

LEBANON THIS WEEK

In This Issue

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

World Bank moves Lebanon to lower middle-income category on decline in income per capita

Surveyed economists expect Lebanon's real GDP to expand by 0.1% in 2022

Net foreign assets of financial sector down \$2.1bn in first five months of 2022

Lebanon ranks 84th globally, 12th among Arab countries in transparency of real estate sector

Banque du Liban's foreign assets at \$16bn, gold reserves at \$16.8bn at mid-May 2022

Port of Beirut processes 1.7 million tons of freight in first four months of 2022

Lebanon ranks 170th globally, 16th in Arab region in terms of country risk in first quarter of 2022

Broad money supply down 2% in first five months of 2022, currency in circulation down 9%

Eight Lebanese universities among top 80 universities in Arab world

Corporate Highlights

Private sector deposits down \$45.4bn since start of 2019

Stock market capitalization up 59% to \$14.3bn at end-June 2022

Beirut bourse delists RYMCO shares

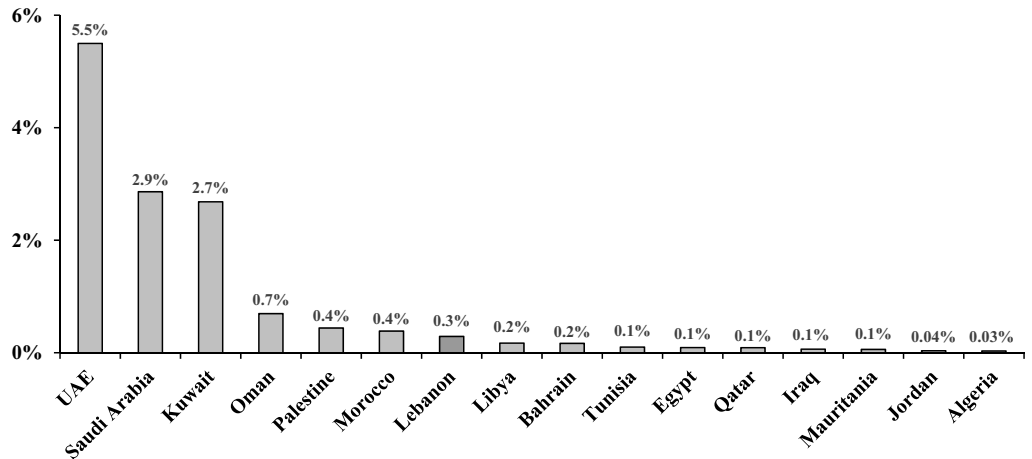
Import activity of top five shipping firms and freight forwarders up 5% in first four months of 2022

Ratio Highlights

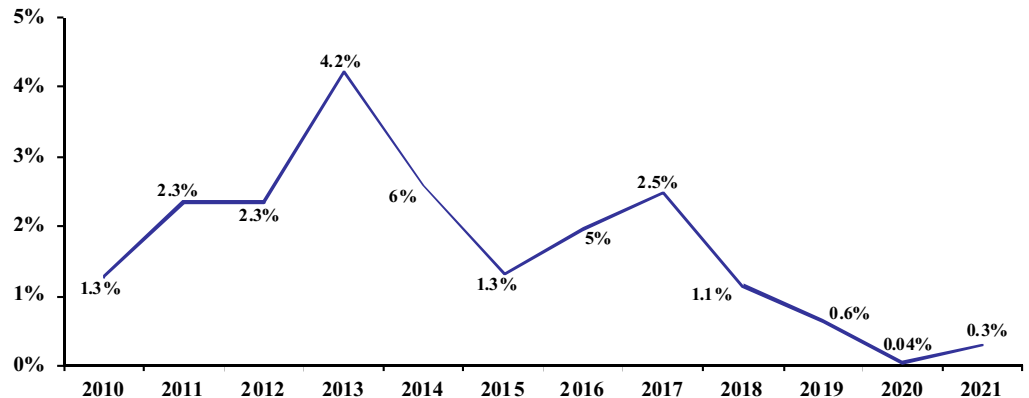
National Accounts, Prices and Exchange Rates10
Ratings & Outlook.....10

Charts of the Week

Foreign Direct Investment Outflows from Arab Countries in 2021 (% of GDP)



Foreign Direct Investment Outflows from Lebanon (% of GDP)



Source: Banque du Liban, UNCTAD, IIF, IMF, Byblos Research

Quote to Note

"The current situation in Lebanon underlines the urgency to support the implementation of strategic reforms for a sustainable recovery and to reinstate trust in the country."

The United Nations, on its Sustainable Development Cooperation Framework with Lebanon during the 2023-25 period

Number of the Week

\$6.58bn: Aggregate volume of transactions on Banque du Liban's Sayrafa exchange platform in the first half of 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"	62.75	3.0	293,270	42.5%	Oct 2022	6.10	6.5	5,884.62
Solidere "B"	61.95	2.0	146,480	27.3%	Jan 2023	6.00	6.5	2,112.56
BLOM GDR	2.48	(0.8)	30,000	1.2%	Apr 2024	6.65	6.5	228.35
Byblos Common	0.70	(6.7)	5,000	2.7%	Jun 2025	6.25	6.5	118.69
Audi GDR	1.99	0.0	4,918	1.6%	Nov 2026	6.60	6.5	73.01
Audi Listed	1.50	(9.6)	3,278	6.0%	Feb 2030	6.65	6.5	39.18
BLOM Listed	2.85	(5.0)	2,000	4.1%	Apr 2031	7.00	6.5	33.63
HOLCIM	27.50	0.0	-	3.6%	May 2033	8.20	6.5	26.80
Byblos Pref. 09	37.98	0.0	-	0.5%	Nov 2035	7.05	6.5	21.61
Byblos Pref. 08	24.99	0.0	-	0.3%	Mar 2037	7.25	6.5	19.47

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

Source: Refinitiv

	Jun 27 - Jul 1	Jun 20-24	% Change	June 2022	June 2021	% Change
Total shares traded	484,946	471,465	2.9	1,556,020	3,027,735	(48.6)
Total value traded	\$27,247,456	\$15,685,255	73.7	\$57,103,187	\$55,006,201	3.8
Market capitalization	\$14.78bn	\$14.71bn	0.43	\$14.35bn	\$9.02bn	59.0

Source: Beirut Stock Exchange (BSE)



World Bank moves Lebanon to lower middle-income category on decline in income per capita

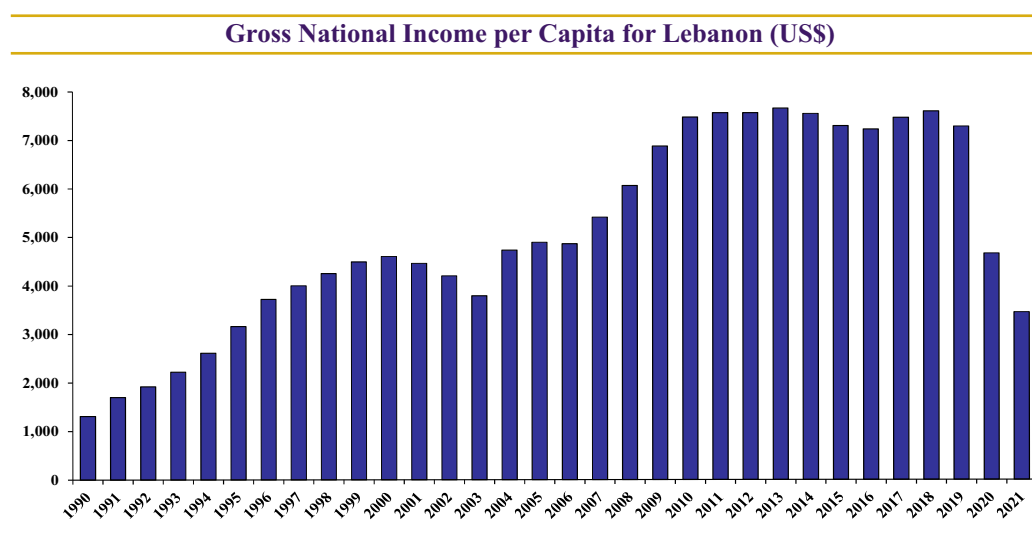
In its annual review of the income classifications of economies around the world, the World Bank (WB) moved Lebanon from the upper middle-income country (UMIC) category to lower middle-income country (LMIC) status as of July 1, 2022, the start of the bank's fiscal year. The WB attributed its decision to the decline of Lebanon's gross national income (GNI) per capita, measured in US dollars, from \$5,510 in 2020 to \$3,450 segment in 2021. It added that Lebanon's real GDP per capita regressed in 2021, which constituted the 11th consecutive yearly decline, while the country also experienced a sharp depreciation of its exchange rate last year. The WB classified Lebanon as an LMIC from 1987 until 1996 when its GNI per capita ranged from the \$481-\$1,940 bracket in 1987 to the \$786-\$3,115 bracket in 1996. It then upgraded Lebanon to UMIC status in 1997, where it remained until 2021. Lebanon's GNI per capita was \$1,300 in 1990 and increased annually to reach \$4,000 in 1997. It continued to increase yearly and peaked at \$7,650 in 2013, but started to decline from 2014 onwards.

For operational and analytical purposes, the WB classifies 189 member countries and 28 other economies with populations that exceed 30,000 persons in income groups according to their GNI per capita. The groups consist of low-income countries that it defines as economies with a GNI per capita of \$1,085 or less; lower middle-income economies whose GNI per capita ranges from \$1,086 to \$4,255; upper middle-income countries that have a GNI per capita between \$4,256 and \$13,205; and high-income economies whose per capita GNI exceeds \$13,205. The figures for the income brackets cover the WB's fiscal year that starts on July 1, 2022 and ends on June 30, 2023. Lebanon was one of three countries that the bank moved to a lower income bracket, as it shifted Palau from the high-income category to UMIC status and changed Zambia from the LMIC segment to the low-income category. Lebanon joined 53 other countries in the LMIC category, which includes Benin, Djibouti, Iran, Haiti, Mongolia, Pakistan, Senegal, Sri Lanka and Tajikistan, among others.

The WB said the economists in its country units around the world estimate the GNI per capita of a country and convert it from the latter's local currency to the US dollar using the World Bank Atlas method. It added that its demographers estimate the size of the population of each economy from a variety of sources, including the United Nation's biennial World Population Prospects. It noted that a country's income classification can change for two reasons. First, it indicated that factors such as economic growth, inflation, exchange rates and population growth, in addition to revisions to national accounts, influence the level of the Atlas GNI per capita for each country. Second, it said that in order to keep income classification thresholds fixed in real terms, it adjusts them annually for inflation using the International Monetary Fund's Special Drawing Rights deflator, which is a weighted average of the GDP deflators of China, Japan, the United Kingdom, the United States, and the Eurozone.

The WB reassigns countries to income groups on July 1 of each year, which is the start of its fiscal year, based on the estimate of their GNI per capita for the previous calendar year. It noted that a country remains in its income group for the entire fiscal year, even if it revises the GNI per capita of an economy in the meantime.

According to the WB, the Middle East and North Africa region consists of eight high-income economies, three upper-middle income countries, eight lower-middle income economies, and two low-income countries. It grouped Bahrain, Kuwait, Malta, Oman, Qatar, Saudi Arabia, the UAE, and Israel in the high income bracket; it placed Iraq, Jordan and Libya in the UMIC segment; it included Algeria, Egypt, Iran, Lebanon, Mauritania, Morocco, the West Bank & Gaza, and Tunisia in the LMIC category; and it put Syria and Yemen in the low income segment.



Source: World Bank, Byblos Research

Surveyed economists expect Lebanon's real GDP to expand by 0.1% in 2022

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to expand by 0.1% in 2022, compared to an earlier forecast of a growth rate of 1.3% in the March 2022 survey. The individual forecasts for 2022 ranged from a contraction of 5% to an expansion of 5% for the current year, with a median real GDP growth rate of 0.9% for 2022. Also, the poll indicates that the consensus forecast among 54.5% of participants is that real GDP will improve by more than 0.9% this year. Bloomberg conducted the poll in June 2022, and the survey's results are based on the opinions of 11 economists and analysts based in Lebanon and abroad.

Further, participants forecast the average inflation rate in Lebanon at 159.4% in 2022 compared to a projection of 116.3% in the March 2022 survey. The opinions of surveyed analysts differed on the magnitude of the increase in consumer prices in 2022, with expectations ranging from 90% to 238.7% and a median inflation rate of 172.2% for 2022. Also, 91% of participants predicted that the inflation rate would range between 100% and 238.7% this year.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 5.6% of GDP in 2022 compared to a previous forecast of 6.6% of GDP in the March 2022 survey. The projections of polled economists for the fiscal deficit ranged from 0.5% of GDP to 18.1% of GDP in 2022, with a median deficit of 2.9% of GDP. Further, the survey's participants forecast the current account deficit at 10% of GDP in 2022 compared to a previous forecast of a deficit of 9.4% of GDP in March 2022. The polled analysts expected the current account deficit to range from 0.9% of GDP to 16% of GDP in 2022, with a median deficit of 10.6% of GDP for the year.

Net foreign assets of financial sector down \$2.1bn in first five months of 2022

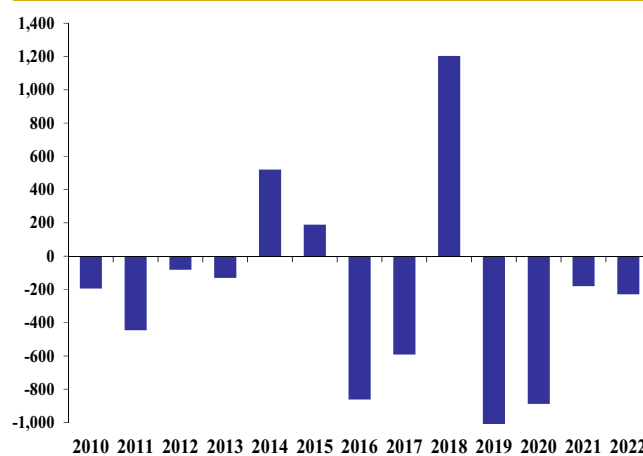
Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$2.1bn in the first five months of 2022, compared to decreases of \$1.6bn in the same period of 2021 and of \$2.2bn in the first five months of 2020.

The cumulative deficit in the first five months of 2022 was caused by a drop of \$2.1bn in the net foreign assets of BdL, and a decrease of \$40.2m in those of banks and financial institutions. Further, the net foreign assets of the financial sector regressed by \$402.3m in May 2022 compared to declines of \$229.4m in April 2022 and of \$180.7m in May 2021. The May decrease was caused by a contraction of \$285.8m in the net foreign assets of BdL and a decrease of \$116.5m in those of banks and financial institutions.

The cumulative decline in the banks' net foreign assets is due to the steeper decline of their foreign assets relative to the decrease of their foreign liabilities. The decline in the banks' foreign assets was mostly due to a contraction of banks' claims on non-resident customers, and in claims non-resident financial sector; while the decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits.

In parallel, the drop in BdL's net foreign assets was due in part to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry; as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks.

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



*in of each year

Source: Banque du Liban, Byblos Research

Lebanon ranks 84th globally, 12th among Arab countries in transparency of real estate sector

Jones Lang LaSalle ranked Lebanon in 84th place among 94 countries and markets worldwide and in 12th place among 14 Arab countries and markets included in the survey on its Global Real Estate Transparency Index for 2022. The results of this year's survey are not comparable with the findings of the previous surveys due to changes in the methodology to produce the index. The firm indicated that it added this year 44 new constituent factors to the methodology for calculating the scores of each country, which led their number to increase from 210 factors in 2020 to 254 transparency components in 2022. It added that the explicit inclusion of more variables in the new index underpins some of the score changes between 2020 and 2022.

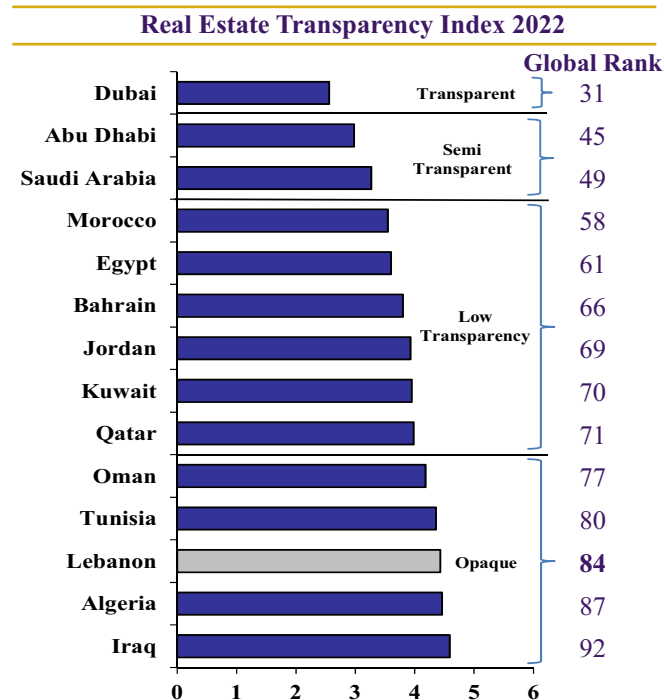
The index, which is issued every two years, measures real estate transparency across the globe and is used to compare transparency conditions across markets. It highlights the important differences in transaction processes, governance structures, the regulatory and legal environment, as well as the availability and quality of performance standards and market data around the world. It also aims to provide international benchmarks to cross-border investors, developers and occupiers of real estate, as well as to government and industry bodies, in order to measure and improve transparency in their markets.

The firm compiled the index from 254 quantitative and qualitative transparency measures that are grouped into 14 major topic areas, which are, in turn, grouped into six sub-indices. The six sub-indices are Performance Measurement that has a weight of 25%, Market Fundamentals (16.5%), Governance of Listed Investment Vehicles (10%), Regulatory & Legal Issues (23.5%), the Transaction Process (15%), and Sustainability (10%). The index scores range from 1.00 to 5.00 points. A country or market with a perfect 1.00 score is considered to have a high level of transparency, while a score of 5.00 represents the lowest transparency level. The survey then assigns countries and markets to one of five transparency levels that are "Highly Transparent", "Transparent", "Semi-Transparent", "Low Transparency" and "Opaque".

Globally, Lebanon's real estate market is more transparent than markets in Iran, Côte d'Ivoire and Algeria, and is less transparent than markets in Uganda, Mozambique and Panama. Lebanon received a score of 4.43 points in the 2022 survey and lagged the global average score of 3.1 points and the Arab average of 3.8 points. Further, the Lebanese real estate market came in the "Opaque" category in the 2022 survey, along with 18 other countries in the world that include Algeria, Angola, Côte d'Ivoire, Ethiopia, Iran, Iraq, Oman, Senegal, Tanzania and Tunisia. The survey downgraded the Lebanese real estate market from the "Semi-Transparent" category in 2012 to the "Low-Transparency" category in 2014 and to the "Opaque" category in 2016 where it has remained since then.

In parallel, Lebanon, along with Guatemala and Honduras, ranked in the seventh percentile worldwide on the Market Fundamentals Sub-Index, which means that 93% of markets globally have better market fundamentals than Lebanon. The sub-index covers the availability of data on the office, retail, industrial, hotels and residential real estate segments. Further, Lebanon came in the second percentile worldwide on the Regulatory & Legal Sub-Index, which assesses a country's real estate regulations, land and property registration, including the accessibility of land registry records to the public. Lebanon ranked ahead of only Guatemala and Ethiopia on this category.

In addition, Lebanon trailed all countries and markets on the Transaction Process Sub-Index, which assesses the quality and availability of pre-sale information and the fairness of the bidding process, among others, as well as the availability and quality of occupier services.



Source: Jones Lang LaSalle, Byblos Research

Components of the Real Estate Transparency Index for 2022

Sub-Index	Global Rank	Arab Rank	Lebanon Score	Global Avg Score	Arab Avg Score
Performance Measurement	67	10	4.47	3.59	4.21
Market Fundamentals	87	11	4.96	3.43	4.39
Governance of Listed Vehicles	64	10	3.34	3.02	3.34
Regulatory & Legal	92	14	4.03	2.55	3.25
Transaction Process	94	14	4.73	2.46	3.31
Sustainability	77	13	5.00	3.97	4.60

Source: Jones Lang LaSalle, Byblos Research



Banque du Liban's foreign assets at \$16bn, gold reserves at \$16.8bn at mid-May 2022

Banque du Liban's (BdL) interim balance sheet reached \$166.6bn at the end of June 2022, constituting increases of 2% from \$163.2bn at end-2021 and of 6.3% from \$156.7bn a year earlier. Assets in foreign currency totaled \$15.34bn at end-June 2022, representing a decrease of \$2.5bn, or of 14%, in the first half of the year and a drop of \$5.2bn (-25.4%) from \$20.55bn at the end of 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 \$10.31bn at the end of June 2022 and regressed by \$171.6m (-1.6%) from \$10.48bn at mid-June 2022 and by \$680.1m (-6.2%) from \$10.98bn at end-May 2022. They dropped by \$2.5bn (-19.5%) in the first half of the year from \$12.8bn at the end of 2021 and by \$5.2bn (-33.6%) from \$15.52bn at end-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.

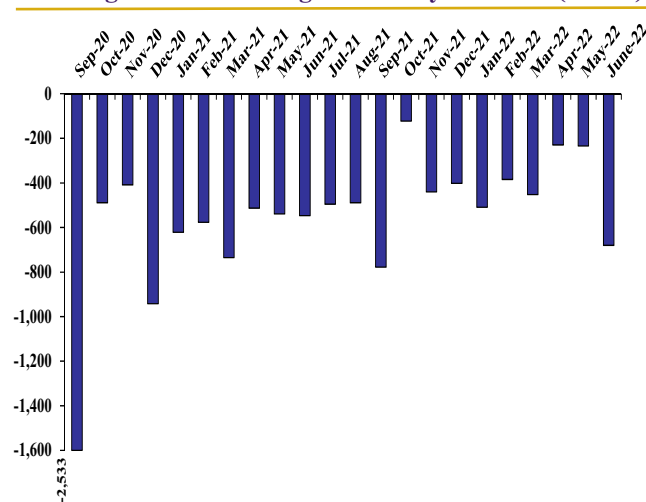
In parallel, the value of BdL's gold reserves amounted to \$16.73bn at the end of June 2022, constituting an increase of \$133m (+0.8%) in the first half of the year and a decline of \$518.6m (+3.2%) from \$16.2bn at end-June 2021. The value of gold reserves reached a peak of \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled \$42.1bn at end-June 2022, increasing by \$801.2m (+2%) in the first half of the year and by \$1.66bn (+4%) from \$40.4bn a year earlier. In addition, loans to the local financial sector totaled \$13.4bn, and regressed by 2.6% in the first half of 2022 and by 4.4% from end-June 2021. Further, the deposits of the financial sector stood at \$110bn at end-June 2022 and grew by \$2.9bn from a year earlier. In addition, public sector deposits at BdL stood at LBP16,979bn (\$11.3bn) at end-June 2022, as they rose by LBP5,287.3 (\$3.5bn) in the first half of the year and surged by LBP7,859 (\$5.2bn) from the end of June 2021.

Port of Beirut processes 1.7 million tons of freight in first four months of 2022

Figures released by the Port of Beirut show that the port processed 1.7 million tons of freight in the first four months of 2022, constituting an increase of 1.6% from 1.66 million tons in the same period last year. Imported freight amounted to 1.39 million tons, as they regressed by 1.9% from 1.42 tons in the same period of 2021 and accounted for 82.5% of total processed freight. In addition, the volume of exported cargo reached 295,000 tons in the first four months of 2022, constituting an increase of 22.4% from 241,000 tons in the same period of 2021. It represented 17.5% of aggregate freight in the covered period. A total of 389 vessels docked at the port in the first four months of 2022, representing a decline of 7% from 418 ships in the same period of 2021. The port handled 434,000 tons of freight in April 2022, constituting a decrease of 0.9% from 438,000 tons in March 2022. In addition, 106 vessels docked at the port in April 2022, up by 7.1% from 99 ships in March 2022.

In parallel, the Port of Tripoli processed 969,020 tons of freight in the first four months of 2022, constituting an increase of 69,810 tons (+7.8%) from 899,210 tons in the first four months of 2021. Imported freight amounted to 688,344 tons in the first four months of 2022, and grew by 31,222 tons (+4.8%) from 657,122 tons in the same period last year. Imports accounted for 71% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 280,676 tons in the first four months of 2022, constituting an increase of 38,588 tons (+16%) from 242,088 tons in the same period last year and represented 29% of total freight in the covered period. Further, revenues generated through the Port of Tripoli reached \$45.7m in the first four months of 2022, and surged by 689% from \$5.8m in the corresponding period last year. A total of 302 vessels docked at the port in the first four months of 2022, constituting an increase of 25.3% from 241 ships in the same period of 2021.

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



Source: Banque du Liban, Byblos Research

Lebanon ranks 170th globally, 16th in Arab region in terms of country risk in first quarter of 2022

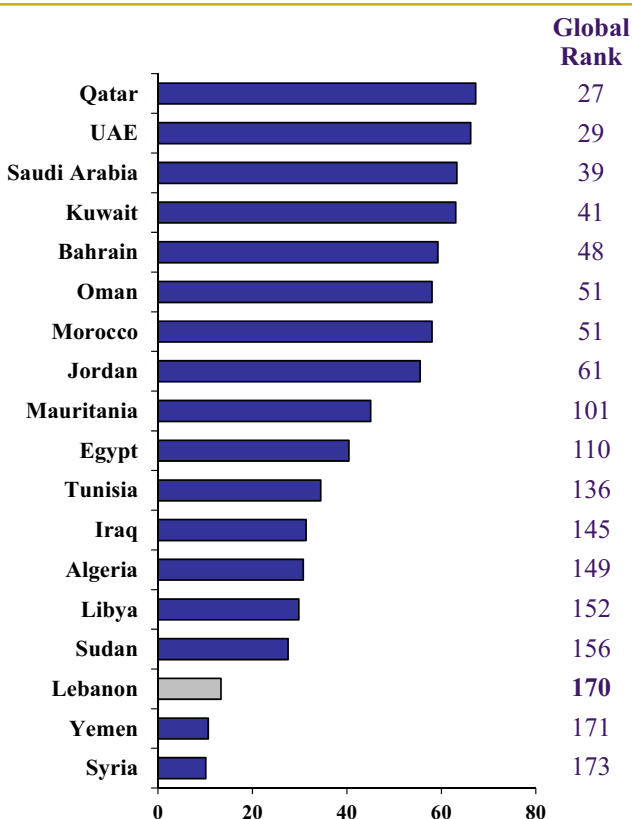
In its quarterly survey of the country risk level in 174 countries, the Euromoney Group ranked Lebanon in 170th place worldwide and in 16th place among 18 Arab countries in the first quarter of 2022, unchanged from the fourth quarter of 2021, while Lebanon came in 169th place worldwide and in 16th place among Arab countries in the first quarter of 2021. The survey evaluates the country risk level of economies by assigning a weight to five categories that cover Political Assessment, Economic Assessment, Structural Assessment, Access to International Capital Markets, and Debt Indicators. A higher score reflects a lower country risk level.

Globally, Lebanon had a lower country risk level than Yemen, Zimbabwe, Syria, and North Korea among economies with a GDP of \$10bn or more. Lebanon's global rank dropped by 15 spots on the Structural Assessment category and declined by 12 notches on the Access to International Capital Markets indicator from the same quarter of 2021. It also decreased by three spots on the Political Assessment category, while its global rank was unchanged year-on-year on the Economic Assessment indicator and on the Debt Indicators category.

Lebanon received a score of 13.34 points in the first quarter of 2022, constituting a decline of 7.4% from 14.41 points in the fourth quarter of 2021 and a drop of 26.8% from 18.22 points in the first quarter of 2021. Lebanon's score came lower than the global average score of 48.44 points and the Arab countries' average of 42.45 points. Also, its score was lower than the Gulf Cooperation Council (GCC) countries' average score of 62.9 points and the average score of non-GCC Arab countries of 32.3 points. Further, Lebanon's score dropped by 47.3% on the Access to International Capital Markets indicator, by 29.8% on the Political Assessment category, by 25% on the Debt Indicators category, by 24.3% on the Economic Assessment indicator, and by 16.3% on the Structural Assessment category from the first quarter of 2021. The survey attributed the decrease in the scores of most categories to the government's decision to default on its Eurobond obligations in March 2020 and to the lack of structural reform measures to address the prevailing crises.

In parallel, Lebanon ranked ahead of only Yemen, Syria, Zimbabwe, and North Korea worldwide on the Economic Assessment indicator. Also, it preceded only Yemen, Syria, North Korea and Somalia globally on the Political Assessment category. In addition, Lebanon fared better than Sudan and worse than Cuba worldwide; while it ranked ahead of only Sudan, Iraq, Syria and Yemen regionally on the Structural Assessment indicator. Further, it preceded Cuba and came behind Nicaragua globally, while it ranked ahead of only Yemen and Syria among Arab countries on the Access to International Capital Markets indicator. Finally, Lebanon preceded only Zimbabwe, Mozambique, Venezuela, Congo, North Korea and Cuba worldwide on the Debt Indicators category.

Country Risk in Arab World in First Quarter of 2022 Arab Countries' Scores & Rankings



Source: Euromoney Group, Byblos Research

Country Risk Indicators for Lebanon - First Quarter of 2022

	Weighting (%)	Lebanon Score	Arab Rank	Global Rank	Arab Avge Score	Global Avge Score
Economic Assessment	35	3.86	16	170	14.80	16.46
Political Assessment	35	3.83	16	170	14.52	17.11
Structural Assessment	10	3.11	14	151	4.47	5.03
Access to Int'l Capital Mkt	10	0.96	16	163	4.51	5.07
Debt Indicators	10	1.59	18	168	4.16	4.78

Source: Euromoney Group, Byblos Research



Broad money supply down 2% in first five months of 2022, currency in circulation down 9%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP60,776.4bn at the end of May 2022, constituting an increase of 4.9% from LBP57,937bn at the end of 2021 and a rise of 21.6% from LBP49,992.8bn at end-May 2021. Currency in circulation stood at LBP37,710.4bn at the end of May 2022, as it declined by LBP3,804.4bn (-9.2%) from LBP41,515bn at the end of 2021, and grew by 0.6% from LBP37,483.3bn at end-May 2021. Also, demand deposits in local currency stood at LBP23,066bn at the end of May 2022, representing an expansion of 40.5% in the first five months of the year and a rise of 84.4% from end-May 2021. Money supply M1 grew by 5.3% in May from LBP57,729bn at end-April 2022, with currency in circulation increasing by 1.5% and demand deposits in local currency expanding by 12% month-on-month. The increase in the money supply largely reflects the migration of term deposits to demand deposits, as well as the shift to a cash-based economy.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP79,797.7bn at the end of May 2022, constituting increases of 1% from LBP79,007bn at the end of 2021 and of 7.4% from LBP74,312.3bn a year earlier. Term deposits in Lebanese pounds totaled LBP19,021.3bn at the end of May 2022, as they declined by 9.7% from LBP21,070bn at end-2021 and by 21.8% from LBP24,319.4bn at end-May 2021. Money supply M2 expanded by 3.5% in May from LBP77,073.1bn at end-April 2022, with term deposits in local currency regressing by 1.7% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP197,271.2bn at the end of May 2022, constituting decreases of 1.9% in the first five months of the year and of 2.7% from LBP202,745.3bn at end-May 2021. Deposits in foreign currency totaled LBP117,082bn at the end of May 2022, down by 3.8% from the end of 2021 and by 8.6% from end-May 2021. Also, debt securities issued by the banking sector amounted to LBP391bn at the end of May 2022 compared to LBP334bn at the end of 2021 and to LBP339bn at end-May 2021. Money supply M3 increased by 0.9% from LBP195,433.5bn at the end of April 2022, with deposits in foreign currency regressing by 0.9% and debt securities issued to residents by the banking sector rising by 68.8% month-on-month. In parallel, M3 decreased by LBP3,798.6bn from the end of 2021 due to a decline of LBP2,443bn in the net foreign assets of deposit-taking institutions, a retreat of LBP5,559bn in the net claims on the public sector, and a downturn of LBP4,317.8bn in the claims on the private sector, which was partly offset by an increase of LBP8,521.9bn in other items.

Eight Lebanese universities among top 80 universities in Arab world

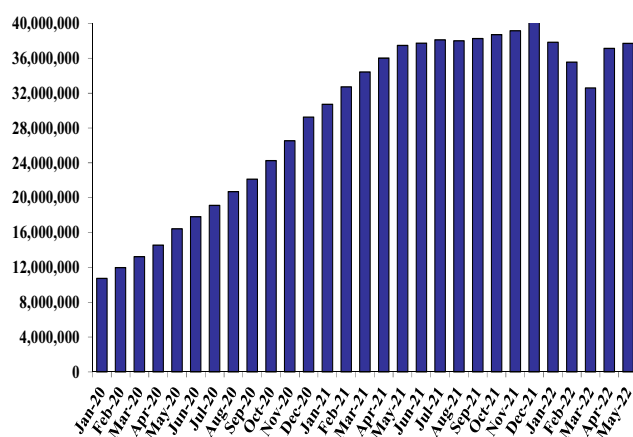
The QS University Rankings for 2023 included eight Lebanese universities among 80 ranked universities in the Arab region. The American University of Beirut (AUB) was the highest ranked institution in Lebanon and the fifth highest ranked in the Arab world. The university ranked in 252nd place globally, with an overall score of 38.4 points out of a maximum of 100 points. Also, the survey ranked Université Saint-Joseph de Beyrouth (USJ) and the University of Balamand in the 531-540 range, the Holy Spirit University of Kaslik (USEK) in the 571-580 range, the Lebanese American University (LAU) and the Lebanese University in the 601-650 range, and the Beirut Arab University and Notre Dame University (NDU) in the 801-1000 range.

The ranking of the Lebanese University improved from the 701-750 range year-on-year. In contrast, the ranking of AUB deteriorated by 10 spots from last year, the classification of the University of Balamand regressed year-on-year from the 511-520 range, the ranking of LAU retreated from the 581-590 range, while the classification of NDU regressed from the 701-750 range last year. In parallel, the rankings of USJ, USEK and Beirut Arab University were unchanged from the preceding year.

Saudi Arabia accounted for five of the top 12 universities in the Arab world among the top 500 worldwide, followed by the UAE with three universities; while Egypt, Lebanon, Oman and Qatar had one university each among the top 12.

The rankings are based on a weighted average of six factors that are academic reputation with a 40% weight, followed by faculty-to-student ratio and citations per faculty (20% each), employer reputation (10%), as well as the ratio of international faculty to the total number of faculty members and the ratio of international students to the overall number of students (5% each). The QS University Rankings are compiled by Quacquarelli Symonds Limited, a company specializing in education and study abroad. QS assessed 80 institutions from 15 Arab countries.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

Corporate Highlights

Private sector deposits down \$45.4bn since start of 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$172.9bn at the end of May 2022, constituting declines of 1.1% from \$174.8bn at the end of 2021 and of 5.7% from \$183.4bn at end-May 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

Loans extended to the private sector reached \$24.6bn at the end of May 2022 and decreased by 11.3% in the first five months of 2022 and by 24.4% from a year earlier. Loans to the resident private sector totaled \$21.9bn, constituting decreases of 11.8% from the end of 2021 and of 24% from end-May 2021. Also, credit to the non-resident private sector amounted to \$2.6bn at the end of May 2022, and contracted by 7% from the end of 2021 and by 28.3% from the end of May 2021.

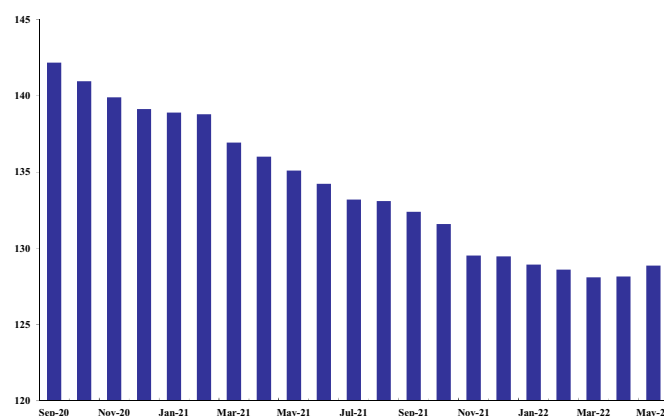
In nominal terms, credit to the private sector regressed by \$3.1bn in the first five months of 2022 relative to a decrease of \$3.6bn in the same period of 2021, as lending to the resident private sector declined by \$2.9bn and credit to the non-resident private sector regressed by \$194.8m in the covered period. Further, loans extended to the private sector contracted by \$34.8bn since the start of 2019, with loans denominated in Lebanese pounds shrinking by LBP10,811.4bn and loans denominated in foreign currency dropping by \$27.6bn. The dollarization rate of private sector loans regressed from 59% at end-May 2021 to 54.8% at the end of May 2022. The average lending rate in Lebanese pounds was 5.13% in May 2022 compared to 7.86% a year earlier, while the same rate in US dollars was 5.06% relative to 6.61% in May 2021.

In addition, claims on non-resident financial institutions reached \$3.8bn at the end of May 2022, constituting a decrease of \$758.7m (-16.5%) in the first five months of 2022 and a decline of \$1.05bn (-21.5%) from a year earlier. Also, claims on non-resident financial institutions decreased by \$5.3bn (-58%) from the end of August 2019 and by \$8.2bn (-68%) since the start of 2019. Further, deposits at foreign central banks totaled \$1.2bn, constituting increases of \$205.5m (+19.8%) in the first five months of 2022 and of \$445.3m (+56%) from a year earlier. In addition, the banks' claims on the public sector stood at \$14.8bn at end-May 2022, down by \$1.95bn (-11.7%) in the first five months of the year and by \$4.9bn (-25%) from the end of May 2021. The banks' holdings of Lebanese Treasury bills stood at \$10.37bn, while their holdings of Lebanese Eurobonds reached \$4.2bn at end-May 2022. Further, the deposits of commercial banks at Banque du Liban (BdL) totaled \$110.4bn at the end of May 2022, up by \$1.43bn (+1.3%) from \$109bn at end-2021 and by \$1.1bn (+1%) from \$109.3bn at the end of May 2021.

In parallel, private sector deposits totaled \$128.9bn at the end of May 2022 and regressed by 0.5% in the first five months of 2022 and by 4.6% from end-May 2021. Deposits in Lebanese pounds reached the equivalent of \$29.7bn at end-May 2022, as they increased by 11.4% from the end of 2021 and by 12.6% from a year earlier; while deposits in foreign currency reached \$99.2bn, and regressed by 3.5% from end-2021 and by 8.8% from the end of May 2021. Resident deposits totaled \$104.9bn at the end of May 2022, nearly unchanged from the end of 2021, while non-resident deposits reached \$24bn at end-May 2022, down by \$536.3m (-2.2%) in the first five months of the year. Resident deposits in Lebanese pounds stood at LBP41,631bn, or the equivalent of \$27.6bn at end-May 2022, constituting an increase of LBP4,532bn, or of 12.2%, in the first five months of the year, while those in foreign currency totaled \$77.2bn at end-May 2022 and decreased by \$3.1bn (-3.8%) in the covered period. Non-resident deposits in Lebanese pounds expanded by 1.2% and non-resident deposits in foreign currency regressed by 2.5% in the first five months of 2022. Private sector deposits declined by \$905.3m in the first five months of 2022, with deposits in Lebanese pounds increasing by LBP4,569bn, or the equivalent of \$3bn, and foreign currency deposits shrinking by \$3.6bn. Private sector deposits regressed by \$535m in January, by \$319.6m in February, and by \$512.9m in March 2022, while it increased by \$54.8m in April and by \$712.2m in May 2022. The growth in deposits in March and April constitute the first monthly increases in deposits since August 2019. In comparison, private sector deposits declined by \$227m in January, by \$60.7m in February, by \$1.9bn in March, by \$928.2m in April, and by \$914.8m in May 2021. In addition, private sector deposits dropped by \$15.4bn in 2019 and by \$19.7bn in 2020, including a decrease of \$10.7bn between September and December 2019. As such, aggregate private sector deposits contracted by \$45.4bn since the start of 2019, with deposits in Lebanese pounds shrinking by \$21.5bn and foreign currency deposits declining by \$23.9bn. The decrease is due largely to the repayment of loans by companies and individuals, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 77% at end-May 2022, relative to 79.4% at end-2021 and to 80.5% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$4.4bn at the end of May 2022 and contracted by 17% from \$5.3bn at the end of May 2021. Also, the average deposit rate in Lebanese pounds was 0.78% in May 2022 compared to 1.85% a year earlier, while the same rate in US dollars was 0.13% relative to 0.42% in May 2021. The ratio of private sector loans to deposits in foreign currency stood at 13.6% at the end of May 2022 compared to 17.6% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 37.4% at end-May 2022, down from 50.7% at end-May 2021. As such, the total private sector loans-to-deposits ratio reached 19.1% at end-May 2022 compared to 24.1% a year earlier. The banks' aggregate capital base stood at \$16.5bn at the end of May 2022, down by \$1.25bn (-7%) from \$17.8bn at the end of 2021 and by \$434.4m (-2.6%) from \$17bn at end-May 2021.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Stock market capitalization up 59% to \$14.3bn at end-June 2022

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 8.8 million shares in the first half of 2022, constituting a decrease of 51.7% from 18.3 million shares traded in the same period of 2021; while aggregate turnover amounted to \$194m and increased by 3.2% from a turnover of \$188m in the first half of 2021. The market capitalization of the BSE reached \$14.3bn on June 30, 2022, representing a surge of 59% from \$9bn at the end of June 2021, with real estate equities accounting for 68.5% of the total, followed by banking stocks (27%), industrial shares (4.2%), and trading firms' equities (0.3%). The market liquidity ratio was 1.4% at the end of June 2022 compared to 2.1% a year earlier.

Banking stocks accounted for 51% of the trading volume in the first half of 2022, followed by real estate equities (48%), and industrial shares (1%). Also, real estate equities accounted for 94.3% of the aggregate value of shares traded, followed by banking stocks (5.1%), and industrial shares (0.6%). The average daily traded volume for the first half of 2022 was 75,480 shares for an average daily amount of \$1.66m. The figures represent a drop of 58.7% in the average daily traded volume and a decline of 11.8% in the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE surged by 253.2% in the first half of 2022, while the CMA's Banks Market Value-Weighted Index regressed by 17.7% in the covered period. The increase in the Market Value-Weighted Index is mainly due to the rise in the prices of Solidere 'A' and Solidere 'B' shares by 81.8% and 80%, respectively, from the end of 2021, given that the shares had market weights of 41.4% and 27.2%, respectively, on the last trading day in June, the highest among listed companies on the BSE. The rise in the prices of Solidere share is mainly driven by the increase in demand for the shares from several bank depositors, given that they consider it a way to channel their deposits out of the banking sector in light of the government's economic rescue plan that stipulates the conversion of deposits into bank shares as part of the restructuring of the banking sector.

Beirut bourse delists RYMCO shares

The Beirut Stock Exchange (BSE) delisted on July 1, 2022 the shares of the automobile dealer Rasamny Younis Motor Co. sal (RYMCO), following the company's request on May 16, 2022 to delist its shares from the bourse. The Extraordinary General Assembly of RYMCO, which was held on December 27, 2021, decided to de-list the company's common shares from the BSE that consist of 10.9 million 'Class B' shares.

RYMCO stated that it decided to delist its shares from the BSE due 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%).

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

Import activity of top five shipping firms and freight forwarders up 5% in first four months of 2022

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port totaled 72,085 20-foot equivalent units (TEUs) in the first four months of 2022, constituting an increase of 5% from 68,588 TEUs in the same period of 2021. The five shipping and freight forwarding firms accounted for 85% of imports to the Lebanese market in the covered period. Mediterranean Shipping Company (MSC) handled 24,641 TEUs in the first four months of 2022, equivalent to 23% of the total import freight market to Lebanon. Merit Shipping followed with 22,806 TEUs (21.3%), then MAERSK with 11,445 TEUs (10.7%), Lotus Shipping with 6,615 TEUs (6.2%), and Gezairi Transport with 6,578 TEUs (6.2%). MSC registered a rise of 39.5% in imports in the first four months of 2022, the highest growth rate among the covered companies, while Maersk posted a drop of 12%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the five companies through the port grew by 12.2% in April 2022 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 24,101 TEUs in the first four months of 2022, constituting an increase of 11.7% from 21,577 TEUs in the same period of 2021. The five companies accounted for 93% of exported Lebanese cargo in the covered period. Merit Shipping handled 13,866 TEUs of freight in the first four months of the year, equivalent to 53.4% of the Lebanese cargo export market. MAERSK followed with 4,684 TEUs (18%), then MSC with 2,241 TEUs (8.6%), Sealine Group with 2,024 TEUs (7.8%), and Seanautics with 1,286 TEUs (5%). Seanautics registered a rise of 113.3% in exports in the first four months of 2022, the highest growth rate among the covered companies, while Merit Shipping posted a drop of 5.8%, the only decline among the five firms in the covered period. The export-shipping operations of the five companies decreased by 23% in April 2022 from the previous month.



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
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

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

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

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

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

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

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

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

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