julius Baer, to operate as a financial intermediary in Lebanon effective December 16, 2021. The license withdrawal follows the bank's decision to close its offices in Beirut in September 2021. Julius Baer indicated that it took a strategic commercial decision, given the ongoing economic crisis affecting the country.

The Swiss bank said that the closure of its offices in Beirut will not have an impact on its local clients, as the bank will continue to serve them, manage their financial arrangements, and cover the Lebanese market from its headquarters in Zurich. Julius Baer is a leading Swiss private banking group, with total client assets of CHF486bn at the end of June 2021.

The latest figures issued by Banque du Liban show that there were 40 financial institutions operating in Lebanon at the end of June 2021 relative to 42 a year earlier. They had 69 branches at end-June 2021 compared to 71 branches at the end of June 2020.

Number of New Passenger Cars Sold



Source: Association of Automobile Importers

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



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