

LEBANON THIS WEEK

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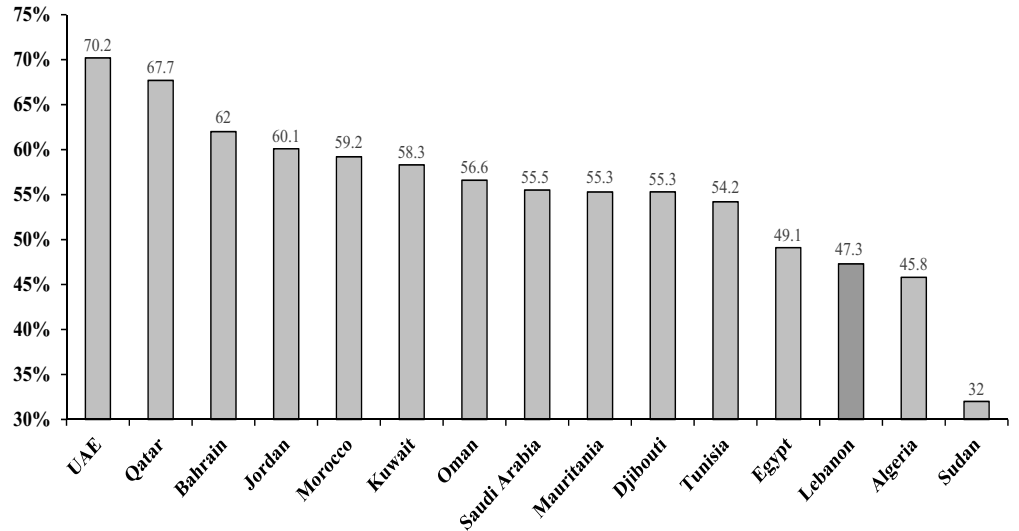
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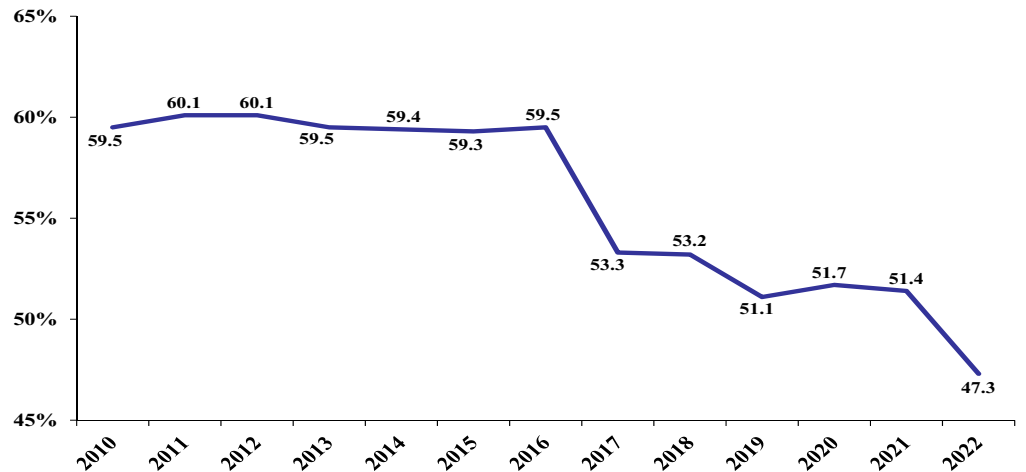
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Charts of the Week

Performance of Arab Countries on the Index of Economic Freedom for 2022



Performance of Lebanon on the Index of Economic Freedom



Source: Heritage Foundation 2022, Byblos Bank

Quote to Note

"The complex nature of the Lebanese crisis requires a comprehensive economic and financial reform program to stabilize the economy, address deep-seated challenges, and lay the ground for sustainable and strong growth."

The International Monetary Fund, on the plan that Lebanese authorities have to develop

Number of the Week

40%: The level of technical and non-technical network losses at the state-owned Électricité du Liban in 2021, according to the Ministry of Energy & Water

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%	283	-	-
Imports**	11,310	2,931	3,329	13.6%	1,006	-	-
Trade Balance**	(7,766)	(2,017)	(2,630)	30.4%	(723)	-	-
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	100.40	5.1
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	0.81	(2.4)	109,633	4.7%	Oct 2022	6.10	11.0	1091.58
Solidere "A"	30.25	0.0	40,805	30.8%	Jan 2023	6.00	11.0	476.59
BLOM GDR	3.31	(5.4)	15,450	2.5%	Apr 2024	6.65	11.0	134.83
Audi Listed	1.89	(10.0)	13,843	11.3%	Jun 2025	6.25	11.0	79.98
Solidere "B"	30.17	0.0	8,653	20.0%	Nov 2026	6.60	11.0	52.45
Audi GDR	1.90	1.6	1,517	2.3%	Feb 2030	6.65	11.0	29.64
HOLCIM	19.00	0.0	-	3.8%	Apr 2031	7.00	11.0	25.66
BLOM Listed	3.30	0.0	-	7.2%	May 2033	8.20	11.0	20.69
Byblos Pref. 08	34.99	0.0	-	0.7%	Nov 2035	7.05	11.0	16.82
Byblos Pref. 09	37.99	0.0	-	0.8%	Mar 2037	7.25	11.0	15.21

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

Source: Refinitiv

	Feb 21-25	Feb 15-18	% Change	January 2022	January 2021	% Change
Total shares traded	197,901	222,354	(11)	729,260	170,734	327.1
Total value traded	\$1,720,710	\$3,669,058	(53.1)	\$14,095,694	\$2,373,929	493.8
Market capitalization	\$9.82bn	\$9.96bn	(1.45)	\$10.05bn	\$6.75bn	48.9

Source: Beirut Stock Exchange (BSE)



Addressing structural challenges requires strong political will

In its annual review of Lebanon's sovereign credit ratings, S&P Global Ratings projected the Lebanese economy to grow by 1% in 2022, mainly reflecting favorable base effects, as the country has been in a severe recession in the past four years, and forecast real GDP growth to average 1.4% annually in the 2023-25 period. It expected the formation of the new government to improve investor sentiment, but anticipated the government to face challenges in trying to implement structural reforms, to begin the country's economic recovery, and to start negotiations with Eurobond holders on the debt restructuring process. It considered that addressing Lebanon's structural challenges requires strong political will and a shared vision across the political spectrum, but expressed doubts about the willingness of political parties to develop a common vision. It added that weak governance and low institutional effectiveness underpin Lebanon's sustained economic crisis.

The agency indicated that Lebanese authorities made progress on talks with the International Monetary Fund (IMF) in February 2022 to agree on the necessary reforms to address the crisis. It considered that financial support from multilateral organizations and bilateral partners will be crucial to the success of any reform plan, but that the disbursement of donor funds will be contingent on the implementation of policy reforms. It expected authorities to reach an agreement on a reform plan and debt restructuring process after the May 2022 parliamentary elections at the earliest.

S&P said that the government decided in March 2020 to stop paying its foreign obligations and to service its commercial foreign currency debt on about \$31bn in Eurobonds. It added that authorities did not make any progress since then on negotiating the debt's restructuring with investors or on obtaining funding support from official lenders, such as the IMF, due to the absence of a government, as well as to disagreements between key political institutions on the causes and scope of the country's crisis and the path to the debt restructuring. It stated that the debt restructuring process has to be accompanied by the authorities' strong commitment to implement structural economic, fiscal and monetary reforms, and by a policy anchor provided by an IMF program. It considered that restructuring the public debt will have significant repercussions on the financial system, given that Banque du Liban (BdL) and domestic banks hold the majority of the debt. It indicated that the sharp depreciation of the exchange rate of Lebanese pound has weighed on the public debt level, as it has increased the value of the foreign currency-denominated debt when converted to Lebanese pounds. It expected public finances to become sustainable in case of substantial adjustment policies and debt write-offs.

Further, it pointed out that the official peg of the Lebanese pound to the US dollar no longer reflects the economic realities in the country, given the multiple exchange rates in the country, in addition to the emergence of a parallel market rate. It added that BdL launched the Sayrafa electronic platform with the intention to unify the exchange rates, increase transparency, and allow BdL to intervene in the currency market when necessary. It expected that authorities will implement a more flexible exchange rate regime, along with a broader economic reform and debt restructuring program. It estimated that the exchange rate will stabilize over the forecast period at about LBP18,000 to the US dollar, but noted the significant uncertainties around the exchange rate trajectory.

Further, the agency expected the current account to narrow mainly due to import compression as a result of foreign currency shortages, to weaker domestic demand, and to resilient net remittance inflows. However, it anticipated the sustained drain on foreign currency reserves at BdL, and declining current account receipts, to keep Lebanon's external position under pressure.

In parallel, S&P indicated that its long-term foreign currency sovereign issuer credit of 'Selected Default' (SD) on Lebanon reflects the Lebanese government's decision to default on its foreign currency debt obligations in March 2020. It said that it would upgrade the rating following the completion of the debt restructuring, and that the new rating would reflect Lebanon's post-restructuring creditworthiness, and will take into consideration the resulting debt level and macroeconomic policy prospects. It added that its post-restructuring ratings tend to be in the 'CCC' or low 'B' categories, depending on the sovereign's new debt structure and capacity to service its debt.

Also, it said that it has long- and short-term local currency sovereign issuer credit ratings of 'CC' and 'C', respectively, on Lebanon with a negative outlook on the long-term rating. It said that the 'negative' outlook points to the agency's expectations that the government will likely restructure its local currency debt. It said that it could revise the outlook to 'stable' or upgrade the local currency ratings if it perceives that the likelihood of a distressed exchange of Lebanon's local currency commercial debt has decreased. It added that it could upgrade the ratings if Lebanon receives significant donor funding support, which would allow the government to implement immediate and transformative reforms, or if meaningful reforms lead to strong economic growth. Also, it noted that it could downgrade the rating to 'SD' if the government signals that it will restructure debt denominated in Lebanese pounds in addition to the restructuring of its Eurobonds.

Lebanon ranks 35th in emerging markets, 10th in Arab world in terms of logistics infrastructure

Transport Intelligence, a research firm for the logistics industry, ranked Lebanon in 35th place among 50 emerging markets (EMs) and in 10th place among 13 Arab countries on its Agility Emerging Markets Logistics Index for 2022. The results of this year's survey are not comparable with the findings of last year's index due to changes in the methodology to produce the index.

The index compares a country's prevailing operational environment to its current logistics opportunities and potential. The index is an average of four equally weighted sub-indices that are Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals, and Digital Readiness. A country's score ranges between zero and 10, with a higher score reflecting a better performance on the index.

Lebanon has a more developed logistics infrastructure than Tunisia, Algeria and Ecuador, and a less developed logistics environment than Ghana, Sri Lanka, and Nigeria among EM countries. Lebanon received a score of 4.53 points on the 2022 index, lower than the EM average score of 4.97 points and the Arab average score of 5.08 points. It is also lower than the Gulf Cooperation Council (GCC) countries' average score of 5.79 points, but is higher than the non-GCC Arab countries' average score of 4.48 points.

Lebanon ranked ahead of Peru, South Africa and Colombia, and came behind Algeria, Ukraine and Uruguay among EMs on the Domestic Logistics Opportunities Sub-Index. This category measures the size and growth of a country's economy, population and logistics markets, as well as income equality, urbanization levels, and the development of business clusters in the country. Lebanon ranked ahead of only Morocco, Tunisia and Libya among Arab countries.

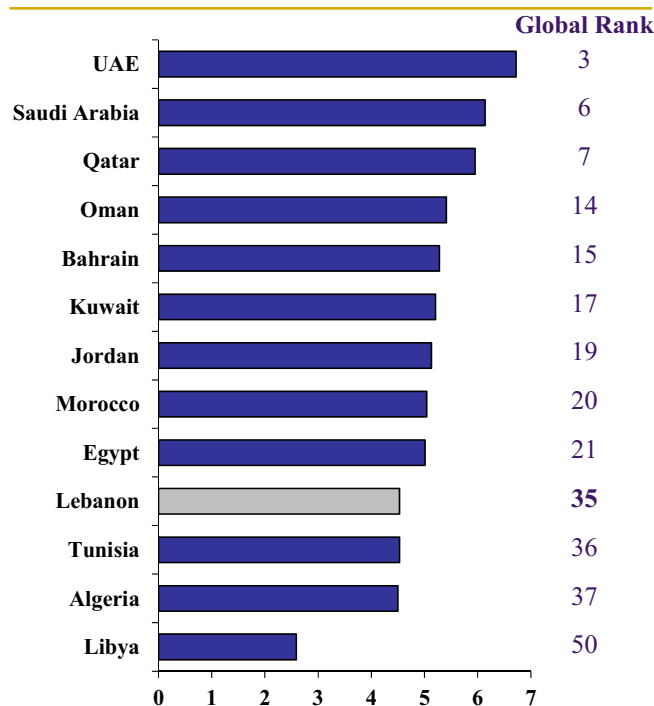
In addition, Lebanon preceded Pakistan, Kuwait and Tunisia, and trailed Ecuador, Argentina and Kenya among EMs on the International Logistics Opportunities Sub-Index. This category assesses the internal and external demand for a country's trade-related logistics services and the capacity of individual markets to facilitate cross-border logistics operations. It also measures the connectedness of a country's infrastructure, as well as the time needed and the cost for border procedures. Lebanon came ahead of only Kuwait, Tunisia, Algeria and Libya regionally.

Further, Lebanon ranked ahead of Brazil, Argentina and Uganda, and lagged behind Iran, Paraguay and Cambodia among EMs on the Business Fundamentals Sub-Index. This category assesses a country's credit and debt dynamics, contract enforcement and anti-corruption frameworks, inflation and price stability, the cost of crime and violence, as well as a country's market accessibility and domestic stability. Lebanon ranked ahead of only Libya among Arab economies.

Also, Lebanon preceded Tanzania, Uganda and Tunisia, and trailed Paraguay, Morocco and Cambodia among EMs on the Digital Readiness Sub-Index. This category measures the potential and progress of a country to become a digitally-led, skills rich, innovation-oriented and sustainable economy for the future. It assesses the entrepreneurial risk, as well as the availability of enterprise financing. Lebanon came ahead of only Tunisia, Algeria and Libya regionally.

In parallel, Transport Intelligence's survey of 756 professionals in the logistics industry shows that Lebanon has the fifth lowest potential among emerging economies to become a logistics hub. It conducted the survey between August and November 2021.

**Agility Emerging Markets Logistics Index for 2022
Scores & Rankings of Arab Countries**



Source: Transport Intelligence, Byblos Research

Components of the 2022 Agility Emerging Markets Logistics Index

	EM Rank	Arab Rank	Lebanon Score	EM Average Score	Arab Average Score
Domestic Logistics Opportunities	29	10	4.76	5.00	4.99
International Logistics Opportunities	30	9	4.60	4.95	4.63
Business Fundamentals	38	12	4.13	4.93	6.14
Digital Readiness	38	10	4.33	5.00	5.18

Source: Transport Intelligence, Byblos Research

Banque du Liban extends implementation of Circular 161 for one additional month

Banque du Liban (BdL) issued on February 23, 2022 Intermediate Circular 615 addressed to banks that extends until March 31, 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 for 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 third 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 further extensions.

International contributions to Lebanon Crisis Response Plan at \$1.2bn in 2021

The United Nations indicated that international contributions to the Lebanon Crisis Response Plan (LCRP) reached \$1.2m in 2021 and represented 43% of the \$2.75bn that the LCPR appealed for to assist the affected Lebanese and non-Lebanese individuals in the country during the year. It added that international contributions reached \$288m in the first quarter, \$216m in the second quarter, \$302m in the third quarter, and of \$380m in the fourth quarter of 2021.

It also noted that it carried over \$345m from funding it received in 2020, which is equivalent to 13% of the total appealed funds for 2021. As such, it said that international contributions covered 56% of the funds appealed, resulting in a funding gap of \$1.2bn, or 44% in 2021. The Lebanon Crisis Response Plan 2017-2021 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country.

The UN pointed out that financial disbursements for food security reached \$272.6m in 2021, or 17.8% of the total, followed by outlays for the education sector with \$262.3m (17.1%), basic assistance with \$207m (13.5%), support to the healthcare sector with \$198.4m (13%), funds to the water sector with \$168.4m (11%), social protection with \$109.4m (7.1%), livelihoods with \$105.5m (6.9%), social stability with \$87.8m (5.7%), child protection with \$45.5m (3%), shelter with \$35.2m (2.3%), sexual and gender-based violence with \$26.5m (1.7%), and the energy sector with \$0.88m (0.1%).

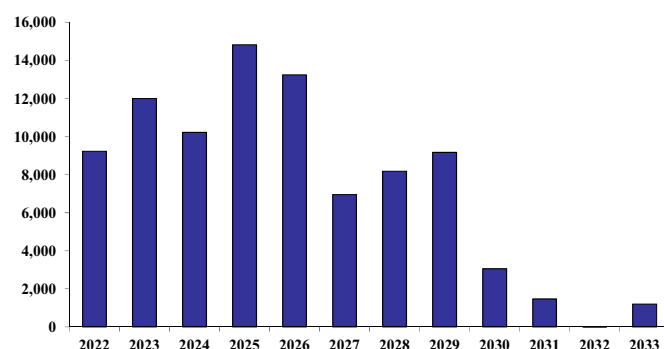
Nearly 67% of Treasury securities in Lebanese pounds have seven-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP89,577bn or the equivalent of \$59.42bn, at the end of January 2022, compared to LBP88,341bn or \$58.6bn at end of January 2021. 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 6.58% in January 2022 compared to 6.52% in January 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP34,623bn and accounted for 38.7% of aggregate securities denominated in Lebanese pounds at the end of January 2022, followed by seven-year Treasury securities with LBP20,839bn (23.3%), five-year bonds with LBP19,761bn (22%), three-year Treasury bonds with LBP5,719bn (6.4%), 12-year Treasury securities with LBP3,076bn (3.4%), two-year Treasury bonds with LBP2,344bn (2.6%), 15-year Treasury securities with LBP1,417bn (1.6%), one-year Treasury bills with LBP1,158bn (1.3%), six-month T-bills with LBP459bn (0.5%), and three-month T-bills with LBP181bn (0.2%). As such, 66.9% of outstanding Treasury securities have seven-year maturities or longer and 89% have five-year maturities or more.

In parallel, LBP2,802bn in outstanding Treasury securities denominated in Lebanese pounds matured in January 2022, of which 78.5% were five-year Treasury bonds, 7.3% consisted of one-year Treasury bills, 6.4% were three-year T-bills, 5.9% consisted of two-year Treasury bonds, 1.2% were three-month T-bills, and 0.7% consisted of six-month Treasury securities. According to ABL, LBP9,233bn in outstanding Treasury bonds in Lebanese pounds will mature in 2022 and LBP12,001bn will come due in 2023.

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



*as at end January-2022

Source: Association of Banks in Lebanon, Byblos Research

Number of registered real estate transactions up 395% in January 2022

Figures released by the Ministry of Finance show that the ministry registered 7,332 real estate transactions in January 2022, constituting a decrease of 55.4% from 16,440 in December 2021, and a surge of 394.7% from 1,482 in January 2021. In comparison, it registered 4,668 real estate transactions in January 2020 and 3,667 real estate deals in January 2019. 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.

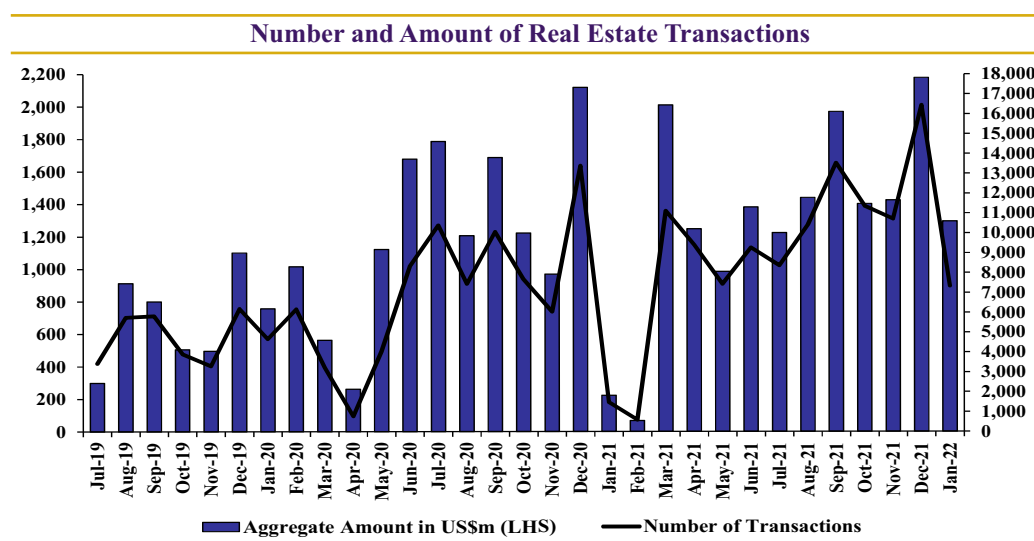
Further, the ministry registered 1,106 real estate transactions in the Keserwan/Jbeil area in January 2022, representing 15% of the total. The North region followed with 1,075 deals (14.7%), then the Baabda/Aley/Chouf area with 973 transactions (13.3%), the South governorate with 967 deals (13.2%), the Northern Metn district with 901 transactions (12.3%), the Nabatieh governorate 858 deals (11.7%), Beirut with 771 transactions (10.5%), and the Bekaa/Baalbeck-Hermel region with 381 deals (5.2%).

The aggregate amount of registered real estate transactions reached LBP1,951.5bn, or \$1.3bn in January 2022, based on the official exchange rate of the US dollar, and decreased by 40.6% from LBP3,283.5bn (\$2.2bn) in December 2021, while it surged by 481% from LBP335.9bn (\$222.8m) in January 2021. In comparison, the amount of real estate deals declined by 70.6% year-on-year in January 2021 and grew by 50% in January 2020 from the same month of 2019. Further, the value of registered real estate transactions in Beirut amounted to \$359.8m and accounted for 27.8% of the total in January 2022. The Keserwan/Jbeil area followed with \$248m (19.2%), then the Northern Metn district with \$200m (15.4%), the South governorate with \$174.1m (13.4%), the North region with \$99.8m (7.7%), the Baabda/Aley/Chouf area with \$89m (7%), the Nabatieh governorate with \$53.1m (4.1%), and the Bekaa/Baalbeck-Hermel region with \$32.1m (2.5%).

The amount of registered real estate transactions in the Northern Metn district jumped by 4,749% in January 2022 from the same month of 2021, followed by deals in the Nabatieh governorate (+712%), the North area (+709.3%), the Bekaa/Baalbeck-Hermel area (+504%), the Keserwan/Jbeil region (+426.2%), Beirut (+367.2%), the South governorate (+356.6%), and the Baabda/Aley/Chouf area (+199.6%).

In parallel, the average amount per registered real estate transaction was LBP266.2m (\$176,558) in January 2022, and increased by 33.3% from an average of LBP199.7m (\$132,487.8) in December 2021 and by 17.4% from an average of LBP226.6m (\$150,338) in January 2021. Further, there were 61 real estate transactions executed by foreigners in January 2022, compared to 159 deals in December 2021 and to 18 transactions in January 2021. The number of real estate deals by foreigners accounted for 0.8% of the registered real estate transactions in January 2022, down from 1.3% in December 2021 and from 1.2% in January 2021.

Further, 23% of real estate transactions executed by foreigners in January 2022 were in the South governorate, followed by the North region (19.7%), the Northern Metn district (18%), Beirut (14.8%), the Keserwan/Jbeil region and the Baabda/Aley/Chouf area (9.8% each), the Nabatieh governorate (3.3%), and the Bekaa/Baalbeck-Hermel region (1.6%). The latest available figures show that Kuwaiti citizens accounted for 21.2% of the amount of real estate transactions executed by foreigners in January 2022, followed by Qatari nationals (16.1%), American citizens (12.4%), Syrian nationals (8.2%), and German citizens (4.3%).



Source: Ministry of Finance, Byblos Research

Currency devaluation is most pressing economic problem

Zogby Research Services, a U.S.-based opinion polling firm, conducted a survey to examine the attitudes of Lebanese citizens on the ongoing economic crisis in Lebanon. The survey's results showed that 88% of respondents believe that their prevailing situation at the time of the poll is worse than it was five years ago, 8% said that it is unchanged, and 6% indicated that it is better than it was five years ago. However, 38% of surveyed Lebanese stated that their prevailing situation will improve starting at the end of 2026, 34% said that it will deteriorate, while 28% considered that it will remain unchanged by 2026.

Further, the survey revealed that respondents ranked the devaluation of the Lebanese pound as the most pressing economic problem that Lebanon is facing, followed by corruption, the government's default on its Eurobonds in March 2020, the lifting of subsidies, the banking crisis, and the shortages of fuel and medicines.

Also, 45% of respondents said that the government's subsidy system that was put in place in October 2019 was a waste of resources, 42% stated that the subsidy of goods did not help citizens given that the commodities that are subsidized were not always available, 12% considered that subsidies were for the benefit of smugglers who have been selling subsidized commodities for profit to other countries, while 1% noted that they constituted a big help to the poor.

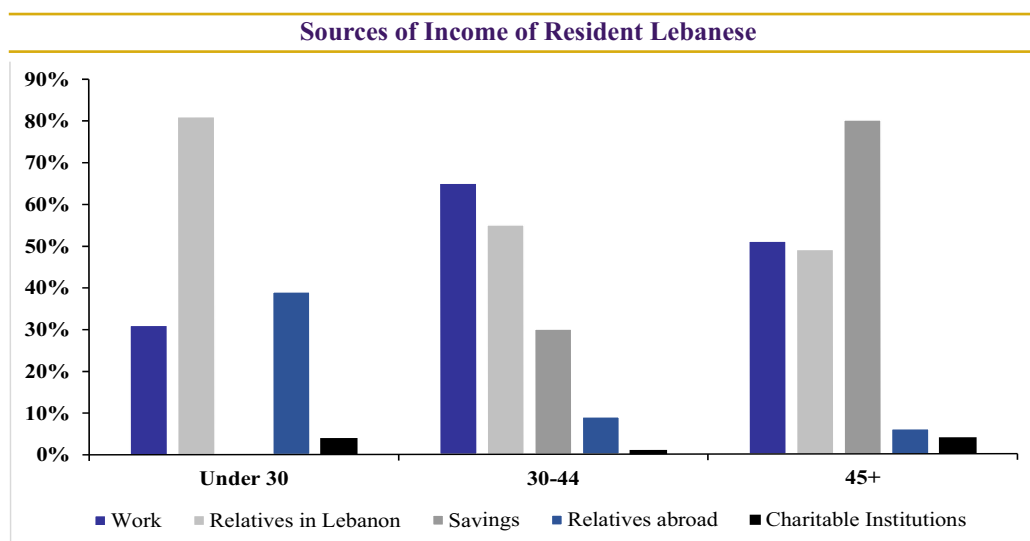
In addition, 97% of surveyed Lebanese said that they have been seriously impacted by the shortages of gasoline last summer, 89% stated that they were impacted by power outages, and 74% indicated that they were affected by a lack of access to clean water.

In parallel, 62% of respondents noted that they do not have enough income to cover their monthly expenses and to make ends meet, while 38% said that they have enough revenues to cover their monthly expenses and to make ends meet. Also, 60% of surveyed Lebanese stated that they receive their income from relatives in Lebanon, 50% indicated that they receive it from their work, 41% noted that they get it from their savings, 16% said that they receive it as money transfers from outside Lebanon, and 3% stated that they get it from charitable institutions.

Moreover, the survey revealed that 63% of respondents indicated that they intend to emigrate to another country, while 37% said that they want to stay in Lebanon. It added that 28% of surveyed Lebanese want to emigrate to the United States, 22% intend to travel to Brazil, 13% to a European country other than France, 11% to France, 9% to a country in Latin/South America other than Brazil, 7% to the UAE, 5% to an unspecified Gulf Cooperation Council country other than the UAE, and 5% to other destinations.

Also, the survey showed that 57% of respondents are optimistic that the parliamentary elections in 2022 will change the political landscape in Lebanon, while 43% are not confident that the elections will modify the political backdrop. It revealed that the the survey's participants ranked corruption as the most important issue that needs to be addressed in Lebanon, followed by the education sector, the healthcare system, employment, individual rights, political reforms, extremism, women's rights, foreign enemies, and democracy.

The firm conducted the survey between September 20 and September 29, 2021. It is based on a face-to-face interviews of a nationally representative sample of 869 males and females living throughout the country, and it has a margin of error of $\pm 3.3\%$.



Source: Zogby Research Services

Cost of living in Beirut is seventh highest in the world, highest among Arab cities

The 2022 Cost of Living Index, produced by crowd-sourced global database Numbeo, ranked the cost of living in Beirut as the seventh highest among 578 cities around the world and the highest among 25 Arab cities. In comparison, Beirut came in 57th place among 598 cities worldwide and in first place among 26 Arab cities in the 2021 survey. Beirut ranked in the 99th percentile worldwide on the 2022 Index, which means that the cost of living in the city was higher than about 99% of cities covered by the survey, while the cost of living in Beirut was higher than about 90% of cities worldwide in the 2021 survey. The index is an indicator of the prices of consumer goods, such as groceries, meals and drinks at restaurants, transportation, and utilities. Numbeo benchmarks the index other cities against New York City. It also issues a Rent Index, which is an estimation of apartment rents in a city compared to New York City rents. Numbeo relies on residents' inputs and uses data from official sources to compute the indices.

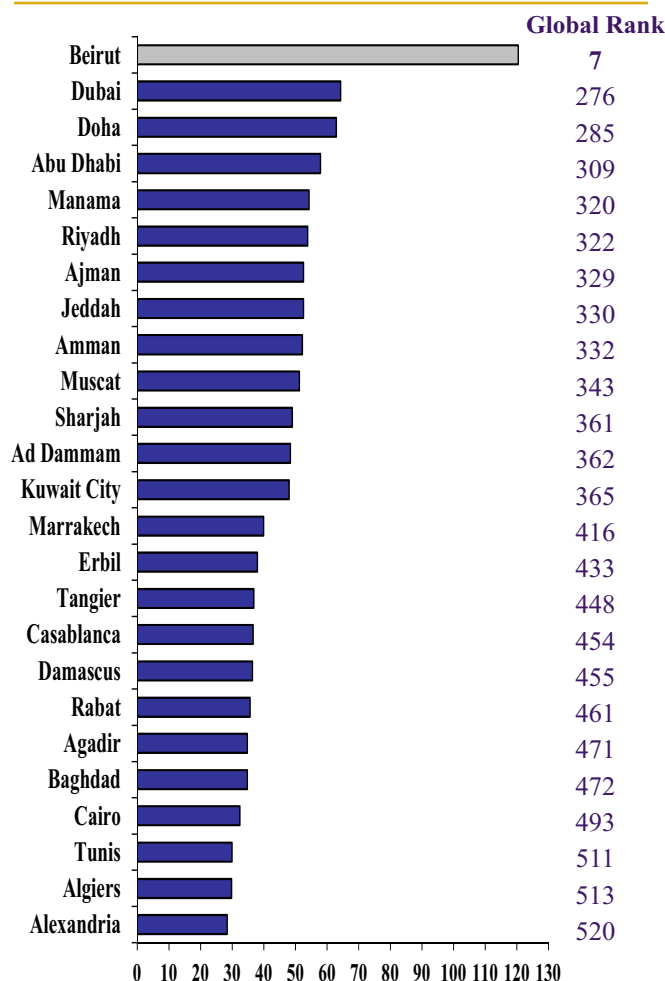
According to the Cost of Living Index, consumer goods in Beirut are more expensive than in Bern and Geneva in Switzerland and Stavanger in Norway; while they are less costly than in Zug, Lugano, and Lausanne in Switzerland. Beirut received a score of 120.47 points, which means that prices in Beirut are 20.47% higher than those in New York City.

In parallel, the Rent Index ranked Beirut in 245th place globally and in eighth place among Arab cities. Globally, renting an apartment in Beirut is more expensive than in Darmstadt in Germany, Tucson in the United States, and Florence in Italy; while it is less expensive than in Ajman in the UAE, Uppsala in Sweden, and Karlsruhe in Germany. Further, Abu Dhabi, Sharjah, Doha, Dubai, Kuwait City, Manama, and Ajman are the only Arab cities that have more expensive rents than Beirut; Beirut received a score of 27.76 points on the index, which means that rent in Beirut is 72.24% less expensive than in New York City.

Also, the Groceries Index, which is an estimate of grocery prices in a city compared to New York City, ranked Beirut in second place globally and in first place among Arab cities. Beirut received a score of 141.33 points, which means that groceries in Beirut are 41.33% more expensive than they are in New York City. Globally, groceries in Beirut are less expensive than only in Hamilton in Bermuda.

Finally, the Restaurant Index, which compares the prices of meals and drinks at restaurants and pubs relative to New York City, ranked Beirut in ninth place globally and in first place among Arab cities. The Lebanese capital received a score of 116.95 points on the index, which means that prices at restaurants and pubs in Beirut are 17% more expensive than they are in New York City. Globally, meals and drinks at restaurants and pubs in Beirut are more expensive than in Arhus in Denmark, Oslo in Norway and Saint Helier in Jersey; while they are cheaper than in Geneva, Bern, and Lugano in Switzerland.

Cost of Living Index for 2022
Scores & Rankings of Arab Cities



Source: Numbeo, Byblos Research

Net profits of Syrian affiliates of Lebanese banks at SYP455bn in 2021 on unrealized foreign exchange gains

Preliminary financial results issued by the affiliates of six Lebanese banks operating in Syria show that their aggregate net profits reached SYP455.2bn in 2021 relative to net earnings of SYP229bn in 2020. The improvement in the banks' profits is mainly due to the depreciation of the Syrian pound from SYP1,256 against the US dollar at the end of 2020 to SYP2,512 per US dollar at the end of 2021, which resulted in unrealized foreign exchange gains on the banks' structural positions last year.

The profits of Banque BEMO Saudi Fransi surged by SYP105bn in 2021, followed by a rise of SYP36bn in the net income of Syria Gulf Bank, the affiliate of First National Bank, an expansion of SYP32.6bn in the earnings of Byblos Bank Syria, a growth of SYP25.8bn in the profits of Bank of Syria & Overseas, an increase of SYP13.5bn in the earnings of Bank Al-Sharq, the affiliate of Banque Libano-Française, and an improvement of SYP13.4bn in the net income of Fransabank Syria.

In parallel, the banks' aggregate assets reached SYP3,729bn at the end of 2021 and increased by 108.7% from SYP1,786.5bn at end-2020. The rise in assets was due to a surge of 204.5% in the assets of Syria Gulf Bank (+SYP499.2bn), an expansion of 129.6% in those of Banque BEMO Saudi Fransi (+SYP849.2bn), an increase of 75.2% in the assets of Fransabank Syria (+SYP198.5bn), a rise of 69.5% in those of Byblos Bank Syria (+SYP127.2bn), a growth of 61.2% in the assets of Bank of Syria & Overseas (+SYP184.2bn), and an uptick of 60.6% in those of Bank Al Sharq (+SYP84.2bn). In US dollar terms, the assets of the six banks increased from \$1.42bn at the end of 2020 to \$1.48bn at end-2021.

In addition, the aggregate shareholders' equity of the six banks reached SYP764.7bn at end-2021, constituting an increase of 117.2% from SYP352.1bn at end-2020; In US dollar terms, the banks' shareholders' equity stood at \$304.4m at the end of 2021 relative to \$280.4m at end-2020. The six banks have yet to publish their detailed financial results for 2021.

Results of Affiliates of Lebanese Banks in Syria for 2021 (SYPbn)

	Net Earnings		Total Assets	Shareholder's Equity
	2020	2021		
Banque BEMO Saudi Fransi	43.3	148.2	1,504.6	180.2
Syria Gulf Bank	31.8	67.8	743.4	105.7
Bank of Syria & Overseas	33.8	59.6	485.2	118.4
Fransabank Syria	48.8	62.2	462.6	131.7
Byblos Bank Syria	47.0	79.6	310.1	152.1
Al Sharq	24.3	37.7	223.1	76.5

Source: Banks' financial statements



Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP (\$bn)	51.0	26.5	22.3	(4.1)
Public Debt in Foreign Currency / GDP	63.0	52.1	-	-
Public Debt in Local Currency / GDP	108.1	86.0	-	-
Gross Public Debt / GDP	171.1	138.1	242.6	104.5
Trade Balance / GDP	(29.0)	(11.2)	(23.1)	(11.9)
Exports / Imports	19.4	31.3	47.7	16.4
Fiscal Revenues / GDP	20.7	14.7	8.1	(6.6)
Fiscal Expenditures / GDP	31.6	18.6	11.9	(6.7)
Fiscal Balance / GDP	(10.9)	(3.9)	(3.8)	0.1
Primary Balance / GDP	(0.5)	(0.9)	(1.8)	(0.9)
Gross Foreign Currency Reserves / M2	70.2	41.5	26.0	(15.5)
M3 / GDP	251.2	191.7	89.4	(102.3)
Commercial Banks Assets / GDP	404.8	271.7	117.2	(154.4)
Private Sector Deposits / GDP	296.6	201.0	86.8	(114.3)
Private Sector Loans / GDP	92.9	52.3	18.6	(33.7)
Private Sector Deposits Dollarization Rate	76.0	80.4	79.4	(1.0)
Private Sector Lending Dollarization Rate	68.7	59.6	56.3	(3.3)

*change in percentage points 21/20;

Source: Banque du Liban, Ministry of Finance, 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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