

LEBANON THIS WEEK

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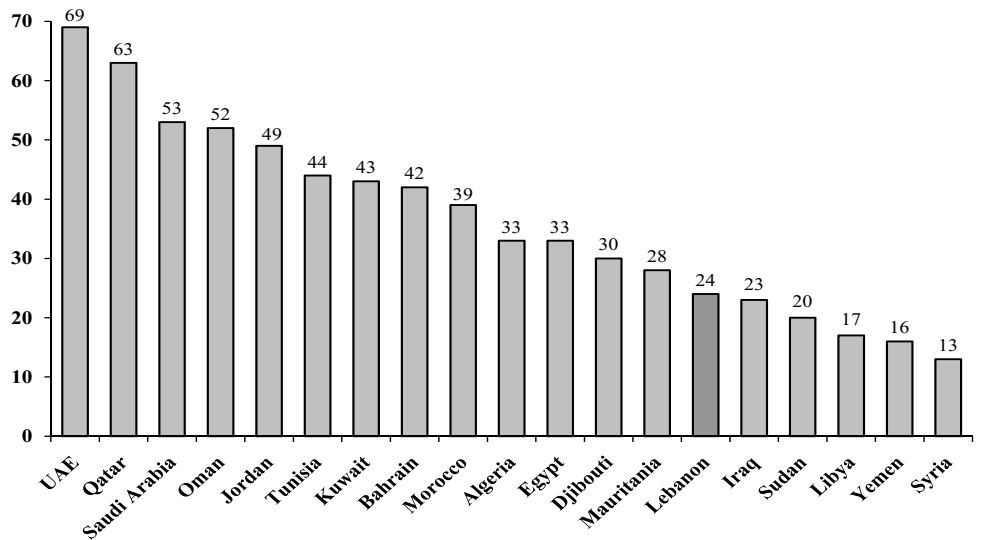
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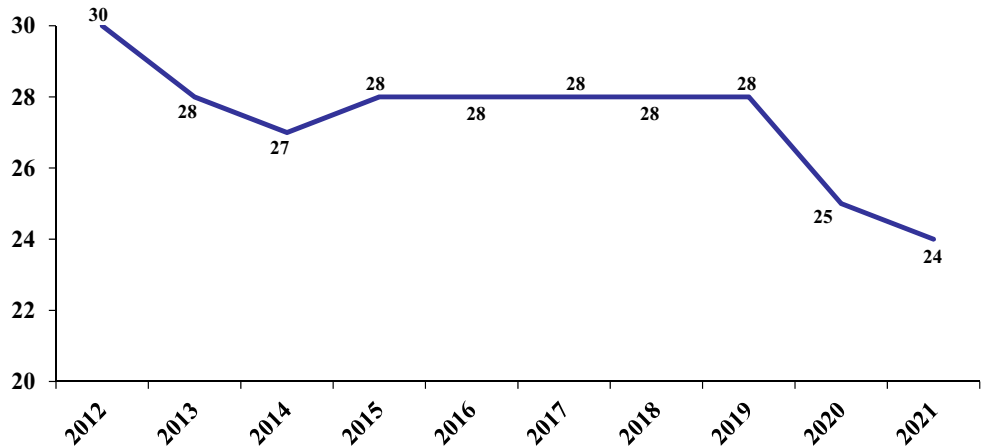
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Charts of the Week

Performance of Arab Countries on the Corruption Perceptions Index for 2021*



Performance of Lebanon on the Corruption Perceptions Index



*a lower score reflects a higher level of corruption
Source: Transparency International

Quote to Note

"They urged expeditious and effective decisions by the Government to initiate measures, including the swift adoption of an appropriate budget for 2022 that would enable the quick conclusion of an agreement with the International Monetary Fund."

The members of the United Nations' Security Council, on the need for Lebanese authorities to deliver reforms in order to receive international financial support

Number of the Week

2,102%: Percentage increase in the prices of clothing and footwear in Lebanon during the 2020-2021 period, 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 %
Byblos Common	0.84	2.4	343,003	4.7%	Oct 2022	6.10	10.5	975.98
Solidere "A"	30.57	0.1	33,560	30.4%	Jan 2023	6.00	10.5	454.93
Audi GDR	2.00	0.0	22,776	2.4%	Apr 2024	6.65	10.5	134.89
BLOM Listed	3.35	(1.5)	15,501	7.2%	Jun 2025	6.25	10.5	80.69
Solidere "B"	29.92	(0.5)	3,911	19.3%	Nov 2026	6.60	10.5	53.13
HOLCIM	22.00	15.8	1,200	4.3%	Feb 2030	6.65	10.5	30.13
Audi Listed	2.10	(4.5)	-	12.3%	Apr 2031	7.00	10.5	26.10
BLOM GDR	3.50	0.0	-	2.6%	May 2033	8.20	10.5	21.06
Byblos Pref. 08	34.99	0.0	-	0.7%	Nov 2035	7.05	10.5	17.13
Byblos Pref. 09	37.99	0.0	-	0.8%	Mar 2037	7.25	10.5	15.49

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

Source: Refinitiv

	Feb 7-11	Jan 31 - Feb 4	% Change	January 2022	January 2021	% Change
Total shares traded	419,951	190,638	120.3	729,260	170,734	327.1
Total value traded	\$1,552,943	\$3,209,235	(51.6)	\$14,095,694	\$2,373,929	493.8
Market capitalization	\$10.08bn	\$10.08bn	(0.06)	\$10.05bn	\$6.75bn	48.9

Source: Beirut Stock Exchange (BSE)



IMF identifies five pillars for structural reforms, calls on Lebanese authorities to secure broad based support for multi-year program

At the conclusion of the International Monetary Fund's (IMF) mission to Lebanon, the IMF declared that the unprecedented and complex nature of the Lebanese crisis requires a comprehensive economic and financial reforms program to stabilize the economy, to address deep-seated challenges, and to lay the ground for sustainable and strong growth. It considered that authorities need to secure broad based buy-in for the multi-year reforms program, so it can be implemented in a timely and decisive way. It stressed on the need for strong upfront measures to start turning the economy around and to rebuild confidence. It added that the IMF team and the Lebanese authorities made progress in agreeing on the necessary reform areas, but it noted the need for additional work in order to translate them into concrete policies.

The IMF stated that the economic reforms program has to include targeted and time-bound measures across five main pillars that consist of reforming state-owned enterprises, especially the energy sector, to improve service delivery without draining public funds; enhancing transparency and accountability by strengthening the governance, anti-corruption, and the anti-money laundering and combating the financing of terrorism frameworks; reforming public finances to ensure debt sustainability and to provide space for social spending and reconstruction; restructuring the financial sector to restore confidence and support the recovery; as well as establishing a credible monetary and exchange rate system.

In parallel, the IMF indicated that the government's budget for 2022 is an opportunity to address the challenging fiscal situation amid the prevailing financial constraints. It noted the importance of developing a medium-term fiscal strategy that allows the government to invest in critically-needed social spending to support the Lebanese people and that enables reconstruction efforts, while maintaining debt sustainability. Further, it considered that the authorities' plans to strengthen competition and start addressing the energy sector's problems are a promising start, but it stressed on the careful sequencing and strong implementation of these measures. Finally, it called on the authorities to tackle decisively the deep-seated corruption and to strengthen transparency in the public sector, including by accelerating the launch of the procurement commission and lifting or amending the banking secrecy law, in line with international best practices. It added that there is a clearer understanding of the size of the financial sector's losses and the need to address them transparently, while protecting small depositors.

Finally, the IMF team said that it will remain closely engaged and will continue the discussions with Lebanese authorities, in order to help them formulate a reform program that can address Lebanon's economic and financial challenges.

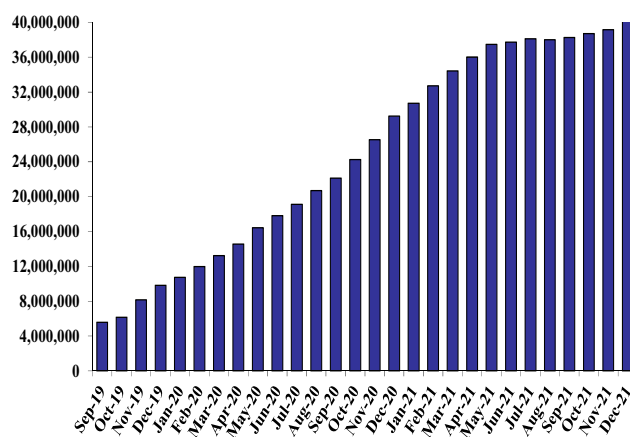
Broad money supply up 0.5% in 2021, currency in circulation up 42%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP57,938bn at the end of 2021, constituting an increase of 44.3% from LBP40,156bn at the end of 2020, relative to a surge of 141.6% in 2020. Currency in circulation stood at LBP41,515bn at the end of 2021 and expanded by 42% from LBP29,242bn at end-2020. Also, demand deposits in local currency stood at LBP16,423bn at the end of 2021, representing an increase of 50.5% from LBP10,914bn at end-2020. Money supply M1 grew by 7.2% in December from LBP54,029bn at the end of the previous month, with currency in circulation increasing by 6% and demand deposits in local currency expanding by 10.3% month-on-month. The increase in money supply, driven by the rise of currency in circulation, reflects mainly the migration of term deposits to demand deposits, as well as the shift to a cash-based economy.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP79,008bn at the end of 2021, constituting an increase of 17% from LBP67,510bn at the end of 2020, compared to a growth of 6.3% at end-2020. Term deposits in Lebanese pounds totaled LBP21,070bn at the end of 2021 and declined by 23% from LBP27,354bn at end-2020. Money supply M2 expanded by 4.6% from the previous month, with term deposits in local currency contracting by 2% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP201,080bn at the end of 2021, constituting a marginal increase of 0.5% from LBP200,052bn the end of 2020, relative to a decline of 1.4% in 2020. Deposits in foreign currency totaled LBP121,738bn at the end of 2021, down by 7.8% from LBP132,022bn at end-2020. Also, debt securities issued by the banking sector amounted LBP334.3bn at the end of 2021 compared to LBP519.2bn a year earlier. Money supply M3 increased by 1.3% from the preceding month, while debt securities issued by the banking sector contracted by 19.6% and deposits in foreign currency regressed by 0.6% month-on-month. In parallel, M3 expanded by LBP1,028bn in 2021 due to a surge of LBP25,202bn in other items, which was partly offset by a drop of LBP11,298.7bn in the claims of the private sector, a decline of LBP8,775.3bn in net claims on the public sector, and a downturn of LBP4,100.2bn in the net foreign assets of deposit-taking institutions.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

Cost of sending remittances from most sources increases in third quarter of 2021

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 4.56% in the third quarter of 2021, constituting an increase from 4.37% in the second quarter of 2021 and a decrease from 5.29% in the third quarter of 2020. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$21.85 in the third quarter of 2021, relative to \$22.33 in the preceding quarter and compared to \$26.45 in the third quarter of 2020. Lebanon was the 15th most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 7.25% in the third quarter of 2021 for a transfer of CAD500, representing increases from 6.43% in the second quarter of 2021 and from 6.54% in the third quarter of 2020. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD36.24 in the third quarter of 2021 relative to CAD32.13 in the previous quarter and to CAD32.7 in the third quarter of 2020. Lebanon was the second costliest destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.38% in the third quarter of 2021 for a transfer of AUD500, constituting a rise from 6.58% in the second quarter of 2021 and a decrease from 7.46% in the third quarter of 2020. The cost of sending AUD500 from Australia to Lebanon was AUD36.9 in the third quarter of 2021 relative to AUD32.91 in the preceding quarter and to AUD37.31 in the third quarter of 2020. Lebanon was the third most expensive destination for sending AUD500 from Australia among 16 countries with available data.

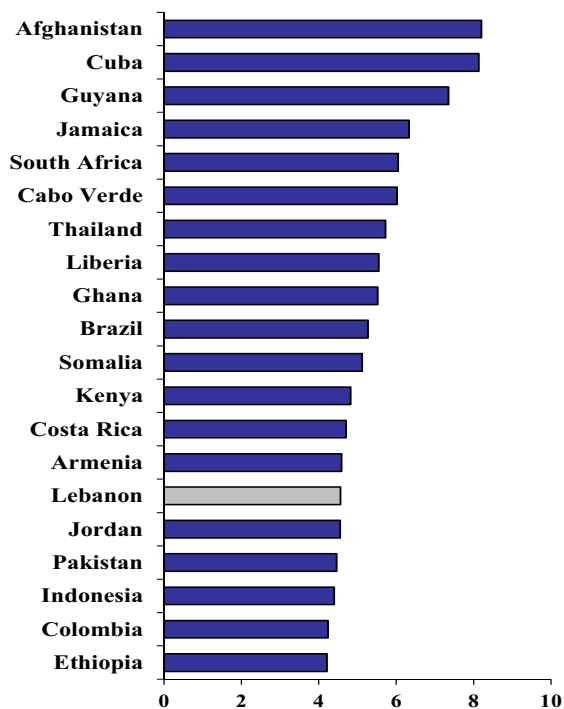
In addition, the cost of sending remittances from France to Lebanon was 7.18% in the third quarter of 2021 for a transfer of €345, representing an uptick from 7.05% in the second quarter of 2021 and a decrease from 8.14% in the third quarter of 2020. In nominal terms, the cost of sending €345 from France to Lebanon was €24.76 in the third quarter of 2021 relative to €24.32 in the previous quarter and to €28.08 in the third quarter of 2020. Lebanon was the fourth costliest destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 7.8% in the third quarter of 2021 for a transfer of £300, constituting a decrease from 8.7% in the second quarter of 2021 and an increase from 7.49% in the third quarter of 2020. In nominal terms, the cost of sending £300 from the UK to Lebanon was £23.4 in the third quarter of 2021 relative to £26.1 in the preceding quarter and to £22.46 in the third quarter of 2020. Lebanon was the third most expensive destination for sending £300 from the UK, among 32 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 4.89% in the third quarter of 2021 for a transfer of €345, representing declines from 5.55% in the second quarter of 2021 and from 6.91% in the second quarter of 2020. In nominal terms, the cost of sending €345 from Germany to Lebanon was €16.87 in the third quarter of 2021 relative to €19.14 in the previous quarter and to €23.83 in the third quarter of 2020. Lebanon was the fifth most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 3.16% in the third quarter of 2021 for a transfer of SAR1,870, equivalent to \$500, increasing from 2.47% in the second quarter of 2021 and from 2.50% in the third quarter of 2020. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR59.03 in the third quarter of 2021, relative to SAR46.19 in the preceding quarter and to SAR46.81 in the third quarter of 2020. Lebanon was the seventh most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations for Sending Remittances from the United States* (%)



*cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Payment cards at 2.61 million at end of 2021, ATMs total 1,724

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,609,012 cards at the end of 2021, constituting a decline of 224,689 cards (-8%) from the end of 2020 and a decrease of 427,744 cards (-14%) from end-2019.

Payment cards held by residents accounted for 97.2% of total cards issued in Lebanon at the end of 2021. The distribution of payment cards by type shows that debit cards with residents reached 1,689,214 and accounted for 64.7% of the total, followed by prepaid cards with residents at 566,004 (21.7%), credit cards with residents at 207,815 (8%), charge cards with residents at 71,996 (2.8%), debit cards held by non-residents at 60,719 (2.3%), credit cards with non-residents at 7,904 (0.3%), charge cards held by non-residents at 4,225 (0.2%), and prepaid cards with non-residents at 1,135 (0.04%).

The number of prepaid cards with residents increased by 29,172 cards (+5.4%) in 2021; while the number of debit cards with residents dropped by 90,499 cards (-5.1%); the number of credit cards with residents fell by 142,584 (-40.7%); the number of charge cards with residents dipped by 4,300 (-5.6%); the number of debit cards held by non-residents shrank by 9,478 cards (-13.5%); credit cards held with non-residents contracted by 5,907 cards (-42.8%); charge cards with non-residents decreased by 1,074 (-20.3%); and prepaid cards with non-residents regressed by 19 cards (-1.6%).

In parallel, the number of prepaid cards with residents rose by 46,952 cards (+9%) between the end of 2019 and the end of 2021, and by 116,105 cards (+25.8%) from the end of September 2019. In contrast, the number of resident debit cards dropped by 87,763 cards (-4.9%) in the 2020-2021 period, the number of credit cards with residents decreased by 325,535 (-61%), resident charge cards declined by 26,058 (-26.6%), non-resident debit cards contracted by 16,348 cards (-21.2%), credit cards with non-residents shrank by 14,837 (-65.2%), non-resident charge cards retreated by 3,774 (-47.2%), and prepaid cards with non-residents regressed by 381 (-25.1%). The decline in credit cards held by residents and non-residents in the covered period was due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 43,930 at the end of 2021, constituting a decrease of 1,793 (-4%) from 45,723 PoS at end-2020 and a drop of 4,544 (-9.4%) from 48,474 PoS at end-2019. There were 4.2 PoS per square kilometer (km²) in Lebanon at the end of 2021 compared to 4.37 PoS per km² at the end of 2020 and to 4.64 PoS per km² at the end of 2019.

In parallel, there were 1,724 automated teller machines (ATMs) across Lebanon at the end of 2021, constituting a decline of 150 ATMs from a year earlier and a decrease of 279 ATMs from the end of 2019. The Mount Lebanon area had 634 ATMs at end-2021, equivalent to 36.8% of the total, followed by the Greater Beirut area with 600 ATMs (34.8%), the North with 185 ATMs (10.7%), the Bekaa with 141 ATMs (8.2%), the South region with 132 ATMs (7.7%), and the Nabatieh area with 32 ATMs (1.9%). As such, there were 165 ATMs per 1,000 km² in Lebanon at the end of 2021 compared to 179 ATMs per 1000 km² at the end of 2020 and to 192 ATMs per 1000 km² at the end of 2019.

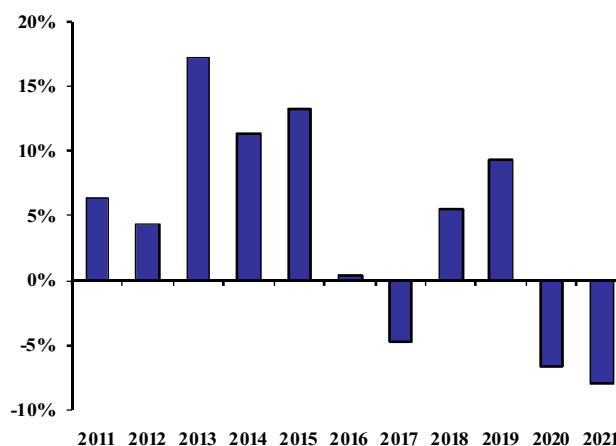
Treasury transfers to Electricité du Liban down 31% to \$277m in first five months of 2021

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled LBP418.22bn, or \$277.4m, in the first five months of 2021, constituting a decline of 31% from LBP607bn or from \$402.8m 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 \$277.2m in the first five months of 2021, or 99.9% of transfers; while EdL's debt servicing represented the balance of around \$0.19m, or 0.1% of the total.

The decline in transfers is mainly due to a decrease of \$124.3m 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. Reimbursements fell by 31% in the first five month of 2021, while debt servicing dropped by 84.7% from the same period last year.

Treasury transfers to EdL accounted for 7% of budgetary primary expenditures in the first five months of 2021 relative to 9% in the same period of 2020. They constituted the third largest expenditure item, or 5.9% of overall fiscal spending, after personnel cost with 54% and debt servicing with 15.5%. 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 1.3% of GDP in 2020.

Change in Number of Payment Cards (%)



Source: Banque du Liban, Byblos Research

ILO provides grant to CAS for labor market survey

The International Labor Organization (ILO) extended an in-kind grant of \$22,000 to the Central Administration of Statistics (CAS). The grant aims to help CAS conduct a survey to assess the impact of the economic and health crises on employment and the labor market in Lebanon. The in-kind grant consists of laptops, tablets, televisions, as well as office furniture. The CAS conducted the only official labor market survey in Lebanon between April 2018 and March 2019 based on a financial grant from the European Union, and did not update it since then.

The Labor Force and Households' Living Survey (LFHLCS) estimated the population of Lebanon at around 4.842 million people at the end of June 2018, excluding people living in non-residential units, such as army barracks, refugee camps and their adjacent neighborhoods, as well as informal settlements. It also said that 80% of residents are Lebanese while 20% are citizens with other nationalities. It indicated that the working age population in Lebanon, which consists of individuals who are 15 years or older, totaled 3,677,100 people, of which 52.6% were females and 47.4% were males. It said that the total labor force participation rate was 48.8%, or 1,794,000 persons, while 51.2%, or 1,883,100 individuals were outside the labor force. It added that the labor participation rate varied according to age and that there was a large difference between men (70.4%) and women (29.3%).

Further, it pointed out that 88.6% of the labor force is employed while the remaining 11.4% consists of unemployed individuals. It noted that the unemployment rate stood at 10% and 14.4% among males and females, respectively; while the highest unemployment rate was in the Minieh-Danniyeh caza at 17.8% and the lowest rate was in the Metn caza at 7.1%.

Also, the survey revealed that the unemployment rate among individuals between the ages of 15 and 24 was 23.3% at the time of the survey. It noted that the youth unemployment rate varied between 18% for persons with elementary education and 35.7% for university graduates, as young people with university degrees are relatively less in demand by employers. The survey stipulated that potential reasons for youth unemployment could be that youngsters prefer to wait for a suitable employment rather than accept a job that they consider inadequate or low paying, or the existing mismatches between the skill requirements of jobs in the market and the qualifications of the young jobseekers.

In parallel, the LFHLCS noted that the agriculture and industrial sectors account for 4% and 20%, respectively of total employment, while the services sector represented 76% of jobs in Lebanon. It indicated that 873,800 persons were informally employed, or 55% of total employment, with 559,400 persons in the informal sector and 314,800 individuals informally employed in the formal sector. The survey defined informal employment as all employees who do not benefit from social security coverage, or who do not have a paid annual leave or paid sick leave.

In addition, the study indicated that non-Lebanese workers represented 21.3% of the total labor force that was living in residential dwellings at the time of the survey. Also, it pointed out that the labor force participation rate of non-Lebanese residents was 60.8% compared to the labor force participation rate of 46.3% among Lebanese residents, while the unemployment rate of non-Lebanese residents stood at 8.7% relative to the unemployment rate of 12.1% among Lebanese residents.

Parliament amends law about cancelation of bearer shares and "shares to order"

The Lebanese Parliament enacted on January 5, 2022 Law 260 that amends the text of Law 75 about the cancellation of bearer shares and "shares to order". The new law prohibits joint-stock companies, including financial institutions and brokerage firms, from issuing bearer shares or "shares to order" once the law comes into force. Also, the law stipulates that firms whose share structure includes bearer shares or "shares to order" must replace, within a period of three years from the date of the publication of the law in the Official Gazette, their bearer shares or "shares to order" with nominal shares if the bearer shares or "shares to order" in question were issued before the enactment of Law 260. It added that companies must amend the structure of their capital based on the provisions of Law 260 within three years of the law's publication date. The law was published in the Official Gazette on January 13, 2022.

The Cabinet issued on October 27, 2017 Law 75 that cancels bearer shares and "shares to order" from the capital of all joint-stock companies in Lebanon. The law was ratified by Parliament on October 19, 2016 and came after Banque du Liban issued Intermediate Circular 411 on February 29, 2016, which prohibited banks, financial institutions, money dealers and leasing companies in Lebanon from dealing with entities that have bearer shares in their capital.

Law 75 prohibits joint-stock companies from issuing bearer shares and "shares to order", and gave firms 12 months from November 2016 to replace such shares with registered ones. It added that joint-stock companies that issue bearer shares and "shares to order" have to amend their internal statutes prior to the first general assembly that follows the implementation of the law.

Further, the law prohibits holders of bearer shares and "shares to order" from exercising their full rights as shareholders and from being appointed to the board of directors, in case they did not exchange their shares with registered ones. Also, it indicated that companies that distribute dividends to holders of bearer shares and "shares to order" will be subject to a fine equivalent to 20% of their capital for each transaction. It added that votes at general assemblies would be illegal in case owners of bearer shares and "shares to order" participate in the meeting. The law pointed out that the ownership of the bearer shares and "shares to order" will be transferred to the Lebanese State in case the shares were not exchanged with registered shares within two years of the law going into effect.

Lebanon ranks 111th globally, sixth among Arab countries on democracy index

The Economist Intelligence Unit's (EIU) Democracy Index for 2021 ranked Lebanon in 111th place among 167 countries worldwide and in sixth place among 20 Arab countries. In comparison, Lebanon came in 108th place globally and in third place regionally on the 2020 index. Based on the same set of countries in the 2020 and 2021 surveys, Lebanon's global and Arab ranks dropped by three notches each from the 2020 survey.

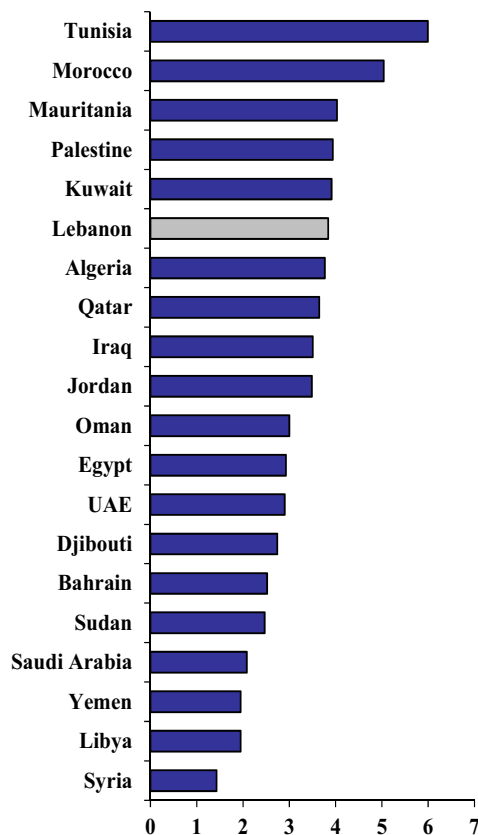
The index measures 60 indicators that are grouped in five categories that are the Electoral Process & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The survey rates each category on a scale from zero to 10, and calculates the index score for each country as the simple average of the five categories. The survey also placed countries in four categories of political freedoms that are Full Democracies, Flawed Democracies, Hybrid Regimes, and Authoritarian Regimes.

Globally, the survey considered that Lebanon has the same level of democracy as Burkina Faso, has a more democratic system than Algeria, Qatar and the Kyrgyz Republic, and is less democratic than Mauritania, Palestine and Kuwait. Lebanon received a score of 3.84 points in the 2021 survey compared to 4.16 points on the 2020 index, constituting its lowest score since the 2006 survey when the EIU started to issue the index. Lebanon posted its highest score on record in the 2006 and 2010 surveys, with a score of 5.82 points in each of those years. Lebanon's score in the 2021 survey was lower than the global average score of 5.28 points, but it was higher than the Arab region's score of 3.26 points, the Gulf Cooperation Council (GCC) countries' average score of 3.01 points and the non-GCC Arab countries' average of 3.36 points.

Further, Lebanon's score decreased by 25% on the Political Culture and by 24% on the Functioning of Government, while it was unchanged on the remaining three indicators from the 2020 survey. Lebanon, along with 16 Arab countries, came in the "Authoritarian Regimes" category, while Tunisia, Morocco and Mauritania were classified as having "Hybrid Regimes". The "Authoritarian Regimes" category includes 59 countries that represent 37% of the world's population.

The EIU claimed that protest movements in Lebanon have failed to make meaningful democratic change. It attributed the deterioration in the country's score in 2021 to the worsening perceptions of democracy and rising popular support for military rule. It said that the power of interest groups that are linked to Lebanon's sectarian political system continued to grow in 2021.

**EIU Democracy Index for 2020
Arab Countries' Scores & Rankings**



Source: Economist Intelligence Unit, Byblos Research

Components of the 2021 Democracy Index for Lebanon

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Process & Pluralism	110	6	3.5	5.63	2.05
Functioning of Government	149	15	1.14	4.64	2.46
Political Participation	55	3	6.67	5.39	4.42
Political Culture	127	16	3.75	5.38	4.60
Civil Liberties	109	4	4.12	3.37	2.76

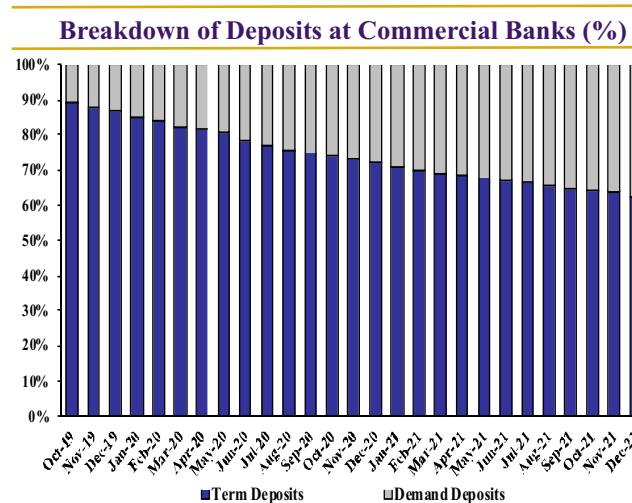
Source: Economist Intelligence Unit, Byblos Research

Term deposits account for 63% of customer deposits at end-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 \$139.4bn at the end of 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 \$129.5bn, as well as public sector deposits that stood at \$5bn and deposits of non-resident financial institutions that amounted to \$4.9bn at the end of 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar.

Term deposits in all currencies totaled \$87.1bn at the end of 2021 and declined by \$22.13bn, or by 20.3%, from \$109.2bn at end-2020; while they accounted for 62.5% of total deposits in Lebanese pounds and in foreign currency at the end of 2021 relative to a share of 72.2% a year earlier.



The decline in term deposits is due to a drop of 28.5% in the term deposits of the non-resident financial sector, a decrease of 23% in the term deposits in Lebanese pounds of the resident private sector, a contraction of 20.6% in the term deposits in Lebanese pounds of the public sector, a decline of 19.5% in the foreign currency-denominated term deposits of the resident private sector, and a retreat of 19% in the term deposits of non-residents. This was partly offset by an increase of 5.8% 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 \$79.4bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$49.3bn and accounted for 35.4% of aggregate deposits at the end of 2021. Term deposits of non-residents followed with \$16.7bn (12%), then term deposits in Lebanese pounds of the resident private sector with \$13.7bn (9.8%), term deposits of the non-resident financial sector with \$3.4bn (2.5%), term deposits of the public sector in Lebanese pounds with \$3.3bn (2.4%), and term deposits of the public sector in foreign currency with \$704.1m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$52.3bn at the end of 2021 and increased by \$10.3bn, or by 24.4%, from \$42bn at end-2020. They accounted for 37.5% of total deposits at end-2021 relative to a share of 27.8% a year earlier. The increase in demand deposits was mainly due to a rise of \$5.5bn in foreign currency-denominated demand deposits of the resident private sector, an expansion of \$3.7bn in demand deposits in Lebanese pounds of the resident private sector, and an upturn of \$1.11bn in demand deposits of non-residents.

Demand deposits in foreign currency of the resident private sector totaled \$31bn and represented 22.3% of deposits at end-2021. Demand deposits in Lebanese pounds of the resident private sector followed with \$10.94bn (8%), then demand deposits of non-residents with \$7.85bn (5.6%), demand deposits of the non-resident financial sector with \$1.46bn (1%), demand deposits in Lebanese pounds of the public sector with \$742.7m (0.5%), and demand deposits in foreign currency of the public sector with \$249m (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.

Balance sheet of financial institutions down 3% in 2021

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP1,721.6bn, or \$1.14bn at the end of 2021, constituting a decrease of 2.6% from LBP1,767.5bn (\$1.17bn) at the end of 2020, and relative to a decline of 15.2% in 2020. The figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers amounted to LBP708.5bn (\$470m) at the end of 2021 and declined by 2% from a year earlier, while claims on non-resident customers stood at LBP19.4bn (\$12.8m) at end-2021 and regressed by 1.5% from the end of 2020. In addition, claims on the resident financial sector reached LBP454.7bn (\$301.6m) at end-2021, down by 7% from end-2020; while claims on the non-resident financial sector totaled LBP48.6bn (\$32.2m) at the end of 2021 and expanded by 25.4% during the year. Also, claims on the public sector stood at LBP12.8bn (\$8.5m) at end-2021, constituting a surge of 87% from the end of 2020; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP103.6bn (\$68.7m) at end-2021 and declined by 6.7% from a year earlier. In parallel, currency and deposits with local and foreign central banks reached LBP110.4bn (\$73.2m) at the end of 2021 and increased by 14% from end-2020.

On the liabilities side, deposits of resident customers stood at LBP298.8bn (\$198.2m) at the end of 2021, constituting a rise of 28% during 2021; while deposits of non-resident customers reached LBP12.9bn (\$8.5m) at the end of 2021 and climbed by 65.2% from a year earlier. Liabilities to the resident financial sector amounted to LBP177bn (\$117.4m) at end-2021 and declined by 25.3% during the year, while liabilities to the non-resident financial sector decreased by 18.6% from a year earlier to LBP95.9bn (\$63.6m). Also, public sector deposits grew by 8.7% in 2021 to LBP8.6bn (\$5.7m), while issued debt securities totaled LBP125bn (\$83m) at the end of 2021 and declined by 9% from end-2020. Further, the aggregate capital account of financial institutions was LBP674.5bn (\$447.4m) at the end of 2021 and regressed by 3.5% from a year earlier.

Import activity of top five shipping firms and freight forwarders up 18% in first 11 months of 2021

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port reached 167,193 20-foot equivalent units (TEUs) in the first 11 months of 2021, constituting an increase of 18.3% from 141,276 TEUs in the same period of 2020. The five shipping and freight forwarding firms accounted for 82.8% of imports to the Lebanese market in the first 11 months of 2021. Merit Shipping handled 52,838 TEUs in the covered period, equivalent to 19% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 44,533 TEUs (16%), then MAERSK with 35,536 TEUs (12.8%), Gezairi Transport with 19,069 TEUs (6.9%), and Lotus Shipping with 15,217 TEUs (5.5%). The five shipping and freight forwarding firms registered increases in import shipping in the covered period, with Lotus Shipping posting a growth of 64.3%, the highest among the top five companies. The import shipping operations of the top five firms through the port increased by 23.8% in November 2021 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 67,459 TEUs in the first 11 months of 2021, constituting an increase of 5.6% from 63,856 TEUs in the same period of 2020. The five shipping companies and freight forwarders accounted for 90% of exported Lebanese cargo in the first 11 months of 2021. Merit Shipping handled 44,282 TEUs of freight in the covered period, equivalent to 59% of the Lebanese cargo export market. MAERSK followed with 10,894 TEUs (14.5%), then Sealine Group with 4,731 TEUs (6.3%), MSC with 4,225 TEUs (5.6%), and Tourism & Shipping with 3,327 TEUs (4.4%). Merit Shipping registered a rise of 23.4% in exports in the first 11 months of 2021, the highest growth rate among the top five shipping and freight forwarding companies, while Tourism & Shipping posted a drop of 30.6%, the steepest decline among the five firms. The export-shipping operations of the top five companies increased by 18.3% in November 2021 from the previous month.

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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