

## LEBANON THIS WEEK

### In This Issue

**Economic Indicators**.....1  
**Capital Markets**.....1  
**Lebanon in the News**.....2

Greenfield foreign direct investments down 99% to \$0.5m in 2021

Travel and tourism industry contributes 2.5% of GDP in 2021

Cost of sending remittances from several sources decreases in first quarter of 2022

Energy Ministry extends deadline for second licensing round for offshore oil & gas exploration and production

Amount of cleared checks down 17%, returned checks down 45% in first five months of 2022

Banque du Liban's foreign assets at \$15.5bn, gold reserves at \$16.8bn at mid-June 2022

Treasury transfers to Electricité du Liban down 37% to \$463m in first 10 months of 2021

Lebanon ranks 142<sup>nd</sup> globally, 10<sup>th</sup> in Arab region in environmental performance

Consumer Price Index up 211% year-on-year in May 2022

Potential institutional vacuum could delay structural reforms

### Corporate Highlights .....9

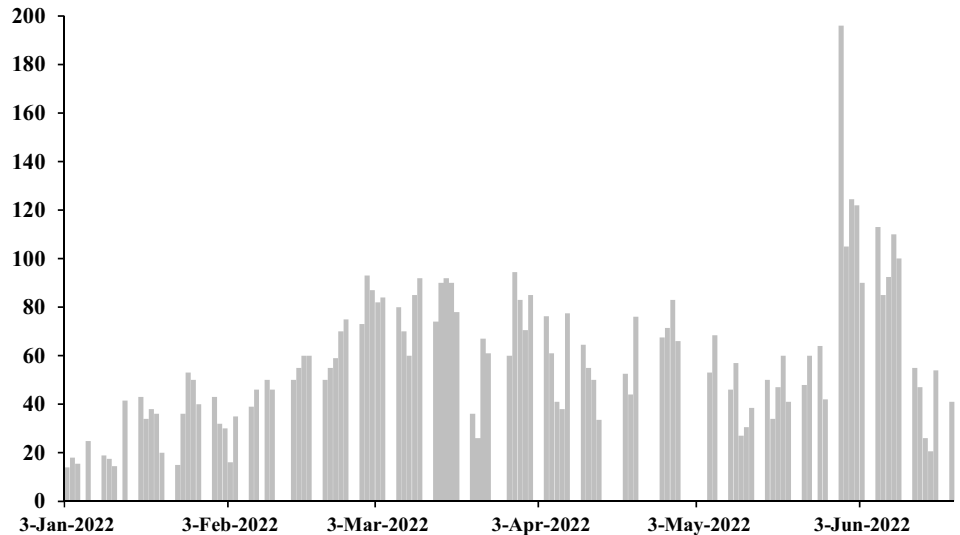
Payment cards at 2.58 million at end of March 2022, ATMs total 1,679

Beirut Bourse announces de-listing of RYMCO shares

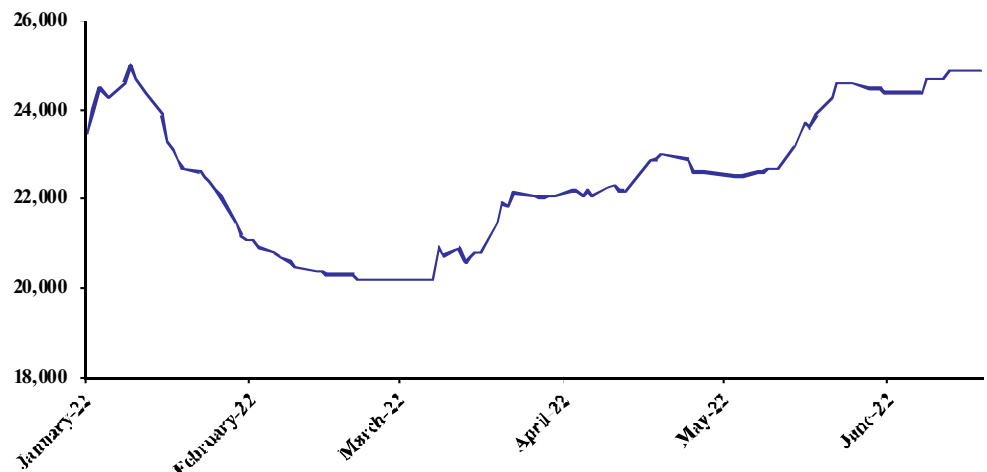
**Ratio Highlights**.....10  
**National Accounts, Prices and Exchange Rates** .....10  
**Ratings & Outlook**.....10

### Charts of the Week

**Daily Volume of Transactions on Banque du Liban's Sayrafa Platform since the start of 2022 (US\$ million)**



**Daily Exchange Rate of the Lebanese pound against the US dollar on the Sayrafa Platform (since the start of 2022)**



Source: Banque du Liban, Byblos Bank

### Quote to Note

"Lebanon is the primary tourism destination of nationals from Gulf Cooperation and other Arab countries."

*Mr. Abdel-Al Al-Qena'i, the Ambassador of Kuwait in Lebanon, on the potential of the Lebanese tourism sector*

### Number of the Week

**1.1 million:** Cumulative number of coronavirus cases in Lebanon since March 2020, according to the Ministry of Public Health

## 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"	62.50	(3.0)	133,641	41.9%	Oct 2022	6.10	8.13	3,990.95
BLOM GDR	2.50	0.0	74,700	1.2%	Jan 2023	6.00	8.13	1,435.82
Audi Listed	1.66	(2.4)	64,040	6.5%	Apr 2024	6.65	8.13	196.60
Solidere "B"	62.60	(1.9)	58,621	27.3%	Jun 2025	6.25	8.13	105.09
Byblos Common	0.73	(2.7)	15,000	2.8%	Nov 2026	6.60	8.13	65.50
Audi GDR	1.55	(1.3)	9,004	1.2%	Feb 2030	6.65	8.13	35.52
HOLCIM	27.50	10.0	2,186	3.6%	Apr 2031	7.00	8.13	30.54
Byblos Pref. 09	37.98	0.0	-	0.5%	May 2033	8.20	8.13	24.39
BLOM Listed	3.00	0.0	-	4.3%	Nov 2035	7.05	8.13	19.70
Byblos Pref. 08	24.99	0.0	-	0.3%	Mar 2037	7.25	8.13	17.76

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

Source: Refinitiv

	Jun 13-17	Jun 6-10	% Change	May 2022	May 2021	% Change
Total shares traded	357,292	227,582	57.0	1,659,677	2,276,392	(27.1)
Total value traded	\$12,528,022	\$9,944,345	26.0	\$50,621,005	\$34,870,716	59.5
Market capitalization	\$14.92bn	\$15.17bn	(1.63)	\$14.78bn	\$9.18bn	61.0

Source: Beirut Stock Exchange (BSE)



### Greenfield foreign direct investments down 99% to \$0.5m in 2021

Figures compiled by fDi Markets and released by the United Nations Conference on Trade and Development (UNCTAD) show that Lebanon attracted one greenfield foreign direct investment project for a total of \$0.5m in 2021, compared to four projects worth \$40.7m in 2020. The number of greenfield FDI projects decreased by 75%, while the amount of greenfield FDI dropped by 98.8% in 2021. In comparison, Lebanon attracted \$289.6m in greenfield FDI in 2019 (12 projects), \$148.8m in 2018 (six projects), \$102.7m in 2017 (11 projects), \$87.6m in 2016 (10 projects), \$77.5m in 2015 (seven projects), \$1.2bn in 2014 (10 projects), and \$131.2m in 2013 (16 projects).

The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation. The figures exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border greenfield investments across the world, and is owned by the Financial Times Group.

Lebanon was the smallest recipient of greenfield FDI in nominal terms among 136 economies with a GDP of \$10bn or more and among 17 Arab countries. Lebanon was among 61 countries globally that registered a decrease in the amount of inward greenfield FDI in 2021. In comparison, the amount of inward greenfield FDI to Arab economies increased by 1.3% to \$34.2bn in 2021, while greenfield FDI to West Asian economies dropped by 15% to \$28.9bn last year.

In parallel, Lebanon attracted the lowest number of greenfield FDI projects globally in 2021, along with Brunei Darussalam, Guinea, Papua New Guinea, Niger, and Venezuela. Also, Lebanon was among 50 countries worldwide that registered a decline in the number of greenfield FDI projects in 2021. In comparison, the number of greenfield FDI projects to Arab economies increased by 41.8% to 1,014 projects last year, while greenfield projects to West Asian economies rose by 35% year-on-year to 1,090 projects in 2021.

Further, the amount of greenfield FDI in Lebanon accounted for 0.001% of total greenfield FDI in Arab countries last year relative to 0.12% in 2020. It also represented 0.002% of total flows to West Asian countries, down from 0.12% in 2020. Also, the amount of greenfield FDI in Lebanon was equivalent to 0.002% of GDP in 2021, the lowest such ratio in the Arab world.

### Travel and tourism industry contributes 2.5% of GDP in 2021

The World Travel & Tourism Council (WTTC) estimated that the broad travel and tourism (T&T) industry in Lebanon contributed 2.5% of the country's GDP in 2021, compared to a contribution of 4.9% of GDP in 2020 and to 19.1% of GDP in 2019. It also estimated that the T&T industry generated LBP7,082bn in output in 2021, constituting a drop of 51.8% from LBP14,681.3bn in 2020, and compared to a contribution of LBP71,671.4bn in 2019. The estimates represent the direct, indirect and induced impacts of the industry on economic activity. The WTTC noted that all figures are in constant 2021 prices. It added that it produced its figures based on the Tourism Satellite Account, a standard statistical framework and the main tool for the economic measurement of tourism activity, which allows for the harmonization and reconciliation of tourism statistics from an economic perspective and enables the generation of economic data on tourism that is comparable with other economic statistics.

It pointed out that there were 335,800 jobs in the T&T industry in Lebanon in 2021, constituting an increase of 39,200 jobs, or 18.4% from 296,600 jobs in 2020, and relative to 422,300 jobs in 2019. As such, the industry accounted for 11.6% of total employment in Lebanon in 2021 compared to a share of 10.9% in 2020 and of 12.7% in 2019. Also, the WTTC estimated the aggregate spending by international visitors in Lebanon at LBP1,920.6bn in 2021 relative to LBP8,856bn in 2020 and LBP60,695.4bn in 2019. It said that spending by international visitors accounted for 19% of Lebanon's exports of goods and services last year compared to 41.5% in 2020 and 75% in 2019. It added that domestic spending on T&T reached LBP3,344.1bn (\$2.2bn) in 2021, constituting an increase of 7.4% from LBP3,114.6bn (\$2.1bn) in domestic spending in 2020 and relative to LBP5,415.8bn (\$3.6bn) in 2019. Further, it noted that leisure spending in Lebanon reached LBP5,041.2bn in 2021 compared to LBP62,490.2bn in 2019, while spending related to business activities declined from LBP3,621bn (\$2.4bn) in 2019 to LBP223.6bn (\$148.3m) in 2021.

Further, it indicated that France accounted for 14% of incoming visitors to Lebanon in 2021, followed by visitors from Egypt, Iraq, and the United States (8% each), and Saudi Arabia (7%), while visitors from other countries accounted for the remaining 56%. Also, it said that Turkey was the destination of 49% of Lebanese tourists last year, followed by Syria (12%), the UAE (7%), France (5%), and Kuwait (4%), while other countries accounted for 23% of outbound tourists.

Greenfield FDI in Arab Countries (US\$m)			
	2021	2020	Change (%)
Saudi Arabia	9,501.9	10,161.7	-6.5%
UAE	7,066.0	8,698.3	-18.8%
Egypt	5,574.2	1,629.1	242.2%
Oman	4,695.0	6,100.8	-23.0%
Morocco	1,815.9	2,469.1	-26.5%
Qatar	1,251.1	970.3	29.0%
Iraq	1,115.8	1,063.4	5.0%
Bahrain	1,060.8	1,089.7	-2.7%
Algeria	857.5	76.8	1,017%
Jordan	342.6	224.1	53.0%
Mauritania	331.4	8.2	3941.5%
Tunisia	268.0	474.1	-43.5%
Kuwait	146.4	254.2	-42.4%
Sudan	101.8	329.5	-69.0%
Libya	11.9	0.4	2,875.0%
Djibouti	4.7	111.4	-95.8%
<b>Lebanon</b>	<b>0.5</b>	<b>40.7</b>	<b>-98.8%</b>
<b>Total</b>	<b>34,145.6</b>	<b>33,701.7</b>	<b>1.3%</b>

Source: fDi Markets, UNCTAD, Byblos Research

### Cost of sending remittances from several sources decreases in first quarter of 2022

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 5.81% in the first quarter of 2022, constituting an increase from 4.54% in the fourth quarter of 2021 and from 4.47% in the first quarter of 2021. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$29.05 in the first quarter of 2022, relative to \$22.71 in the preceding quarter and compared to \$22.33 in the first quarter of 2021. Lebanon was the seventh most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 7.72% in the first quarter of 2022 for a transfer of CAD500, representing a decrease from 7.83% in the fourth quarter of 2021 and an increase from 5.53% in the first quarter of 2021. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD38.62 in the first quarter of 2022 relative to CAD39.14 in the previous quarter and to CAD27.67 in the first quarter of 2021. Lebanon was the second most expensive destination for sending CAD500 from Canada among 15 countries with available data.

In addition, the cost of sending remittances from Australia to Lebanon reached 6.75% in the first quarter of 2022 for a transfer of AUD500, constituting declines from 6.8% in the fourth quarter of 2021 and from 6.69% in the first quarter of 2021. The cost of sending AUD500 from Australia to Lebanon was AUD33.74 in the first quarter of 2022 relative to AUD34.02 in the preceding quarter and to AUD33.44 in the first quarter of 2021. Lebanon was the second most expensive destination for sending AUD500 from Australia among 16 countries with available data.

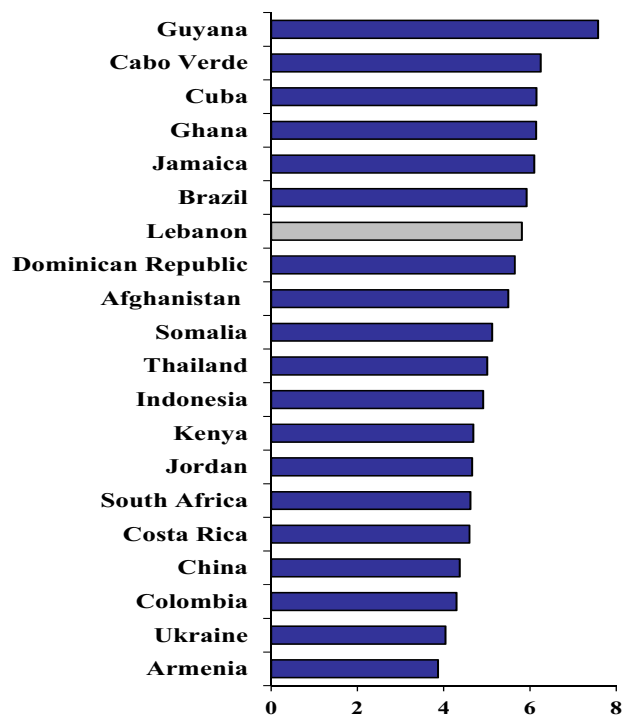
Also, the cost of sending remittances from France to Lebanon was 5.8% in the first quarter of 2022 for a transfer of €345, representing decreases from 6.25% in the fourth quarter of 2021 and from 8.8% in the first quarter of 2021. In nominal terms, the cost of sending €345 from France to Lebanon was €20.02 in the first quarter of 2022 relative to €21.58 in the previous quarter and to €30.34 in the first quarter of 2021. Lebanon was the fourth costliest destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon totaled 7.12% in the first quarter of 2022 for a transfer of £300, constituting an increase from 6.77% in the fourth quarter of 2021 and a decrease from 8.12% in the first quarter of 2021. In nominal terms, the cost of sending £300 from the UK to Lebanon was £21.37 in the first quarter of 2022 relative to £20.31 in the preceding quarter and to £24.36 in the first quarter of 2021. Lebanon was the fourth most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 6.37% in the first quarter of 2022 for a transfer of €345, representing an increase from 5.87% in the fourth quarter of 2021 and a decline from 8.25% in the first quarter of 2021. In nominal terms, the cost of sending €345 from Germany to Lebanon was €21.97 in the first quarter of 2022 relative to €20.25 in the previous quarter and to €28.47 in the first quarter of 2021. Lebanon was the second most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 3.19% in the first quarter of 2022 for a transfer of SAR1,870, equivalent to \$500, decreasing from 3.23% in the fourth quarter of 2021 and increasing from 2.69% in the first quarter of 2021. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR59.65 in the first quarter of 2022, relative to SAR60.4 in the preceding quarter and to SAR50.3 in the first quarter of 2021. Lebanon was the seventh most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

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



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

Source: World Bank, Byblos Research



### **Energy Ministry extends deadline for second licensing round for offshore oil & gas exploration and production**

The Ministry of Energy & Water extended on June 15, 2022 the deadline for the submission of applications for the second licensing round for offshore oil and gas exploration in Lebanon's territorial waters until December 15, 2022. It added that interested companies must submit Licensing Round Applications to the ministry and to the Lebanese Petroleum Administration, as per the procedure defined in the tender protocol.

The ministry had extended four times already the deadline to participate in the second licensing round for offshore oil and gas exploration. First, it postponed the deadline from the end of January 2020 to the end of April of the same year in response to requests from international oil companies to allow them to complete their administrative, technical and financial preparations. Second, it extended the deadline from the end of April to June 1, 2020, then it postponed it for a third time on May 29, 2020, citing the outbreak of the coronavirus pandemic, and extended it a fourth time to June 15, 2022.

The Council of Ministers approved in April 2019 the launch of the second licensing round for offshore oil and gas exploration and production in Lebanon's territorial waters. Eight blocks are open for bidding for the second licensing round, including Block 1 and Block 2, which are located in the north of Lebanon's offshore Exclusive Economic Zone, Block 3, Block 5, Block 6 and Block 7 in the center of the zone, and Block 8 and Block 10 that are in the south of Lebanon's territorial waters.

Total E&P Liban sal, which is the operator of the consortium that won bids for the exploration of oil and gas in Block 4 and Block 9 of Lebanon's territorial waters, announced in April 2020 that the results of the drilling of Lebanon's first exploration well of oil and gas were "negative". It indicated that it found evidence of traces of gas in the well, which confirms the presence of a hydrocarbon system in Lebanon's territorial waters. However, it said that it did not find reservoirs in the Tamar formation, which was the main target of the exploration well that is located 30 kilometers offshore of Beirut. It pointed out that despite the "negative" results, the exploration has provided valuable information that will be incorporated in future complementary studies about the exploration potential of Lebanon's offshore Exclusive Economic Zone.

In parallel, the ministry announced in January 2021 that the consortium, which consists of Total E&P Liban sal, Eni Lebanon B.V. and Novatek Lebanon sal, will continue its petroleum activities in the country. The five-year exploration phase for the first round is divided into a first phase of three years followed by a timeframe of two years. The ministry indicated that the explosion at the Port of Beirut on August 4, 2020 caused damages to the supply base designated for the implementation of petroleum activities in Lebanese maritime waters. In December 2017, the Council of Ministers approved the bid submitted by the consortium for offshore oil and gas exploration and production in Lebanon.

### **Amount of cleared checks down 17%, returned checks down 45% in first five months of 2022**

The amount of cleared checks reached LBP21,218bn, or the equivalent of \$14bn, in the first five months of 2022, constituting a decline of 16.9% from \$16.9bn in the same period of 2021. In comparison, the amount of cleared checks dropped by 21.6% in the first five months of 2021 and regressed by 7.8% in the same period of 2020 from the corresponding periods of the preceding year. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar. The amount of cleared checks in Lebanese pounds reached LBP13,765bn, or the equivalent of \$9.1bn, in the first five months of 2022 and increased by 22% from the same period last year, while the amount of cleared checks in foreign currencies was \$4.9bn and fell by 47.7% in the covered period. Also, there were 878,074 cleared checks in the first five months of 2022, down by 41.7% from 1.6 million checks in the same period of the previous year. The dollarization rate of cleared checks regressed from 55.8% in the first five months of 2021 to 35% in the same period of 2022, while the number of checks denominated in foreign currencies accounted for 48.6% of total cleared checks in the covered period compared to 54.5% in the same period of 2021.

In addition, the amount of cleared checks totaled \$2.7bn in May 2022, constituting decreases of 2.9% from \$2.8bn in the preceding month and of 12.2% from \$3.1bn in May 2021. The amount of cleared checks in Lebanese pounds reached LBP2,804bn (\$1.86bn) in May 2022, as it increased by 7% from \$1.74bn in April 2022 and rose by 15.4% from \$1.6bn in May 2021. Further, the amount of cleared checks in foreign currencies was \$873m in May 2022, as it decreased by 19% from the previous month and dropped by 41.8% from May 2021. There were 145,362 cleared checks in May 2022 relative to 167,441 cleared checks in the preceding month and to 294,156 cleared checks in May 2021.

In parallel, the amount of returned checks in local and foreign currencies was \$125.4m in the first five months of 2022 compared to \$228.2m in the same period of 2021 and to \$477m in the first five months of 2020. This constituted a drop of 45% in the first five months of 2022 relative to decreases of 52.2% and 21.3% in the first five months of 2021 and 2020, respectively. The amount of returned checks in Lebanese pounds reached LBP89bn (\$59m) in the covered period and declined by 18.3% from the first five months of 2021, while the amount of returned checks in foreign currencies was \$67m and contracted by 57% in the covered period. Also, there were 6,179 returned checks in the first five months of 2022, down by 52.8% from 13,101 returned checks in the same period of 2021. The number of returned checks in foreign currencies reached 3,749 in the first five months of 2022 and dropped by 52.7% from the same period of the previous year, while the number of returned checks in Lebanese pounds totaled 2,430 and retreated by 53% year-on-year.

Further, the amount of returned checks in domestic and foreign currencies stood at \$29.8m in May 2022 compared to \$18.6m in the previous month and to \$47.8m in May 2021. Also, there were 961 returned checks in April 2022, relative to 1,062 returned checks in April 2022 and to 1,950 checks in May 2021.

### Banque du Liban's foreign assets at \$15.5bn, gold reserves at \$16.8bn at mid-June 2022

Banque du Liban's (BdL) interim balance sheet reached \$166.5bn on June 15, 2022, constituting increases of 2.1% from \$163.2bn at the end of 2021 and of 5.8% from \$157.4bn a year earlier. Assets in foreign currency totaled \$15.5bn at mid-June 2022, representing a decrease of \$2.3bn, or of 13%, from the end of 2021 and a drop of \$5.3bn (-25.6%) from \$20.8bn at mid-June 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 \$10.48bn at mid-June 2022 and regressed by \$508.5m (-4.6%) from \$10.98bn at the end of May 2022 and by \$551.6m (-5%) from \$11.03bn at mid-May 2022. They dropped by \$2.32bn (-18%) from \$12.8bn at the end of 2021 and by \$5.3bn (-33.7%) from \$15.8bn at mid-June 2021. The cumulative decline of BdL's assets in foreign currency in the past 12 months, 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 \$16.82bn at mid-June 2022, constituting an increase of \$219.1m (+1.3%) from the end of 2021, and a decrease of \$387.7m (-2.3%) from \$17.2bn at mid-June 2021. The value of gold reserves reached a peak of \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled \$42.2bn at mid-June 2022, and increased by \$904.8m (+2.2%) from the end of 2021 and by \$1.72bn (+4.3%) from \$40.4bn a year earlier. In addition, loans to the local financial sector totaled \$13.4bn, regressing by 2.6% from the end of 2021 and by 4.4% from mid-June 2021. Further, the deposits of the financial sector stood at \$110bn at mid-June 2022 and grew by \$2.6bn from a year earlier. In addition, public sector deposits at BdL reached LBP17,262.7bn (\$11.5bn) at mid-June 2022, as they rose by LBP5,571.2bn (\$3.7bn) from the end of 2021 and surged by LBP9,060.5 (\$6bn) from a year earlier.

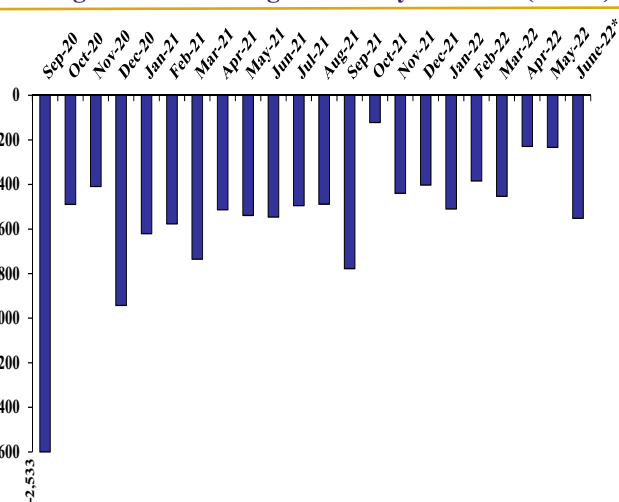
### Treasury transfers to Electricité du Liban down 37% to \$463m in first 10 months of 2021

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled LBP698bn, or \$463m, in the first 10 months of 2021, constituting a decline of 37.3% from LBP1,114bn or from \$739m in the same period of 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. Reimbursements for the purchase of natural gas, fuel and gas oil reached \$461m in the covered period, or 99.6% of transfers; while EdL's debt servicing represented the balance of around \$1.66m, or 0.4% of the total.

The decline in transfers is mainly due to a decrease of \$276m in reimbursements for the purchase of natural gas, fuel and gas oil, which mostly consist of payments to the Kuwait Petroleum Corporation and to the Algerian energy conglomerate Sonatrach. Reimbursements decreased by 37.4% in the first 10 months of 2021, while debt servicing dropped by 8.6% from the same period last year.

Treasury transfers to EdL accounted for 5.6% of budgetary primary expenditures in the first 10 months of 2021 relative to 8.1% in the same period of 2020. They constituted the third largest expenditure item, or 4.7% of overall fiscal spending, after personnel cost with 56.2% and debt servicing with 14.7%. EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, 2.8% of GDP in 2019, and 1.3% of GDP in 2020.

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



\*as at mid-June 2022

Source: Banque du Liban, Byblos Research

### Lebanon ranks 142<sup>nd</sup> globally, 10<sup>th</sup> in Arab region in environmental performance

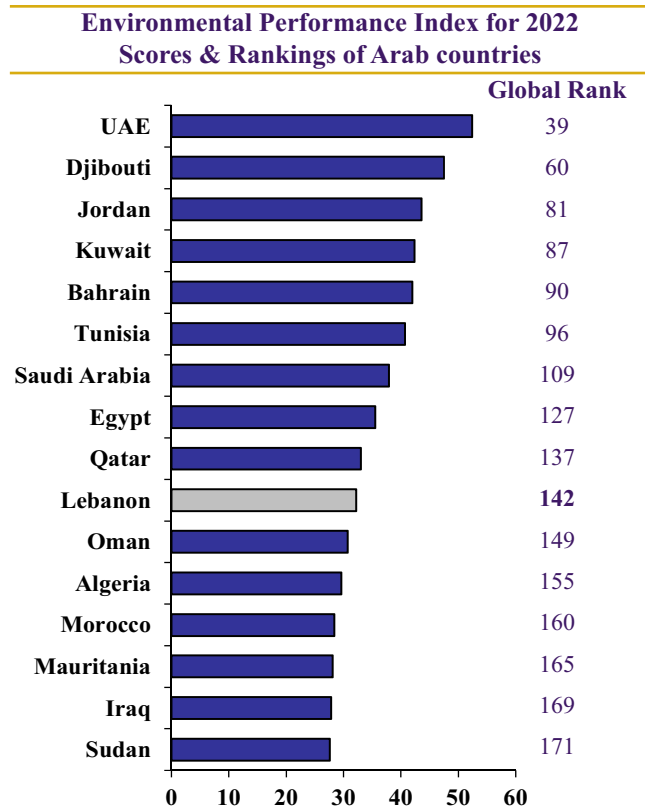
The Environmental Performance Index (EPI) for 2022 ranked Lebanon in 142<sup>nd</sup> place among 180 countries globally and in 10<sup>th</sup> place among 16 Arab countries. The EPI assesses a country's performance on high-priority environmental issues, which are the protection of human health, the enhancement of ecosystems, and the mitigation of climate change. As such, it ranks countries on 11 components divided into three core categories that are Environmental Health, Climate Change and Ecosystem Vitality. The EPI indicators measure how close a country comes to meeting internationally-established targets or, in the absence of agreed targets, how nations compare to each other. The index's scores per country range from zero to 100, with 100 being the closest to the targets. Columbia and Yale universities issue the EPI in collaboration with the McCall MacBain Foundation and the Mullion Group. The producers of the EPI changed the methodology to calculate the index, which prevents comparisons with previous surveys.

Globally, Lebanon has a better environmental performance than Ethiopia, Mozambique and Guinea, and a weaker performance than Qatar, Côte d'Ivoire and Rwanda among economies with a GDP of \$10bn or more. Lebanon received a score of 32.2 points on the 2022 index, lower than the global average score of 43.1 points and the Arab average score of 36.2 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 39.7 points and the average score of non-GCC Arab countries of 34.1 points.

Lebanon preceded Brazil and Bahrain, and trailed Hungary and Ecuador on the Environmental Health category. This category assesses the risks of water and air pollution to human health, and measures the level of air pollution and air quality. It also evaluates the population's access to sanitation and drinking water, as well as its exposure to unsafe water and sanitation. Lebanon trailed only Jordan, Qatar, Kuwait, and the UAE in the Arab region on this category.

Further, Lebanon ranked ahead of Turkey and Myanmar, and came behind Vietnam and Papua New Guinea worldwide on the Ecosystem Vitality category. This category mainly evaluates the level of wastewater treatment and assesses the over-exploitation of fishing stocks, environmental biodiversity, and the improvement of agricultural systems, among other variables. Lebanon trailed all Arab countries on this category.

Also, Lebanon preceded Angola and Portugal, and trailed Poland and Taiwan on the Climate Change category. This category evaluates the changes in carbon emissions in each country, and projects how close a country will be to the net zero target in 2050. Lebanon ranked behind Djibouti, Tunisia, Jordan, and Bahrain among Arab countries on this category.



Source: Columbia and Yale universities, McCall MacBain Foundation, Mullion Group

### Components of the Environmental Performance Index for 2022

	Global Rank	Arab Rank	Lebanon Score	Global Avg Score	Arab Avg Score
<b>Climate Change</b>	<b>98</b>	<b>5</b>	<b>37.9</b>	<b>41.3</b>	<b>32.4</b>
Climate Change Mitigation	98	5	37.9	41.3	32.4
<b>Environmental Health</b>	<b>64</b>	<b>5</b>	<b>46.3</b>	<b>42.9</b>	<b>38.8</b>
Air Quality	72	6	41.2	40.4	34.4
Sanitation & Drinking Water	53	5	59.8	47.4	49.1
Heavy Metals	109	8	43	52.3	39.9
Waste Management	60	4	44.4	35.3	36.7
<b>Ecosystem Vitality</b>	<b>175</b>	<b>16</b>	<b>20.4</b>	<b>44.9</b>	<b>38.4</b>
Biodiversity & Habitat	169	14	12.8	54.1	30.4
Ecosystem Services	92	13	26.4	33.3	55.4
Fisheries	94	10	15.4	23.6	17.6
Agriculture	66	14	17.5	36.5	39.6
Acid Rain	77	16	37.9	68.5	64.6
Water Resources	111	7	38.0	24.4	33.6

Source: Varieties of Democracy, Byblos Research

### Consumer Price Index up 211% year-on-year in May 2022

The Central Administration of Statistics' Consumer Price Index increased by 215.2% in the first five months of 2022 from the same period of 2021. In comparison, it grew by 138% and by 28.6% in the same period of 2021 and 2020, respectively.

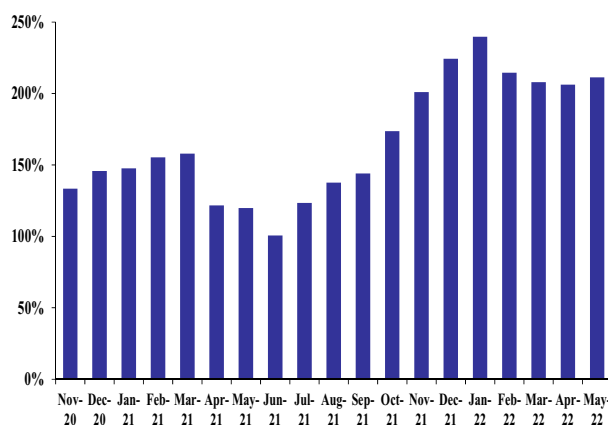
The CPI rose by 211.4% in May 2022 from the same month of 2021, and registered its 23<sup>rd</sup> consecutive triple-digit increase since July 2020. The cumulative surge in inflation is due in part to the inability of authorities to monitor and contain retail prices, as well as to the fluctuation of the Lebanese pound's exchange rate on the parallel market and the gradual lifting of subsidies on hydrocarbons, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. Further, the emergence of an active black market for gasoline last summer has put upward pressure on prices and on inflation at the time, but the lifting of subsidies on gasoline and the resulting disappearance of the retail black market for this product did not translate into a decline in prices.

Transportation costs surged by 6.2 times in May 2022 from the same month of 2021, followed by healthcare costs (+5.7 times), the prices of water, electricity, gas & other fuels (+5.5 times), the prices of food & non-alcoholic beverages (+4.6 times), rates at restaurants & hotels (+3.8 times), the prices of miscellaneous goods & services (+3.6 times), the cost of alcoholic beverages & tobacco (+3 times), and the prices of clothing & footwear and of furnishings & household equipment (+2.8 times each). In addition, the cost of recreation & entertainment jumped by 139% year-on-year in May 2022, followed by the cost of education (+36.2%), communication costs (+9.6%), imputed rent (+6.2%), and actual rent (+5.6%). Also, the distribution of actual rent shows that new rent grew by 6.9% and old rent increased by 3.6% in May 2022 from the same month of 2021.

In parallel, the CPI expanded by 7.9% in May 2022 from the previous month, compared to a month-on-month rise of 7.1% in April 2022 and an increase of 6.1% in March 2022. The prices of furnishings & household equipment surged by 20.3% month-on-month in May 2022, followed by transportation costs (+12.6%), clothing & footwear prices (+12.4%), the prices of food & non-alcoholic beverages (+11.4%), the prices of alcoholic beverages & tobacco (+10.1%), the cost of miscellaneous goods & services (+9.9%), healthcare costs (+8.8), the prices of water, electricity, gas and other fuels (+8.1%), rates at restaurants & hotels (+8%), the cost of recreation & entertainment and (+3.6%), imputed rent and communication costs (+0.6% each), and actual rent (+0.3%). Also, the cost of education was unchanged in May 2022 from the preceding month.

Further, the CPI increased by 11.8% in the Nabatieh, by 9.4% in the South, by 8.5% in the North, by 8.4% in the Bekaa, by 7.4% in Beirut, and by 6.8% in Mount Lebanon, during May 2022 from the previous month. In parallel, the Education Price Index was unchanged from the previous month, while the Fuel Price Index rose by 25.3% month-on-month in May 2022.

Annual Change in Consumer Price Index (%)



Source: Central Administration of Statistics, Byblos Research



### **Potential institutional vacuum could delay structural reforms**

Bank of America (BofA) considered that the start of negotiations between the Lebanese authorities Eurobond holders in mid-May 2022 is a welcome first step that would increase transparency in the government's economic reforms plan. It added that the authorities provided bondholders with data and clarification about the macroeconomic backdrop and the government's policy objectives, which were aligned with the International Monetary Fund's (IMF) requirements to approve the four-year \$3bn Extended Fund Facility (EFF).

It indicated that the Lebanese authorities are projecting conservative real GDP growth rates of between 2.2% and 4.3% in the 2022-26 period, and of 3% beyond 2026. It estimated that the framework implies a modest and gradual depreciation of the Lebanese pound against the US dollar throughout 2026. Also, it anticipated that the nominal size of the economy by 2026 would still be significantly smaller than its pre-crisis level in 2019, mainly due to the impact of the crisis on Lebanon's economy and society.

In addition, it noted that the IMF requires assurances of "significant external financing" at "highly concessional terms" for its Executive Board to approve the EFF. It added that the Lebanese authorities are expecting that the first year of the IMF program would be fully funded from donors on concessional terms, and that Lebanon is seeking prospects or assurances for donor funding afterwards. Also, it pointed out that authorities intend to mobilize between \$8bn and \$10bn in international support from bilateral and multilateral donors over the next four years, including \$2.4bn in foreign-financed capital spending, as well as funds for social expenditures and for the reconstruction of the Port of Beirut. It expected potential donors to "repackage" existing pledges made at the CEDRE conference of April 2018, that totaled up to \$12.5bn and included \$4.2bn in pledges from Gulf Cooperation Council (GCC) countries and institutions. It anticipated that the disbursement of GCC pledges will depend, in part, on political considerations and relations with the new government.

However, BofA expected the new Lebanese parliament to be fragmented on economic reform issues, and anticipated a sustained risk of institutional vacuum in the second half of 2022, which could delay any potential reform momentum, and impact the path of the country's economic rebound and the recovery value of Lebanese Eurobonds. It pointed out that the outgoing Cabinet expedited the approval of several of the prior actions that the IMF requested, but that the parliament has a narrow window of three to four months until the upcoming presidential elections to approve the reforms in 2022. Also, it considered that the level of foreign currency reserves at Banque du Liban (BdL) is essential to gauge the authorities' policy intentions and their appetite to implement reforms. It noted that the authorities' macroeconomic framework suggests that BdL's encumbered reserves may be higher than initially estimated.

Further, it indicated that the government's updated document to Eurobond holders suggests that authorities have taken into account the approval of the IMF's Executive Board of the EFF in the second half of 2022, and that an active negotiation phase with bondholders would follow. Also, it noted that the authorities' forecast of the public debt level for 2022 incorporates a reduction in the debt's stock, which implies reaching an agreement with Eurobond holders by the end of 2022. Also, it said that authorities noted that a sovereign debt restructuring would exclude "local currency denominated debt and bilateral debt, to the extent possible", and that the restructuring of the debt would need to be consistent with the framework of the IMF's debt sustainability analysis and program targets.

## Corporate Highlights

### Payment cards at 2.58 million at end of March 2022, ATMs total 1,679

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,585,429 cards at the end of March 2022, constituting a decline of 23,583 cards (-0.9%) from the end of 2021 and a decrease of 168,585 cards (-6.1%) from end March-2021.

Payment cards held by residents accounted for 97.2% of total cards issued in Lebanon at the end of March 2022. The distribution of payment cards by type shows that debit cards with residents reached 1,661,148 and accounted for 64.3% of the total, followed by prepaid cards with residents at 596,096 (23%), credit cards with residents at 187,356 (7.2%), charge cards with residents at 69,031 (2.7%), debit cards held by non-residents at 59,003 (2.3%), credit cards with non-residents at 7,273 (0.3%), charge cards held by non-residents at 3,958 (0.2%), and prepaid cards with non-residents at 1,564 (0.06%)

The number of prepaid cards with residents rose by 30,092 cards (+5.3%) in the first quarter of 2022, and prepaid cards with non-residents increased by 429 cards (+37.8%); while the number of debit cards with residents decreased by 28,066 cards (-1.7%); the number of credit cards with residents declined by 20,459 (-9.8%); the number of charge cards with residents dipped by 2,965 (-4.1%); the number of debit cards held by non-residents regressed by 1,716 cards (-2.8%); credit cards held with non-residents contracted by 631 cards (-8%); and charge cards with non-residents retreated by 267 (-6.3%).

In parallel, the number of prepaid cards with residents rose by 75,647 cards (+14.5%) in the 12-months ending March 2022, and prepaid cards with non-residents increased by 152 (+10.8%). In contrast, the number of resident debit cards dropped by 101,024 cards (-5.7%) in the covered period, the number of credit cards with residents contracted by 126,903 cards (-40.4%), resident charge cards declined by 1,408 (-2%), non-resident debit cards decreased by 8,975 cards (-13.2%), credit cards with non-residents shrank by 5,576 (-43.4%), and non-resident charge cards retreated by 498 (-11.2%). The decline in debit and credit cards held by residents and non-residents in the covered period was due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 43,474 at the end of March 2022, constituting a decrease of 456 (-1%) from 43,930 PoS at end-2021 and a drop of 1,573 (-3.5%) from 45,047 PoS at end-March 2021. There were 4.15 PoS per square kilometer (km<sup>2</sup>) in Lebanon at the end of March 2022 compared to 4.2 PoS per km<sup>2</sup> at the end of 2021 and to 4.3 PoS per km<sup>2</sup> at the end of March 2021.

In parallel, there were 1,679 automated teller machines (ATMs) across Lebanon at the end of March 2022, constituting a decline of 45 ATMs in the first quarter of the year and a decrease of 156 ATMs from a year earlier. The Mount Lebanon area had 623 ATMs at the end of March 2022, equivalent to 37% of the total, followed by the Greater Beirut area with 579 ATMs (34.5%), the North with 178 ATMs (10.6%), the Bekaa with 143 ATMs (8.5%), the South region with 125 ATMs (7.4%), and the Nabatieh area with 31 ATMs (1.8%). As such, there were 160 ATMs per 1,000 km<sup>2</sup> in Lebanon at the end of March 2022 compared to 165 ATMs per 1000 km<sup>2</sup> at the end of 2021 and to 175 ATMs per 1000 km<sup>2</sup> at the end of March 2021.

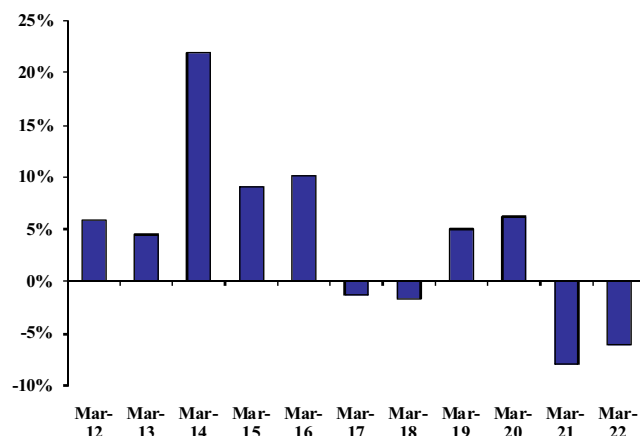
### Beirut Bourse announces de-listing of RYMCO shares

The Beirut Stock Exchange (BSE) approved on May 19, 2022 the de-listing of the common shares of the automobile dealer Rasamny Younis Motor Co. sal (RYMCO), following the company's request on May 16, 2022 to de-list its shares from the Bourse. The BSE announced that June 30, 2022 will be the last trading day of RYMCO shares.

On December 27, 2021, the Extraordinary General Assembly of (RYMCO) decided to de-list the company's common shares from the BSE. It attributed its decision to the deterioration of monetary conditions in the country and the prevailing economic and financial crises, in addition to the absence of political stability and of a clear vision about the adoption and implementation of reforms in the near term, as well as to the low trading volumes of its shares. The company has a total of 27.3 million outstanding common shares that consist of 13.9 million 'Class A' shares that represent 51% of the total, followed by 10.9 million 'Class B' shares (40%) that are listed on the BSE, and 2.5 million 'Class C' shares (9%). The ownership of 'Class A' shares is limited to Lebanese natural persons and legal entities.

Established in 1957, RYMCO listed its shares on the BSE in February 1998 and is the only automobile dealer listed on the Beirut bourse. Its shares traded last on November 29, 2021 and closed at \$3.5 per share.

Change in Number of Payment Cards (%)



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



---

**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)**

---

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

---





# BYBLOS BANK GROUP

## LEBANON

---

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

---

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