

# LEBANON THIS WEEK

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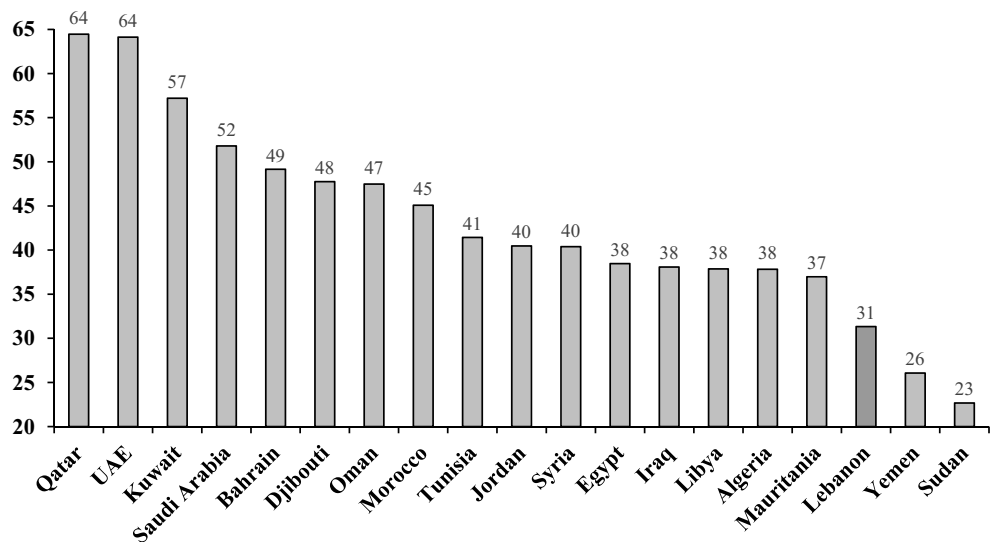
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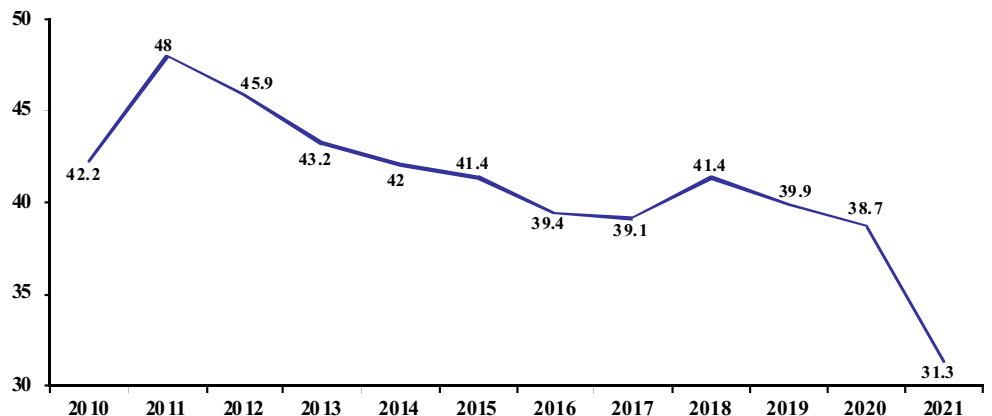
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## Charts of the Week

Performance of Arab Countries in terms of Economic Quality for 2021\*



Performance of Lebanon in terms of Economic Quality



\*The Legatum Institute defines economic quality as how well an economy is equipped to generate wealth in a sustainable way and with the full engagement of its workforce  
 Source: Legatum Institute, Economic Quality Sub-Indicator, Prosperity Index for 2021, Byblos Bank

## Quote to Note

"Now is the time to move boldly forward to pass the legislation needed to stabilize the economy, improve governance, and enact the reforms Lebanon and its people urgently need."

*The International Support Group for Lebanon, on the need for Lebanese authorities to begin implementing structural reforms in the wake of the parliamentary elections*

## Number of the Week

**0.16%:** Average interest rate on foreign currency deposits at banks in Lebanon as at March 2022, according to Banque du Liban

## Lebanon in the News

\$m (unless otherwise mentioned)	2019	2020	2021	% Change*	Dec-20	Nov-21	Dec-21
Exports	3,731	3,544	3,887	9.6%	295	391	616
Imports	19,239	11,310	13,641	20.6%	1,232	1,179	1,269
Trade Balance	(15,508)	(7,765)	(9,754)	25.6%	(937)	(788)	(653)
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)	302	-	(30)	-	-
Primary Balance**	(287)	(648)	1,706	-	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 nine 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"	65.30	31.7	295,166	42.8%	Oct 2022	6.10	9.00	2,959.35
Solidere "B"	63.65	31.3	123,623	27.1%	Jan 2023	6.00	9.00	1,054.99
BLOM GDR	2.60	(8.8)	70,150	1.3%	Apr 2024	6.65	9.00	177.96
Byblos Common	0.78	2.6	42,800	2.9%	Jun 2025	6.25	9.00	97.55
Audi Listed	1.70	(5.6)	28,701	6.6%	Nov 2026	6.60	9.00	61.52
HOLCIM	23.67	1.2	8,600	3.0%	Feb 2030	6.65	9.00	33.68
Audi GDR	1.85	2.8	1,250	1.5%	Apr 2031	7.00	9.00	29.0
BLOM Listed	2.85	0.0	-	4.0%	May 2033	8.20	9.00	23.21
Byblos Pref. 09	37.98	0.0	-	0.5%	Nov 2035	7.05	9.00	18.77
Byblos Pref. 08	30.00	0.0	-	0.4%	Mar 2037	7.25	9.00	16.94

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

Source: Refinitiv

	May 23-27	May 16-20	% Change	April 2022	April 2021	% Change
Total shares traded	597,790	283,944	110.5	2,124,884	1,917,215	10.8
Total value traded	\$25,623,963	\$8,252,389	210.5	\$30,360,019	\$32,181,843	(5.7)
Market capitalization	\$15.26bn	\$12.75bn	19.7	\$10.59bn	\$9.41bn	12.5

Source: Beirut Stock Exchange (BSE)



### **U.S. removes Lebanon from Watch List of intellectual property rights violations**

In its annual 'Special 301' review of the state of intellectual property rights (IPR) protection and enforcement in U.S. trading partners around the world for 2022, the Office of the United States Trade Representative (USTR) removed Lebanon from its Watch List. The USTR placed Lebanon on the Watch List in 1999 and then downgraded it to the more critical Priority Watch List in 2001, where it remained until 2007. It then upgraded Lebanon to the Watch List in 2008 where it remained until 2021.

The USTR indicated that it did not identify ongoing concerns about IP protection or enforcement in Lebanon during the 'Special 301' review for 2022. But it noted that it will continue to monitor Lebanon's IP protection and enforcement regime, which includes the ratification and implementation of international IP treaties.

In its 'Special 301' report for 2021, the USTR welcomed Lebanon's continued work to promote IP protection and enforcement in 2020 and commended the Ministry of Economy & Trade for drafting a national IP strategy in 2019, which is awaiting approval by the Council of Ministers. However, it called on Lebanese authorities to ratify and implement several IPR treaties, including Articles 1 to 12 of the Paris Convention for the Protection of Industrial Property, the Singapore Treaty on the Law of Trademarks, the latest acts of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, as well as the Berne Convention for the Protection of Literary and Artistic Works. It also encouraged authorities to join the Patent Cooperation Treaty, the Madrid Protocol, and the World Intellectual Property Organization Internet Treaties.

In parallel, the USTR kept 20 countries and jurisdictions on the Watch List for their ineffective and inadequate protection of intellectual property rights and for severe copyright violations. Also, it included seven countries this year on its Priority Watch List. Algeria, along with and Egypt are the only countries from the Middle East & Africa region that are on the 2022 Watch List.

### **Lebanese authorities to face challenges in implementing IMF's prior actions**

Fitch Ratings considered that the outcome of Lebanon's parliamentary elections that took place on May 15, 2022 is inconclusive, which will make it challenging for the incoming members of Parliament to form a stable governing majority and would further complicate the country's ability to implement financial and economic reforms. It indicated that the reforms include prior actions that the International Monetary Fund (IMF) has set, so that the IMF and other international partners provide financial support to Lebanon, which could help the country avoid defaulting on its Lebanese pound-denominated sovereign debt.

Also, it pointed out that several ministers expressed some objections when the outgoing Cabinet endorsed the economic recovery plan, which calls for the write off of a large part of the foreign-currency debt of Banque du Liban (BdL), a restructuring of the banking sector that includes some protection for small depositors but involves haircuts for the rest of depositors, and the dissolution of non-viable banks, among other measures. Also, it noted that the government's approval of the reforms plan was one of a number of prior conditions that Lebanese authorities need to meet in order for the IMF's Executive Board to approve a \$3bn 46-month Extended Fund Facility. It added that other pre-conditions include the enactment of an emergency bank resolution legislation, the amendment of the banking secrecy law and the enactment of the 2022 budget, the approval of a medium-term fiscal and debt restructuring strategy, the unification of the exchange rates, the implementation of capital controls, an audit of BdL's foreign assets position, as well as the initiation of an evaluation of each of the country's 14 largest banks.

The agency anticipated that the implementation of the IMF's prior conditions will prove to be challenging for Lebanese authorities. It added that the absence of a clear political winning side in the elections suggests that it will again take time to form a new government and that domestic opposition or additional unrest could further delay the enactment of much-needed reforms. Further, it pointed out that the Association of Banks in Lebanon (ABL) rejected the government's economic and financial recovery plan, as the ABL argued that the plan puts the full burden of the losses from the country's economic crisis on depositors.

In August 2021, Fitch affirmed Lebanon's long-term foreign currency Issuer Default Rating (IDR) at 'Restricted Default' and the country's long-term local currency IDR at 'CC'. It also affirmed the Country Ceiling at 'CCC'. It indicated that Lebanon remains in 'Restricted Default' on its foreign currency-denominated debt, following the government's decisions to suspend payments of the principle and interest on the Eurobond that matured in March 2020 and to stop payments on its outstanding stock of Eurobonds pending a restructuring of the public debt. It added that the long-term local currency rating reflects its expectations of an eventual restructuring of debt denominated in Lebanese pounds, but that the government continues to pay interest to private creditors on its Lebanese pounds-denominated debt. Also, it said that, once the authorities reach an agreement with bondholders on restructuring the foreign-currency debt and complete the process, it will assign ratings to Lebanon based on the agency's analysis of the sovereign's willingness and capacity to honor its new foreign-currency debt obligations.



### Number of employees in financial sector down 17% to 19,324 at end-2021

Figures issued by Banque du Liban (BdL) show that there were 19,324 individuals employed in the Lebanese financial sector at the end of 2021, constituting decreases of 17% from 23,246 persons at the end of 2020 and of 26% from 26,101 employees at the end of 2019. Commercial banks accounted for 91.7% of total employees in the financial sector, followed by financial institutions with 4.6%, and medium- and long-term banks with 3.7%. There were 9,277 females employed in the Lebanese financial sector at the end of 2021, equivalent to 48% of the sector's workforce.

Commercial banks had 17,716 employees at the end of 2021, down by 17% from 21,366 employees at end-2020 and by 26% from 23,954 employees the end of 2019. They consisted of 12,053 non-executive employees or 68% of the total, 5,471 executives (31%), and 192 individuals who were either general managers, deputy general managers or assistant general managers (1.1%). In addition, there were 8,645 females employed at banks at end-2021, who accounted for 48.8% of the total number of employees at commercial banks. Further, 81.2% of executives and non-executives at commercial banks held a university degree, 11.3% had a baccalaureate degree and 7.5% held a degree below the baccalaureate level.

Also, financial institutions had 884 employees at the end of 2021, down by 18.5% from 1,084 employees at end-2020 and by 32.9% from 1,318 employees at the end of 2019. They consisted of 417 executives and 417 non-executive employees or 47.2% of the total for each, and 50 individuals who were either general managers, deputy general managers or assistant general managers (5.7%). In addition, there were 348 female employed at financial institutions at the end of 2021, representing 39.4% of the total staff at such institutions. Further, 70% of executives and non-executives at financial institutions held a university degree, 20.3% had a baccalaureate degree and 9.6% held a degree below the baccalaureate level.

Finally, medium- and long-term banks employed 724 persons at the end of 2021, down by 9% from 796 employees at end-2020, and by 12.7% from 829 employees from the end of 2019. They consisted of 452 non-executive employees (62.4%), 250 executives (34.5%), and 22 individuals who were either general managers, deputy general managers or assistant general managers (3%). In addition, there were 284 female employees at medium- and long-term banks at the end of 2021, who accounted for 39.2% of the total. Also, 78.5% of executives and non-executives at medium- and long-term banks held a university degree, 9.3% had a baccalaureate degree and 12.3% held a degree below the baccalaureate level.

### Council of Ministers approves licenses for solar energy plants

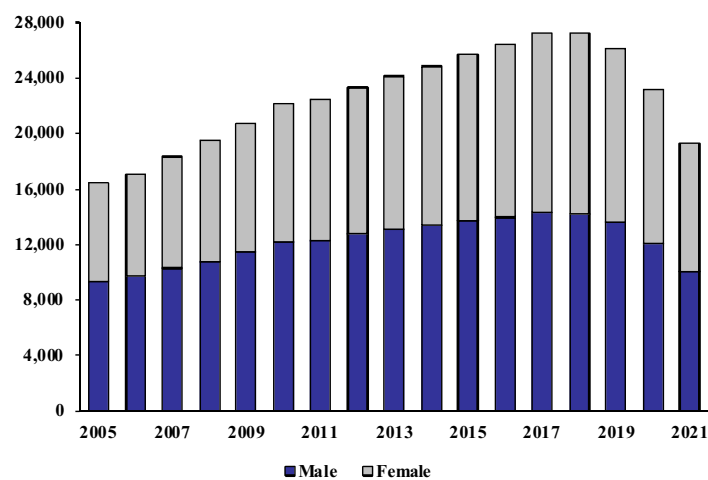
The Council of Ministers approved on May 12, 2022 the issuance of licenses to 11 companies to build solar energy production plants across Lebanon with a capacity of 15 megawatts (MW) per plant. The licenses are part of a solar tender that the government initiated in January 2017, according to international standards, when the Ministry of Energy & Water invited all interested firms to submit their bids for the necessary plot of land, to provide the technology and equipment for constructing the stations, as well as to prepare their financial and technical offers.

The ministry indicated that the 11 companies are distributed across Lebanese regions. They consist of Dawtec-Loop-Staunch, Ecosys-Kaco, and Labwe Solar Farm in the Bekaa region; Elect-Stc-Solistis and Kifane Phoenix Power Plant in the North; Gds-Et-Nabatiyeh, Rimat 15 and South Power in the South; and Joun PV, Sibline Solar Farm and E/One in the Mount Lebanon region. The operating period for each company is 25 years starting from the date of the launch of commercial operations.

It said that the cost of solar energy that the 11 companies will sell will be 5.7 cents per kilowatt-hour (KWH) in the Bekaa region, given that it is a plain area, and 6.3 cents per KWH in all other regions. The licensees will have a period of one year to sign a bankable power purchase agreement, then one year to reach financial closure, and one additional year to reach commercial operation.

In January 2017, the ministry called on the private sector to submit expressions of interest for the construction of solar photovoltaic farms in Lebanon with an aggregate capacity of between 120 and 180 MW in various sites across the country. Each solar power plant will have a power capacity of a minimum of 10 MW and a maximum of 15 MW. Companies will finance, develop, acquire land, design, build, own, operate, and maintain the renewable energy plant, and will be responsible for all other aspects of the operation.

### Number of Employees in the Financial Sector



Source: Banque du Liban, Byblos Research

### Occupancy rate at Beirut hotels at 45%, room yields up 60% in first quarter of 2022

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 44.8% in the first quarter of the year relative to 27% in the same quarter of 2021, and compared to an average rate of 60.8% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the third lowest in the region in the first quarter of 2022 and in the same quarter of 2021. The occupancy rates at Beirut hotels reached 34.7% in January, 43.8% in February, and 55.7% in March 2022, compared to 29.5% in January, 17.1% in February, and 33.7% in March 2021. The occupancy rate at hotels in Beirut increased by 17.7 percentage points in the first quarter of 2022 from the same period of 2021. In comparison, the average occupancy rate in Arab markets expanded by 19.3 percentage points in the covered period.

Also, the average rate per room at Beirut hotels was \$61.6 in the first quarter of 2022, decreasing by 3.5% from \$73.9 in the same quarter of 2021 and constituting the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$157.1 that increased by \$29.6, or by 23.2%, from \$127.5 in the same quarter of 2021. The average rate per room at Beirut hotels reached \$69 in January, \$66.7 in February, and \$64.6 in March 2022, compared to \$73 in January, \$81.8 in February, and \$72.5 in March 2021.

Further, revenues per available room (RevPAR) were \$27.6 at Beirut hotels in the first quarter of the year compared to \$17.3 in the same period last year, and were the lowest in the region. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. The RevPAR at Beirut hotels rose by 59.5% in the first quarter of 2022 and posted the ninth highest increase regionally. The RevPAR at hotels in Beirut reached \$24 in January, \$29.3 in February, and \$36 in March 2022, compared to \$21 in January, \$14 in February, and \$24.4 in March 2021. Abu Dhabi had the highest hotel occupancy rate in the region at 84.4% in the first quarter of 2022, while Dubai registered the highest average rate per room at \$396.7 and the highest RevPAR at \$320.5 in the covered period.

### Nearly 66% 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 LBP90,660bn or the equivalent of \$60.1bn, at the end of March 2022, compared to LBP89,511bn or \$59.4bn at end of March 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.53% in March 2022 compared to 6.5% in March 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP35,041bn and accounted for 38.7% of aggregate securities denominated in Lebanese pounds at the end of March 2022, followed by seven-year Treasury securities with LBP 20,363bn (22.5%), five-year bonds with LBP19,602bn (21.6%), three-year Treasury bonds with LBP5,994bn (6.6%), 12-year Treasury securities with LBP3,076bn (3.4%), two-year Treasury bonds with LBP2,426bn (2.7%), one-year Treasury bills with LBP1,545bn (1.7%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP1,013bn (1.1%), and three-month T-bills with LBP183bn (0.2%). As such, 66.1% of outstanding Treasury securities have seven-year maturities or longer and 87.7% have five-year maturities or more.

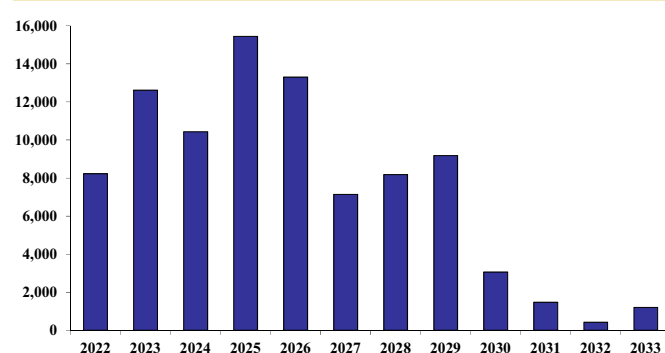
In parallel, LBP684bn in outstanding Treasury securities denominated in Lebanese pounds matured in March 2022, of which 32% consisted of five-year Treasury bills, 29.4% consisted of one-year Treasury bonds, 23.4% were three-year T-bills, 11.5% were three-month Treasury bonds, 2.8% consisted of six-month Treasury securities, and 1% consisted of two-year Treasury bonds. According to ABL, LBP8,230bn in outstanding Treasury bonds in Lebanese pounds will mature in 2022 and LBP12,614bn will come due in 2023.

### Hotel Sector Performance in First Quarter of 2022

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	84	70	44.9
Dubai	81	321	100.9
Madina	77	79	115.8
Riyadh	74	135	100.5
Cairo-City	72	76	251.3
Ras Al Khaimah	67	123	40.0
Doha	63	68	(2.7)
Makkah	57	57	191.3
Muscat	52	69	211.0
Manama	47	73	97.7
Jeddah	47	91	(3.0)
<b>Beirut</b>	<b>45</b>	<b>28</b>	<b>59.5</b>
Kuwait City	43	109	54.7
Amman	41	58	204.8

Source: EY, Byblos Research

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



\*as at end-March 2022

Source: Association of Banks in Lebanon, Byblos Research

### **Banque du Liban warns about dealing with Non-Fungible Tokens**

Banque du Liban (BdL) issued on May 17, 2022 Announcement No. 948 addressed to banks, financial institutions, money exchange dealers and financial intermediation firms, as well as to the general public, that warned about the risks of buying, owning, or using Non-Fungible Tokens (NFTs). NFTs consist of digital data stored virtually in a blockchain that can be sold and traded worldwide. An NFT is a digital asset that represents real-world objects like art, music, in-game items and videos, and has become a way to buy and sell digital artwork. NFTs are bought and sold online, frequently with cryptocurrencies, and are generally encoded with the same underlying software as many cryptocurrencies.

BdL attributed its warning to the increasing utilization of NFTs and to the many legal risks that this entails. First, it said that the seller of NFTs could retain the ownership rights to the original code and makes the buyer believe that he/she has received these rights. Second, it noted that the lack of transparency and the complexity of the contracts to buy NFTs make the buyer incur additional and unexpected costs, given that the ownership of the NFT is not transferred to the buyer just by paying the agreed amount of the transaction to the seller. Third, it stated that the seller may forge the original NFTs before or after selling them.

Fourth, it indicated that it is difficult to determine the actual value of NFTs, due to the volatility in market prices and the absence of data on the dates when the transaction took place. Fifth, it noted that the seller can defraud the assets at the source and issue NFTs owned by third parties without their knowledge or consent. Sixth, it noted that these assets are neither regulated nor supervised. Seventh, it cautioned from the possibility of using NFTs to carry out money laundering or terrorism financing operations.

### **World Bank and UNDP launch environmental recovery plan**

The World Bank and the United Nations Development Program (UNDP) signed on May 18, 2022 the Beirut Critical Environment Recovery, Restoration and Waste Management Program, that aims to help mitigate the environmental and health impacts of the explosion at the Port of Beirut on affected neighborhoods and individuals. The UNDP will implement the project in coordination with the Ministry of Environment, as well as with relevant ministries and other stakeholders. It said that the Lebanon Financing Facility (LFF) will fund the program with \$10m to support the rehabilitation of the damaged areas in Beirut based on an environment-friendly strategic plan that includes consultations among stakeholders and technical assistance.

The World Bank indicated that the explosion caused severe harm to the environment from massive quantities of waste streams, including hazardous waste and the waste of electronic equipment and debris. It added that the explosion caused significant damage to the municipal solid waste management infrastructure, polluted the marine ecosystem around the explosion site, caused the loss of green cover/vegetation in the capital, and increased dust levels during the demolition, rehabilitation, and reconstruction of damaged buildings. It noted that the presence of dangerous waste material in various waste streams poses a direct and immediate threat to the population and to the environment in Beirut. It assessed the cost of the physical damage to the environment at between \$20m to \$25m and estimated the recovery and reconstruction needs at \$75m to \$100m, according to its Rapid Damage and Needs Assessment following the explosion.

It indicated that the program will implement environmental recovery activities in Beirut to mitigate risks of a solid waste crisis and other environmental issues that resulted from the explosion. Also, it pointed out that the project will help manage and dispose of asbestos-contaminated demolition waste generated from the destroyed buildings, rehabilitate solid waste infrastructure and treatment facilities, and provide technical assistance for their sustainable operation. It noted that the program will support the improvement of the waste management system in Beirut through the implementation of demonstration pilots on integrated solid waste management, including the sorting, collection, transportation and disposal of solid waste in selected areas impacted by the explosion. It stated that local communities will be engaged in the selection of these pilots, the design of treatment approaches and the evaluation of their performance.

The LFF is a five-year multi-donor trust fund that the World Bank, the United Nations and the European Union established in December 2020, following the launch of the Reform, Recovery and Reconstruction Framework, to pool grant resources and coordinate financing in support of the immediate socio-economic recovery of vulnerable people and businesses impacted by the explosion at the Port of Beirut. It has received contributions and pledges of \$73.6m from the governments of Canada, Denmark, France, Germany, Italy and Norway and from the European Union. The LFF financed three previous projects that address the recovery needs of micro- and small-enterprises, the social recovery needs of affected population groups and housing reconstruction and the rehabilitation of cultural and creative industries in damaged neighborhoods in Beirut.

### Lebanon ranks 94<sup>th</sup> globally, 10<sup>th</sup> in Arab region in travel & tourism development

The World Economic Forum ranked Lebanon in 94<sup>th</sup> place among 117 countries globally and in 11<sup>th</sup> place among 14 Arab countries on its Travel & Tourism Development Index (TTDI) for 2021.

The TTDI measures the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector. The index includes 17 component pillars grouped under five sub-indices that are the Enabling Environment Sub-Index, the T&T Policy and Enabling Conditions Sub-Index, the Infrastructure Sub-Index, the T&T Demand Drivers Sub-Index, and the T&T Sustainability Sub-Index. The rankings are based on scores that range from one to seven, with higher scores reflecting more developed T&T sectors.

Globally, Lebanon's T&T sector is considered to be more developed than the T&T sectors of Bosnia & Herzegovina, El Salvador and Guatemala, and less developed than the T&T sectors in Bolivia, Tajikistan and Laos. It ranked ahead of only Yemen among Arab countries. Lebanon received a score of 3.4 points, lower than the global average score of 3.98 points and the Arab average score of 3.84 points. Lebanon's score was also lower than the Gulf Cooperation Council (GCC) average score of 4.14 points and the average score of non-GCC Arab countries of 3.58 points.

Lebanon ranked in 82<sup>nd</sup> place and received a score of 4.1 points on the Enabling Environment Sub-Index. This indicator captures the general settings that are necessary for companies to operate in a country, such as the business environment, safety & security, health & hygiene, human resources & the labor market, and information and communications technology readiness. Globally, Lebanon preceded Cambodia and Peru, and came behind Colombia and Ecuador, while it ranked ahead of only Yemen regionally.

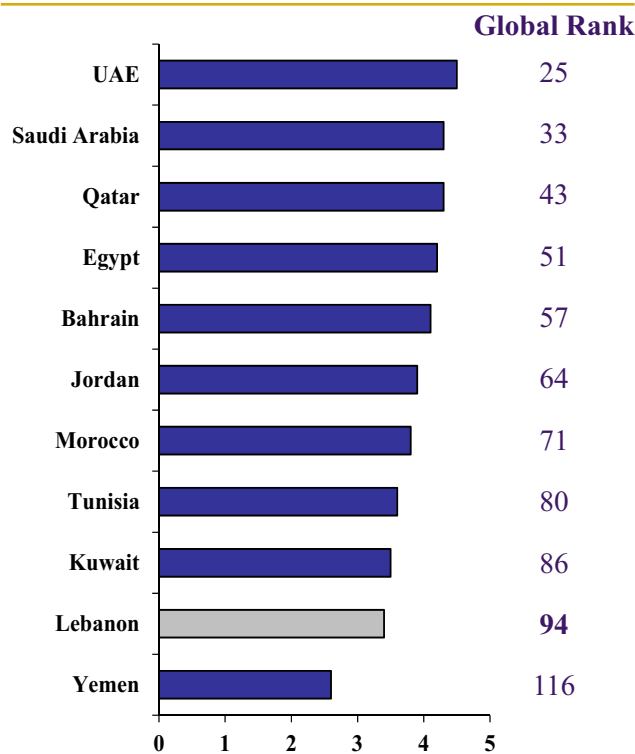
Also, Lebanon ranked in 100<sup>th</sup> place and scored of 3.8 points on the T&T Policy & Enabling Conditions Sub-Index. This indicator assesses specific policies or strategic aspects that have a direct impact on the T&T industry. Lebanon came ahead of Bosnia & Herzegovina and Benin, and ranked behind Pakistan and Tajikistan worldwide, while it preceded only Yemen and Kuwait in the Arab world.

Further, Lebanon ranked in 87<sup>th</sup> place and had a score of 2.8 points on the Infrastructure Sub-Index. This indicator evaluates the availability and quality of physical infrastructure in a country. Globally, Lebanon preceded Bosnia & Herzegovina and Cambodia, and trailed Bangladesh and Tunisia, while it came ahead of only Yemen, regionally.

In addition, Lebanon ranked in 76<sup>th</sup> place and received a score of 2.1 points on the T&T Demand Drivers Sub-Index. This indicator evaluates the principal reasons to travel to a country such as its natural, cultural and non-leisure resources. Lebanon preceded Bosnia & Herzegovina and Cambodia, and trailed Bangladesh and Tunisia worldwide, while it ranked ahead of only Kuwait and Yemen among Arab countries.

Finally, Lebanon ranked in 99<sup>th</sup> place and received a score of 3.7 points on the T&T Sustainability Sub-Index. This indicator captures the current or potential T&T sustainability challenges and risks in a country, which include environmental sustainability, socioeconomic resilience and conditions, as well as the quality and impact of T&T in a country. Globally, Lebanon preceded Zambia and Peru, and trailed Paraguay and Tunisia, while it ranked ahead of only Kuwait and Yemen in the Arab region.

**Travel & Tourism Development Index for 2021  
Arab Countries Scores & Rankings**



Source: World Economic Forum, Byblos Research

### Deterioration in industrial activity slows down in fourth 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 -42 in the fourth quarter of 2021, compared to -44 in the previous quarter and to -45 in the fourth quarter of 2020. The balance of opinions for the level of industrial production in the fourth quarter of 2021 reached its ninth lowest quarterly level between the first quarter of 2004 and the fourth 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, -45 in the fourth quarter of 2020, and -44 in the third quarter of 2021. The balance of opinions for the fourth 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 -6 in the North, -47 in Beirut & Mount Lebanon, -52 in the Bekaa, and -73 in the South.

The balance of opinions about demand for industrial goods stood at -48 in the fourth quarter of 2021 compared to -46 in the preceding quarter and to -50 in the fourth quarter of 2020. It was the lowest in the Bekaa at -76, followed by the South (-72), Beirut & Mount Lebanon (-47), and the North (-6). In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -32 in the fourth quarter of 2021 compared to -34 in the preceding quarter and -35 in the fourth quarter of 2020. It was the lowest in the South at -81, followed by Beirut & Mount Lebanon (-41), the Bekaa (-26), and the North (zero). In addition, the balance of opinions about the level of registered orders was -62 in the fourth quarter of 2021, unchanged from the previous quarter and from the fourth quarter of 2020. It was -76 in the South, the lowest across regions, followed by the Bekaa (-66), Beirut and Mount Lebanon (-65), and the North (-46).

Further, the balance of opinions about foreign demand for industrial goods stood at -24 during the fourth quarter of 2021 compared to -18 in the preceding quarter and to -28 in the fourth quarter of 2020. It was zero in the North, -23 for Beirut & Mount Lebanon, -29 for the Bekaa region and -66 for the South. Also, the balance of opinions about the number of employees in the sector was -34 in the fourth quarter of 2021 compared to -36 in the preceding quarter and to -37 in the fourth quarter of 2020. It was -17 in Beirut & Mount Lebanon, -36 in the North, -46 in the Bekaa, and -62 in the South.

In parallel, the balance of opinions for the level of inventory of finished goods was -40 in the fourth quarter of 2021, unchanged from the previous quarter and compared to -43 in the fourth quarter of 2020. It stood at -14 in the North, -39 in Beirut and Mount Lebanon, -44 in the Bekaa, and -82 in the South. Also, the balance of opinions for the level of inventories of raw materials was -47 in the fourth quarter of 2021, compared to -43 in the preceding quarter and to -50 in the fourth quarter of 2020. It stood at -34 in Beirut and Mount Lebanon, -44 in the Bekaa, -51 in the North, and -83 in the South, the lowest across regions.

<b>Industrial Activity: Evolution of Opinions</b>				
<b>Aggregate results</b>	<b>Q4-18</b>	<b>Q4-19</b>	<b>Q4-20</b>	<b>Q4-21</b>
Production	-34	-50	-45	-42
Total demand	-35	-53	-50	-48
Foreign demand	-24	-27	-28	-24
Volume of investments	-13	-31	-35	-32
Inventories of finished goods	-7	-23	-43	-40
Inventories of raw material	-15	-34	-50	-47
Registered orders	-37	-54	-62	-62

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

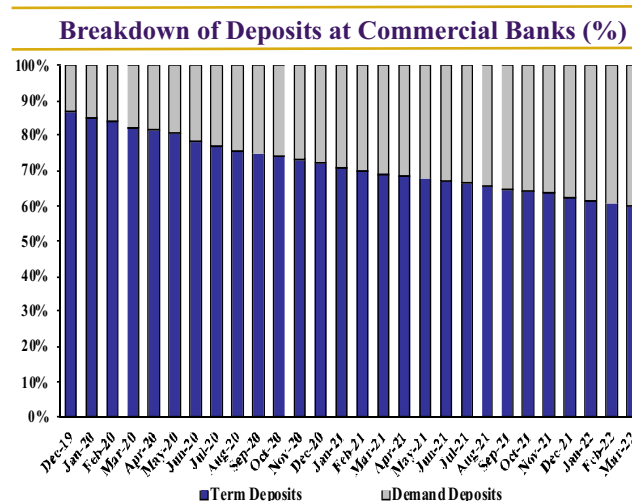


### Term deposits account for 60% of customer deposits at end-March 2022

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$136.6bn at the end of March 2022, constituting a decrease of \$2.7bn, or of 2.9%, in the first quarter of the year from \$139.3bn at the end of 2021.

Total deposits include private sector deposits that reached \$128.1bn, deposits of non-resident financial institutions that amounted to \$4.4bn, and public sector deposits that stood at \$4.1bn at the end of March 2022. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar.

Term deposits in all currencies reached \$82bn at the end of March 2022 and declined by \$5.1bn, or by 5.8%, from \$87.1bn at end-2021; while they accounted for 60% of total deposits in Lebanese pounds and in foreign currency as at end-March 2022 relative to a share of 62.5% at the end of 2021.



Source: Banque du Liban

The decline in term deposits is due a dip of 28.4% in the term deposits in Lebanese pounds of the public sector, a decrease of 12.2% in the term deposits of the non-resident financial sector, a decline of 7% in the term deposits in Lebanese pounds of the resident private sector, a retreat of 4.7% in the foreign currency-denominated term deposits of the resident private sector, and a contraction of 2.8% in the term deposits of non-residents. This was partly offset by an uptick of 0.6% in foreign currency-denominated term deposits of the public sector. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$84.5bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$47bn and accounted for 34.4% of aggregate deposits at the end of March 2022. Term deposits of non-residents followed with \$16.2bn (12%), then term deposits in Lebanese pounds of the resident private sector with \$12.7bn (9.3%), term deposits of the non-resident financial sector with \$3bn (2.2%), term deposits of the public sector in Lebanese pounds with \$2.4bn (1.7%), and term deposits of the public sector in foreign currency with \$708m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$54.65bn at the end of March 2022 and increased by \$2.4bn, or by 4.6%, from \$52.3bn at end-2021. They accounted for 40% of total deposits at end-March 2022 relative to a share of 37.5% at end-2021. The increase in demand deposits was mainly due to a rise of \$1.66bn in demand deposits in Lebanese pounds of the resident private sector, a growth of \$690.3m in foreign currency-denominated demand deposits of the resident private sector, and an upturn of \$92m in demand deposits in Lebanese pounds of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$31.7bn and represented 23.2% of deposits at end-March 2022. Demand deposits in Lebanese pounds of the resident private sector followed with \$12.6bn (9.2%), then demand deposits of non-residents with \$7.86bn (5.8%), demand deposits of the non-resident financial sector with \$1.4bn (1%), demand deposits in Lebanese pounds of the public sector with \$834.8m (0.6%), and demand deposits in foreign currency of the public sector with \$215.6m (0.2%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.3% of private-sector deposits and for 50% of the number of depositors at the end of 2021. Mount Lebanon followed with 15% of deposits and 18.6% of beneficiaries, then South Lebanon with 7.15% of deposits and 11.2% of depositors, North Lebanon with 6.6% of deposits and 11.9% of beneficiaries, and the Bekaa with 4.9% of deposits and 8.35% of depositors.

### Banking sector has 967 branches at end of 2021

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 967 local and foreign branches at the end of 2021, constituting a decline of 120 branches, or of 11% from 1,087 branches at end-2020, and a drop of 185 branches (-16%) from 1,152 branches at the end of 2019.

Commercial banks had 946 local and foreign branches in total at the end of 2021 compared to 1,065 branches at end-2020 and to 1,131 branches at end-2019. Further, medium- and long-term banks had 21 branches in Lebanon at the end of 2021, compared to 22 branches from a year earlier and 21 branches at the end of 2019. In parallel, commercial banks operating in Lebanon had 53 branches outside the country at the end of 2021 compared to 73 branches a year earlier and at end-2019.

The breakdown of commercial banks' branches shows that banks had 893 local branches at the end of 2021, down by 99 branches from 992 branches at end-2020 and by 165 branches from 1,058 branches at end-2019. There were 465 branches of commercial banks in Beirut & its suburbs that accounted for 52% of total branches in the country at the end of 2021, followed by 179 branches in Mount Lebanon (20%), 93 branches in North Lebanon (10.4%), 92 branches in South Lebanon (10.3%), and 64 branches in the Bekaa region (7.2%). Also, nine foreign commercial banks operating in the country had 21 branches and four Islamic banks had 14 branches at the end of 2021. In addition, there were 15 e-branches that offer banking services through interactive and automated machines at end-2021.

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

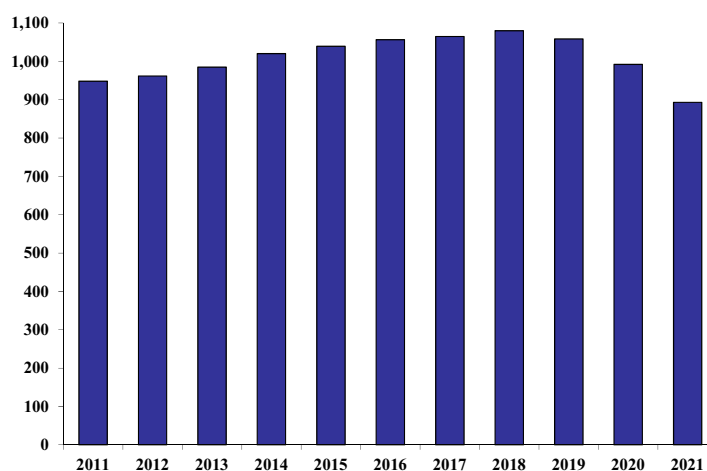
### Balance sheet of investment banks down 0.4% in first quarter of 2022

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,021bn, or \$3.9bn at the end of March 2022, constituting a marginal decrease of 0.4% from LBP6,046bn (\$4bn) at end-2021, and a decline of 11% from LBP6,773bn or \$4.5bn at the end of March 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers reached LBP1,537.8bn (\$1bn) at the end of March 2022, regressing by 4.3% in the first quarter of the year and by 24.2% from end-March 2021, while claims on non-resident customers totaled LBP36.6bn (\$24.3m) at the end of March 2022 and as they surged by 110.7% from end-2021 and declined by 33.6% from a year earlier. In addition, claims on the resident financial sector reached LBP738.7m (\$490m) at end-March 2022, decreasing by 8% from end-2021 and from the end of March 2021; while claims on the non-resident financial sector totaled LBP72.4bn (\$48m) at the end of March 2022, and declined by 18% from end-2021 and regressed by 53.3% from a year earlier. Also, claims on the public sector amounted to LBP4.4bn (\$2.9m) at the end of March 2022, constituting decreases of 7.2% from end-2021 and of 60.7% from a year earlier; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached LBP840bn (\$557.2m) at end-March 2022 and declined by 17.3% from end-March 2021. In parallel, currency and deposits at BdL and foreign central banks reached LBP2,147bn (\$1.42bn) at the end of March 2022, constituting increases of 7% in the first quarter of 2022 and of 6% from end-March 2021.

On the liabilities side, deposits of resident customers totaled LBP1,283.5bn (\$851.4m) at the end of March 2022, constituting a declines of 7.2% in the first quarter of 2022 and of 29.7% from a year earlier; while deposits of non-resident customers reached LBP151.4bn (\$100.4m) at the end of March 2022, representing an increase of 1.5% from the end of 2021 and a drop of 44.2% from end-March 2021. In addition, liabilities to the resident financial sector amounted to LBP132.1bn (\$87.6m) at end-March 2022, down by 11% from end-2021; while those to the non-resident financial sector increased by 4% in the first quarter to LBP234bn (\$155.2m) at the end of March 2022. Also, public sector deposits stood at LBP9.5bn (\$6.3m), while investment banks did not issue any debt securities at the end of March 2022, relative to LBP9.1bn (\$6m) at end-2021. Further, the aggregate capital account of investment banks amounted to LBP2,531.5bn (\$1.68bn) at the end of March 2022, constituting increases of 6.2% in the first quarter of the year and of 7.8% from end-March 2021.

Number of Branches of Commercial Banks in Lebanon



Source: Banque du Liban, Byblos Research

## 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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**Economic Research & Analysis Department**  
**Byblos Bank Group**  
**P.O. Box 11-5605**  
**Beirut – Lebanon**  
**Tel: (961) 1 338 100**  
**Fax: (961) 1 217 774**  
**E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

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# BYBLOS BANK GROUP

## LEBANON

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Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: [erbilbranch@byblosbank.com.lb](mailto:erbilbranch@byblosbank.com.lb)

Sulaymaniyah Branch, Kurdistan, Iraq  
Salem street, Kurdistan Mall - Sulaymaniyah  
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: [baghdadbranch@byblosbank.com.lb](mailto:baghdadbranch@byblosbank.com.lb)

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: [basrabranch@byblosbank.com.lb](mailto:basrabranch@byblosbank.com.lb)

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296  
E-mail: [infoarm@byblosbank.com](mailto:infoarm@byblosbank.com)

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: [nigeriarepresentativeoffice@byblosbank.com.lb](mailto:nigeriarepresentativeoffice@byblosbank.com.lb)

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Boulevard Bischoffsheim 1-8  
1000 Brussels  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 7518 8100  
Fax: (+ 44) 20 7518 8129  
E-mail: [byblos.london@byblosbankeur.com](mailto:byblos.london@byblosbankeur.com)

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## ADIR INSURANCE

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Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293