

## LEBANON THIS WEEK

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Term deposits account for 58% of customer deposits at end-June 2022

Byblos Bank registers losses of LBP27bn in 2021

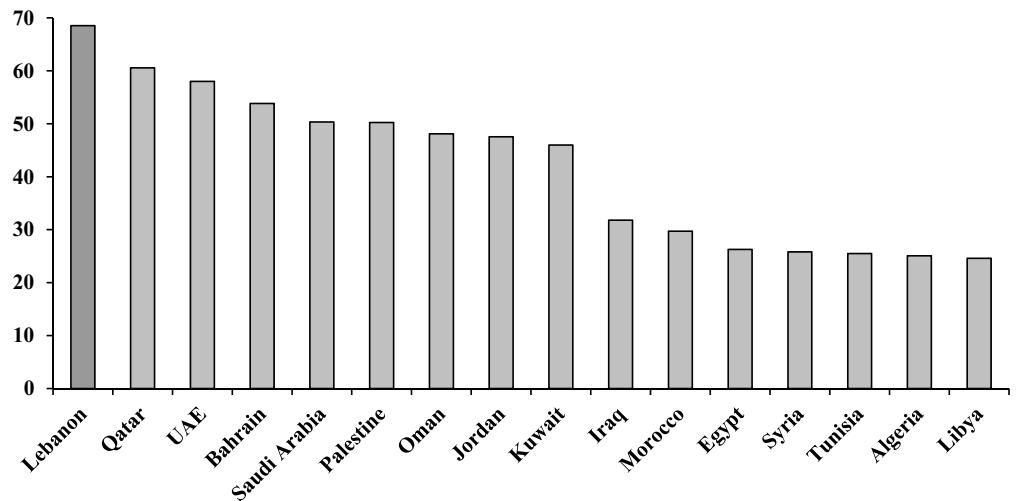
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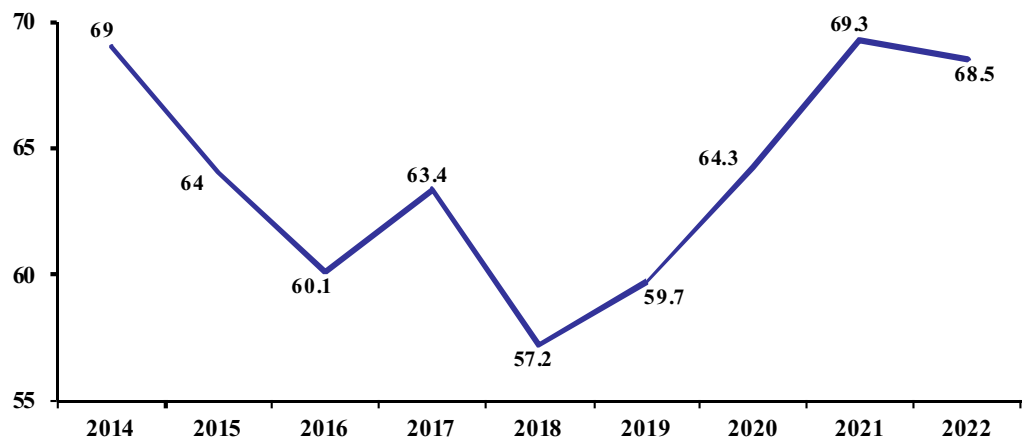
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### Charts of the Week

Cost of Living Index in Arab Countries in mid-2022\*



Cost of Living Index for Lebanon\*\*



\*Higher score reflects higher cost of living

\*\*at the end of June of each year

Source: Numbeo's Cost of Living Index for mid-2022, Byblos Bank

### Quote to Note

"An IMF program would create a policy anchor for the authorities and unlock further official support that is crucial for stabilizing and rebuilding the economy."

*S&P Global Ratings, on the benefits for Lebanon to finalize an agreement with the International Monetary Fund*

### Number of the Week

**41%:** Widening of Lebanon's trade deficit in percentage terms in the first seven months of 2022, according to Lebanese Customs

## 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"	57.10	(3.9)	66,943	41.4%	Oct 2022	6.10	7.00	14,067.23
Solidere "B"	56.10	(5.5)	22,416	26.4%	Jan 2023	6.00	7.00	3,253.64
Audi GDR	1.48	5.7	11,633	1.3%	Apr 2024	6.65	7.00	248.93
BLOM GDR	2.50	0.0	10,000	1.3%	Jun 2025	6.25	7.00	122.48
Audi Listed	1.50	(3.2)	8,500	6.4%	Nov 2026	6.60	7.00	73.63
Byblos Common	0.68	0.0	5,337	2.8%	Feb 2030	6.65	7.00	38.86
HOLCIM	29.00	16.0	5,043	4.1%	Apr 2031	7.00	7.00	33.25
BLOM Listed	2.85	0.0	-	4.4%	May 2033	8.20	7.00	26.43
Byblos Pref. 09	37.98	0.0	-	0.6%	Nov 2035	7.05	7.00	21.24
Byblos Pref. 08	24.99	0.0	-	0.4%	Mar 2037	7.25	7.00	19.12

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

Source: Refinitiv

	Aug 22-26	Aug 16-19	% Change	July 2022	July 2021	% Change
Total shares traded	129,882	120,847	7.5	1,320,045	1,814,751	(27.3)
Total value traded	\$5,381,817	\$5,342,756	0.7	\$50,138,832	\$30,622,302	63.7
Market capitalization	\$13.80bn	\$14.17bn	(2.64)	\$14.21bn	\$9.81bn	44.8

Source: Beirut Stock Exchange (BSE)



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

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 5.54% in the second quarter of 2022, constituting a decrease from 5.81% in the first quarter of 2022 and an increase from 4.37% in the second quarter of 2021. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$27.7 in the second quarter of 2022, relative to \$29.05 in the preceding quarter and compared to \$21.85 in the second quarter of 2021. Lebanon was the sixth most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 6.47% in the second quarter of 2022 for a transfer of CAD500, representing a decline from 7.72% in the first quarter of 2022 and an increase from 6.43% in the second quarter of 2021. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD32.37 in the second quarter of 2022 relative to CAD38.62 in the previous quarter and to CAD32.13 in the second quarter of 2021. Lebanon was the second most expensive destination for sending CAD500 from Canada among 15 countries with available data.

In addition, the cost of sending remittances from Australia to Lebanon reached 5.57% in the second quarter of 2022 for a transfer of AUD500, constituting decreases from 6.75% in the first quarter of 2022 and from 6.58% in the second quarter of 2021. The cost of sending AUD500 from Australia to Lebanon was AUD27.86 in the second quarter of 2022 relative to AUD33.74 in the preceding quarter and to AUD32.91 in the second quarter of 2021. Lebanon was the second costliest destination for sending AUD500 from Australia among 16 countries with available data.

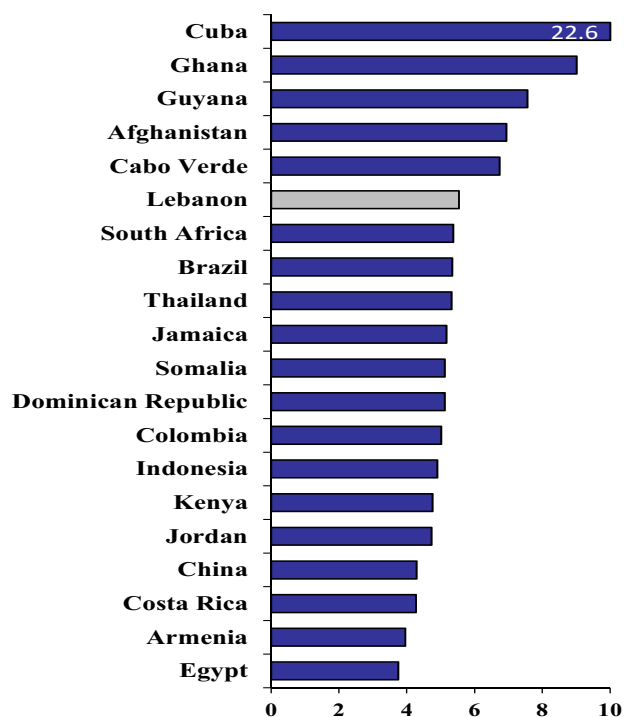
Also, the cost of sending remittances from France to Lebanon was 5.29% in the second quarter of 2022 for a transfer of €345, representing declines from 5.8% in the first quarter of 2022 and from 7.05% in the second quarter of 2021. In nominal terms, the cost of sending €345 from France to Lebanon was €18.26 in the second quarter of 2022 relative to €20.02 in the previous quarter and to €24.32 in the second quarter of 2021. Lebanon was the fifth most expensive destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon totaled 5.42% in the second quarter of 2022 for a transfer of £300, constituting decreases from 7.12% in the first quarter of 2022 and from 8.7% in the second quarter of 2021. In nominal terms, the cost of sending £300 from the UK to Lebanon was £16.27 in the second quarter of 2022 relative to £21.37 in the preceding quarter and to £26.1 in the second quarter of 2021. Lebanon was the seventh most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 5.74% in the second quarter of 2022 for a transfer of €345, representing a decline from 6.37% in the first quarter of 2022 and an increase from 5.55% in the second quarter of 2021. In nominal terms, the cost of sending €345 from Germany to Lebanon was €19.8 in the second quarter of 2022 relative to €21.97 in the previous quarter and to €19.14 in the second quarter of 2021. Lebanon was the fifth most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 3.49% in the second quarter of 2022 for a transfer of SAR1,870, equivalent to \$500, increasing from 3.19% in the first quarter of 2022 and from 2.47% in the second quarter of 2021. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR65.2 in the second quarter of 2022, relative to SAR59.65 in the preceding quarter and to SAR46.19 in the second quarter of 2021. Lebanon was the fifth most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

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



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

Source: World Bank, Byblos Research

### Occupancy rate at Beirut hotels at 46%, room yields up 39% in first half of 2022

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 45.5% in the first half of 2022 relative to 36.7% in the same period of 2021, and compared to an average rate of 57.5% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fourth lowest in the region in the first half of 2022, while it was the sixth lowest in the same period of 2021. The occupancy rates at Beirut hotels reached 34.7% in January, 43.8% in February, 55.7% in March, 25.8% in April, 52.5% in May, and 60.4% in June 2022. In comparison, it was 29.5% in January, 17% in February, 33.7% in March, 34.6% in April, 50% in May, and 54% in June 2021. The occupancy rate at hotels in Beirut increased by 8.8 percentage points in the first half of 2022 from the same period of 2021. In comparison, the average occupancy rate in Arab markets expanded by 14.8 percentage points in the covered period.

Also, the average rate per room at Beirut hotels was \$66 in the first half of 2022, increasing by 12.3% from \$59 in the same period of 2021 and constituting the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$162.9 that increased by \$32 (+24.5%) from \$130.8 in the same period of 2021. The average rate per room at Beirut hotels reached \$69 in January, \$66.7 in February, \$64.6 in March, \$72.3 in April, \$79 in May, and \$75 in June 2022. In comparison, it was \$73 in January, \$81.8 in February, \$72.5 in March, \$90.1 in April, \$103 in May, and \$59 in June 2021.

Further, revenues per available room (RevPAR) were \$30 at Beirut hotels in the first half of 2022 compared to \$22 in the same period last year, and were the lowest in the region. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. The RevPAR at Beirut hotels rose by 39.4% in the first half of 2022 and posted the ninth largest increase regionally in the covered period. The RevPAR at hotels in Beirut reached \$24 in January, \$29.3 in February, \$36 in March, \$18.7 in April, \$42 in May, and \$45 in June 2022. In comparison, it was \$21 in January, \$14 in February, \$24.4 in March, \$31.2 in April, \$51 in May, and \$32 in June 2021. Abu Dhabi had the highest hotel occupancy rate in the region at 76.3% in the first half of 2022, while Dubai registered the highest average rate per room at \$350 and the highest RevPAR at \$261 in the covered period.

### Amount of cleared checks down 19%, returned checks down 41% in first seven months of 2022

The amount of cleared checks reached LBP29,167bn, or the equivalent of \$19.3bn, in the first seven months of 2022, constituting a decline of 19% from \$23.9bn in the same period of 2021. In comparison, the amount of cleared checks dropped by 25.8% in the first seven months of 2021 and regressed by 1% in the same period of 2020 from the corresponding periods of the preceding year. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar. The amount of cleared checks in Lebanese pounds reached LBP19,142bn, or the equivalent of \$12.7bn, in the first seven months of 2022 and increased by 14.7% from the same period last year, while the amount of cleared checks in foreign currencies was \$6.65bn and decreased by 48.2% in the covered period. Also, there were 1.12 million cleared checks in the first seven months of 2022, down by 48% from 2.16 million checks in the same period of the previous year. The dollarization rate of cleared checks regressed from 53.7% in the first seven months of 2021 to 34.4% in the same period of 2022, while the number of checks denominated in foreign currencies accounted for 47.8% of total cleared checks in the covered period compared to 53.6% in the same period of 2021. In addition, the amount of cleared checks totaled LBP3,721bn (\$2.5bn) in July 2022, down by 12% from LBP4,228bn (\$2.8bn) in the preceding month and by 25.2% from LBP4,972bn (\$3.3bn) in July 2021. The amount of cleared checks in Lebanese pounds reached LBP2,559bn (\$1.7bn) in July 2022, as it declined by 9.2% from LBP2,818bn (\$1.9bn) in June 2022 and by 8.2% from LBP2,787bn (\$1.8bn) in July 2021. Further, the amount of cleared checks in foreign currencies was \$771m in July 2022, as it decreased by 17.5% from the previous month and dropped by 46.8% from July 2021. There were 109,394 cleared checks in July 2022 relative to 135,850 cleared checks in the preceding month and to 276,802 cleared checks in July 2021.

In parallel, the amount of returned checks in local and foreign currencies was \$180.4m in the first seven months of 2022 compared to \$307.1m in the same period of 2021 and to \$646.8m in the first seven months of 2020. This constituted a drop of 41.3% in the first seven months of 2022 relative to decreases of 52.5% and 21% in the first seven months of 2021 and 2020, respectively. The amount of returned checks in Lebanese pounds reached LBP134bn (\$89m) in the covered period and declined by 8.8% from the first seven months of 2021, while the amount of returned checks in foreign currencies was \$92m and contracted by 56.2% in the covered period. Also, there were 7,756 returned checks in the first seven months of 2022, down by 55% from 17,224 returned checks in the same period of 2021. The number of returned checks in foreign currencies reached 4,690 in the first seven months of 2022 and dropped by 55% from the same period of 2021, while the number of returned checks in Lebanese pounds totaled 3,066 and retreated by 55% year-on-year. Further, the amount of returned checks in domestic and foreign currencies stood at \$33.2m in July 2022 compared to \$21.9m in the previous month and to \$32.5m in July 2021. Also, there were 759 returned checks in July 2022, relative to 818 returned checks in June 2022 and to 1,863 checks in July 2021.

### Hotel Sector Performance in First Half of 2022

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	76	61	25.5
Dubai	75	261	72.4
Madina	72	103	162.8
Cairo	68	77	203.3
Riyadh	62	107	62.5
Doha	60	67	(3.1)
Makkah	58	105	170.1
Jeddah	52	121	11.0
Muscat	50	61	208.2
<b>Beirut</b>	<b>46</b>	<b>30</b>	<b>39.4</b>
Kuwait City	44	106	39.2
Manama	44	68	87.8
Amman	43	62	154.3

Source: EY, Byblos Research

## Number of registered real estate transactions up 2% in first half of 2022

Figures released by the Ministry of Finance show that the ministry registered 39,921 real estate transactions in the first half of 2022, constituting an increase of 1.6% from 39,274 in the same period of 2021. In comparison, the ministry registered 27,216 real estate transactions in the first half of 2020 and 21,957 real estate deals in the same period of 2019. The rise in the number of registered transactions in the covered period is due mainly to the anticipated increase in real estate registration fees, as stipulated in the government's draft budget for 2022.

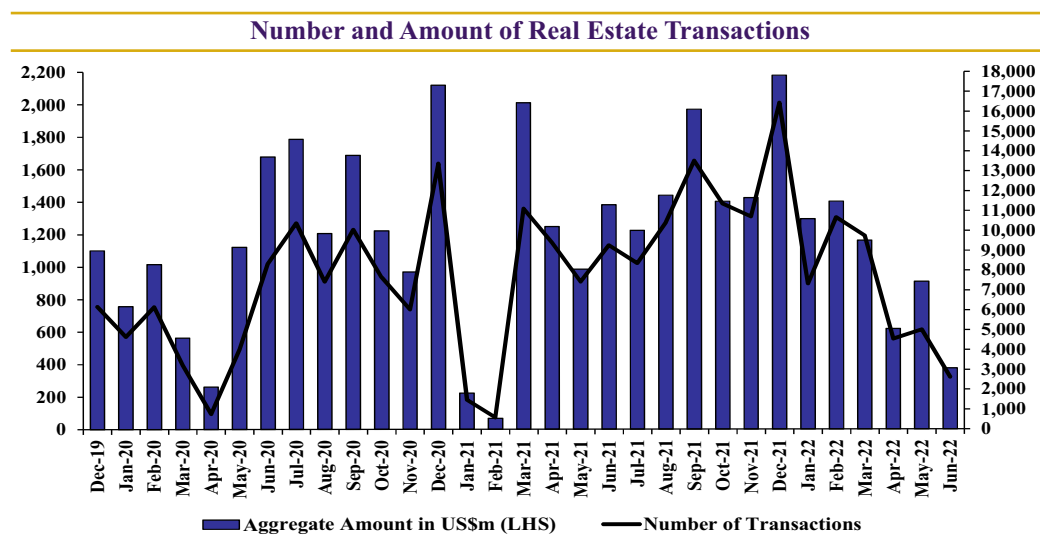
Further, the ministry registered 7,104 real estate transactions in the South governorate in the first half of 2022, representing 17.8% of the total. The Baabda/Aley/Chouf area followed with 6,841 deals (17.1%), then the North region with 5,337 transactions (13.4%), the Nabatieh governorate with 5,182 deals (13%), the Keserwan/Jbeil region with 4,876 transactions (12.2%), Beirut with 3,865 deals (9.7%), the Bekaa/Baalbeck-Hermel region with 3,743 transactions (9.4%), and the Northern Metn district with 1,717 deals (4.3%).

The aggregate amount of registered real estate transactions reached LBP8,686bn in the first half of 2022, or \$5.8bn based on the official exchange rate of the US dollar, and decreased by 2.6% from LBP8,913.2bn (\$5.9bn) in the same period of 2021. In comparison, the amount of real estate deals increased by 9.6% in the first half of 2021 from the same period of the previous year and by 98% in the first half of 2020 from the same period of 2019. Further, the value of registered real estate transactions in Beirut amounted to LBP2,748.6bn and accounted for 31.6% of the total in the first half of 2022. The South governorate followed with LBP1,735.6bn (20%), then the Keserwan/Jbeil region with LBP1,134bn (13%), the Baabda/Aley/Chouf area with LBP763bn (8.8%), the North region with LBP672bn (7.7%), the Northern Metn district with LBP539.5bn (6.2%), the Nabatieh governorate with LBP446.2bn (5%), and the Bekaa/Baalbeck-Hermel region with LBP327.6bn (3.8%).

The amount of registered real estate transactions in the South governorate surged by 86.6% in the first half of 2022 from the same period of 2021, followed by deals in the Nabatieh governorate (+60%), then Beirut (+23.3%), and the Keserwan/Jbeil region (+9%); while the amount of registered real estate transactions in the Northern Metn district declined by 61.4% in the first half of 2022 from the same period last year, followed by the Baabda/Aley/Chouf region (-58.5%), the Bekaa/Baalbeck-Hermel area (-10.7%), and the North area (-7.6%). In addition, the aggregate amount of real estate transactions reached LBP566bn (\$375.5m) in June 2022, constituting a decrease of 58.7% from LBP931.3bn (\$908.6m) in May 2022 and compared to LBP2,083bn (\$1.4bn) in June 2021.

In parallel, the average amount per registered real estate transaction was LBP217.6m (\$144,327.5) in the first half of 2022, and regressed by 4.1% from an average of LBP227m (\$150,546.5) in the same period of 2021. Further, there were 420 real estate transactions executed by foreigners in the first half of 2022, compared to 583 deals in the same period of 2021 and to 427 transactions in the first half of 2020. The number of real estate deals by foreigners accounted for 1.1% of the registered real estate transactions in the covered period, down from 1.5% in the first half of 2021 and from 1.6% in the same period of 2020.

Further, 32.6% of real estate transactions executed by foreigners in the first half of 2022 were in the South governorate, followed by Beirut (25.7%), then the Keserwan/Jbeil region (12%), the North region (9.8%), the Bekaa/Baalbeck-Hermel region (6.4%), the Baabda/Aley/Chouf area (6.2%), the Nabatieh governorate (4%), and the Northern Metn district (3.3%). 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%).



Source: Ministry of Finance, Byblos Research



### Consumer Price Index up 168% year-on-year in July 2022

The Central Administration of Statistics' Consumer Price Index increased by 205% in the first seven months of 2022 from the same period of 2021. In comparison, it grew by 128.2% and by 49.3% in the same period of 2021 and 2020, respectively.

The CPI rose by 168.4% in July 2022 from the same month of 2021, and registered its 25th consecutive triple-digit increase since July 2020. The cumulative surge in inflation is due in part to the inability of authorities to monitor and contain retail prices, as well as to the fluctuation of the Lebanese pound's exchange rate on the parallel market and the gradual lifting of subsidies on hydrocarbons, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately.

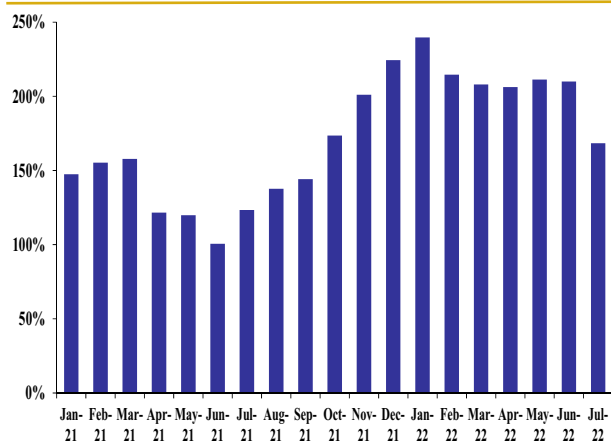
In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. Further, the emergence of an active black market for gasoline last summer has put upward pressure on prices and on inflation at the time, but the lifting of subsidies on gasoline and the resulting disappearance of the retail black market for this product did not translate into a decline in prices.

The prices of water, electricity, gas & other fuels surged by 5.6 times in July 2022 from the same month of 2021, followed by transportation costs (+4.5 times), the cost of healthcare (+3.8 times), the prices of food & non-alcoholic beverages (+3.4 times), the prices of miscellaneous goods & services (+3.3 times), rates at restaurants & hotels (+3.1 times), the cost of alcoholic beverages & tobacco (+2.6 times), the cost of recreation & entertainment (+2.5 times), and the prices of clothing & footwear (+2.4 times). In addition, the prices of furnishings & household equipment jumped by 132% year-on-year in July 2022, followed by the cost of education (+36.5%), communication costs (+26.6%), imputed rent (+5.8%), and actual rent (+4.4%). Also, the distribution of actual rent shows that new rent grew by 6% and old rent increased by 2.5% in July 2022 from the same month of 2021.

In parallel, the CPI expanded by 7.4% in July 2022 from the previous month, compared to a month-on-month rise of 9.2% in June 2022 and an increase of 8% in May 2022. Healthcare costs surged by 55.3% in July 2022 from June, followed by communication costs (+21%), the cost of recreation & entertainment and (+20%), the cost of miscellaneous goods & services (+12.4%), rates at restaurants & hotels (+11.6%), the prices of food & non-alcoholic beverages (+5.8%), the prices of alcoholic beverages & tobacco (+3.2%), clothing & footwear prices (+2%), the prices of furnishings & household equipment (+1.5%), transportation costs (+0.5%), actual rent (+0.4%), imputed rent (+0.3%), and the prices of water, electricity, gas and other fuels (0.1%). In addition, the cost of education was unchanged in July 2022 from the preceding month.

Further, the CPI increased by 10.4% in Beirut, by 8.9% in the Bekaa, by 8.1% in the North, by 6.63% in Mount Lebanon, by 6.6% in the Nabatieh area, and by 6.3% in the South during July 2022 from the previous month. In parallel, the Education Price Index was unchanged in July 2022 from the preceding month, while the Fuel Price Index decreased by 4.05% month-on-month in July 2022.

Annual Change in Consumer Price Index (%)



Source: Central Administration of Statistics, Byblos Research

### Lebanon ranks 63<sup>rd</sup> among emerging markets, ninth among Arab countries on ESG index for 2022

Global investment bank Goldman Sachs ranked Lebanon in 63<sup>rd</sup> place among 76 emerging markets (EMs) and in ninth place among 11 Arab countries on its EM Sovereign ESG Index for 2022. The bank launched the index in 2020 and updated its methodology for the 2022 edition. As a result, this year's scores are not comparable to the 2021 index.

The bank uses the World Bank's database of environmental, social and governance (ESG) indicators, and complements the latter with variables from several other sources to produce the index. The index is composed of 27 variables that are segregated into the environment, social, and governance categories. Further, the bank calculates the index's scores by rating the ESG categories of each country on a scale from zero to 10, with a score of 10 reflecting the best performance. The overall score of a country is an equally-weighted average of the three scores on each category. The bank noted that rating agencies have been increasingly taking into account ESG categories when conducting rating reviews and when taking actions on sovereigns. As such, higher ESG scores tend to be favorable to sovereign ratings.

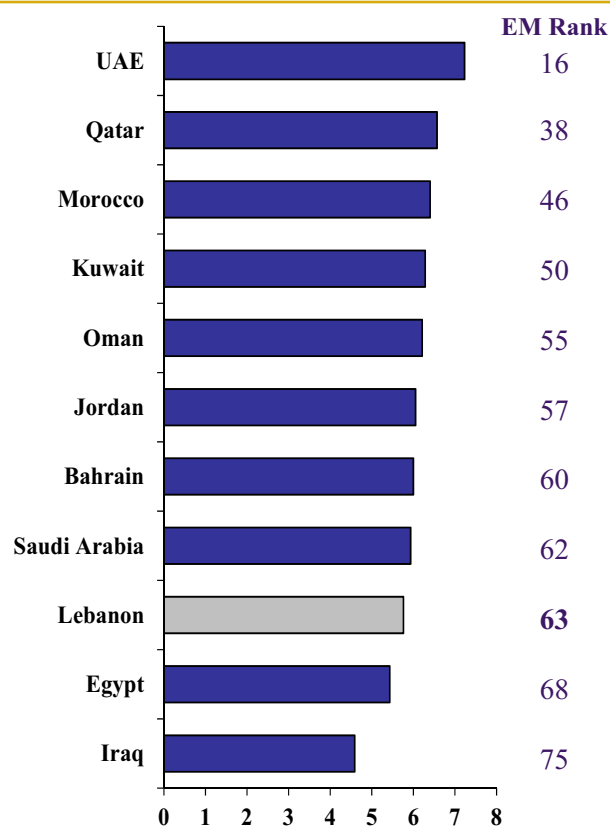
Lebanon performed better on the ESG Index than Tajikistan, Ethiopia and Gabon; while it had a worse performance than Bahrain, Azerbaijan and Saudi Arabia among EMs. Lebanon received a score of 5.76 points on the index, compared to the EM average score of 6.58 points and the Arab average of 6.04 points. Also, Lebanon's score came lower than the Gulf Cooperation Council (GCC) countries' average score of 6.37 points and higher the average score of non-GCC Arab countries of 5.65 points.

In parallel, Lebanon preceded Uzbekistan, South Africa, and India, while it trailed Kazakhstan, Azerbaijan and Nigeria among EMs on the Environment category. This component covers a country's current usage of natural resources, its pollution level and its energy consumption, as well as the environmental risks related mainly to climate change. Lebanon trailed only Morocco, Jordan and the UAE in the Arab region on this category.

Also, Lebanon came ahead of Belize, Russia and Kazakhstan, while it ranked behind Qatar, Suriname and Uzbekistan among EMs on the Social category, which examines inequality in a country in terms of employment and access to basic resources, such as access to clean cooking fuels and to electricity, as well as the health and nutrition levels of the population. Lebanon preceded Saudi Arabia, Bahrain, Morocco, Egypt, Jordan and Iraq regionally on this category.

Further, Lebanon ranked ahead of Nigeria, Pakistan and Tajikistan, and came behind Gabon, Egypt and Cameroon among EMs on the Governance category. This component examines a country's policy effectiveness and infrastructure, the rule of law, control of corruption, and female participation in the workforce and in government, among other variables. Lebanon ranked ahead of only Iraq among Arab countries on this category.

**EM Sovereign ESG Index for 2022  
Scores & Rankings of Arab Countries**



Source: Goldman Sachs, Byblos Research

**Components of the EM Sovereign ESG Index for 2022**

	EM Rank	Arab Rank	Lebanon Score	EM Avg Score	Arab Avg Score
Environment	63	4	5.56	6.35	5.14
Social	31	5	8.37	7.82	8.06
Governance	71	10	3.36	5.57	4.92

Source: Goldman Sachs, Byblos Research



### Tourism receipts up 33% to \$3bn in 2021

Figures released by Banque du Liban (BdL) show that revenues generated from tourism activity in Lebanon, defined by BdL as "Travel Services", totaled \$3.1bn in 2021, constituting an increase of 33.3% from \$2.35bn in 2020. Tourism revenues amounted to \$456m in the first quarter, \$708.7m in the second quarter, \$1bn in the third quarter, and \$950m in the fourth quarter of 2021. They declined by 56.4% in the first three months of the year from the same quarter of 2020, surged by 153.7% in the second quarter, increased by 117% in the third quarter, and improved by 70% in the fourth quarter of 2021 from the same period of the previous year.

Tourism receipts in 2021 reached their second lowest annual level since BdL started publishing detailed figures about the balance of payments in 2002, with a low of \$2.4bn in 2020. Tourism receipts in Lebanon averaged \$6.3bn annually between 2002 and 2020, and registered a high of \$8.6bn in 2019. Tourism receipts were equivalent to 13.4% of GDP in 2021, relative to 9.5% of GDP in 2020. BdL's figures are the only official data on receipts from tourism activity in Lebanon and on tourism spending abroad by Lebanese citizens.

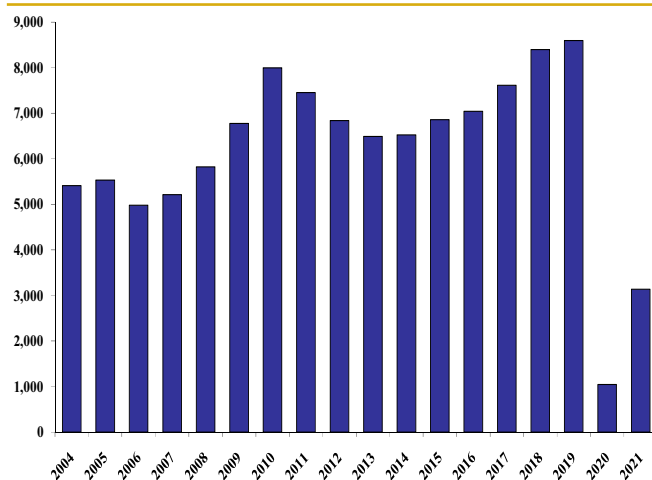
The increase in tourism revenues last year mirrors the recovery in tourism activity, following the gradual lifting of the lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, as well to the relaxation of travel restrictions in the main country sources of visitors to Lebanon.

In parallel, outbound tourism spending from Lebanon reached \$1.8bn in 2021, and increased by 8.7% from \$1.67bn in 2020. It totaled \$272m in the first quarter, \$364.5m in the second quarter, \$614.8m in the third quarter, and \$564.3m in the fourth quarter of 2021. They decreased by 71.7% in the first three months of the year from the same quarter of 2020, climbed by 165.7% in the second quarter, surged by 137% in the third quarter, and rose by 80.4% in the fourth quarter of 2021 from the same period of the previous year.

The increase in outbound tourist spending is due to the relaxation of travel restrictions in many countries and the resumption of normal activity following the lifting of lockdown and social distancing measures that governments imposed to contain the spread of the coronavirus. In addition, outbound tourism spending in 2021 reached its second lowest yearly level during the 2002-2021 period. In comparison, it averaged \$4.1bn annually between 2002 and 2020. Outbound tourism expenditures were equivalent to 7.8% of GDP last year compared to 6.8% of GDP in 2020.

As such, net tourism receipts totaled \$1.3bn in 2021 and increased by 93.4% from \$682.2m in 2020. Net tourism receipts in 2021 constituted their second lowest annual level between 2002 and 2021. They averaged \$2.3bn annually between 2002 and 2008, and \$2.2bn yearly during the 2009-2020 period. They were equivalent to 5.6% of GDP in 2021, relative to 2.8% of GDP in 2020.

Tourism Receipts (US\$m)



Source: Banque du Liban, Byblos Research

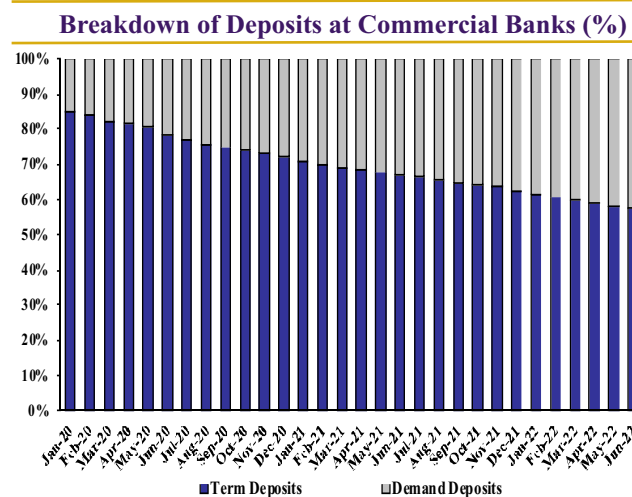


### Term deposits account for 58% of customer deposits at end-June 2022

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$135bn at the end of June 2022, constituting a decrease of \$4.3bn, or of 3%, in the first half of the year from \$139.3bn at the end of 2021.

Total deposits include private sector deposits that reached \$127.2bn, deposits of non-resident financial institutions that amounted to \$4.4bn, and public sector deposits that stood at \$3.4bn at the end of June 2022. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar.

Term deposits in all currencies reached \$78bn at the end of June 2022 and declined by \$9.2bn, or by 10.6%, from \$87.1bn at end-2021; while they accounted for 57.7% of total deposits in Lebanese pounds and in foreign currency as at end-June 2022 relative to a share of 62.5% at the end of 2021.



Source: Banque du Liban

The decline in term deposits is due a dip of 48.4% in the term deposits in Lebanese pounds of the public sector, a decrease of 14.3% in foreign currency-denominated term deposits of the public sector, a decline of 13% in the term deposits of the non-resident financial sector, a retreat of 12% in the term deposits in Lebanese pounds of the resident private sector, a contraction of 9.3% in the foreign currency-denominated term deposits of the resident private sector, and a downturn of 5% in the term deposits of non-residents. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$88.6bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$44.7bn and accounted for 33% of aggregate deposits at the end of June 2022. Term deposits of non-residents followed with \$15.9bn (11.8%), then term deposits in Lebanese pounds of the resident private sector with \$12bn (9%), term deposits of the non-resident financial sector with \$3bn (2.2%), term deposits of the public sector in Lebanese pounds with \$1.7bn (1.3%), and term deposits of the public sector in foreign currency with \$603.6m (0.4%).

In parallel, demand deposits in all currencies at commercial banks stood at \$57bn at the end of June 2022 and increased by \$4.9bn, or by 9.3%, from \$52.3bn at end-2021. They accounted for 42.3% of total deposits at end-June 2022 relative to a share of 37.5% at end-2021. The increase in demand deposits was mainly due to a rise of \$3.5bn in demand deposits in Lebanese pounds of the resident private sector, a growth of \$1.1bn in foreign currency-denominated demand deposits of the resident private sector, an increase of \$149.5m in demand deposits in Lebanese pounds of the public sector, an expansion of \$109.2m in demand deposits of non-residents, and an upturn of \$5m in demand deposits of the non-resident financial sector, which more than offset a downturn of \$37m in demand deposits in foreign currency of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$32.2bn and represented 23.8% of deposits at end-June 2022. Demand deposits in Lebanese pounds of the resident private sector followed with \$14.4bn (10.7%), then demand deposits of non-residents with \$7.96bn (6%), demand deposits of the non-resident financial sector with \$1.5bn (1%), demand deposits in Lebanese pounds of the public sector with \$892.2m (0.7%), and demand deposits in foreign currency of the public sector with \$212.1m (0.2%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 49.8% of the number of depositors at the end of March 2022. Mount Lebanon followed with 15.1% of deposits and 18.6% of beneficiaries, then South Lebanon with 7.2% of deposits and 11.1% of depositors, North Lebanon with 6.7% of deposits and 12% of beneficiaries, and the Bekaa with 5% of deposits and 8.4% of depositors.



### Byblos Bank registers losses of LBP27bn in 2021

Byblos Bank sal declared audited net losses of LBP26.77bn (\$17.8m) in 2021 relative to net losses of LBP156.4bn (\$103.8m) 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 LBP1,047bn in 2021 compared to LBP828.5bn in 2020, while revenues from net fees & commissions stood at LBP73.8bn last year relative to LBP127.8bn in 2020. Also, net operating income totaled LBP404bn (\$268m) in 2021 compared to LBP213.4bn (\$141.5m) in 2020. Further, the Bank's operating expenditures reached LBP372.1bn (\$247m) in 2021 relative to LBP331bn (\$219.6m) in 2020, with personnel cost accounting for 43.2% of the total.

Also, Byblos Bank's aggregate assets reached LBP25,943bn (\$17.2bn) at the end of 2021 and regressed by 8.3% from LBP28,278bn (\$18.8bn) at end-2020. Net loans & advances to customers totaled LBP2,816.6bn (\$1.87bn) at the end of 2021 compared to LBP3,926.7bn (\$2.6bn) at end-2020, while net loans & advances to related parties stood at LBP10.8bn (\$7.2m) relative to LBP11.3bn (\$7.5m) at end-2020. Further, customer deposits reached LBP19,770bn (\$13.1bn) at end-2021, down by LBP2,248.8bn (\$1.5bn) or by 10.2% from LBP22,018.8bn (\$14.6bn) at end-2020; while deposits from related parties amounted to LBP121.2bn (\$80.4m) at the end of 2021 compared to LBP402.1bn (\$266.8m) at end-2020. As a result, aggregate deposits totaled LBP19,891.2bn (\$13.2bn) at end-2021, down by 11.3% from LBP22,421bn (\$14.9bn) at end-2020. In parallel, the Bank's equity was LBP2,666bn (\$1.8bn) at the end of 2021, and increased by 13.4% from LBP2,351.2bn (\$1.6bn) at the end of 2020.

In parallel, the Bank's external auditors indicated that the consolidated financial statements, the consolidated financial performance and the consolidated cash flow statements of the Group as at December 31, 2021 do not present fairly the Group's consolidated financial position in accordance with International Financial Reporting Standards.

### Solidere posts losses of \$4.3m in 2021

Solidere, the Lebanese Company for the Development and Reconstruction of Beirut Central District sal, announced consolidated audited losses of \$4.3m in 2021 compared to net losses of \$19.9m in 2020. The consolidated results include Solidere's standalone financials and those of its subsidiaries (the Group), which mainly include Solidere International Limited, and other subsidiaries such as Solidere Management Services sal, BCD Cinemas sal, Beirut Waterfront Development sal, and Beirut Hospitality Company Holding sal. The Group presented its financial results in US dollars.

The Group posted consolidated revenues of \$85.2m from land sales in 2021 constituting a decline of 77.7% from receipts of \$382m in 2020. Also, its consolidated revenues from rented properties reached \$21.2m in 2021 and regressed by 7% from \$22.8m in 2020, while receipts from services rendered totaled \$8.4m and improved by 13% from \$7.4m in the preceding year.

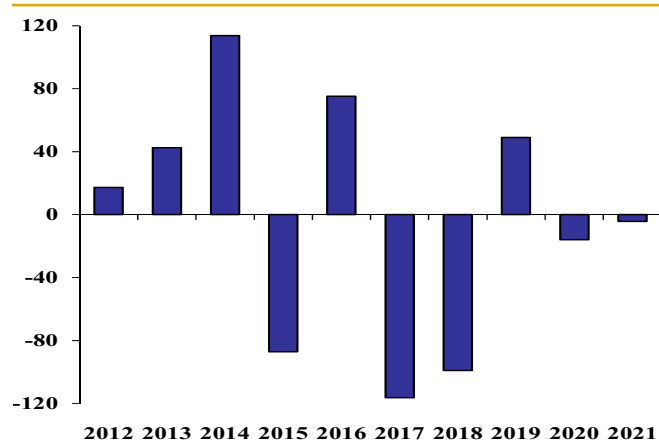
In parallel, the Group's cost of revenues stood at \$88m in 2021 relative to \$274m in 2020, while its net operating income reached \$27.4m compared to \$142.8m in 2020. Also, the general and administrative expenses of the Solidere Group rose by 20.3% to \$32.2m in 2021, while net provisions for impairments dropped by 99% to \$0.28m last year.

Further, Solidere stated that its consolidated assets reached \$1.98bn at the end of 2021 and decreased by 3% from \$2.04bn at the end of 2020, with its inventory of land and projects in progress regressing by 3.8% to \$853m and accounting for 43% of its total assets. Also, the company's cash and bank balances reached \$90.6m at the end of 2021, down by 21.6% from \$115.6m a year earlier, while its accounts and notes receivables stood at \$13.5m and declined by 75.6% from \$55.3m at the end of 2020. Also, the firm's consolidated liabilities, including accounts and dividends payable, as well as deferred revenues, totaled \$222.6m at the end of 2021 and regressed by 8.5% from \$243.2m at the end of 2020. Further, the Group's consolidated shareholders' equity was \$1.76bn at the end of 2021, down by 2.1% from \$1.8bn at end-2020.

In parallel, the firm's external auditors indicated that the consolidated financial statements, the financial performance and the cash flow statements of the Group as at December 31, 2021 do not present fairly the Group's consolidated financial position in accordance with International Financial Reporting Standards, since the financial statements do not take into account the impact of hyperinflation on the revenues stream.

Solidere is Lebanon's largest listed firm on the Beirut Stock Exchange in terms of market capitalization as at August 26, 2022. The price of Solidere 'A' shares closed at \$57.1 per share on August 26, 2022 and surged 75% from \$32.65 per share at the end of 2021, while the price of Solidere 'B' shares closed at \$56.1 and rose by 68.4% from \$33.32 per share at end-2021.

Earnings of Solidere Group (US\$m)



Source: Solidere, Byblos Research

### **Banking Control Commission issues directives to address suspension of Interbank Offered Rates**

The Banking Control Commission of Lebanon (BCCL) issued a memo on August 17, 2022 to banks and financial institutions about Interbank Offered Rates (IORs), in order to follow up on its memo of August 31, 2021 about preparations ahead of suspending the utilization of IORs in financial transactions. It said that, due to the suspension of a number of IORs at the start of 2022, the BCCL asks banks and financial institutions to: First, provide it with a summary of the measures that they took as part of their action plan to address the suspension of IORs. It noted that they should include the Alternative Reference Rates (ARR) that they have adopted or will adopt instead of the IORs that have been or that will be suspended. Second, it said that they should include the notional amount of the active financial derivative contracts as at June 30, 2022 that are due after June 30, 2023 and that are related to US dollar London Interbank Offered Rate (LIBOR) of all tenors, except for one week or two-month contracts, as well as of all tenors for Euro Interbank Offered Rate (EURIBOR) contracts.

The BCCL's memo of August 31, 2021 asked banks and financial institutions the following, in order to avoid any related risks, including operational, legal and conduct risks: First, to form an internal working group composed of the heads of departments that are concerned with the changes in IORs and to develop an action plan and follow up on measures to implement the plan. It suggested that the working group may include the Risk Management, Compliance, Legal, Treasury, Credit, Financial Control, and Information Technology departments. Second, to identify all the contracts associated with any LIBOR rates or other reference rates that will cease to be utilized. Third, to amend the existing contracts that are due after the end of 2021 and that are linked to the IORs that will cease to be utilized, by using alternative interest rates, taking into consideration the nature of the contract and the parties involved in it. Fourth, to implement the necessary changes on the internal systems of each bank and financial institution. Fifth, to inform clients of the amendments to the contracts and, where necessary, to get their approval, based on Banque du Liban's Basic Circular 134 about the Principles of carrying out Banking and Financial Operations with Clients and Circular 124 about Credit Transparency, Rules and Conditions, as well as based on BCCL's circulars 273 and 281 dated November 10, 2012 and March 5, 2015, respectively. Sixth, to stop signing, as of the issuance date of this memo, any new contracts that include the IORs that will cease to be utilized. Seventh, to apply the measures in this memo to foreign branches, affiliates and subsidiaries of banks and financial institutions.

Further, the BCCL asked banks and financial institutions to provide it, within one month of the date of the memo, with the amount of signed IORs contracts that are due after the end of 2021 and that may be suspended, as well as the action plan and the measures that they will take in order to stop dealing with the IORs.

In parallel, the IORs that have ceased to be utilized globally at the start of 2022 consist of the LIBOR on the British pound, the Euro, the Swiss franc, and the Japanese yen for all tenors, as well as on the LIBOR on the US dollar for the one-week and two-month periods. Further, the LIBOR on the US dollar will cease to be utilized starting on July 1, 2023 for overnight, one-month, three-month, six-month and 12 month periods. Also, dealings in the Euro Overnight Index Average (EONIA) have stopped at the start of 2022, while there is still no timetable for suspending the utilization of the EURIBOR.

## 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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