

LEBANON THIS WEEK

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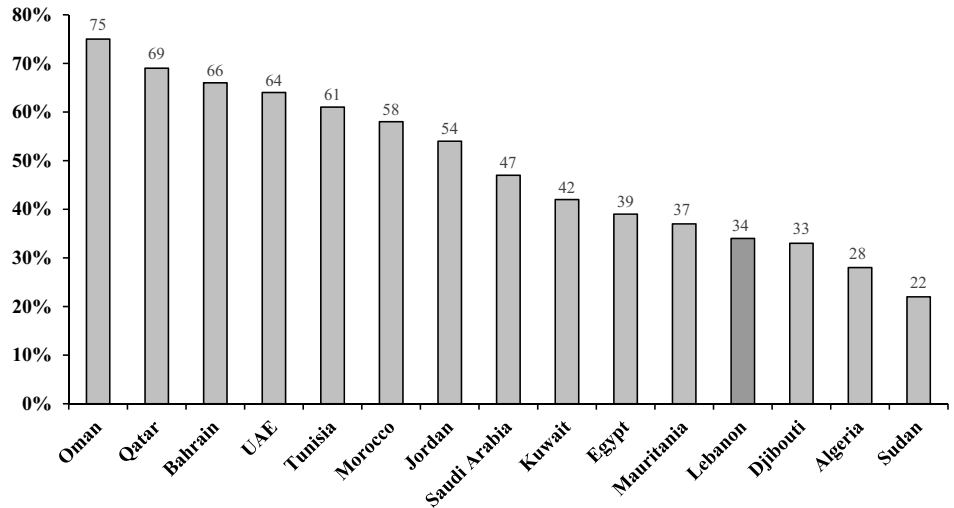
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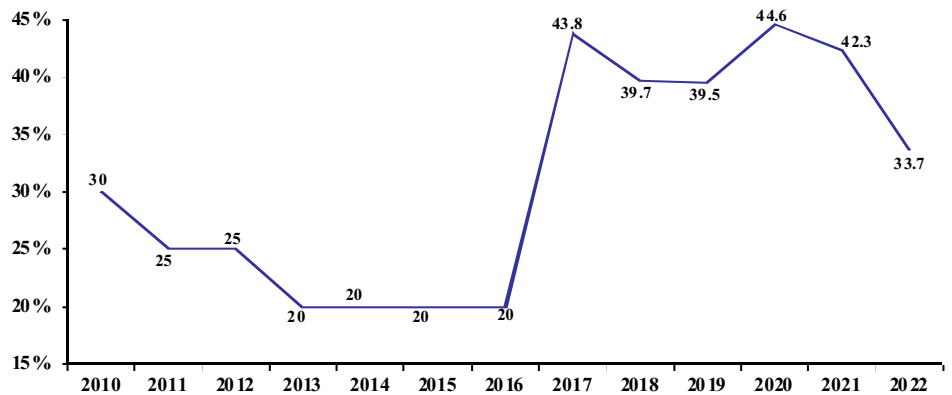
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Charts of the Week

Performance of Arab Countries in terms of Property Rights for 2022*



Performance of Lebanon in terms of Property Rights



*The Heritage Foundation defines property rights as an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state
 Source: Heritage Foundation, Property Rights Sub-Indicator, Index of Economic Freedom for 2022, Byblos Bank

Quote to Note

"I would characterize the discussions as progressing well, but extensive work is needed in the coming period because Lebanon's challenges are deep and complex and will require time and commitment."

Dr. Gerry Rice, Director of the Communications Department at the International Monetary Fund, on the IMF's engagement with Lebanon to produce a reforms and recovery plan

Number of the Week

52.2%: Percentage of Lebanese startups that said that the ongoing crisis in Lebanon pushed them to develop new products and services, according to a survey commissioned by the Konrad-Adenauer-Stiftung Foundation

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 %
Solidere "A"	32.46	3.3	117,205	31.8%	Oct 2022	6.10	10.88	1,662.02
Audi Listed	1.81	6.5	84,900	10.4%	Jan 2023	6.00	10.88	585.26
Solidere "B"	32.56	1.8	54,382	20.7%	Apr 2024	6.65	10.88	143.85
Byblos Common	0.81	(1.2)	50,000	4.5%	Jun 2025	6.25	10.88	83.30
Audi GDR	1.75	(6.4)	16,572	2.1%	Nov 2026	6.60	10.88	53.96
Byblos Pref. 08	30.00	(14.3)	1,000	0.6%	Feb 2030	6.65	10.88	30.19
HOLCIM	22.99	20.7	500	4.4%	Apr 2031	7.00	10.88	26.09
BLOM Listed	3.30	0.0	-	7.0%	May 2033	8.20	10.88	20.99
BLOM GDR	3.31	0.0	-	2.4%	Nov 2035	7.05	10.88	17.03
Byblos Pref. 09	37.99	0.0	-	0.7%	Mar 2037	7.25	10.88	15.39

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

Source: Refinitiv

	Mar 28 - Apr 1	Mar 21-24	% Change	March 2022	March 2021	% Change
Total shares traded	355,559	379,182	(6.2)	1,544,302	2,293,580	(32.7)
Total value traded	\$7,004,916	\$2,373,613	195.1	\$21,527,622	\$39,350,211	(45.3)
Market capitalization	\$10.2bn	\$9.94bn	2.6	\$10.1bn	\$8.9bn	13.5

Source: Beirut Stock Exchange (BSE)



Lebanon's import bill to rise by 0.3% of GDP if global wheat prices increase by 40%

Moody's Investors Service considered that Lebanon is one of the most exposed countries in the Middle East and Africa (ME&A) region to a food price shock. It indicated that, prior to the outbreak of the coronavirus pandemic and to the local economic crisis, Lebanon's food imports were equivalent to nearly 6% of GDP in 2019, which is the ninth highest import bill for food products among 35 countries in the ME&A and the second highest after Jordan (8.5% of GDP) among 11 Arab countries included in the survey.

Further, it said that Lebanon imports 99% of its cereal needs, similar to Kuwait and second highest in the Arab world after Jordan and the United Arab Emirates that import 100% of their cereal consumption each. It added that Lebanon imports 95% of its wheat consumption from Ukraine and Russia, with 80% of such imports originating from Ukraine and 15% from Russia. As such, the agency ranked Lebanon as the third most dependent economy among 20 emerging markets on Ukraine and Russia in terms of wheat imports, after Azerbaijan that imports nearly all of its wheat needs from Russia and Laos that obtains about 99% of its wheat consumption from Ukraine. It added that Lebanon's imports of wheat were equivalent to 0.7% of GDP in 2020, similar to Azerbaijan and Egypt, and trailed Mozambique, Morocco, Tunisia and Senegal among 20 emerging market economies.

It stated that the global prices of wheat and other grains have risen sharply since the start of the Russian invasion of Ukraine. As such, the agency considered that Lebanon's import bill would increase by the equivalent to 0.3% of GDP if the prices of wheat rise by 40% globally. It noted that this would be similar to the increase of the import bills of Azerbaijan, Egypt and Senegal, and would be less severe than the rise of the import bills of Mozambique (+0.6% of GDP), Morocco (+0.5% of GDP) and Tunisia (+0.4% of GDP).

In parallel, the agency indicated that food price inflation in Lebanon was 300% in the first nine months of 2021, the highest by far among Arab economies. It added that a higher food import bill will weigh on Lebanon's balance of payments, inflation rates and government finances, and could exacerbate macroeconomic challenges as well as fiscal and external imbalances. It added that inflationary pressures could be mitigated by the fact that the weight of the food basket in the consumer price index in Lebanon is 20%, which is the sixth lowest percentage among 11 Arab countries and is close to the average weight of the food basket in the consumer price indices of Arab economies.

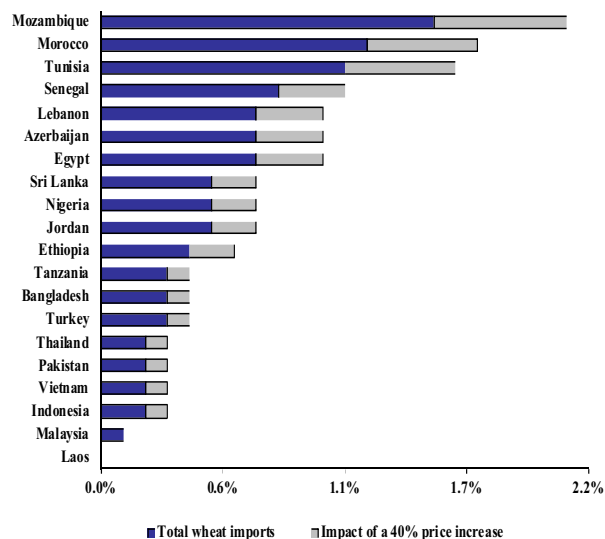
Surveyed economists expect Lebanon's real GDP to expand by 1.3% in 2022

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to expand by 1.3% in 2022, compared to an earlier forecast of a growth of 2% in the December 2021 survey. The individual forecasts for 2022 ranged from a contraction of 5% to an expansion of 5% for the current year, with a median real GDP growth rate of 1.3% for 2022. Also, the poll indicates that the consensus forecast among 75% of participants is that real GDP will improve by more than 0.9% this year. Bloomberg conducted the poll in March 2022, and the survey's results are based on the opinions of 12 economists and analysts based in Lebanon and abroad.

Further, participants forecast the average inflation rate in Lebanon at 116.3% in 2022 compared to a projection of 60% in the December 2021 survey. The opinions of surveyed analysts differed on the magnitude of the increase in consumer prices in 2022, with expectations ranging from 20% to 280% and a median inflation rate of 97.5% for 2022. Also, 50% of participants predicted that the inflation rate would range between 100% and 280% this year.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 6.6% of GDP in 2022 compared to a previous forecast of 8.1% of GDP in the December 2021 survey. The projections of polled economists for the fiscal deficit ranged from 2.2% of GDP to 18.1% of GDP in 2022, with a median deficit of 4.3% of GDP. Further, the survey's participants forecast the current account deficit at 9.4% of GDP in 2022 compared to a previous forecast of a deficit of 8.5% of GDP in December 2021. The polled analysts expected the current account deficit to range from 0.6% of GDP to 15.7% of GDP in 2022, with a median deficit of 10.6% of GDP for the year.

Impact of Rises in Wheat Prices on Import Bills (% of GDP)



Source: International Trade Center, Moody's Investors Service

Real GDP contracts by 7% in 2019 and by 26% in 2020 according to national accounts

The Central Administration for Statistics (CAS) released national economic data that covers official figures for gross domestic product (GDP) and its structure and components for 2020, and revised its previous figures for the 2012-19 period. It indicated that its national accounts figures include the informal sector that it estimated at around 30% of recorded output, even though the precise size of the informal economy is uncertain. It noted that it could not produce a full set of sectoral accounts, especially for the household and non-financial corporate sectors, given the limited amount of data on incomes. Further, the CAS stated that its estimates are subject to a wide range of uncertainty. It added that the uncertainty derives from the lack of regular surveys and detailed data on the cost of production, consumer spending, employment, visitors' expenditures and other transactions. It cautioned that its figures are not as accurate as national accounts are supposed to be. The CAS estimated that Lebanon's real GDP shrank by 25.9% in 2020, while it revised its forecast for 2019 to a contraction of 6.9% from a decline of 7.2% previously.

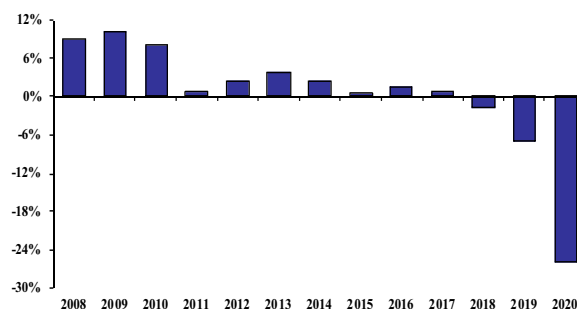
According to the national accounts, Lebanon's nominal GDP stood at LBP95.7 trillion in 2020 relative to LBP80.2 trillion in 2019. The CAS stated that the 2020 estimates include the effects of rapidly rising inflation rates, as well as an "implicit net subsidy" of LBP9.9 trillion resulting from the multiple exchange rates of the Lebanese pound to the US dollar that resulted in a weighted average exchange rate of LBP3,878 LBP to the dollar for the year. As such, it noted that, in dollar terms, the nominal GDP was \$24.7bn in 2020 based on the weighted average exchange rate, compared to a nominal GDP of \$53.2bn in 2019. Also, it estimated aggregate consumption expenditures at \$30bn in 2020, down from \$58.1bn in 2019. The breakdown of consumption shows that household expenditures reached \$26.2bn and government spending totaled \$3.9bn in 2020, with private consumption contracting by 27.4% and public consumption increasing by 5.2% in real terms during the year.

Further, the figures show that gross fixed capital formation in the private and public sectors reached \$2.2bn and \$851.2m, respectively, in 2020 and contracted by 70% and 3.8% in real terms, respectively, during the year, with aggregate gross fixed capital formation shrinking by 63% in 2020. Further, the figures indicate that household consumption contributed 25.6 percentage points to the economic contraction in 2020, followed by gross capital formation (8.1 percentage points) and by the exports of goods and services (-7.1 percentage points), while the imports of goods and services and government consumption had a positive contribution of 14.1 percentage points and 0.8 percentage points, respectively, to economic activity in 2020.

Further, the national accounts show that commercial trade & motor vehicle repairs accounted for 15.3% of output in 2020, followed by real estate services (15.1%), the public administration (13%), manufacturing (12.3%), agriculture & livestock (8.9%), financial services (8.8%), education (6.8%), personal & community services (6.5%), professional services (4.3%), transport activity (3.2%), construction (2.9%), mining & utilities (2.5%), administrative services (2.3%), information & communication (2.1%), as well as health & social care and hotels & restaurants (2% each). Further, the output of the agriculture & livestock sector grew by 21.4% in real terms in 2020, while activity in public administration expanded by 1.9%, followed by activity in the education sector (+0.7%) and in the real estate sector (+0.2%). In contrast, the output of the hotels & restaurants industry contracted by 75.8% in real terms in 2020, followed by activity in administrative services (-65.7%), manufacturing (-56%), commercial trade & motor vehicles repairs (-54.7%), the construction sector (-50.3%), personal & community services (-48.8%), the financial services industry (-33.6%), the information & communication sector (-29.2%), transport activity (-25.8%), the mining & utilities sector (-15%), the health & social care segment (-14.5%), and professional services (-13.8%).

In parallel, it said that the Lebanon's gross national income stood at LBP91.4 trillion in 2020 and that, according to balance of payments estimates, net income from abroad registered outflows of LBP4.3 trillion in 2020. Also, it indicated that the nominal gross national disposable income (GNDI) reached LBP111.1 trillion in 2020 and LBP82.6 trillion in 2019. It pointed out that GNDI exceeds GDP in Lebanon, given that the GNDI includes net foreign transfers, mainly remittance inflows from Lebanese expatriates. It added that net foreign transfers increased from LBP4.5 trillion in 2019 to LBP19.7 trillion in 2020 and were equivalent to 20.5% of GDP.

Real GDP Growth Rates in Lebanon* (%)



* revised real GDP growth rates starting in 2012
Source: Central Administration of Statistics

Banque du Liban's foreign assets at \$16.5bn, gold reserves at \$17.7bn at end-March 2022

Banque du Liban's (BdL) interim balance sheet reached \$162.7bn at the end of March 2022, constituting a marginal decrease of 0.3% from \$163.2bn at end-2021 and an increase of 7% from \$152.2bn a year earlier. Assets in foreign currency totaled \$16.48bn at end-March 2022, representing a decrease of \$1.35bn, or of 7.6%, in the first quarter of the year and a drop of \$5.67bn (-25.6%) from \$22.15bn at end-March 2021. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$11.45bn at end-March 2022 and regressed by \$102.6m (-0.9%) from \$11.55bn at mid-March 2022 and by \$452.9m (3.8%) from \$11.9bn at end-February 2022. They dropped by \$1.35bn (-10.5%) from \$12.8bn in the first quarter of 2022 and by \$5.67bn (-33.1%) from \$17.12bn at end-March 2021. The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry, as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020. However, the decline in BdL's assets foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

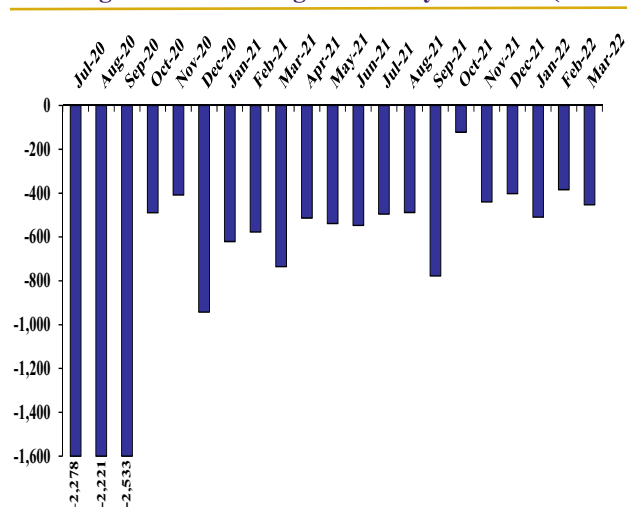
In parallel, the value of BdL's gold reserves amounted to \$17.74bn at end-March 2022, constituting increases of \$1.14bn (+7%) in the first quarter of the year and of \$2.2bn (+14.2%) from \$15.5bn at end-March 2021. The value of gold reserves reached a peak of \$18.13bn at mid-September 2020. Also, the securities portfolio of BdL reached \$41.7bn at end-March 2022, increasing by \$469.2m (+1.1%) from the end of 2021 and by \$980.3m (+2.4%) from \$40.76bn a year earlier. In addition, loans to the local financial sector totaled \$13.5bn, regressing by 1.6% in the first quarter of the year and by 4.5% from end-March 2021. Further, the deposits of the financial sector stood at \$109.7bn at end-March 2022 and grew by \$1.5bn from a year earlier. In addition, public sector deposits at BdL reached LBP14,453.3bn (\$9.6bn) at end-March 2022, increasing by \$1.8bn in the first quarter of the year and surging by \$4.8bn from a year earlier.

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

Banque du Liban (BdL) issued on March 30, 2022 Intermediate Circular 618 addressed to banks that extends until April 30, 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 authorized 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 fourth 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 of this year and then until the end of February and the end of March 2022, with the possibility of further extensions.

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



Source: Banque du Liban, Byblos Research

Net foreign assets of financial sector down \$955m in first two months of 2022

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$954.9m in the first two months of 2022, compared to decreases of \$751.2m in the same period of 2021 and of \$505.3m in the first two months of 2020.

The cumulative deficit in the first two months of 2022 was caused by a drop of \$1.03bn in the net foreign assets of BdL, which was partly offset by an increase of \$73.3m in those of banks and financial institutions. Further, the net foreign assets of the financial sector regressed by \$601.8m in February 2022 compared to declines of \$353m in January 2022 and of \$340.6m in February 2021. The February decrease was caused by a dip of \$419.2m in the net foreign assets of BdL and a drop decrease of \$182.6m in those of banks and financial institutions.

The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the drop in BdL's net foreign assets was due in part to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry; as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks.

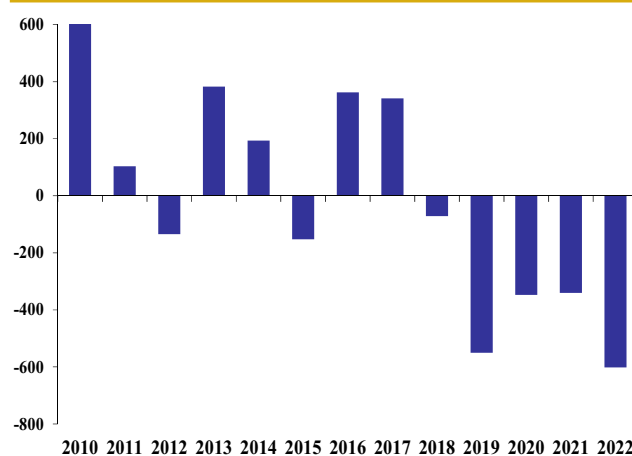
Nearly 67% of Treasury securities in Lebanese pounds have seven-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP90,013bn or the equivalent of \$59.7bn, at the end of February 2022, compared to LBP89,279bn or \$59.2bn at end of February 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 6.55% in February 2022 compared to 6.51% in February 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP35,041bn and accounted for 39% of aggregate securities denominated in Lebanese pounds at the end of February 2022, followed by seven-year Treasury securities with LBP20,363bn (22.6%), five-year bonds with LBP19,674bn (22%), three-year Treasury bonds with LBP5,854bn (6.5%), 12-year Treasury securities with LBP3,076bn (3.4%), two-year Treasury bonds with LBP2,233bn (2.5%), one-year Treasury bills with LBP1,540bn (1.7%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP627bn (0.7%), and three-month T-bills with LBP188bn (0.2%). As such, 66.5% of outstanding Treasury securities have seven-year maturities or longer and 88.4% have five-year maturities or more.

In parallel, LBP1,041bn in outstanding Treasury securities denominated in Lebanese pounds matured in February 2022, of which 45.7% were seven-year Treasury bonds, 18% consisted of five-year Treasury bills, 16.8% were three-year T-bills, 10.7% consisted of two-year Treasury bonds, 3.7% were three-month T-bills, 3% consisted of six-month Treasury securities, and 2.4% consisted of one-year Treasury bills. According to ABL, LBP8,436bn in outstanding Treasury bonds in Lebanese pounds will mature in 2022 and LBP12,408bn will come due in 2023.

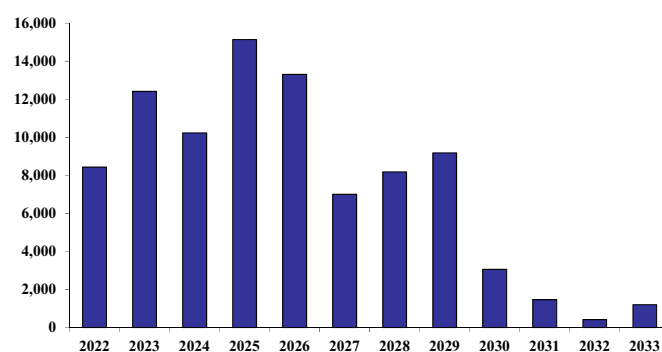
Change in Net Foreign Assets of Financial Sector* (US\$m)



*in February of each year

Source: Banque du Liban, Byblos Research

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



*as at end February-2022

Source: Association of Banks in Lebanon, Byblos Research

Number of airport passengers up 101% in first quarter of 2022

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1,103,928 passengers utilized the airport (arrivals, departures and transit) in the first quarter of 2022, constituting a surge of 101% from 549,476 passengers in the same quarter of 2021, and relative to 1,165,094 passengers in the first quarter of 2020. The increase in the number of airport passengers in the first quarter of 2022 is due to the resumption of normal activity following the imposition of strict lockdown measures in the country in the first quarter of 2021 to contain the spread of the coronavirus. The number of arriving passengers reached 514,736 in the first quarter of 2022 and jumped by 118.5% from 235,548 passengers in the same period of 2021, compared to 535,609 travelers in the same quarter of 2020. Also, the number of departing passengers totaled 582,790 in the first quarter of 2022 and increased by 93.5% from 301,232 travelers in the same quarter of last year, relative to 616,495 passengers in the first quarter of 2020.

In parallel, the airport's aircraft activity totaled 10,261 take-offs and landings in the first quarter of the year, representing a rise of 58% from 6,492 takeoffs and landings in the first quarter of last year. In comparison, aircraft activity regressed by 40% in the first quarter of 2021 and declined by 30% in the same quarter of 2020.

In addition, the HIA processed 13,207 metric tons of freight in the first quarter of 2022 that consisted of 6,497 tons of import freight and 6,710 tons of export freight. Middle East Airlines had 3,778 flights in the covered quarter and accounted for 36.8% of HIA's total aircraft activity.

Number of new construction permits up 56% in 2021

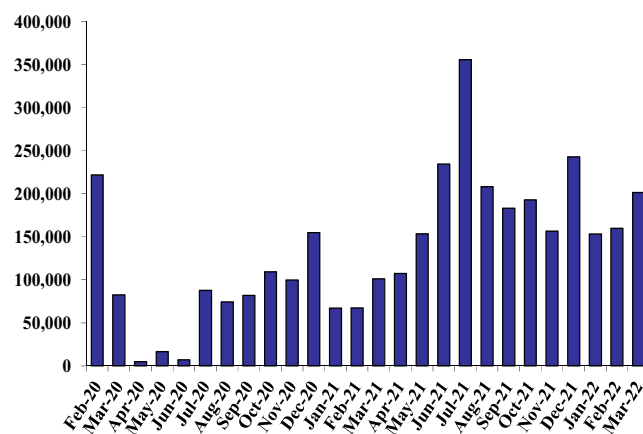
Figures issued by the Orders of Engineers & Architects of Beirut and of Tripoli show that the two orders issued 20,473 new construction permits in 2021, constituting a surge of 56.2% from 13,105 permits in 2020. The two orders issued 3,022 new construction permits in the first quarter, 5,525 in the second quarter, 5,814 in the third quarter, and 6,112 in the fourth quarter of 2021. The jump in the number of construction permits in 2021 is due in part to low base effects related to activity in 2020, amid the lockdown measures and the closure of public sector departments during extended periods of time due to the outbreak of COVID-19 in the country. The increase is also due to the anticipated sharp increase in the fees for new permits in 2022, following the enactment of the draft budget for the year. In comparison, the number of newly-issued construction permits increased by 19.2% in 2020. Also, the orders of engineers issued 2,113 permits in December 2021, representing a decrease of 3.6% from 2,191 permits in November 2021 and a rise of 10.8% from 1,907 permits in December 2020.

Mount Lebanon accounted for 32.2% of the number of newly-issued construction permits in 2021, followed by the South with 23.6%, the North with 17.2%, the Nabatieh area with 15.8%, the Bekaa region with 7.5%, and Beirut with 1.5%. The remaining 2.3% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued for regions located outside northern Lebanon surged by 67.7%, followed by permits in the North region (+63%), Mount Lebanon (+60.1%), the Nabatieh area (+58.6%), the Bekaa region (+55.2%), and the South (+51.2%). In contrast, the number of permits issued for Beirut decreased by 8.8% last year.

Further, the surface area of granted construction permits reached 10.2 million square meters (sqm) in 2021, constituting a jump of 76.1% from 5.8 million sqm in 2020. In comparison, the surface area of granted construction permits decreased by 4.8 in 2020. Also, the surface area of granted construction permits reached 1.15 million sqm in December 2021, increasing by 23.3% from 935,332 sqm in November 2021 and growing by 19% from 968,445 sqm in December 2021.

Mount Lebanon accounted for 3.3 million sqm, or 32.3% of the total in 2021. The North followed with 2.2 million sqm (21.7%), then the South with 2.05 million sqm (20.2%), the Nabatieh area with 1.2 million sqm (11.9%), the Bekaa region with 977,507 sqm (9.6%), and Beirut with 136,499 sqm (1.3%). The remaining 307,603 sqm, or 3% of the total, represent the surface area of permits that the Order of Engineers & Architects of Tripoli issued for regions located outside northern Lebanon. The surface area of new construction permits issued for the Bekaa region jumped by 92.5% in 2021, followed by surface areas in the North (+88.2%), Mount Lebanon (+81.2%), the Nabatieh region (+74%), the South (+62.8%), Beirut (+41.5%), and regions located outside northern Lebanon (+31.7%). In parallel, the latest available figures show that cement deliveries totaled 1.6 million tons in the first 10 months of 2021, constituting an increase of 1.1% from 1.59 million tons in 2020.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Trade deficit narrows by 26% to \$2bn in 2021

Figures issued by Lebanese Customs show that total imports reached \$13.6bn in 2021, constituting an increase of 20.6% from \$11.3bn in 2020 and a decrease of 29% from \$19.2bn in 2019; while aggregate exports totaled \$3.9bn and rose by 9.6% from \$3.5bn in 2020 and by 4.2% from \$3.7bn in 2019. As such, the trade deficit narrowed by 25.6% to \$2bn in 2021, mainly due to a rise of \$342m in exports that was partly offset by an increase of \$2.3bn in imports.

Non-hydrocarbon imports increased by \$1.7bn to \$9.8bn in 2021, while imports of oil & mineral fuels grew by \$633m to \$3.9bn and accounted for 28.4% of total imports in the covered period. Lebanon imported 3.88 million tons of oil & mineral fuel in 2021 relative to 3.24 million tons in of 2020.

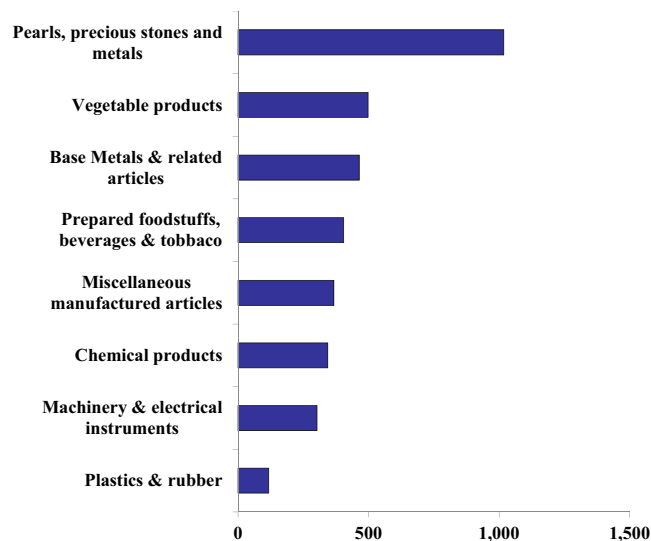
The increase in exports was due to a jump of \$284.5m, or of 345.5%, in the exports of miscellaneous manufactured articles last year; a rise of \$265m (+113.8%) in the exports of vegetable products; a growth of \$158m (+51.7%) in the exports of base metals; and an uptick of \$29m (+7.7%) in exported prepared foodstuffs.

Exports to Cameroon surged by 3,161% in 2021, those to the UAE grew by 87.8%, exported goods to Egypt increased by 77.4%, exports to Qatar expanded by 38.7%, those to the U.S. improved by 31.6%, and exports to Greece picked up by 23.3%. In contrast, exported goods to Switzerland dropped by 59.7% last year, those to Saudi Arabia declined by 43%, exports to Syria decreased by 15%, and those to Iraq contracted by 7%. Also, re-exports totaled \$343.5m in 2021 compared to \$263.1m in 2020. The Port of Beirut was the exit point for 52.6% of Lebanon's exports last year, followed by the Hariri International Airport (33.3%), the Port of Tripoli (7.5%), the Masnaa crossing point (4%), the Port of Saida (2%), and the Arida crossing point and the Abboudieh crossing point (0.3 each%).

Lebanon's main non-hydrocarbon imports were chemical products that reached \$1.5bn in 2021 and that declined by 13.3% last year. The imports of jewelry followed with \$1.2bn (+38.5%), then imported machinery & electrical instruments with \$1.2bn (+31.6%); the imports of vehicles, aircraft & vessels with \$1.1bn (+137.7%); vegetable products with \$836.2m (+5%); the imports of prepared foodstuffs with \$813.6m (+7.7%), base metals with \$564.8m (+48%); and animal products with \$498.7m (-19.4%). The Port of Beirut was the entry point for 62.5% of Lebanon's merchandise imports 2021, followed by the Hariri International Airport (21.8%), the Port of Tripoli (10.2%), the Port of Saida (2.7%), the Masnaa crossing point (2.4%), the Arida crossing point (0.2%), and the Abboudieh crossing point and Tyre (0.1% each).

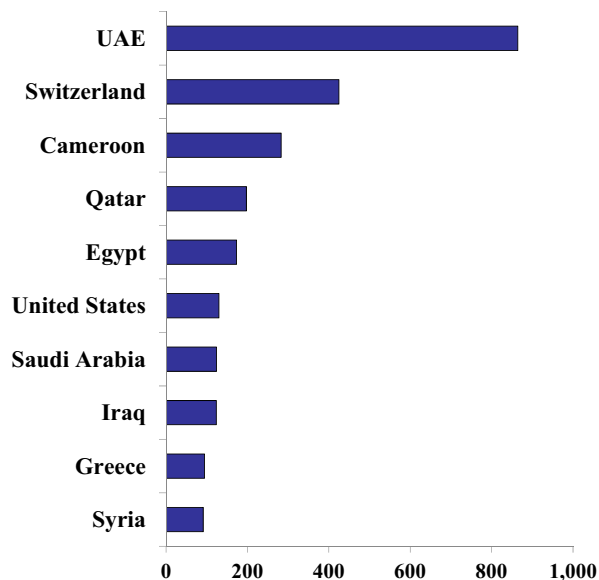
Turkey was the main source of imports with \$1.44bn and accounted for 10.6% of the total in 2021, followed by Greece with \$1.36bn (10%), China with \$1.26bn (9.3%), the U.S. with \$767.4m and the UAE with \$767m (5.6% each), Italy with \$624.7m (4.6%), Germany with \$612.7m and Russia with \$608m (4.5% each), and Ukraine with \$345.2m and France with \$342.3m (2.5% each). Further, imported goods from Turkey jumped by 77.7% in 2021, followed by imports from China (+69%), Greece (+58.7%), Ukraine (+27%), the UAE (+21.3%), Russia (+17%), and Germany (+7.3%). In contrast, imported goods from the U.S. declined by 18% last year, followed by imports from France (-10%), and Italy (-8%).

Main Lebanese Exports in 2021 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in 2021 (US\$m)



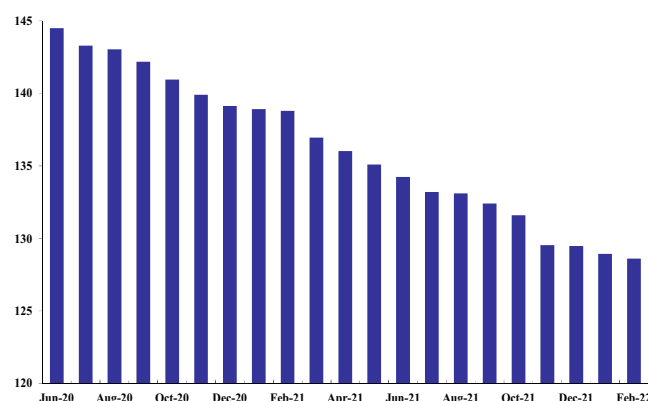
Source: Lebanese Customs Administration, Byblos Research

Private sector deposits down \$45.7bn since start of 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$173.7bn at the end of February 2022, constituting declines of 0.6% from \$174.8bn at the end of 2021 and of 7.7% from \$188.1bn at end-February 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

Loans extended to the private sector reached \$26.7bn at the end of February 2022 and decreased by 3.7% in the first two months of 2022 and by 24.8% from a year earlier. Loans to the resident private sector totaled \$24bn, constituting decreases of 3.7% from the end of 2021 and of 24% from end-February 2021. Also, credit to the non-resident private sector amounted to \$2.7bn at the end of February 2022, and contracted by 3.8% from the end of 2021 and by 30% the end of February 2021.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

In nominal terms, credit to the private sector regressed by \$1bn in the first two months of 2022 relative to a decrease of \$677.5m in the same period of 2021, as lending to the resident private sector declined by \$916m and credit to the non-resident private sector retreated by \$109m in the covered period. Further, loans extended to the private sector contracted by \$32.7bn since the start of 2019, with loans denominated in Lebanese pounds shrinking by LBP9,687.3bn and loans denominated in foreign currency dropping by \$26.3bn. The dollarization rate of private sector loans regressed from 59.5% at end-February 2021 to 55.6% at the end of February 2022. The average lending rate in Lebanese pounds was 5.7% in February 2022 compared to 7.6% a year earlier, while the same rate in US dollars was 5.5% relative to 6.92% in February 2021.

In addition, claims on non-resident financial institutions reached \$4.5bn at the end of February 2022, constituting a decrease of \$54.6m (-1.2%) in the first two months of 2022 and a decline of \$388.7m (-7.9%) from a year earlier. Also, claims on non-resident financial institutions decreased by \$4.6bn (-50.4%) from the end of August 2019 and by \$7.5bn (-62.2%) since the start of 2019. Further, deposits at foreign central banks totaled \$1.1bn, constituting increases of \$33.4m (+3.2%) in the first two months of 2022 and of \$315.7m (+49%) from a year earlier. In addition, the banks' claims on the public sector stood at \$15.3bn at end-February 2022, down by \$1.4bn (-8.6%) in the first two months of the year, by \$5.8bn (-27.6%) from the end of February 2021 and by \$10.9bn (-41.5%) from end-February 2020. The banks' holdings of Lebanese Treasury bills stood at \$10.7bn, while their holdings of Lebanese Eurobonds reached \$4.4bn at end-February 2022. Further, the deposits of commercial banks at Banque du Liban (BdL) totaled \$109.7bn at end-February 2022, up by \$765.7m (+0.7%) from \$109bn at end-2021 and down by \$651m (-0.6%) from \$110.4bn at the end of February 2021.

In parallel, private sector deposits totaled \$128.6bn at the end of February 2022 and regressed by 0.7% in the first two months of 2022 and by 7.4% from end-February 2021. Deposits in Lebanese pounds reached the equivalent of \$26.9bn at end-February 2022, as they increased by 1.1% from the end of 2021 and decreased by 2.8% from a year earlier; while deposits in foreign currency reached \$101.7bn, and declined by 1.1% from end-2021 and by 8.5% from the end of February 2021. Resident deposits totaled \$104.4bn at the end of February 2022 and retreated by \$534.3m (-0.5%) from the end of 2021, while non-resident deposits reached \$24.2bn at end-February 2022, down by \$320.4m (-1.3%) in the first two months of the year.

Private sector deposits declined by \$854.7m in the first two months of 2022, with deposits in Lebanese pounds increasing by the equivalent of \$295m and foreign currency deposits shrinking by \$1.15bn. Private sector deposits regressed by \$535m in January and by \$319.6m in February 2022. In comparison, private sector deposits declined by \$227m in January and by \$60.7m in February 2021. In addition, private sector deposits dropped by \$15.4bn in 2019 and by \$19.7bn in 2020, including a decrease of \$10.7bn between September and December 2019. As such, aggregate private sector deposits contracted by \$45.7bn since the start of 2019, with deposits in Lebanese pounds shrinking by \$24.3bn and foreign currency deposits declining by \$21.4bn. The decrease is due largely to the repayment of loans by companies and individuals, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 79.1% at end-February 2022, relative to 79.4% at the end of 2021 and to 80% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$4.8bn at the end of February 2022 and fell by 25.5% from \$6.5bn at the end of February 2021. Also, the average deposit rate in Lebanese pounds was 0.99% in February 2022 compared to 2.11% a year earlier, while the same rate in US dollars was 0.17% relative to 0.54% in February 2021. The ratio of private sector loans to deposits in foreign currency stood at 14.6% at the end of February 2022 compared to 19% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 44% at end-February 2022, down from 51.8% at end-February 2021. As such, the total private sector loans-to-deposits ratio reached 20.8% at end-February 2022 compared to 25.6% a year earlier. The banks' aggregate capital base stood at \$16bn at the end of February 2022, down by \$1.8bn (-10%) from \$17.8bn at the end of 2021.

Banking Control Commission asks banks to appraise real estate holdings

The Banking Control Commission of Lebanon (BCCL) issued on March 28, 2022 Memo 4/2022 addressed to banks about the valuation of real estate holdings that are subject to articles 153 and 154 of the Code of Money and Credit. It said that, based on the first article of Banque du Liban's Basic Circular 154 that it issued on August 27, 2020 about exceptional measures to reactivate the work of banks operating in Lebanon, and within the framework of the fair valuation of the banks' assets and liabilities, the BCCL requested from the banks the following.

First, it asked banks to conduct a fair valuation of the real estate that banks own directly or indirectly, that are subject to Article 153 of the Code of Money and Credit, and where the acquisition value excluding depreciation and the registered revaluation do not exceed LBP750m. It also asked banks to conduct a fair valuation of the repossessed real estate in the settlement of debt obligations based on Article 154 of the Code of Money and Credit that exceed LBP750m in value.

Second, it required banks to comply with certain conditions for the appraisals. The conditions consist of providing a fair valuation of the real estate in US dollars; to commission real estate appraisers who meet a number of professional criteria that the memo lists; to verify that the appraisers' report includes the relevant details about the real estate, the legal status of the plot, the fair value of the plot in US dollars, as well as the methodology used to determine the fair value of the plot and the factors that could affect it. In addition, it asked banks to submit to the BCCL the requested information by May 20, 2022, as well as to refrain from modifying the balance sheet and income statement of the bank and to abide in full with the prevailing accounting policies.

Stock market capitalization up 13.5% to \$10bn at end-March 2022

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 3.49 million shares in the first quarter of 2022, constituting a decrease of 68.4% from 11.05 million shares traded in the same quarter of 2021; while aggregate turnover amounted to \$50.9m and declined by 22.7% from a turnover of \$65.8m in the first quarter of 2021. The market capitalization of the BSE reached \$10.1bn on the last trading day of March 2022, representing an increase of 13.5% from \$8.9bn at the end of March 2021, with real estate equities accounting for 52% of the total, followed by banking stocks (42.6%), industrial shares (5%), and trading firms' equities (0.4%). The market liquidity ratio was 0.5% at the end of March 2022 compared to 0.7% a year earlier.

Banking stocks accounted for 56% of the trading volume in the first quarter of 2022, followed by real estate equities (43.2%), and industrial shares (1%). Also, real estate equities accounted for 91% of the aggregate value of shares traded, followed by banking stocks (8.5%), and industrial shares (0.5%). The average daily traded volume for the first quarter of 2022 was 58,176 shares for an average daily amount of \$847,973.5. The figures represent a drop of 77.4% in the average daily traded volume and a decline of 44.6% in the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE increased by 3.2% in the first quarter of 2022, while the CMA's Banks Market Value-Weighted Index regressed by 4% in the covered period. The increase in the Market Value-Weighted Index is mainly due to the rise in the prices of Ciments Blancs and Holcim shares by 20% and 15%, respectively, from end-2021.

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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