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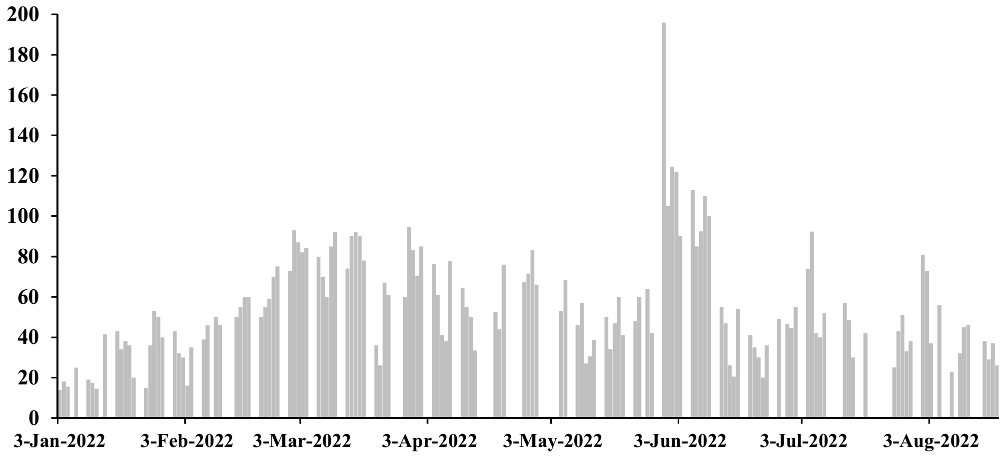
LEBANON THIS WEEK

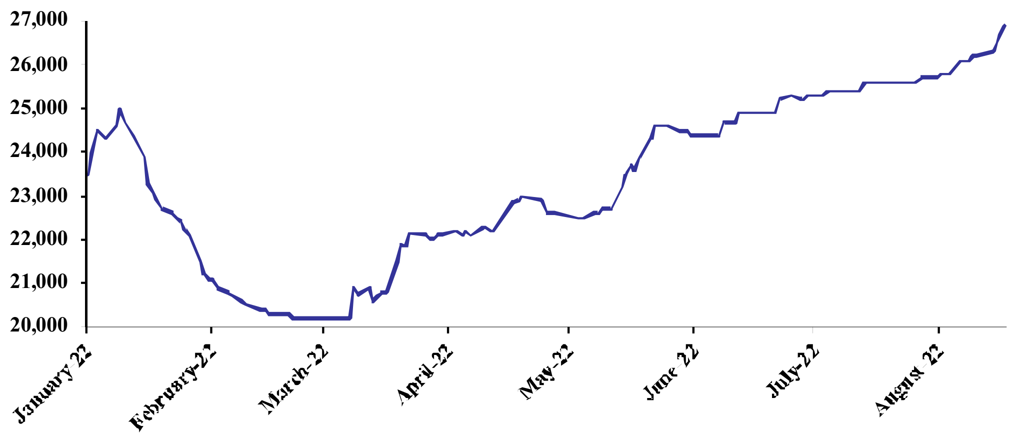
In This Issue

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 Research

Quote to Note

"Lebanon urgently needs to restructure the electricity, telecommunications, water, and port sectors, as well as other state-owned entities."

The Institute of International Finance, on key reform measures that would demonstrate concrete political will for reforms and reduce the cost of doing business in the country

Number of the Week

76.6%: Compensation of public sector personnel as a share of current primary expenditures in the first 10 months of 2021, according to the Ministry of Finance

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
Solidere "A"	59.40	(0.8)	71,789	41.9%
HOLCIM	25.00	(16.4)	12,859	3.4%
BLOM GDR	2.50	0.0	10,027	1.3%
Solidere "B"	59.35	1.2	6,784	27.2%
Audi GDR	1.40	(6.7)	5,388	1.2%
Byblos Common	0.68	0.0	2,000	2.7%
Audi Listed	1.55	0.0	-	6.4%
BLOM Listed	2.85	0.0	-	4.3%
Byblos Pref. 09	37.98	0.0	-	0.5%
Byblos Pref. 08	24.99	0.0	-	0.4%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Oct 2022	6.10	7.25	11,232.97
Jan 2023	6.00	7.25	2,990.60
Apr 2024	6.65	7.25	240.05
Jun 2025	6.25	7.25	119.40
Nov 2026	6.60	7.25	72.12
Feb 2030	6.65	7.25	38.19
Apr 2031	7.00	7.25	32.70
May 2033	8.20	7.25	26.01
Nov 2035	7.05	7.25	20.92
Mar 2037	7.25	7.25	18.83

Source: Refinitiv

	Aug 16-19	Aug 8-12	% Change	July 2022	July 2021	% Change
Total shares traded	120,847	156,365	(22.7)	1,320,045	1,814,751	(27.3)
Total value traded	$5,342,756	$7,715,958	(30.8)	$50,138,832	$30,622,302	63.7
Market capitalization	$14.17bn	$14.28bn	(0.78)	$14.21bn	$9.81bn	44.8

Source: Beirut Stock Exchange (BSE)

S&P affirms sovereign ratings at Selective Default, upgrade contingent on post-debt restructuring outlook

S&P Global Ratings affirmed at 'SD/SD' (Selective Default) Lebanon's long- and short-term foreign currency sovereign credit ratings, and kept at 'CC/C' the country's long- and short-term local currency ratings, with a 'negative' outlook on the long-term local currency ratings. The 'SD' foreign-currency sovereign credit ratings are 12 notches below investment grade. It indicated that the 'negative' outlook on the long-term local currency ratings reflects its view that the government will likely decide to restructure its Lebanese-pound denominated debt as part of a broader restructuring program to place the public debt on a sustainable footing. It said that the Lebanese government remains in default on its foreign currency debt obligations, as authorities announced in March 2020 that Lebanon would stop paying commercial obligations related to its Eurobonds.

It anticipated the Lebanese economy to remain in recession for a fifth consecutive year, and projected real GDP growth to contract by 3% in 2022. But it noted that the Lebanese government reached a staff-level agreement with the International Monetary Fund (IMF) on a 46-month $3bn Extended Fund Facility, and considered that the implementation of the preconditions requested by the IMF and the subsequent program would kick-start Lebanon's economic recovery and emergence from default. It added that the Lebanese authorities' clear acknowledgement of the steps they need to take prior to reaching a final deal with the IMF is a positive sign. But it noted that the upcoming presidential election and persisting political deadlock and dysfunction make the timeline for completing these measures unclear. Also, it expected that negotiations with Eurobond holders on the debt restructuring process to be delayed due to the prolonged postponements of the government's formation amid internal political disputes. Further, it stated that pushing through reforms will be difficult due to long-term constraints on Lebanon's institutional and economic settings that largely originate from a fragmented political landscape.

The agency noted that Parliament recently approved the amendments to the banking secrecy law, and authorities are still discussing the budget law for 2022 and the capital controls bill. However, it anticipated that financial sector reforms, such as the unification of the prevailing multiple exchange rates and a bank restructuring strategy, will be more difficult to implement. It indicated that, although there seems to be broad political alignment on the need to implement reforms and on the execution of an IMF-supported program, there is a risk that political disputes will derail the reforms momentum.

S&P expected that an IMF-supported program would result in a more flexible exchange rate regime, broader economic reforms and a debt-restructuring program. It said the government's fiscal position is facing hard funding constraints and that authorities are unlikely to achieve public finance sustainability without substantial policy adjustments and debt write-offs. It added that the program would create a policy anchor for the authorities and would unlock further official support that is crucial for stabilizing and rebuilding the Lebanese economy.

Further, the agency indicated that it could downgrade Lebanon's local currency ratings in case the government signals that it is considering the restructuring of Lebanese pounds-denominated debt. However, it noted that it could revise the outlook to 'stable' or upgrade the ratings in case the government decides that a restructuring of foreign currency-denominated debt is sufficient to place the public debt stock on a sustainable path. Under this scenario, the agency expected that the restructuring of the Lebanese pound-denominated commercial debt would become less likely. Also, it said that it would upgrade Lebanon's long-term foreign currency sovereign issuer credit rating from 'SD' and the country's issue ratings from 'D' in case the government completes the restructuring of its foreign debt. It noted that the upgrade would reflect Lebanon's post-restructuring creditworthiness, and would take into consideration the resulting debt burden and macroeconomic policy prospects. It added that its post-restructuring ratings tend to be in the 'CCC' or low 'B' categories, depending on the sovereign's new debt structure and its capacity to support the debt.

Parliament approves law to support local production of pharmaceuticals

The Lebanese Parliament enacted Law 287 on April 12, 2022 that supports the local production of pharmaceuticals. It stipulates that all insurance companies that operate in Lebanon should prioritize locally produced medicines over similar products that are imported. Also, it requires insurers to consider the price of medicines produced in Lebanon when settling the bills for patients for medical services, operations, and hospitalization thereafter, unless the price of the equivalent imported medicine is lower than the one produced locally. It added that the pharmaceuticals that are excluded from the clauses of this law are medicines that are not produced locally, medications that do not have locally-manufactured substitutes, as well as imported medicines that need to cover shortages in the domestic market.

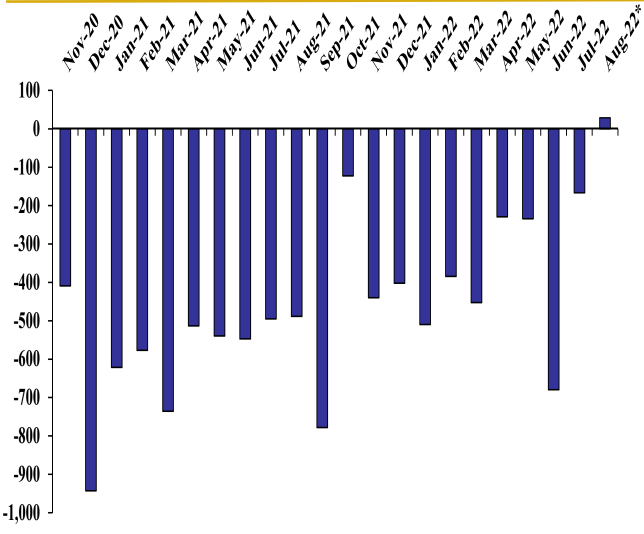
Also, it indicated that local manufacturers of pharmaceuticals must get the approval of the Ministry of Public Health and the Ministry of Industry in case they intend to modify the assets of the plants, the manufacturing conditions, or the production volumes. It added that any of these modifications, as well as an increase in production lines, will not be subject to any additional tax or fee, with the exception of the income tax.

Further, the law stipulates that the establishment of a laboratory for the production of saline solutions and vaccines requires a license from the Ministry of Public Health and the Ministry of Industry. It added that the laboratory should be equipped with machines that disinfect the air inside the laboratory in line with best international practices and with the guidelines of the World Health Organization. It said that stakeholders can solicit additional expertise to assess the situation in the laboratory. The law went into effect upon its publication in the Official Gazette on April 14, 2022. The Lebanese Parliament enacted the law in the context of the prevalence of adequate local production standards, especially for pharmaceuticals, and the need to support and develop this sector as part of efforts to encourage domestic manufacturing.

Banque du Liban's foreign assets at $15.1bn, gold reserves at $16.5bn at mid-August 2022

Banque du Liban's (BdL) interim balance sheet reached $171bn on August 15, 2022, constituting increases of 4.8% from $163.2bn at end-2021 and of 8% from $158.4bn a year earlier. Assets in foreign currency totaled $15.14bn at mid-August 2022, representing a decrease of $2.7bn, or of 15%, from the end of 2021 and a drop of $4.65bn (-23.5%) from $19.8bn at mid-August 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.

Change in Gross Foreign Currency Reserves (US$m)



**as at mid-August 2022*
Source: Banque du Liban, Byblos Research

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at $10.11bn at mid-August 2022 and regressed by $28.4m (-0.3%) from $10.14bn at the end of July 2022, while they increased by $28.8m (+0.3%) from $10.08bn at mid-July 2022. They dropped by $2.7bn (-21%) from $12.8bn at the end of 2021 and by $4.65bn (-31.5%) from $14.76bn at mid-August 2021. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, 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 in foreign currency was offset in part by the allocation of about $1.13bn in Special Drawing Rights that the International Monetary Fund transferred to BdL's account on September 16, 2021.

In parallel, the value of BdL's gold reserves amounted to $16.5bn at mid-August 2022, constituting a decrease of $144.5m (-0.7%) from the end of 2021 and an increase of $285.4m (+1.8%) from $16.2bn at mid-August 2021. The value of gold reserves reached a peak of $18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled $41.83bn at mid-August 2022, increasing by $555m (+1.3%) from the end of 2021 and by $1.2bn (+3%) from $40.64bn a year earlier. In addition, loans to the local financial sector totaled $13.27bn, as they regressed by 3.2% from the end of 2021 and by 4.5% from mid-August 2021. Further, the deposits of the financial sector stood at $110.8bn at mid-August 2022 and grew by $3.72bn from a year earlier. In addition, public sector deposits at BdL stood at LBP17,560.3bn ($11.65bn) at mid-August 2022, as they rose by LBP5,868.7bn ($3.9bn) from the end of the previous year and surged by LBP7,149.8bn ($4.74bn) from mid-August 2021.

Opened letters of credit at $148m for imports and $38m for exports in first half of 2022

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled $148.3m in the first half of 2022, constituting a surge of 460.2% from $26.5m in the same period of 2021. Opened LCs for imports stood at $63.7m in the first quarter and $84.6m in the second quarter of the year.

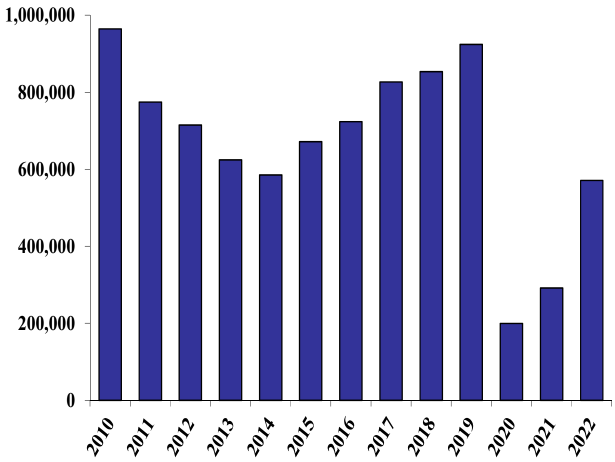
Further, utilized credits for imports reached $109.1m in the covered period, representing an increase of 249% from $31.2m in the first half of 2021, and were equivalent to 73.6% of opened LCs for imports in the covered period. They totaled $33.3m in the first quarter and $75.8m in the second quarter of 2022. Also, outstanding import credits stood at $65.1m at the end of June 2022 compared to $38.8m a year earlier. In addition, the aggregate amount of inward bills for collection reached $104.5m in the first half of 2022, down by 21.6% from $133.4m in the same period of 2021. The outstanding amount of inward bills for collection was $46.2m at the end of June 2022 relative to $52m at end-June 2021.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled $37.9m in the first half of 2022, constituting a decrease of 38.5% from $61.7m in the same period of 2021. Opened LCs for exports amounted to $28.3m in the first quarter and $9.6m in the second quarter of 2022. Further, utilized credits for exports reached $44.9m in the covered period and expanded by 8.8% from $41.3m in utilized credits in the first half of 2021. They were equivalent to 118.4% of opened LCs for exports in the covered period. Also, outstanding export credits stood at $81.1m at the end of June 2022 compared to $116.4m a year earlier. In addition, the aggregate amount of outward bills for collection amounted to $94.2m in the first half of the year and decreased by 2.8% from $96.9m in the first half of 2021. They totaled $52.9m in the first quarter and $41.3m in the second quarter of 2022. The outstanding amount of outward bills for collection reached $168.8m at the end of June relative to $216.8m at end-June 2021.

Tourist arrivals up 96% in first half of 2022

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 570,738 in the first half of 2022, constituting a surge of 95.7% from 291,570 tourists in the same period of 2021 and a jump of 186% from 199,722 in the first half of 2020. The number of incoming visitors reached 62,340 in January, 67,800 in February, 82,810 in March, 87,579 in April, 115,469 in May, and 154,740 in June 2022, compared to 23,560 visitors in January, 22,747 in February, 36,953 in March, 39,661 in April, 63,699 in May, and 104,950 in June 2021. This constituted increases of 164.6% in January, 198% in February, 124% in March, 120.8% in April, 81.3% in May, and 47.4% in June 2022 from the corresponding months of the previous year. The increase in the number of visitor arrivals in the first half of 2022 is due to the resumption of normal activity following the lifting of lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, as well to the relaxation of travel restrictions in the main country sources of visitors to Lebanon. The figures exclude Lebanese, Syrian and Palestinian arrivals.

Number of Tourist Arrivals to Lebanon*



**in first half of each year*
Source: Ministry of Tourism, Byblos Research

Visitors from European countries accounted for 38% of the total in the first half of 2022, followed by those from Arab countries with 28%, the Americas with 21.2%, Asia with 4.5%, Africa with 4.2%, and Oceania with 4%. On a country basis, tourists from Iraq accounted for 15.6% of total visitors in the first half of 2022, followed by visitors from the United States (11.6%), France (8.7%), Germany (6.9%), Canada (6.8%), Egypt (4.8%), Sweden (4.3%), Jordan (3.8%), the United Kingdom (3%), Türkiye (2.2%), Kuwait (1.5%), Brazil (1.4%), Italy (1.3%), Venezuela (0.5%), Saudi Arabia (0.2%), and the UAE (0.04%). Further, the number of visitors from Oceania surged by 869.3% in the first half of 2022 from the same period last year, followed by those from the Americas (+96.3%), the Arab countries (+94.8%), Europe (+87%), Asia (+82%), and Africa (+58.5%).

Fitch affirms sovereign ratings at Restricted Default

Fitch Ratings affirmed Lebanon's long-term foreign currency Issuer Default Rating (IDR) at 'Restricted Default' and the country's long-term local currency IDR at 'CC'. It also affirmed the Country Ceiling at 'CCC'. It indicated that Lebanon remains in 'Restricted Default' on its foreign currency-denominated debt, following the government's decision to suspend payments of the principal and interest on the Eurobond that matured in March 2020 and to stop payments on its outstanding stock of Eurobonds pending a restructuring of the public debt. It added that the government continues to pay interest to private creditors on its Lebanese pounds-denominated debt, but that significant uncertainties remain about a potential restructuring of the debt in local currency.

It indicated that Lebanese authorities reached a Staff-Level Agreement with the International Monetary Fund (IMF) in April 2022 on a $3bn four-year Extended Fund Facility (EFF) to support a comprehensive economic and financial reform program. However, it said that there are uncertainties about the timing of the EFF, given that Lebanon's political landscape complicates the enactment of prior actions that the IMF's Executive Board is requiring for approving the EFF. It added that other pre-conditions include the enactment of an emergency bank resolution legislation, the amendment of the banking secrecy law and the enactment of the 2022 budget, the approval of a medium-term fiscal and debt restructuring strategy, the unification of the exchange rates, the implementation of capital controls, auditing Banque du Liban's (BdL) foreign assets position, as well as the initiation of an evaluation of each of the country's 14 largest banks.

It said that authorities appear to be making progress on many of these requests, such as passing the new banking secrecy law, although it is not yet clear whether it is in line with the recommendations of the IMF. It added that the audit of BdL's foreign assets position is close to completion, and that the government expects to update the draft 2022 budget and ratify it in the coming weeks. Still, it considered that the inconclusive outcome of the May 2022 parliamentary elections, and the end of the President's term in October 2022, complicate the formation of a new government and hinder the implementation of the reforms that the IMF and other partners expect.

However, it noted that Lebanese authorities have yet to initiate negotiations with Eurobond holders, and that any debt restructuring would likely involve a complete overhaul of the financial sector. It added that the government has accumulated interest arrears to BdL on the latter's holdings of government securities. It expected that the future level of the public debt will depend on the parameters of any debt restructuring. Further, it considered that the core issue remains BdL's negative foreign assets position and its impact on banks and depositors. It indicated that the government and the financial sector disagree on how to distribute the losses of the financial sector.

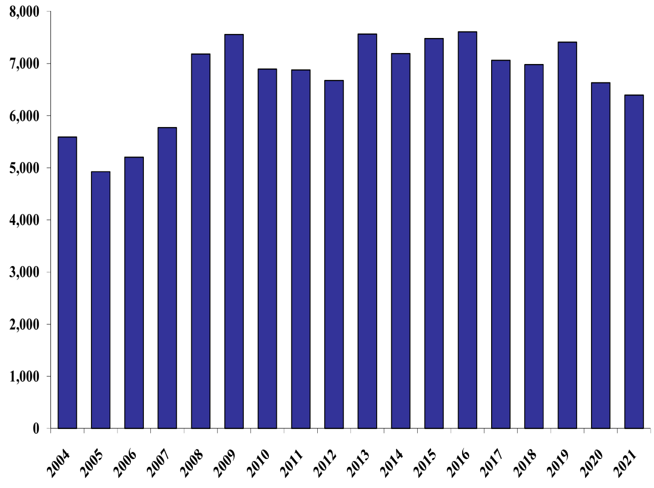
In parallel, the agency indicated that it would downgrade the ratings in case authorities formally announce plans to restructure the debt denominated in Lebanese pounds, or in case the government defaults on the Lebanese-pound debt before the announcement of any restructuring. In contrast, it said that it would upgrade the ratings if it becomes clear that authorities will exclude the Lebanese pound-denominated debt from any debt restructuring, and/or in case Lebanon reaches an agreement with bondholders on restructuring its long-term foreign-currency debt and completes the restructuring process. Also, it said that, once the authorities reach an agreement with bondholders on restructuring the foreign-currency debt and complete the process, it will assign ratings to Lebanon based on the agency's analysis of the sovereign's willingness and capacity to honor its new foreign-currency debt obligations.

Lebanon in the News

Remittance inflows down 4% to $6.4bn in 2021

Figures released by Banque du Liban (BdL) show that the inflows of expatriates' remittances to Lebanon totaled $6.4bn in of 2021, constituting a decrease of 3.6% from $6.63bn in 2020, relative to an increase of 10.5% in 2020. Remittance inflows to Lebanon reached $1.62bn in the first quarter, $1.63bn in the second quarter, $1.57bn in the third quarter, and $1.57bn in the fourth quarter of 2021. Remittance inflows increased by 5.5% in the first three months of 2021 from the same period of 2020, while they contracted by 2.4% in the second quarter, declined by 10.2% in the third quarter, and regressed by 6.3% in the fourth quarter of 2021 from the corresponding quarters of the previous year. The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances. BdL's figures are the only official data on remittance flows to and from Lebanon.

Remittance Inflows to Lebanon (US$m)



Source: Banque du Liban, Byblos Research

Further, remittance inflows to Lebanon in 2021 reached their seventh lowest annual level during the 2002-2021 period, with a high of $7.6bn in 2016 and a low of $2.54bn in 2002. They averaged $6.41bn annually between 2002 and 2020, but they increased from an annual average of $4.8bn during the 2002-07 period to a yearly average of $7.2bn between 2008 and 2020. Also, remittance inflows were equivalent to 27.3% of GDP in 2021 compared to 26.9% of GDP in 2020.

In parallel, remittance outflows from Lebanon amounted to $2.1bn in 2021, constituting a drop of 29% from $2.95bn in 2020, and relative to a decrease of 32% in 2020. Remittance outflows from Lebanon totaled $551.4m in the first quarter, $541m in the second quarter, $514.5m in the third quarter, and $488m in the fourth quarter of 2021. They declined by 35% in the first quarter of the year from the same quarter of 2020, contracted by 29% in the second quarter, decreased by 28.4% in the third quarter, and dipped by 20.6% in the fourth quarter of 2021 from the same period of the previous year.

In addition, remittance outflows in 2021 reached their lowest annual level during the 2002-21 period, with a high of $5.75bn in 2009. They averaged $4.14bn annually between 2002 and 2020, but they increased from an annual average of $3.54bn during the 2002-07 period to a yearly average of $4.42bn between 2008 and 2020. Further, remittance outflows from Lebanon were equivalent to 9% of GDP in 2021 compared to 11.9% of GDP in 2020.

As such, net remittance inflows to Lebanon totaled $4.3bn in 2021, constituting a rise of 16.6% from $3.7bn in 2020, compared to an increase of 20% in 2020. Net remittance inflows to Lebanon in 2021 reached their highest annual level during the 2002-21 period. They averaged $2.27bn annually between 2002 and 2020, but they increased from an annual average of $1.25bn during the 2002-07 period to a yearly average of $2.75bn between 2008 and 2020. Net remittance inflows to Lebanon were equivalent to 18.4% of GDP in 2021 compared to 14.9% of GDP in 2020.

Lebanon and Iraq extend fuel oil agreement for one year

The Iraqi government agreed on August 11, 2022 to extend the fuel oil agreement with Lebanese authorities for one year under the same conditions of the current arrangement. The deal stipulates that Lebanon will buy one million tons of heavy fuel oil for the benefit of the state-owned Electricité du Liban (EdL) in exchange for medical and consulting services, and Iraq will export two shipments per month to Lebanon. The volume is equivalent to one third of Lebanon's fuel oil needs for electricity production. The Ministry of Energy & Water indicated that between 75,000 tons to 85,000 tons of heavy fuel oil would be exchanged with refined fuel oil through monthly tenders for the benefit of EdL. It added that the new deal is worth about $570m.

In July 2021, the Lebanese authorities reached a deal for one year with their Iraqi counterparts that allows the Lebanese government to buy one million tons of heavy fuel oil from Iraq and to resell the oil through monthly spot tenders on behalf of EdL in order to meet power production needs in the country. The ministry said that the Iraqi heavy fuel oil is unsuitable for Lebanon's power plants, so the Lebanese government has been exchanging the imports with refined fuel oil through tenders to swap the Iraqi heavy fuel oil with 'Grade B' fuel oil. As a result, the Emirates National Oil Company Limited (ENOC), a firm owned by the Emirate of Dubai, won on August 27, 2021 the tender to swap 84,000 tons of Iraqi "high sulphur black" heavy fuel oil for 30,000 tons of 'Grade B' fuel oil and 33,000 tons of gas oil. The quantities of heavy fuel oil that ENOC has been swapping each month range from 75,000 tons to 85,000 tons.

In parallel, the Lebanese Ministry of Public Health and its Iraqi counterpart signed on April 2, 2021 a framework agreement stipulating that Lebanon would provide medical services to Iraqi medical centers in exchange for fuel oil supplies from Iraq for electricity generation. The Ministry of Energy & Water indicated that Iraqi authorities accepted to open a special account at Banque du Liban so that Iraq can spend the money domestically in Lebanese pounds on any type of service, including on medical and healthcare services. In return, Lebanon will provide specialized medical teams and experts to assist Iraq in managing new medical centers and facilities and to train Iraqi medical and hospital crews.

Trade deficit widens by 41% to $8.4bn in first seven months of 2022

Figures issued by Lebanese Customs show that total imports reached $10.5bn in the first seven months of 2022, constituting an increase of 34% from $7.8bn in the same period of 2021; while aggregate exports totaled $2.1bn and expanded by 12.7% from $1.86bn in the first seven months of 2021. As such, the trade deficit widened by 40.7% to $8.4bn in the first seven months of 2022, mainly due to an increase of $2.7bn in imports compared to an uptick of $236.2m in exports. The coverage ratio, or the exports-to-imports ratio, was 20% in the first seven months of 2022 compared to 23.7% in the same period of 2021.

Non-hydrocarbon imports increased by $1.8bn, or by 31.8%, to $7.5bn in the first seven months of 2022; while the imports of oil & mineral fuels grew by $866.8m, or by 40%, to $3bn. Oil & mineral fuels accounted for 29% of the imports bill in the covered period compared to 27.6% in the same period last year. Lebanon imported 3.19 million tons of oil & mineral fuel in the first seven months of 2022 relative to 4.37 million tons in the same period of 2021. The rise in non-hydrocarbon imports is mainly due to the stocking of imported goods in anticipation of the increase in the exchange rate for customs, as stipulated in the draft budget for 2022 that is currently in Parliament, while the jump in hydrocarbon imports is due to the surge in global oil prices following Russia's invasion of Ukraine.

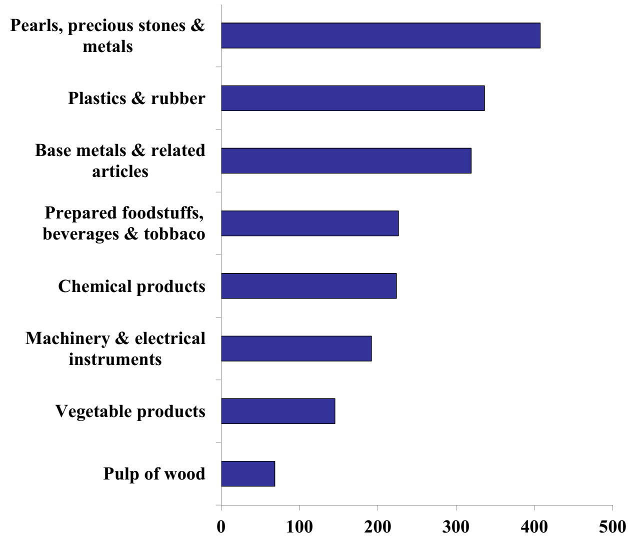
The increase in exports was due to a surge of $268.5m, or of 396.7%, in the exports of plastics & rubber in the first seven months of 2022; an increase of $77.5m (+32%) in the exports of base metals; a growth of $36m (+19.2%) in the exports of chemical products; and a rise of $30.1m (+18.6%) in exported machinery & electrical instruments.

Exports to Syria rose by 558% in the first seven months of 2022, those to Türkiye grew by 84.8%, exported goods to South Korea increased by 75.4%, exports to Iraq expanded by 35.8%, those to Greece improved by 7.6%, and exports to Greece picked up by 16%. In contrast, exported goods to Switzerland dropped by 63% in the covered period, those to the U.S. declined by 30.4%, exports to Qatar decreased by 11.5%, and those to Kuwait contracted by 7.8%. Also, re-exports totaled $182.4m in the first seven months of 2022 compared to $211.5m in the same period of 2021. The Port of Beirut was the exit point for 43% of Lebanon's exports in the first seven months of 2022, followed by the Hariri International Airport (26.6%), the Masnaa crossing point (17.7%), the Port of Tripoli (10%), the Port of Saida (2%), the Abboudieh crossing point (0.5%), and the Arida crossing point (0.3%).

Lebanon's main non-hydrocarbon imports were machinery & electrical instruments that reached $1.32bn in the first seven months of 2022 and increased by 141% from the same period of 2021. The imports of vehicles, aircraft & vessels followed with $1.14bn (+95%), then imported pearls, precious stones & metals with $928m (+28.5%); the imports of chemical products with $633.8m (-36%); imported vegetable products with $590.8m (+12.8%); the imports of prepared foodstuffs with $548.6m (+10.6%), base metals with $466.7m (+50%); and plastics & rubber with $374.8m (+32.8%). The Port of Beirut was the entry point for 64.8% of Lebanon's merchandise imports in the first seven months of 2022, followed by the Hariri International Airport (17.5%), the Port of Tripoli (10.4%), the Masnaa crossing point (4.5%), the Port of Saida (2.4%), the Arida crossing point (0.2%), the Abboudieh crossing point (0.1%), and the Port of Tyre (0.04%).

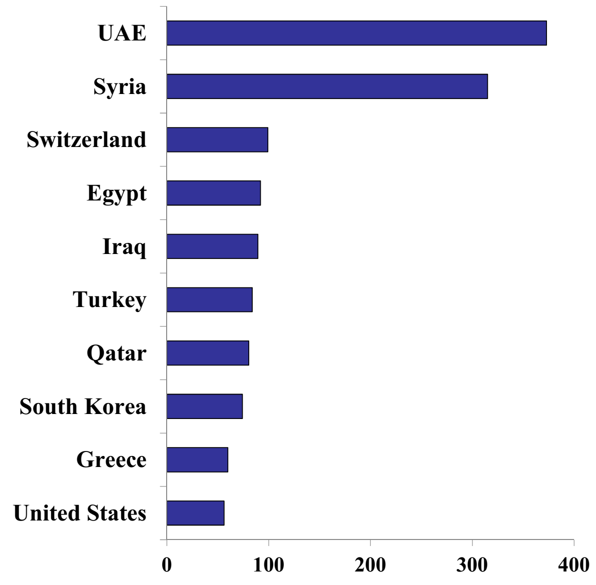
China was the main source of imports with $1.46bn and accounted for 14% of the total in the first seven months of 2022, followed by Türkiye with $1.33bn (12.6%), Greece with $1.11bn (10.5%), Italy with $498.3m (4.7%), the U.S. with $486.8m (4.6%), the UAE with $400.5m (3.8%), Germany with $365.7m (3.5%), Switzerland with $322.2m (3.1%), India with $307.3m (2.9%), and Egypt with $280m (2.7%). Further, imported goods from India surged by 156% in the first seven months of 2022, followed by imports from China (+136.4%), Türkiye (+80.5%), Italy (+72%), Switzerland (+56.6%), Egypt (+47.4%), Greece (+39%), and the U.S. (+8%). In contrast, imported goods from the UAE declined by 14% in the covered period, followed by imports from Germany (-1.2%).

Main Lebanese Exports in Fist Seven Months of 2022 (US$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in Fist Seven Months of 2022 (US$m)



Source: Lebanese Customs Administration, Byblos Research

Number of registered real estate transactions up 43% in first four months of 2022

Figures released by the Ministry of Finance show that the ministry registered 32,288 real estate transactions in the first four months of 2022, constituting a surge of 43% from 22,580 in the same period of 2021. In comparison, the ministry registered 14,841 real estate transactions in the first four months of 2020 and 15,726 real estate deals in the same period of 2019. The increase in the number of registered transactions in the covered period is due mainly to the anticipated sharp increase in real estate registration fees, as stipulated in the government's draft budget for 2022.

Further, the ministry registered 5,676 real estate transactions in the Baabda/Aley/Chouf area in the first four months of 2022, representing 17.6% of the total. The South governorate followed with 5,516 deals (17%), then the Nabatieh governorate with 4,256 transactions (13.2%), the North region with 4,169 deals (13%), the Keserwan/Jbeil region with 4,003 transactions (12.4%), the Bekaa/Baalbeck-Hermel region with 3,041 deals (9.4%), Beirut with 2,968 transactions (9.2%), and the Northern Metn district with 1,651 deals (5.1%).

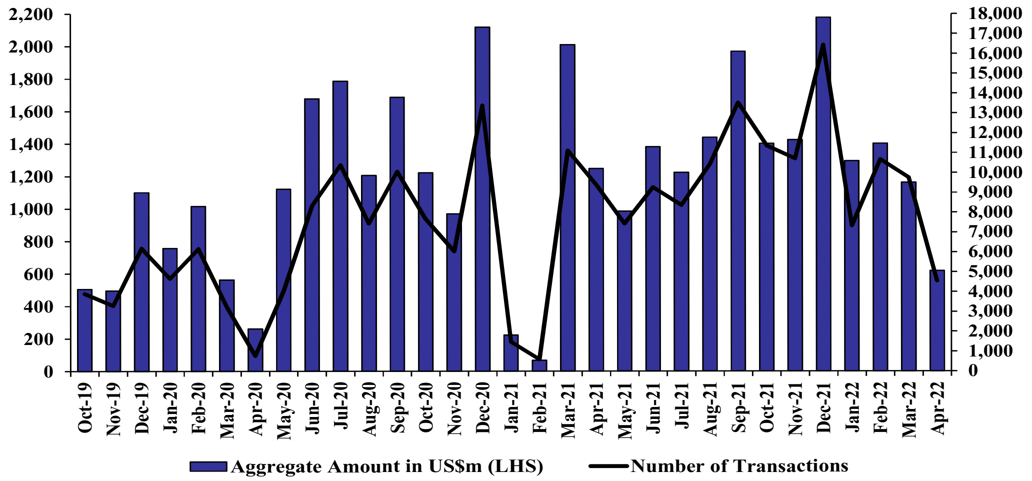
The aggregate amount of registered real estate transactions reached LBP6,750bn, or $4.5bn, in the first four months of 2022, based on the official exchange rate of the US dollar, and increased by 26.2% from LBP5,347.2bn ($3.5bn) in the same period of 2021. In comparison, the amount of real estate deals increased by 36.6% in the first four months of 2021 from the same period of the previous year and by 26% in the same period of 2020 from the first four months of 2019. Further, the value of registered real estate transactions in Beirut amounted to LBP1,959.2bn and accounted for 29% of the total in the first four months of 2022. The South governorate followed with LBP1,311bn (19.4%), then the Keserwan/Jbeil region with LBP923.4bn (13.7%), the Baabda/Aley/Chouf area with LBP598bn (9%), the North region with LBP538.7bn (8%), the Northern Metn district with LBP512bn (7.6%), the Nabatieh governorate with LBP361.3bn (5.4%), and the Bekaa/Baalbeck-Hermel region with LBP270bn (4%).

The amount of registered real estate transactions in the South governorate surged by 136% in the first four months of 2022 from the same period of 2021, followed by deals in the Nabatieh governorate (+126.6%), then the Keserwan/Jbeil region (+40.6%), Beirut (+40.2%), the North area (+37%), and the Bekaa/Baalbeck-Hermel area (+17%); while the amount of registered real estate transactions in the Baabda/Aley/Chouf region declined by 45.4% in the first four months of 2022 from the same period last year, followed by the Northern Metn district (-37%). In addition, the aggregate amount of real estate transactions reached LBP931.3bn ($617.8m) in April 2022, constituting a decrease of 47% from LBP1,752.2bn ($1.16bn) in March 2022 and compared to LBP1,879.5bn ($1.25bn) in April 2021.

In parallel, the average amount per registered real estate transaction was LBP209m ($138,676) in the first four months of 2022, and regressed by 11.7% from an average of LBP236.8m ($157,088) in the same period of 2021. Further, there were 311 real estate transactions executed by foreigners in the first four months of 2022, compared to 316 deals in the same period of 2021 and to 237 transactions in the first four months of 2020. The number of real estate deals by foreigners accounted for 1% of the registered real estate transactions in the covered period, down from 1.4% in the first four months of 2021 and from 1.6% in the same period of 2020.

Further, 33% of real estate transactions executed by foreigners in the first four months of 2022 were in the South governorate, followed by Beirut (23.2%), then the Keserwan/Jbeil region and the North region (11.6% each), the Bekaa/Baalbeck-Hermel region (7.4%), the Baabda/Aley/Chouf area (6.1%), the Northern Metn district (3.9%), and the Nabatieh governorate (3.2%). The latest available figures show that Kuwaiti citizens accounted for 16.8% of the amount of real estate transactions executed by foreigners in April 2022, followed by Syrian nationals (14.2%), Saudi citizens (14%), nationals from France (5%), and American citizens (4.7%).

Number and Amount of Real Estate Transactions



Source:Ministry of Finance, Byblos Research

Corporate Highlights

Balance sheet of financial institutions down 5% in first half of 2022

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP1,643bn, or $1.1bn, at the end of June 2022, constituting decreases of 4.6% from LBP1,721.8bn ($1.14bn) at the end of 2021 and of 3.4% from LBP1,700.2bn ($1.12bn) at the end of June 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers amounted to LBP741bn ($491.6m) at the end of June 2022, and increased by 4.8% in the first half of 2022 and by 13.3% from the end of June 2021; while claims on non-resident customers stood at LBP17.8bn ($11.8m) at end-June 2022 and decreased by 16.3% from the end of 2021 and by 73% from a year earlier. In addition, claims on the resident financial sector reached LBP424bn ($281.2m) at end-June 2022, down by 6.8% in the first half of the year and by 5.2% from end-June 2021; while claims on the non-resident financial sector totaled LBP49.6bn ($32.9m) at the end of June 2022 and grew by 2% in the first half of the year and by 25% from a year earlier. Also, claims on the public sector stood at LBP12.6bn ($8.3m) at end-June 2022, constituting a decrease of 2% in the first half of the year and a surge of 72.4% from the end of June 2021; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP91bn ($60.3m) at end-June 2022 and regressed by 12.2% in the first half of the year and by 20.6% from a year earlier. In parallel, currency and deposits with local and foreign central banks reached LBP119.3bn ($79.1m) at the end of June 2022 and increased by 27.5% from a year earlier.

On the liabilities side, deposits of resident customers stood at LBP222bn ($147.3m) at the end of June 2022, constituting decreases of 25.7% in the first half of the year and of 19.7% from the end of June 2021; while deposits of non-resident customers reached LBP10.4bn ($6.9m) at the end of June 2022 and declined by 19.3% from end-2021 and by 20% from a year earlier. Liabilities to the resident financial sector amounted to LBP163bn ($108m) at end-June 2022 and regressed by 8% in the first half of the year and increased by 18.7% from end-June 2021; while liabilities to the non-resident financial sector contracted by 9.7% from end-2021 to LBP86.5bn ($57.4m). Also, public sector deposits declined by 15.7% in the first half of 2022 to LBP7.3bn ($4.8m), while issued debt securities totaled LBP114bn ($75.6m) at end-June 2022 and dipped by 8.8% from end-2021 and by 16.7% from the end of June 2021. Further, the aggregate capital account of financial institutions was LBP634.5bn ($420.7m) at the end of June 2022, and decreased by 6% in the first half of the year and by 6.4% from the end of June 2021.

BLC Bank posts net losses of LBP192bn in 2021

BLC Bank, one of six listed banks on the Beirut Stock Exchange, announced audited consolidated net losses of LBP192bn, or $127.4m, in 2021, compared to losses of LBP27.4bn ($18.2m) in 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The bank's net interest income reached LBP176.1bn ($116.8m) in 2021 and increased by 31.7% from LBP133.7bn ($88.7m) in the previous year; while its net fees & commissions income stood at LBP35.5bn ($23.5m) last year, nearly unchanged from 2020. Further, the bank's net operating losses totaled LBP24bn ($16m) in 2021, compared to net operating income of LBP127.8bn ($84.8m) in the preceding year. In parallel, the bank's operating expenditures amounted to LBP109bn ($72.2m) in 2021 relative to LBP95.4bn ($63.3m) in 2020, with personnel cost accounting for 48% of the total.

In addition, total assets reached LBP5,280.4bn ($3.5bn) at the end of 2021, constituting a decline of 11% from LBP5,931.5bn ($3.9bn) at end-2020, while loans & advances to customers amounted to LBP983bn ($652m) at end-2021 and decreased by 28.4% from LBP1,373bn ($910.8m) at the end of 2020. Also, customer deposits totaled LBP4,222.5bn ($2.8bn) at the end of 2021 and regressed by 9% from LBP4,634.6bn ($3.1bn) a year earlier. Further, the bank's total equity stood at LBP644.6bn ($427.6m) at end-2021 and declined by 16.2% from LBP768.8bn ($510m) at the end of 2020. In parallel, the bank's external auditors indicated that "the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31,2021" and that the Group's "consolidated financial performance and its consolidated cash flows for the year that ended" and as such are not "in accordance with International Financial Reporting Standards."

Bank of Beirut declares net profits of LBP5bn in 2021

Bank of Beirut sal, one of six listed banks on the Beirut Stock Exchange, announced audited consolidated net profits of LBP5bn ($3.3m) in 2021 compared to net losses of LBP376.8bn ($250m) in 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The bank's net interest income amounted to LBP710.8bn ($471.5m) in 2021 and decreased by 19.5% from LBP883.3bn ($586m) in the previous year; while its net fees & commissions income reached LBP98.8bn ($65.5m) last year, relative to LBP78bn ($51.8m) in 2020. Further, the bank's net operating income totaled LBP451.1bn ($299.2m) in 2021, compared to LBP446.9bn ($296.5m) in the preceding year. In parallel, the bank's operating expenditures stood at LBP327.4bn ($217.2m) in 2021 relative to LBP283.7bn ($188.2m) in 2020, with staff expenses accounting for 51.6% of the total.

Further, the bank's total assets reached LBP18,225.5bn ($12.1bn) at the end of 2021 and declined by 10% from LBP20,263bn ($13.4bn) at end-2020. Loans & advances to customers totaled LBP4,600.1bn ($3.1bn) at end-2021 and decreased by 21.5% from a year earlier. Also, loans & advances to related parties stood at LBP44.7bn ($29.6m) at end-2021, relative to LBP35bn ($23m) a year earlier. Customer deposits and those from related parties totaled LBP14,498bn ($9.6bn) and decreased by 10.4% from LBP16,180.7bn ($10.7bn) at end-2020. Further, the bank's equity reached LBP2,013bn ($1.33bn) at the end of 2021, down by 2.8% from LBP2,071bn ($1.37bn) the end of 2020. In parallel, the bank's external auditors indicated that "the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31,2021" and that the Group's "consolidated financial performance and its consolidated cash flows for the year that ended" and as such are not "in accordance with International Financial Reporting Standards."

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP ($bn)	53.2	24.7	23.4	(1.3)
Public Debt in Foreign Currency / GDP	63.4	56.8	26.2	(30.6)
Public Debt in Local Currency / GDP	108.8	93.8	42.1	(51.7)
Gross Public Debt / GDP	172.3	150.6	68.3	(82.2)
Trade Balance / GDP	(29.2)	(12.2)	(6.6)	5.6
Exports / Imports	19.4	31.3	28.5	(2.8)
Fiscal Revenues / GDP	20.8	16.0	8.5	(7.5)
Fiscal Expenditures / GDP	31.8	20.3	9.8	(10.5)
Fiscal Balance / GDP	(11.0)	(4.3)	(1.3)	2.9
Primary Balance / GDP	(0.5)	(1.0)	(0.1)	1.0
Gross Foreign Currency Reserves / M2	70.2	41.5	26.0	(15.5)
M3 / GDP	252.9	209.0	90.8	(118.2)
Commercial Banks Assets / GDP	407.5	296.2	119.1	(177.1)
Private Sector Deposits / GDP	298.6	219.2	88.2	(131.0)
Private Sector Loans / GDP	93.6	57.0	18.9	(38.1)
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

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	212.6	426.8
Nominal GDP (US$ bn)	24.7	22.6	26.8
Real GDP growth, % change	-25.9	-9.9	2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	9.6	8.9
Imports of goods and services	-33.4	3.9	2.0
Consumer prices, %, average	84.9	154.8	97.7
Official exchange rate, average, LBP/US$	1,507.5	1,507.5	11,754
Parallel exchange rate, average, LBP/US$	6,705	16,821	26,070*
Weighted average exchange rate LBP/US$	3,878	9,452	23,679

**Average year-to-July 22, 2022*
Source: Central Administration of Statistics, Institute of International Finance- June 2022

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

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