

LEBANON THIS WEEK

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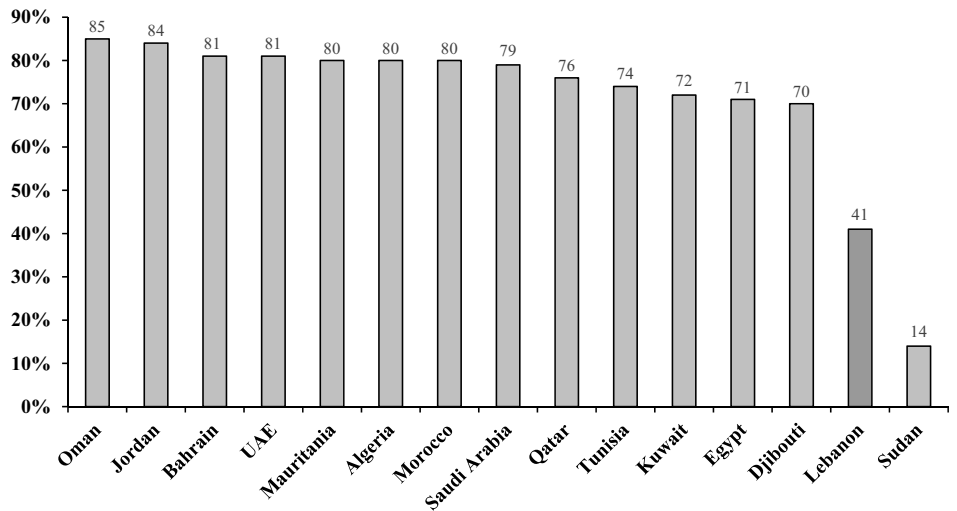
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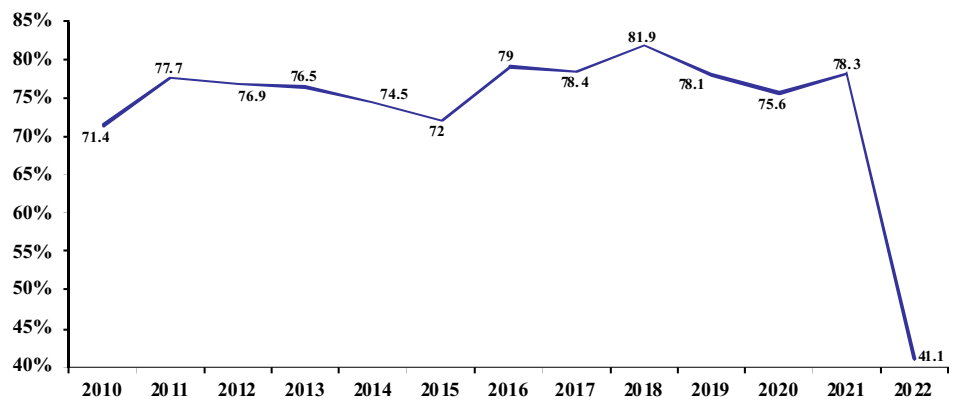
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Charts of the Week

Performance of Arab Countries in terms of Monetary Freedom for 2022*



Performance of Lebanon in terms of Monetary Freedom



*The Heritage Foundation defines monetary freedom as a measure of price stability with an assessment of price controls

Source: Heritage Foundation, Monetary Freedom Sub-Indicator, Index of Economic Freedom for 2022, Byblos Bank

Quote to Note

"The focus in the short run should be on achieving macroeconomic stability, including a relatively stable and unified market-determined exchange rate, significantly lower inflation, and narrower deficits."

The Institute of International Finance, on the short-term reform priorities of a comprehensive economic recovery plan

Number of the Week

15%: Percentage of female candidates in the upcoming elections to the Lebanese Parliament, according to the Ministry of Interior & Municipalities

Lebanon in the News

\$m (unless otherwise mentioned)	2019	2020	2021	% Change*	Dec-20	Nov-21	Dec-21
Exports**	3,731	3,544	699	-	295	-	-
Imports**	19,239	11,310	3,329	-	1,232	-	-
Trade Balance**	(15,508)	(7,765)	(2,631)	-	(937)	-	-
Balance of Payments	(5,851)	(10,551)	(1,976)	-81.3%	(348)	160	(400)
Checks Cleared in LBP	22,145	19,937	18,639	-6.5%	1,942	1,825	1,738
Checks Cleared in FC	34,826	33,881	17,779	-47.5%	2,802	949	1,079
Total Checks Cleared	56,982	53,828	36,425	-32.3%	4,744	2,773	2,818
Fiscal Deficit/Surplus***	(5,837)	(2,709)	374	-	(30)	-	-
Primary Balance***	(287)	(648)	1,519	-	264	-	-
Airport Passengers	8,684,937	2,501,944	4,334,231	73.2%	282,130	344,737	455,087
Consumer Price Index	2.9	84.9	154.8	6,989bps	145.8	201.1	224.4

\$bn (unless otherwise mentioned)	Dec-20	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	% Change*
BdL FX Reserves	18.60	14.20	14.62	14.49	14.05	13.65	(3.9)
In months of Imports	15.10	-	-	-	-	-	-
Public Debt	95.59	98.74	99.22	99.80	100.39	-	-
Bank Assets	188.04	180.28	179.68	178.90	175.60	174.94	(3.0)
Bank Deposits (Private Sector)	139.14	133.04	132.49	131.65	129.53	129.47	(2.7)
Bank Loans to Private Sector	36.17	30.86	30.00	29.18	28.04	27.71	(10.2)
Money Supply M2	44.78	49.85	49.95	50.03	50.10	52.41	5.1
Money Supply M3	132.70	133.21	132.90	132.42	131.62	133.39	0.1
LBP Lending Rate (%)	7.77	7.52	7.65	7.46	7.20	7.14	(38)
LBP Deposit Rate (%)	2.64	1.62	1.53	1.34	1.23	1.09	(53)
USD Lending Rate (%)	6.73	5.87	6.34	6.86	6.75	6.01	14
USD Deposit Rate (%)	0.94	0.30	0.26	0.23	0.20	0.19	(11)

*year-on-year; **figures for 2021 reflect the first quarter of the year ***figures for 2021 reflect the first seven months of the 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 %
Audi Listed	1.70	(4.0)	291,601	10.1%	Oct 2022	6.10	9.50	1,775.50
Solidere "A"	31.41	0.9	39,072	31.6%	Jan 2023	6.00	9.50	628.92
Audi GDR	1.87	0.0	22,250	2.3%	Apr 2024	6.65	9.50	153.74
Solidere "B"	32.00	3.2	18,134	20.9%	Jun 2025	6.25	9.50	88.82
BLOM Listed	3.30	0.0	8,125	7.1%	Nov 2026	6.60	9.50	57.45
BLOM GDR	3.31	0.0	-	2.5%	Feb 2030	6.65	9.50	32.09
Byblos Common	0.82	0.0	-	4.7%	Apr 2031	7.00	9.50	27.73
HOLCIM	19.05	0.0	-	3.7%	May 2033	8.20	9.50	22.30
Byblos Pref. 08	34.99	0.0	-	0.7%	Nov 2035	7.05	9.50	18.09
Byblos Pref. 09	37.99	0.0	-	0.8%	Mar 2037	7.25	9.50	16.34

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

Source: Refinitiv

	Mar 21-24	Mar 14-18	% Change	February 2022	February 2021	% Change
Total shares traded	379,182	366,073	3.6	1,217,016	8,583,833	(85.8)
Total value traded	\$2,373,613	\$7,152,199	(66.8)	\$15,255,094	\$24,114,080	(36.7)
Market capitalization	\$9.94bn	\$9.89bn	0.53	\$9.81bn	\$7.09bn	38.2

Source: Beirut Stock Exchange (BSE)



Draft capital controls law imposes restrictions on foreign transfers and cash withdrawals

The latest version of the capital controls draft law dated March 27, 2022 indicated that the proposed law aims to put exceptional and temporary restrictions on bank transfers and cash withdrawals for three years. It stated that the proposed law contributes to financial stability and to the continuity of banks in Lebanon, which constitute two key conditions for the resumption of normal financial transactions.

Article 2 of the law mandates the formation of a "special committee" that consists of the Minister of Finance, the Minister of Economy & Trade, and the Governor of Banque du Liban, and that is presided by the Prime Minister or by a minister that the former designates. The committee is responsible for issuing all the rules and regulations related to this law, and has the authority to provide specific exceptions. It added that the committee's decisions will be communicated through BdL circulars, and that BdL will contribute to the daily implementation of the committee's decisions.

Article 3 of the law bans the cross-border transfer of funds, as well as external current account payments and transfers in any currency from any bank account or from the account of an intermediary, or from any resident or non-resident client, including from fiduciary accounts. The law provides several exceptions to this rule. First, it exempts new money, as defined by this law, from these restrictions, as it stipulated that the funds remain classified as "fresh money" even if the client requests their conversion in part or in full to another currency, or requests their transfer to an account at another local bank or at a foreign bank, on the condition that the transfer takes place through a correspondent bank. Second, it exempts from the restrictions the accounts of international financial institutions, foreign embassies, diplomatic missions, as well as Arab, regional and international organizations that are established and registered according to international conventions and where Lebanon is a member. Third, it exempts from the restrictions transfers or payments on behalf of the Lebanese government, transfers or payment transactions for BdL, current expenditures that cover medical and hospitalization abroad, as well as current payments and transfers to cover essential imports such as necessary services, insurance services, medicines, oil, and raw material and equipment for local industry and for exports.

Article 4 stipulates that foreign exchange transactions, with the exception of transactions that BdL conducts, will be implemented by approved and licensed intermediaries. All foreign exchange transactions take place according to the exchange rate of the US dollar on BdL's Sayrafa electronic platform, except for conversions from one foreign currency to another. Also, it bans the conversion of Lebanese pounds to foreign currencies, except in the following cases. First, the funds of international financial institutions, foreign embassies, diplomatic missions, and Arab, regional and international organizations; transactions, payments and transfers for the Lebanese government or for BdL; interbank exchange transactions; expenditures for medical and hospitalization abroad, and current payments and transfers to cover necessary imports. It added that it will allow conversions of Lebanese pounds to foreign currencies only if the client's bank account does not have enough deposits in foreign currency to cover the exceptions.

Article 5 indicates that the law puts a limit of \$1,000 in foreign currencies or their equivalent in Lebanese pounds, or a combination of both currencies, on all cash withdrawals from all bank accounts per month per depositor, with the exception of fresh money accounts.

Article 6 states that all local transfers and payments between residents, as well as between residents and non-residents, have to take place in Lebanese pounds. It says that the "special committee" will determine limits on inter-bank transfers in the national currency and in foreign currencies, as well as on the usage of checks. It limits the utilization of deposits in foreign currencies, with the exception of fresh money, to foreign transfers as specified in Article 3, to the conversion of funds to Lebanese pounds and placing the money in a bank account in Lebanese pounds, as well as cash withdrawals according to Article 5.

Article 7 stipulates that exporters have to repatriate the portion of the funds in foreign currency that they used from local accounts under the exemptions for imports plus 5% of their export revenues.

Article 8 authorizes the opening of new accounts in case of proof that the person does not have any other account to process a transaction; for the payments of salaries, pensions and social support outlays that the government recently approved; and for clearing operations for bank cards. It also allows the opening of new accounts for cash deposits as guarantees for letters of credit and letters of guarantee or loans extended to the same institution in case the guarantee is through the new inflow of foreign currencies. Further, it authorizes the opening of a new account for foreign transfers in foreign currencies to a resident; for depositing funds in Lebanese pounds that result from the conversion of foreign currencies in case the two bank accounts belong to the same person; for the opening of new accounts for a third party, either to comply with an order to pay, or if it is an order issued by a judge in compliance with the law; as well for opening fresh money accounts.

Article 9 stipulates that the Banking Control Commission (BCC) will monitor the proper implementation of the provisions of the law and/or any regulations or decisions that need to be implemented according to this law. It added that BdL has to establish within 15 days of the publication of the law in the Official Gazette a central unit that will verify the accuracy of the implementation of the law's articles.

Article 10 noted that, in case a natural or legal person breaks the law or provides incomplete or inaccurate information, the law imposes a penalty of up to 20% of the transaction's amount, as well as a late penalty of 0.5% of the transaction's amount until the case is settled.



Deterioration in industrial activity slows down in third quarter of 2021

Banque du Liban's quarterly survey about the opinions of business managers shows that the balance of opinions about industrial production was -44 in the third quarter of 2021, unchanged from the previous quarter, and compared to -48 in the third quarter of 2020. The balance of opinions for the level of industrial production in the third quarter of 2021 reached its eighth lowest quarterly level between the first quarter of 2004 and the third quarter of 2021, after posting -66 in the second quarter of 2020, -64 in the third quarter of 2006 due to the Israeli war on Lebanon, -57 in the first quarter of 2021, -55 in the first quarter of 2020, -50 in the fourth quarter of 2019, -48 in the third quarter of 2020, and -45 in the fourth quarter of 2020. The balance of opinions for the third quarter of 2021 reflects the disruptions to economic activity following the worsening of economic and financial conditions in the country, the deterioration of the exchange rate of the Lebanese pound on the parallel market, as well as the impact of the explosion at the Beirut Port on August 4, 2020, in addition to the gradual relaxation of lockdown measures in Lebanon.

The business survey covers the opinions of managers of industrial enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions about industrial production was -16 in the North, -47 in the Bekaa, -50 in Beirut & Mount Lebanon, and -68 in the South.

The balance of opinions about demand for industrial goods stood at -46 in the third quarter of 2021 compared to -44 in the preceding quarter and to -52 in the third quarter of 2020. It was the lowest in the South at -64, followed by the Bekaa (-56), Beirut & Mount Lebanon (-50), and the North (-16). In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -34 in the third quarter of 2021 compared to -23 in the preceding quarter and -26 in the third quarter of 2020. It was the lowest in the South at -73, followed by Beirut & Mount Lebanon (-45), the Bekaa (-31), and the North (zero). In addition, the balance of opinions about the level of registered orders was -62 in the third quarter of 2021, compared to -73 in the previous quarter and to -61 in the third quarter of 2020. It was -80 in the South, the lowest across regions, followed by the Bekaa (-66), Beirut and Mount Lebanon (-59), and the North (-55).

Further, the balance of opinions about foreign demand for industrial goods stood at -18 during the third quarter of 2021 compared to -25 in the preceding quarter and to -30 in the third quarter of 2020. It was +1 in the North, the only region to post a positive balance of opinions for this category, while it was -13 for Beirut & Mount Lebanon, -21 for the Bekaa region and -68 for the South. Also, the balance of opinions about the number of employees in the sector was -36 in the third quarter of 2021 compared to -37 in the preceding quarter and -33 in the third quarter of 2020. It was -27 in Beirut & Mount Lebanon, -33 in the North, -40 in the South, and -50 in the Bekaa.

In parallel, the balance of opinions for the level of inventory of finished goods was -40 in the third quarter of 2021, compared to -50 in the previous quarter and to -45 in the third quarter of 2020. It stood at -20 in the North, -33 in Beirut and Mount Lebanon, -54 in the Bekaa, and -68 in the South. Also, the balance of opinions for the level of inventories of raw materials was -43 in the third quarter of 2021, compared to -60 in the preceding quarter and to -50 in the third quarter of 2020. It stood at -31 in Beirut and Mount Lebanon, -45 in the Bekaa, -51 in the North, and -66 in the South, the lowest across regions.

Industrial Activity: Evolution of Opinions				
Aggregate results	Q3-18	Q3-19	Q3-20	Q3-21
Production	-34	-33	-48	-44
Total demand	-36	-36	-52	-46
Foreign demand	-15	-24	-30	-18
Volume of investments	-12	-20	-26	-34
Inventories of finished goods	-4	-13	-45	-40
Inventories of raw material	-10	-22	-50	-43
Registered orders	-29	-44	-61	-62

Source: Banque du Liban Business Survey for Third Quarter of 2021

More than 78% of startups still based in Lebanon despite ongoing crisis

A survey commissioned by the Konrad-Adenauer-Stiftung Foundation (KAS) on the impact of the economic crisis in Lebanon on the startup ecosystem in the country showed that 41.3% of surveyed startups said that they did not move their operations outside Lebanon when the crisis began, 37% indicated that they shifted some functions abroad, 13% noted that they relocated their headquarters outside the country but maintained some presence in Lebanon, 4.3% stated that they moved their entire business abroad, while 4.3% said that they did not establish their business in Lebanon originally, even though they are Lebanese citizens. The report indicated that total investments in local startups reached \$16m in 2021, constituting a drop of 70.4% from \$54m in 2017, while there were 12 investments in startups in 2021, down from 56 transactions in 2017.

Further, the report revealed that 63% of surveyed startups noted that their employees are moving abroad to search for security and safety, 61% said that workers are relocating outside Lebanon to improve their quality of life, 58.7% stated that their personnel are searching for better financial opportunities abroad, 34.8% noted that employees left their job due to the low income they were receiving, 34.8% said that workers quit because they could not cope with stress, 15.2% stated that employees left for better financial opportunities locally, and 4.3% indicated that employees quit their job to look for better opportunities in other sectors.

In addition, respondents pointed out that the lack of access to investment or capital has been the most detrimental factor to their startup, followed by difficulties to transfer money abroad, talent drain, electricity outages, data connectivity issues, decline in local sales, and loss of trust between customers and firms that affected international sales.

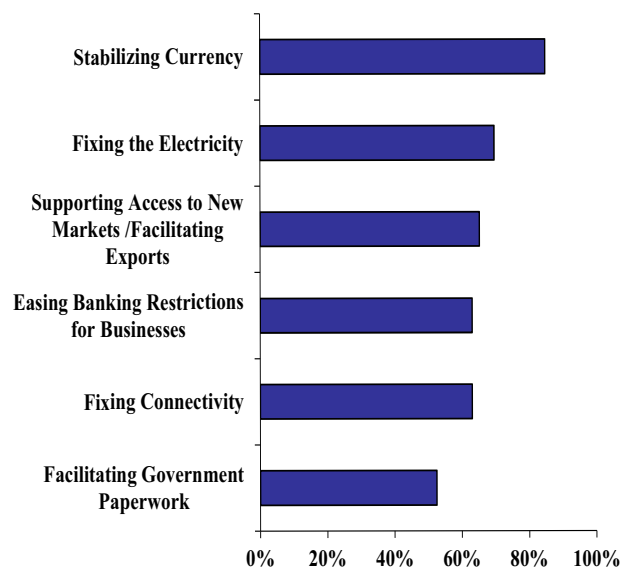
Also, the survey showed that 52.2% of startups said that the ongoing crisis in Lebanon pushed them to develop new products and services, 47.8% noted that their cost of labor declined, 45.7% stated that the crisis pushed them to expand into new markets outside Lebanon, 39% indicated that renting an office space in Lebanon became cheaper, 30.4% said that the depreciation of the Lebanese pound has made their products more competitive in foreign markets, 24% noted that demand for needs-based products and services in the local market has increased, and 19.6% stated that they were shielded from the local economic crisis due to the acceleration of the digitization trend since the outbreak of the COVID-19 pandemic.

In parallel, the survey revealed that 63% of responding firms stated that it is difficult to hire, retain or replace an employee who has technological skills, such as development and coding abilities; 39.1% said that those with marketing skills are difficult to hire, retain or replace; 32.6% noted that employees with specialized technological skills, such as artificial intelligence, are difficult to hire, retain or replace; 28.3% indicated that those with sales and business development skills are difficult to hire, retain or replace; 24% stated that employees with management and leadership skills are difficult to hire, retain or replace; 13% said that those with research and development skills are difficult to hire, retain or replace; 8.7% noted that employees with operational skills are difficult to hire, retain or replace; and 8.7% stated that manual labor is difficult to hire, retain or replace.

Further, the survey showed that 46% of startups could not secure funding after the start of the financial crisis in Lebanon, while 32.4% managed to secure financing, and 21.6% noted that they are not willing to seek new investments currently. Further, 75% of respondents indicated that they have secured funds from Lebanese investors, 33.3% have raised capital from international investors, and 25% have obtained financing from investors within the Middle East and North Africa region. It indicated that 33.3% of startups secured less than \$100,000 in funding, 25% raised between \$100,000 and \$500,000, 25% obtained between \$500,000 and \$2.5m, and 16.7% raised more than \$7m in capital.

The survey is based on data collected from focus groups of five startups, a quantitative assessment from 46 local startups, and one-on-one interviews with 15 stakeholders in various sectors, such as local venture capital firms, universities, banks, Internet service providers, government entities, and non-governmental organizations across the country.

Share of Respondents on Perceptions of Government Priorities



Source: KAS Foundation

Banque du Liban authorizes foreign exchange operations in US dollars and Lebanese pounds without limits

Banque du Liban (BdL) announced that, starting on March 28, 2022, banks operating in Lebanon can sell Lebanese pound banknotes to their clients in exchange for US dollar banknotes, or sell US dollar banknotes in exchange for Lebanese pound banknotes, at the most recent exchange rate of the dollar on BdL's Sayrafa electronic platform. It added that banks can conduct these operations without any ceiling on the amounts sold. 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 US dollar banknotes will consist of the preset monthly ceiling for each bank.

Also, BdL asked all banks to disburse the US 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 dollars. But the banks' quotas have been insufficient to meet the US dollar amounts for the withdrawals of depositors, which prompted BdL to issue a follow-up decision on January 11, 2022 that authorized banks to purchase dollar banknotes from the latter with the Lebanese pounds that they hold, or from their clients' holdings of Lebanese pounds banknotes, at the exchange rate of the US dollar on BdL's Sayrafa electronic exchange platform for the day preceding the day of the transaction.

World Bank grants \$20.6m to repair heritage buildings damaged by Beirut port explosion

The World Bank indicated that it has extended two grants of about \$20.55m to Lebanon for the launch of two projects that will help to rehabilitate historic housing in damaged areas from the explosion at the Port of Beirut on August 4, 2020, to sustain the livelihoods of affected cultural organizations and practitioners, as well as to provide immediate social recovery support to vulnerable segments of the population that have been affected by the blast. It stressed that the coordinated recovery of the housing and cultural sector is key for the socio-economic revitalization of Beirut's affected neighborhoods. It added that the Lebanon Financing Facility (LFF) will fund the two initiatives. The LFF is a five-year multi-donor trust fund that aims to pool grants and funds, as well as to coordinate financing to support the socioeconomic recovery of vulnerable people and businesses that were affected by the explosion at the Beirut Port. Canada, Denmark, France, Germany, Italy, Norway, and the European Union have contributed or pledged so far \$73.8m to the LFF.

First, it said that it will allocate \$12.75m to the project titled Beirut Housing Reconstruction and Cultural and Creative Industries Recovery, which aims to repair severely damaged residential heritage buildings located in neighborhoods within five kilometers of the epicenter of the blast. It noted that the repairs will focus on a subset of vacant damaged residential buildings that lower-income and vulnerable households inhabited, in order to facilitate the return of displaced households to their homes. It added that it will identify the buildings that will be rehabilitated based on geographic location, the level of damage, the socio-economic vulnerability of the potential beneficiaries, and the structure's heritage value. Also, it pointed out that the project will provide technical assistance and grants to women and women-led groups that operate in targeted cultural and creative industries to encourage them to continue cultural production in neighborhoods affected by the explosion.

In addition, it indicated that the United Nations Human Settlements Program, or UN-Habitat, will implement the project in close collaboration with local authorities and other government entities, and in consultation with various stakeholders. Further, it said that the Grant Approval Committee, which consists of representatives of government and local cultural entities, and is chaired by the UN Educational, Scientific and Cultural Organization (UNESCO), will vet applications and approve the grants.

Second, the World Bank indicated that it will allocate \$7.8m to the initiative entitled Support for Social Recovery Needs of Vulnerable Groups in Beirut, including \$2.8m for the State and Peace Building Fund. It said that the project will address the immediate social recovery needs of vulnerable groups that are still affected by the Beirut port explosion. It added that the beneficiaries of the project will include men, women and children who are survivors and/or who are at risk of gender-based violence, individuals suffering from deteriorated psycho-social wellbeing, as well as persons with disabilities and older persons facing difficulties in accessing appropriate care due to their disabled or elderly status.

It added that the International Rescue Committee (IRC) will implement the project. It indicated that the latter will extend grants directly to a select number of non-governmental organizations that will provide social services in the immediate to short terms to vulnerable groups affected by the economic and financial crises that Lebanon is going through. The IRC is a global humanitarian aid, relief, and development nongovernmental organization that responds to the world's worst humanitarian crises.

Lebanon ranks 103rd globally, second among Arab countries on liberal democracy index

Varieties of Democracy, an independent research institute based at the University of Gothenburg in Sweden, ranked Lebanon in 103rd place among 179 countries worldwide and in second place among 21 Arab countries on its Liberal Democracy Index for 2021. In comparison, Lebanon came in 106th 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 rank improved by three spots, while its Arab rank advanced by one notch from the 2020 survey.

The index captures the liberal and electoral aspects of democracy based on 470 indicators that are grouped in five indices that are the Electoral Democracy, the Liberal Component, the Egalitarian Component, the Participatory Component, and the Deliberative Component. The survey gathers data from about 3,700 country experts to examine the level of democracy in each country and to detect subtle changes to the institutional environment of countries from year to year. A country's overall score ranges from zero to one, with a higher score reflecting a more developed liberal democratic system. In addition, it classifies countries within four electoral systems that are Liberal Democracy, Electoral Democracy, Electoral Autocracy, and Closed Autocracy.

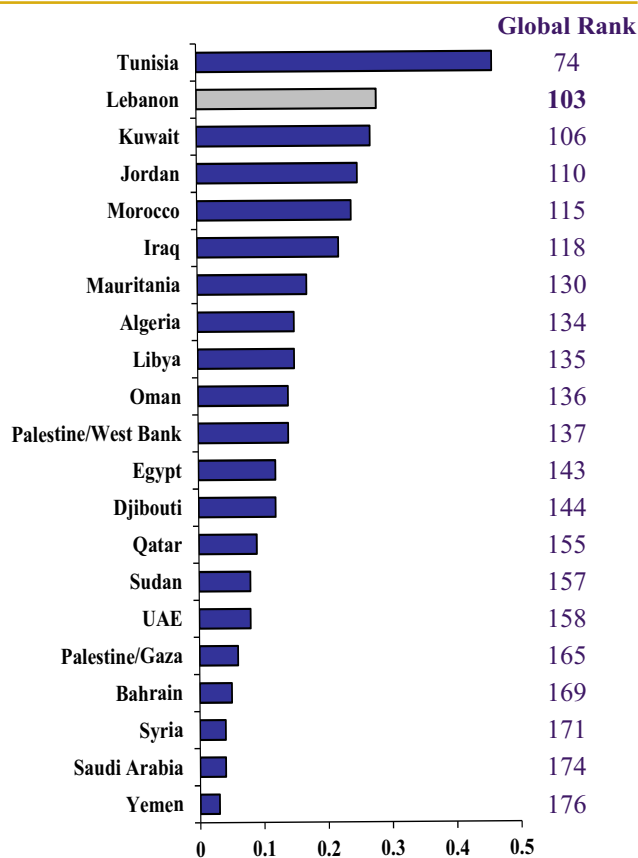
Globally, Lebanon has a more developed liberal democratic system than the Philippines, Benin and Kuwait, and a less developed one than Tanzania, Zambia and Malaysia among economies with a GDP of \$10bn or more. Also, Lebanon came second only to Tunisia among 21 Arab countries. Further, Lebanon received a score of 0.28 points on the 2021 index compared to 0.29 points in the 2020 survey. Lebanon's score was below the global average score of 0.39 points, while it came higher than the Arab countries' average score of 0.15 points. It classified Lebanon, along with seven Arab countries, in the Electoral Autocracy system in 2021, while it classified the remaining Arab economies in the Closed Autocracy system.

Further, Lebanon preceded India and Côte d'Ivoire, and came behind El Salvador and Hungary on the Electoral Democracy Index, which captures the level of clean, free and fair elections in a country. It also measures a country's citizens' ability to participate in elections, as well as their freedom of expression, freedom of association and the level of media freedom. Lebanon came second to Tunisia in the Arab world on this category.

Also, Lebanon ranked ahead of Mexico and Bolivia, and trailed Mozambique and Ukraine on the Liberal Component Index. This category covers the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. It incorporates measures of the rule of law, checks and balances between institutions, and of civil liberties. Regionally, Lebanon trailed only Tunisia, Kuwait, Jordan and Morocco on this segment.

In addition, Lebanon preceded Djibouti and Thailand, and came behind India and Mozambique on the Egalitarian Component Index. This category measures the level of equal access to resources, power, and freedoms for various groups in a society, in order to participate in the political arena. Lebanon ranked ahead of Djibouti, the UAE, Saudi Arabia, Libya, Iraq, Qatar, Bahrain, Sudan, Egypt, Mauritania, Syria, and Yemen among Arab economies.

Liberal Democracy Index for 2021 Arab Countries' Scores & Rankings



Source: Varieties of Democracy, Byblos Research

Components of the Liberal Democracy Index for 2021

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Democracy index	99	2	0.45	0.50	0.23
Liberal Component Index	113	5	0.53	0.60	0.37
Egalitarian Component Index	116	9	0.51	0.60	0.46
Participatory Component Index	118	3	0.47	0.48	0.30
Deliberative Component Index	81	3	0.70	0.61	0.41

Source: Varieties of Democracy, Byblos Research

Akkar and Bekaa regions have highest levels of multidimensional poverty in Lebanon

The Central Administration for Statistics (CAS) and the World Bank launched the first official Multidimensional Poverty Index (MPI) for Lebanon, using the nationally representative 2018-2019 Labor Force and Housing Living Conditions Survey, in order to try to provide a comprehensive and multidimensional picture of the level of poverty in the country. The World Bank and the CAS conducted the survey between April 2018 and March 2019, with technical assistance from the International Labor Organization, on a sample of 39,116 households in Lebanon, irrespective of nationality.

The index is derived from 19 indicators across five dimensions that are education, healthcare, financial security and/or well-being, basic infrastructure, as well as living standards. The MPI identifies a household as being "deprived" if it falls short of the minimum standard for each of the 19 indicators. In turn, each of the five dimensions is weighted equally on the index. As such, the MPI is the product of the incidence of poverty and the intensity of poverty for a certain deprivation level. The incidence of poverty measures the proportion of people out of the total population who are identified as multi-dimensionally poor (MPI-poor), while the intensity of poverty reflects the average deprivation score of the MPI-poor.

The 2019 MPI revealed that 53.1% of residents in Lebanon would be MPI-poor, if they are considered to be deprived in more than 25% of the indicators, while the intensity of poverty or deprivation of the MPI-poor stood at 44.2%. As such, the MPI score for this category of MPI-poor individuals was 0.235. Also, the MPI score for the extremely poor in Lebanon who are deprived in more than 50% of the indicators stood at 0.096, with an incidence of 16.2% of the population and an average intensity of 59.3%.

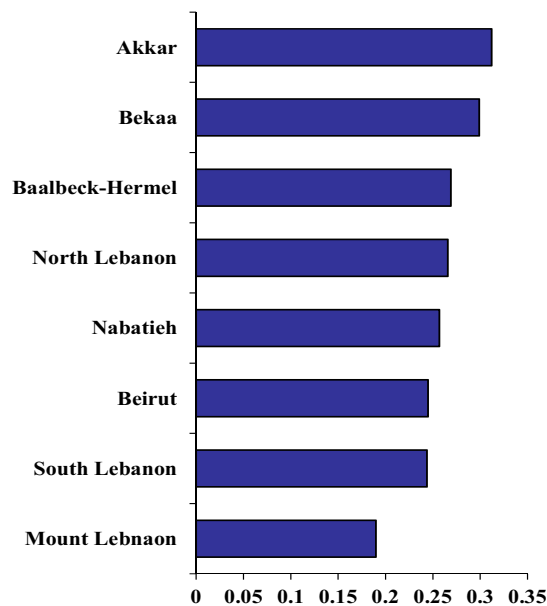
In parallel, the 2019 MPI indicated that deprivations in healthcare insurance contributed 24.8% to the national MPI poverty level, followed by school education levels (18.3%) and low-security employment (9.7%). Also, the index revealed that the healthcare dimension contributes 30.2% to deprivation, followed by employment (25.8%) and education (25.3%), while the living standards and basic infrastructure dimensions contributed 13% and 6%, respectively, to deprivation.

Further, the index pointed out that, the Akkar and the Bekaa governorates, or administrative districts, are the poorest among the eight governorates in the country, while it considered that the highest intensity of poverty is in Beirut. It added that the MPI-poor are not distributed proportionately to the population of Lebanon, as one third of Lebanon's MPI-poor and about 41% of the country's population live in Mount Lebanon. Also, it said that the composition of the multidimensional poverty is broadly the same across governorates, as the absence of health insurance contributes 23% to 27.4% to overall poverty across governorates.

In parallel, the 2019 MPI revealed that, at the district level, Minieh-Danniyeh and Hermel have the highest incidence, while Keserwan and Batroun have the lowest incidence of MPI-poverty. It attributed the incidence of poverty in the districts to lower net enrollment rates at secondary school and a lower share of students attending private education, to higher illiteracy rates, to lower reported income levels, as well as to a higher share of self-reported poor/very poor, and larger rates in informal employment. However, it pointed out that the poorest districts do not always host the largest share of the MPI-poor individuals, as Akkar and Baabda have the largest share of MPI-poor at 10.7% and 9%, respectively, while Becharré has the lowest share in the country at 0.4%.

Further, the index indicated that the highest incidence of multidimensional poverty is found among 66.8% of children who are up to four-years old. It noted that this is a common finding in other countries, which highlights the vulnerability of households with young children. In addition, it pointed out that female-headed households tend to have slightly higher incidences of multidimensional poverty relative to male-headed households. Also, it said that households whose head has a higher level of education are associated with lower rates of multidimensional poverty, as less than 22% of households are MPI-poor among heads with tertiary education, compared to 78.4% for household-heads with no schooling. It added that larger households have higher levels of poverty, which is consistent with MPI findings in other countries.

Multidimensional Poverty Index Score by Governorate



Source: World Bank, Byblos Research

Banking sector has 1,012 branches at end-September 2021

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 1,012 local and foreign branches at the end of September 2021, constituting a decline of 75 branches, or of 7% from 1,087 branches at end-2020, a decrease of 114 branches (-10%) from 1,126 branches at end-September 2020, and a drop of 140 branches (-12.2%) from 1,152 branches at end-September 2019. Commercial banks had 991 local and foreign branches in total at the end of September 2021 compared to 1,105 branches at end-September 2020 and to 1,131 branches at end-September 2019. Further, medium- and long-term banks had 21 branches in Lebanon at the end of September 2021, unchanged from a year earlier and from end-September 2019. In parallel, commercial banks operating in Lebanon had 53 branches outside the country at the end of September 2021 compared to 73 branches a year earlier and at end-September 2019.

The breakdown of commercial banks' branches shows that banks had 938 local branches at the end of September 2021, down by 54 branches from 992 branches at end-2020, by 94 branches from 1,032 branches at end-September 2020 and by 120 branches from 1,058 branches at end-September 2019. There were 494 branches of commercial banks in Beirut & its suburbs that accounted for 52.7% of total branches in the country at the end of September 2021, followed by Mount Lebanon with 187 branches (20%), North Lebanon with 99 branches (10.6%), South Lebanon with 94 branches (10%), and the Bekaa region with 64 branches (6.8%). Also, nine foreign commercial banks operating in the country had 22 branches and four Islamic banks had 14 branches at the end of September 2021. In addition, there were 14 e-branches that offer banking services through interactive and automated machines at end-September 2021.

Further, there were 46 commercial banks and 15 medium- and long-term banks operating in Lebanon at the end of September 2021, relative to 47 commercial banks and 16 medium- and long-term banks operating in Lebanon a year earlier.

Berytech launches export support program for Lebanese companies

The technological pole Berytech announced the launch in February 2022 of the Lebanon Export Academy that aims to support local micro-, small, and medium-sized enterprises (MSMEs) and cooperatives in the productive sectors to increase their export competitiveness. It said that the academy will equip MSMEs and cooperatives in Lebanon with the needed know-how to scale up their operations, increase their readiness to export and assist them in reaching foreign markets.

It said that the academy will offer in-person and online classes starting on March 28, 2022, along with self-paced courses, on various topics related to export readiness, including on how to write an export plan, conduct market research, understand export documentation and legal requirements, set export prices, and find suitable financing options, among other topics. It added that the United Nations Industrial Development Organization (UNIDO) and the UN Development Program (UNDP) will develop the Lebanon Export Academy under the joint United Nations-Productive Sectors Development Program (PSDP). The PSDP is a three-year Canada-funded initiative that aims to support gender-responsive job creation and economic opportunities in the agriculture and agri-food sectors in Lebanon, as well as to prioritize women and female youth in disadvantaged areas.

In parallel, Berytech noted that the academy will first offer courses to companies and entrepreneurs from the agriculture and agri-food sectors. It added that it will extend at a later stage the courses to companies in other productive sectors including the manufacturing, agriculture, information communication technology, technology and media, as well as telecommunications sectors.

Further, it indicated that at least 70 MSMEs and cooperatives from the agriculture and agri-food sectors will benefit from the academy's training, including 40 women-led businesses. Also, it said that the courses target exporters in the early stage as well as established exporters. It added that companies can subscribe to course packages or take individual courses, depending on their needs.

Established in 2002, Berytech provides business support, counseling, funding, networking and company hosting. It has allocated more than \$1.7m in grants to startups, while its venture capital funds have invested more than \$70m in startups and small and medium-sized enterprises.

Treasury transfers to Electricité du Liban down 31% to \$463m in first nine months of 2021

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled LBP698bn, or \$463m, in the first nine months of 2021, constituting a decline of 31.5% from LBP1,018bn or from \$675.3m 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 \$461m in the covered period, or 99.6% of transfers; while EdL's debt servicing represented the balance of around \$1.66m, or 0.4% of the total.

The decline in transfers is mainly due to a decrease of \$213m 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 decreased by 31.5% in the first nine months of 2021, while debt servicing dropped by 8.6% from the same period last year.

Treasury transfers to EdL accounted for 6.2% of budgetary primary expenditures in the first nine months of 2021 relative to 8.3% in the same period of 2020. They constituted the third largest expenditure item, or 5.2% of overall fiscal spending, after personnel cost with 54.3% and debt servicing with 14.6%. 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.

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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