

LEBANON THIS WEEK

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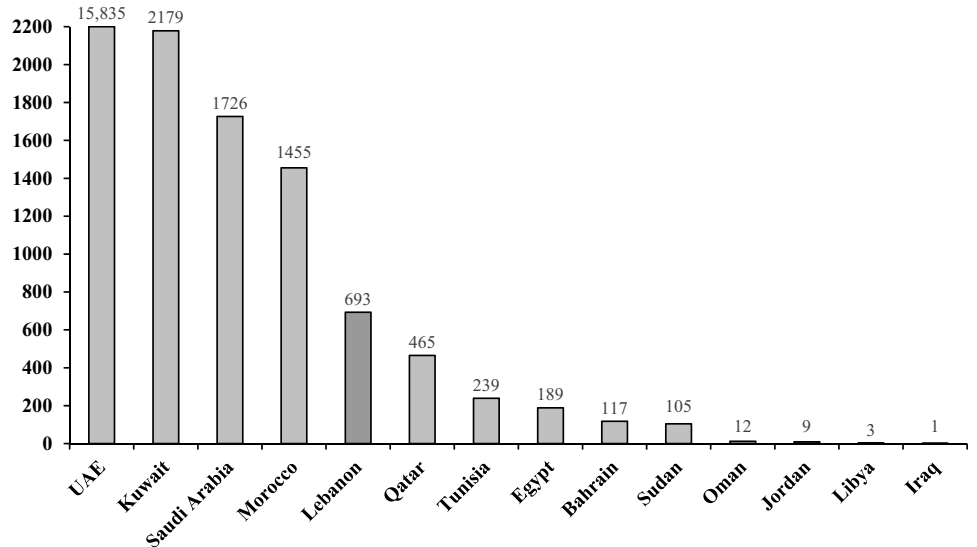
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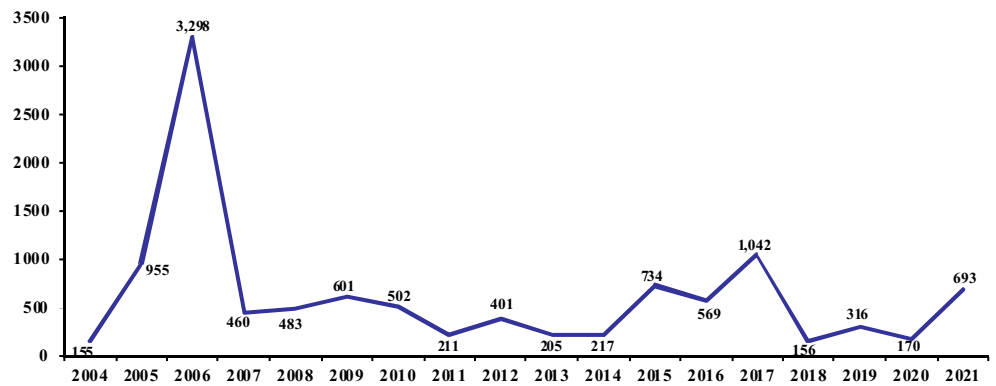
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Charts of the Week

Greenfield Foreign Direct Investment Outflows from Arab Countries in 2021 (in US\$ millions)



Greenfield Foreign Direct Investment Outflows from Lebanon (in US\$ millions)



Source: United Nations Conference on Trade and Development, Byblos Bank

Quote to Note

"The Lebanese government remains in default on its foreign currency obligations, having announced in March 2020 that it would stop paying commercial obligations related to its Eurobonds."

S&P Global Ratings, on the delays by Lebanese authorities in starting official negotiations with Eurobond holders

Number of the Week

5: Number of months since Lebanon signed the Staff-Level Agreement with the International Monetary Fund

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"	51.70	5.0	113,589	39.9%	Oct 2022	6.10	6.25	25,714.29
Byblos Common	0.64	0.0	60,000	2.8%	Jan 2023	6.00	6.25	4,029.85
Solidere "B"	51.35	8.1	42,790	25.8%	Apr 2024	6.65	6.25	273.55
Audi GDR	1.49	5.7	37,203	1.4%	Jun 2025	6.25	6.25	131.27
BLOM GDR	2.50	0.0	16,070	1.4%	Nov 2026	6.60	6.25	78.09
Byblos Pref. 08	26.99	8.0	11,000	0.4%	Feb 2030	6.65	6.25	40.89
HOLCIM	30.50	(1.6)	500	4.6%	Apr 2031	7.00	6.25	34.95
Audi Listed	1.50	0.0	-	6.8%	May 2033	8.20	6.25	27.73
BLOM Listed	2.85	0.0	-	4.7%	Nov 2035	7.05	6.25	22.26
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	6.25	20.02

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

Source: Refinitiv

	Sep 5-9	Aug 29 - Sep 2	% Change	August 2022	August 2021	% Change
Total shares traded	281,152	209,313	34.3	899,525	2,166,545	(58.5)
Total value traded	\$7,748,144	\$8,762,240	(11.6)	\$33,747,990	\$24,370,670	38.5
Market capitalization	\$12.96bn	\$12.46bn	4.0	\$13.36bn	\$10.57bn	26.4

Source: Beirut Stock Exchange (BSE)



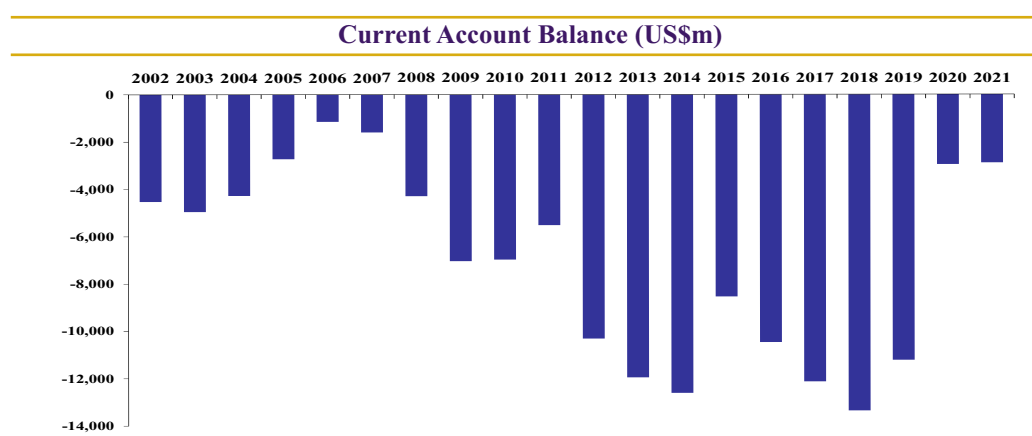
Current account deficit narrows by 2.5% to \$3bn in 2021 on increase in net remittance inflows

Figures released by Banque du Liban (BdL) show that the current account deficit reached \$2.88bn in 2021, constituting a decline of 2.5% from a deficit of \$2.96bn in 2020. The deficit was \$908.8m in the first quarter, \$1.03bn in the second quarter, \$494.1m in the third quarter and \$455.3m in the fourth quarter of 2021, constituting a decline of 27%, an increase of 87%, a surge of 235% and a decrease of 55.3%, respectively, from the same quarters of 2020. The current account balance consists of the trade balance, which is the exports and imports of merchandise, as well as the services balance that covers the export and import of transportation services, tourism, insurance and other services. The current account balance also includes remittance inflows, investment income, and general government transfers.

The trade deficit reached \$8.2bn in 2021, widened by 25.6% from \$6.5bn in 2020, and posted its lowest annual level since 2007. Imported goods grew by 21% to \$12.8bn last year, their lowest value since 2009, while exports increased by 13.7% year-on-year to \$4.66bn, their lowest annual level since 2019.

Further, the inflows of expatriates' remittances to Lebanon stood at \$6.4bn in 2021, constituting a decrease of 3.6% from \$6.63bn in 2020 relative to an increase of 10.5% in 2020, and reached their seventh lowest level during the 2002-21 period. In addition, remittance outflows from Lebanon amounted to \$2.1bn in 2021 and dropped by 29% from \$2.95bn in 2020 to their lowest level during the 2002-21 period. As such, net remittance inflows to Lebanon totaled \$4.3bn in 2021, constituting a rise of 16.6% from \$3.7bn in 2020.

In addition, tourism receipts stood at \$3.1bn in 2021, up by 33.3% from \$2.35bn in 2020; while outbound tourism spending grew by 8.7% to \$1.8bn last year. Tourism receipts and outbound tourism spending posted each their second lowest level for the period since BdL started publishing data about the external sector in 2002. As such, net tourism receipts surged by 93.4% to \$1.3bn in 2021, their second lowest annual level on record.



Source: Banque du Liban, Byblos Research

The other components of the balance of payments show that Lebanon's capital account balance, which includes foreign grants, posted a surplus of \$933.3m in 2021, down by 44% from a surplus of \$1.67bn in 2020, and constituting the lowest annual surplus since 2007. The capital account posted an average surplus of \$1.6bn between 2013 and 2018 due to the inflow of foreign grants to support Syrian and non-Syrian refugees, as well as host communities in the country. But the surplus started to regress in 2019 due to the decline in financial grants.

In addition, Lebanon's financial account balance, which includes net foreign direct investments (FDI), net portfolio investments and other investments, posted a surplus of \$4.6bn in 2021 relative to a surplus of \$9.5bn in 2020. Net portfolio inflows totaled \$842.1m last year compared to inflows of \$1.1bn in 2020. Also, FDI inflows reached \$516.7m in 2021, constituting a drop of 60.4% from \$1.31bn in 2020, while FDI outflows surged by 167.8% to \$28m last year. FDI inflows consist mostly of the redeployment of non-resident deposits to the real estate sector, according to the methodology of the International Monetary Fund for the balance of payments. As such, net FDI inflows reached 488.7m in 2021 and decreased by 62.3% from \$1.3bn in 2020. Further, other investments, which are the component of the financial account balance that includes deposit flows to the banking sector, as well as debt arrears starting in March 2020, posted outflows of \$3.3bn in 2021 relative to outflows of \$6.1bn in 2020, indicating a rise in foreign currency-denominated bank deposits.

In parallel, unrecorded transactions, or errors and omissions, were at -\$2.6bn in 2021 relative to -\$8.2bn in 2020. According to BdL, unrecorded transactions are in part due to the inadequate sources of data on some economic sectors. They include time and other adjustments for external trade, insurance services, migrants' transfers, travel services, transportation services, private sector direct investments, and portfolio investments. Finally, BdL's net foreign assets regressed by \$6.53bn last year relative to a decline of \$13.2bn in 2020.

Amendments to banking secrecy law generally in line with international best practices

The International Monetary Fund (IMF) considered that the amendments to the banking secrecy law that the Lebanese Parliament enacted on July 26, 2022 represent substantial reforms to the banking secrecy regime in Lebanon, and increasingly align it with international best practices. It noted that the amendments include the abolishment of numbered bank accounts and the broader access to banking information, but it noted that a few key deficiencies remain.

First, it indicated that, while the amendments provide the judiciary authorities, the National Anti-Corruption Commission and the Lebanese Tax Administration with access to banking information, Banque du Liban (BdL), the Banking Control Commission of Lebanon (BCCL) and the National Institute for the Guarantee of Deposits should also have access to such information. It added that the banking secrecy law should grant access of banking information to all relevant authorities, and that it needs to explicitly list all relevant agencies as well as the scope or mandate for such access. Also, it pointed out that the current mechanism for regulating BdL's and the BCCL's access to banking information requires the approval of the Council of Ministers, which may limit the operational independence of BdL and the BCCL and result in undue delays.

Second, it noted that authorities extended the scope of accessing banking information to a broad range of financial crimes, but that the amendments focus on the retrieval of banking information as part of criminal investigations. It stressed that the banking secrecy law should allow access to banking information for relevant administrative functions, which necessitates adding administrative agencies to the list of entities that are allowed to access financial information. It added that the amendments to the law should establish the mechanism for administrative access, including the possibility of disclosure of information protected by banking secrecy without specifying a particular account or a client.

Third, it indicated that the amendments provide the judiciary authorities with access to banking information, but noted that the reformed law should establish a mechanism that allows access of information to law enforcement agencies, including the roles and powers of public prosecutors and investigative judges. It added that the law should allow investigative judges to access banking information directly. It stressed that the mechanism for accessing banking information by law enforcement agencies is a critical part of the reforms to the banking secrecy law and should be included in the legislative package, as it will determine the effectiveness of the reformed regime in ensuring the transparency and effective detection and investigation of crimes.

Fourth, it said that the adopted amendments to the banking secrecy law incorporate strong criminal liability for breaching financial secrecy, and that the related sanction of imprisonment of between three and 12 months appears disproportionate and may have a stifling effect on the detection and disclosure of criminal or suspicious activities. As such, it called on the Lebanese authorities to remove from the law the criminal sanction of imprisonment for breaching financial secrecy, as it considered that the elevated amounts of existing fines are sufficient to provide a proportionate and effective remedy.

In parallel, the IMF encouraged authorities to consider reinstating the general provisions about information exchange between all relevant authorities that were removed from the draft law, and which are key to ensure the effective detection and investigation of illicit activities. Also, it pointed out that the enacted amendments stipulate that all banks that refuse to provide banking information should be referred to the Higher Banking Commission, and that the latter can be efficiently replaced by regulatory, supervisory and judiciary bodies that are entitled to directly apply the fines to the non-compliant banks. Also, it commended the authorities on the abolishment of numbered accounts, and suggested prohibiting the withdrawal of funds from the numbered deposit accounts and safes until the application of the full scope of anti-money laundering and counter financing of terrorism measures, and until banks complete the conversion of the numbered accounts into regular accounts.

In addition, it called on authorities to reinstate in the law the provisions about establishing a bank account registry, as it considered that the latter is a useful tool for law enforcement and the supervision of the financial sector in Lebanon. Further, it noted that policy makers and civil society are discussing the retroactivity of the enacted amendments. However, it did not consider that authorities need to explicitly outline the provisions referring to retroactivity in the amendments to the banking secrecy law, as it pointed out that the reforms to banking secrecy do not represent a retroactive application of new requirements, but rather entail the broadening of administrative powers to access financial data.

Gross public debt at \$101bn at end-April 2022 at official exchange rate, and at \$43.7bn at Sayrafa rate

Figures issued by the Ministry of Finance show that Lebanon's gross public debt reached \$101.1bn at the end of April 2022, constituting increases of 0.7% from \$100.4bn at the end of 2021 and of 3.4% from \$97.8bn at the end of April 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$708.5m in the first four months of 2022 relative to an increase of \$2.2bn in the same period of 2021. The size of the gross public debt becomes \$43.7bn when the portion of the debt denominated in Lebanese pounds is converted to US dollars at the exchange rate of LBP 22,600 per dollar that prevailed on Banque du Liban's (BdL) Sayrafa electronic platform at the end of April 2022. Conversely, the public debt becomes LBP987.2 trillion when the dollar-denominated debt is converted to Lebanese pounds at the same rate.

Debt denominated in Lebanese pounds totaled LBP92,710bn at the end of April 2022, or the equivalent of \$61.5bn at the official exchange rate, and regressed by 0.6% in the first four months of 2022 and increased by 1% from a year earlier; while the debt denominated in foreign currency stood at \$39.6bn and grew by 2.8% from end-2021 and by 7.4% from the end of April 2021. On March 7, 2020, the Lebanese government at the time decided to default on the \$1.2bn Eurobond that was due on March 9, 2020. It also announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. According to the Ministry of Finance, about \$10.03bn of the debt stock denominated in foreign currency were in arrear as at the end of April 2022.

Local currency debt accounted for 60.8% of the gross public debt at the end of April 2022 and foreign currency-denominated debt represented the balance of 39.2%, compared to 62.3% and 37.7%, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.52% in April 2022, while the weighted life of Treasury bills and bonds was 1,455 days. BdL held 39% of the public debt at end-April 2022, followed by commercial banks (12.2%), and non-bank resident financial institutions (9.7%); while other investors, including foreign investors, held 37% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2%.

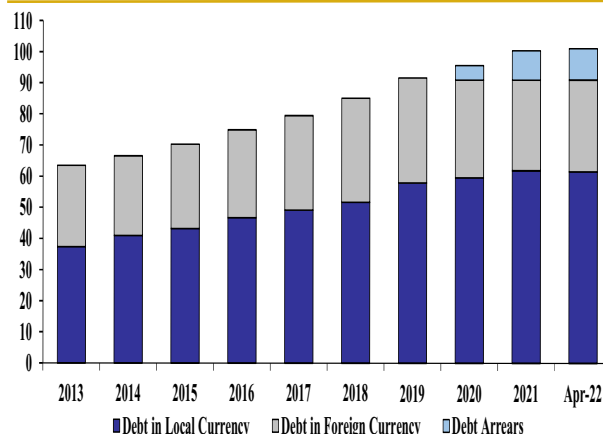
BdL held 64% of the Lebanese pound-denominated public debt at the end of April 2022 compared to 61.8% a year earlier, while commercial banks accounted for 20% of the local debt relative to 25.2% at end-April 2021. Also, public agencies, financial institutions and the public held 15.9% of the local debt at the end of April 2022, compared to 13% a year earlier. Further, investors in Eurobonds and special T-bills in foreign currencies held 94.7% of the foreign currency-denominated debt at the end of April 2022, followed by multilateral institutions with 4.1%, and foreign governments with 1.2%. In addition, the latest available figures show that the gross market debt accounted for about 52% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

Port of Beirut processes 2.07 million tons of freight in first five months of 2022

Figures released by the Port of Beirut show that the port processed 2.07 million tons of freight in the first five months of 2022 unchanged from the same period last year. Imported freight amounted to 1.7 million tons, as they regressed by 2.8% from 1.76 tons in the same period of 2021 and accounted for 82.6% of total processed freight. In addition, the volume of exported cargo reached 360,000 tons in the first five months of 2022, constituting an increase of 17% from 308,000 tons in the same period of 2021. It represented 17.4% of aggregate freight in the covered period. A total of 483 vessels docked at the port in the first five months of 2022, representing a decline of 8% from 525 ships in the same period of 2021. The port handled 376,000 tons of freight in May 2022, constituting a decrease of 13.4% from 434,000 tons in April 2022. In addition, 94 vessels docked at the port in May 2022, down by 11.3% from 106 ships in April 2022.

In parallel, the Port of Tripoli processed 1.23 million tons of freight in the first five months of 2022, constituting an increase of 90,747 tons (+8%) from 1.13 million tons in the first five months of 2021. Imported freight amounted to 806,665 tons in the first five months of 2022, and grew by 11,513 tons (+1.4%) from 795,152 tons in the same period last year. Imports accounted for 65.8% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 418,889 tons in the first five months of 2022, up by 79,234 tons (+23.3%) from 339,655 tons in the same period last year and represented 34.2% of total freight in the covered period. Further, revenues generated through the Port of Tripoli stood at \$62.5m in the first five months of 2022, and surged by 772.5% from \$7.2m in the corresponding period last year. A total of 381 vessels docked at the port in the first five months of 2022, representing an increase of 21% from 315 ships in the same period of 2021.

Lebanon's Gross Public Debt (US\$bn)



Source: Ministry of Finance, Byblos Research

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

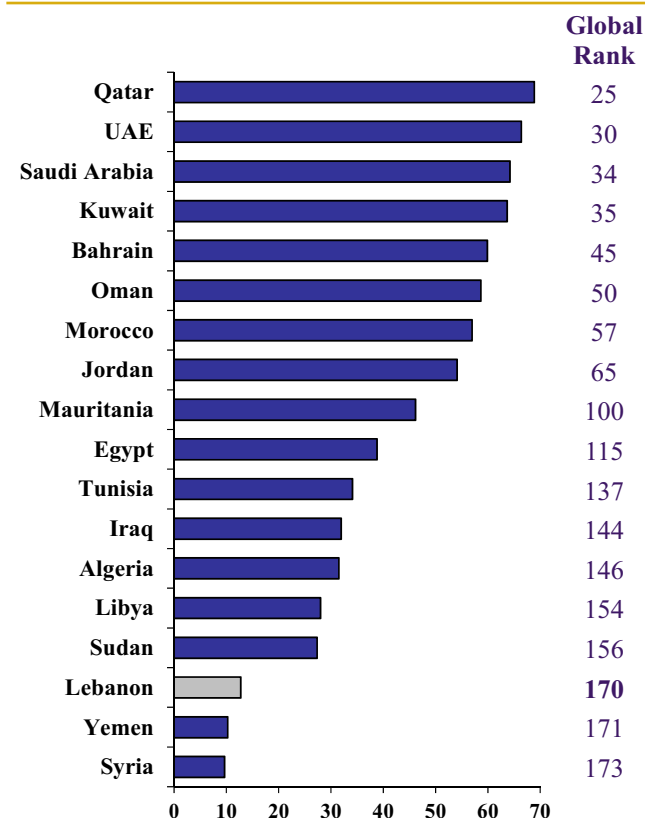
In its quarterly survey of the country risk level in 174 countries, the Euromoney Group ranked Lebanon in 170th place worldwide and in 16th place among 18 Arab countries in the second quarter of 2022, unchanged from the first quarter of 2022, while Lebanon came in 169th place worldwide and in 16th place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

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

Lebanon received a score of 12.75 points in the second quarter of 2022, constituting a decline of 4.4% from 13.34 points in the first quarter of 2022 and a drop of 22% from 16.34 points in the second quarter of 2021. Lebanon's score came lower than the global average score of 48.12 points and the Arab countries' average of 42.41 points. Also, its score was lower than the Gulf Cooperation Council (GCC) countries' average score of 63.64 points and the average score of non-GCC Arab countries of 31.8 points. Further, Lebanon's score dropped by 43.8% on the Access to International Capital Markets indicator, by 33.5% on the Debt Indicators category, by 23.4% on the Economic Assessment indicator, by 18.2% on the Political Assessment category, and by 10% on the Structural Assessment category from the second quarter of 2021. The survey attributed the decrease in the scores of most categories to the government's decision to default on its Eurobond obligations in March 2020 and to the lack of structural reform measures to address the prevailing crisis.

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

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



Source: Euromoney Group, Byblos Research

Country Risk Indicators for Lebanon - Second Quarter of 2022

	Weighting (%)	Lebanon Score	Arab Rank	Global Rank	Arab Avg Score	Global Avg Score
Economic Assessment	35	3.56	17	171	14.84	16.37
Political Assessment	35	4.01	16	169	14.50	16.98
Structural Assessment	10	3.11	15	152	4.42	5.00
Access to Int'l Capital Mkt	10	0.82	16	166	4.48	5.02
Debt Indicators	10	1.25	18	171	4.16	4.74

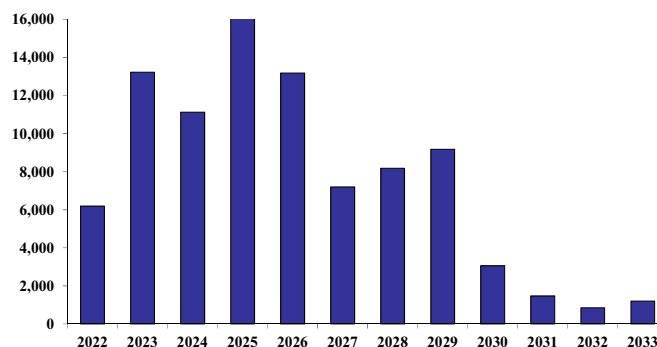
Source: Euromoney Group, Byblos Research

More than 65% of Treasury securities in Lebanese pounds have seven-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP90,999bn at the end of July 2022, compared to LBP89,895bn at the end of July 2021. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$60.4bn at the end of July based on the official exchange rate of the Lebanese pound to the US dollar, but they become equivalent to \$3.5bn based on the Sayrafa exchange rate of the Lebanese pound to the US dollar of LBP25,700 per dollar at the end of July. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.5% in July 2022 compared to 6.58% in July 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP35,465bn and accounted for 39% of aggregate securities denominated in Lebanese pounds at the end of July 2022, followed by seven-year Treasury securities with LBP19,586bn (21.5%), five-year Treasury bills with LBP19,190bn (21.1%), three-year Treasury bonds with LBP6,063bn (6.7%), 12-year Treasury bills with LBP3,076bn (3.38%), two-year Treasury securities with LBP3,050bn (3.35%), one-year Treasury bonds with LBP1,541bn and six-month T-bills with LBP1,508bn (1.7% each), 15-year Treasury securities with LBP1,417bn (1.6%), and three-month T-bills with LBP103bn (0.1%). As such, 65.4% of outstanding Treasury securities have seven-year maturities or longer and 86.5% have five-year maturities or more.

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



*as at end-July 2022

Source: Association of Banks in Lebanon, Byblos Research

In parallel, LBP1,188bn in outstanding Treasury securities denominated in Lebanese pounds matured in July 2022, of which 23.1% consisted of seven-year Treasury bills, 21.3% were five-year Treasury bonds, 18.1% consisted of three-year T-bills, 16.2% consisted of six-month Treasury securities, 14.6% were one year T-bills, 4.1% consisted of three-months Treasury bonds, and 2.5% were two-year Treasury securities. According to ABL, LBP6,193bn in outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2022 and LBP13,233bn will come due in 2023.

Balance sheet of investment banks unchanged in first half of 2022

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,044.4bn, or \$4.1bn at the end of June 2022, unchanged from the end of 2021, and constituting a decline of 8.3% from LBP6,589.4bn or \$4.4bn 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 stood at LBP1,456bn (\$966m) at the end of June 2022, and contracted by 9.4% in the first half of the year and by 27.3% from end-June 2021; while claims on non-resident customers totaled LBP46.3bn (\$30.7m) at the end of June 2022, as they surged by 166.5% in the first six months of the year and declined by 55.4% from a year earlier. In addition, claims on the resident financial sector reached LBP683.6m (\$453m) at end-June 2022, decreasing by 14.7% from end-2021 and by 18.2% from the end of June 2021; while claims on the non-resident financial sector totaled LBP64.8bn (\$43m) at the end of June 2022, and declined by 26.7% from end-2021 and by 19.3% from a year earlier. Also, claims on the public sector amounted to LBP4.1bn (\$2.7m) at the end of June 2022, constituting decreases of 12.7% from end-2021 and of 36.8% from a year earlier; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached LBP924.4bn (\$613.2m) at end-June 2022 and contracted by 7.8% from end-June 2021. In parallel, currency and deposits at BdL and foreign central banks reached LBP2,219.8bn (\$1.5bn) at the end of June 2022, representing increases of 10.7% in the first half of 2022 and of 13% from end-June 2021.

On the liabilities side, deposits of resident customers totaled LBP1,237.4bn (\$820.8m) at the end of June 2022, constituting a declines of 10.5% in the first half of 2022 and of 30.2% from a year earlier; while deposits of non-resident customers reached LBP150.7bn (\$100m) at the end of June 2022, representing an increase of 1% from the end of 2021 and a drop of 38% from end-June 2021. In addition, liabilities to the resident financial sector amounted to LBP200bn (\$132.7m) at end-June 2022, up by 34.7% from end-2021; while those to the non-resident financial sector grew by 1.4% in the first half of the year to LBP228bn (\$151.2m) at the end of June 2022. Also, public sector deposits stood at LBP14.1bn (\$9.4m), while investment banks did not issue any debt securities in the first half of 2022, relative to LBP9.1bn (\$6m) by the end of 2021. Further, the aggregate capital account of investment banks amounted to LBP2,516.3bn (\$1.67bn) at the end of June 2022, constituting increases of 5.5% in the first half of the year and of 7.3% from end-June 2021.



Lebanon ranks 93rd globally, 11th among Arab countries on Network Readiness Index

The Portulans Institute, an independent non-profit, research and educational institute based in Washington, D.C., ranked Lebanon in 93rd place among 130 countries globally and in 11th place among 12 Arab countries on its Network Readiness Index (NRI) for 2021. The institute updated the methodology of the index for the 2021 edition. As a result, this year's scores are not comparable to the 2020 index.

The NRI assesses the application and impact of information and communication technology (ICT) in economies around the world, and measures the importance of governmental and societal factors in the formulation of digital strategies in a country. The index consists of 12 sub-pillars grouped under four pillars that are the Technology, People, Governance, and Impact pillars. The rankings are based on scores that range from zero to 100, with higher scores reflecting the best performance in terms of network readiness. The overall score of a country is an equally-weighted average of the four scores on each pillar.

Globally, Lebanon performed better on the NRI than Bolivia, Bangladesh and Ghana; while it had a worse performance than Ecuador, Cabo Verde and Kyrgyzstan and 10 Arab countries. Lebanon received a score of 42.2 points on the index, lower than the global average scores of 51.8 points and the Arab average of 51.4 points. Further, Lebanon's score came lower than the Gulf Cooperation Council (GCC) countries' average score of 58.2 points and the average score of non-GCC Arab countries of 44.5 points.

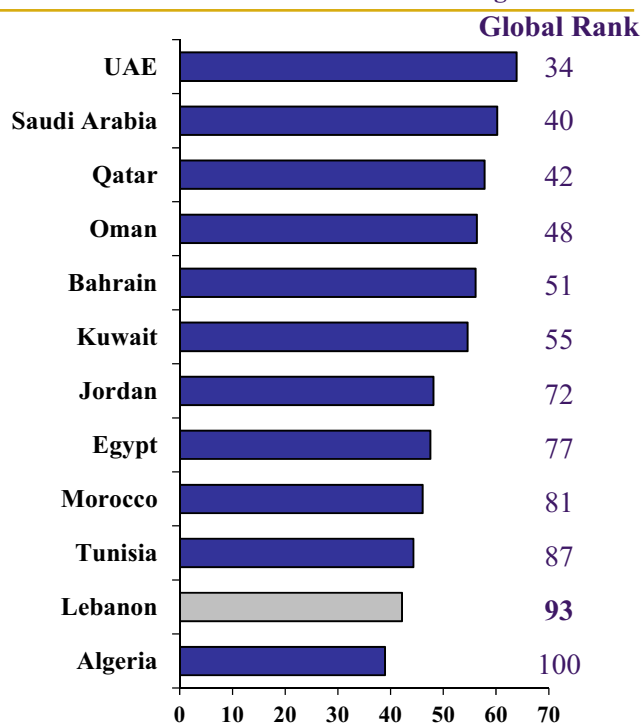
In parallel, Lebanon preceded Georgia, Jordan and Mauritius, while it trailed Pakistan, Sri Lanka and Jamaica worldwide on the Technology pillar. This category assesses the level of technology that is essential for a country to participate in the global economy. It covers the access level to information and communications technology (ICT) and the type of digital technology in a country, and it measures how countries are prepared for future technologies. Lebanon ranked ahead of only Jordan, Tunisia and Algeria in the Arab region on this category.

Also, Lebanon came ahead of Albania, Oman and Jordan, while it ranked behind Peru, Thailand and Bolivia globally on the People pillar. This component examines how people apply ICT productively at the individual level and across businesses and governments. Lebanon trailed only the UAE, Saudi Arabia and Kuwait regionally on this pillar.

Further, Lebanon preceded Zimbabwe, Madagascar and Algeria, and trailed Burkina Faso, Malawi and Mali worldwide on the Governance pillar. This category evaluates how conducive the national environment is for a country's participation in the network economy, based on issues of trust, regulation and inclusion. Lebanon ranked ahead of only Algeria among Arab economies on this category.

In parallel, Lebanon ranked ahead of Nepal, Gambia and Cameroon, and came behind Honduras, Côte d'Ivoire and Kenya globally on the Impact pillar. This component captures the economic, social, and human impact of participating in the network economy. Lebanon trailed all Arab countries on this pillar.

Network Readiness Index for 2021
Arab Countries' Scores & Rankings



Source: Portulans Institute, Byblos Research

Components of the Network Readiness Index for 2021

Pillars	Global Rank	Arab Rank	Lebanon Score	Global Avge Score	Arab Avge Score
Technology	76	9	41.57	46.16	47.18
People	60	4	50.40	48.75	49.53
Governance	115	11	35.51	57.30	54.24
Impact	107	12	41.15	55.07	54.47

Source: Portulans Institute, Byblos Research

Ciments Blancs posts net income of LBP11.8bn in 2021

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim (Liban) sal, declared audited net profits of LBP11.8bn, or the equivalent of \$7.8m in 2021, constituting a surge of 513.8% from net earnings of LBP1.9bn, or \$1.3m, in 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The company generated sales of LBP42.2bn (\$28m) in 2021 compared to LBP12.4bn (\$8.2m) in 2020. Its cost of goods sold reached LBP22.2bn (\$14.7m) in 2021 and rose by 143.5% from LBP9.1bn (\$6.04m) in 2020; resulting in gross profits of LBP20bn (\$13.3m) in 2021 relative to LBP3.3bn (\$2.2m) in 2020. As such, the firm's gross profit margin was 47.5% in 2021 relative to 26.6% in 2020. In addition, the firm's gross financial income fell by 46% to LBP0.4bn (\$0.26m) in 2021.

Further, the firm's assets totaled LBP67.3bn (\$44.6m) at the end of 2021 and jumped by 79.8% from LBP37.4bn (\$24.8m) at end-2020. Also, the firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.7x at the end of 2021 compared to 3.5x at the end of 2020.

The company's total equity reached LBP42.4bn (\$28.1m) at the end of 2021, constituting a growth of 33% from LBP31.8bn (\$21.1m) at the end of 2020, while its debt-to-equity ratio was 58.9% at the end of 2021 relative to 17.6% a year earlier. The price of Ciments Blancs' nominal shares closed at \$8.5 on September 9, 2022, up by 54.5% from \$5.5 at end-2021.

In parallel, the firm's external auditors indicated that "the accompanying separate financial statements do not present fairly the financial position of the company as at December 31, 2021, and its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream. It said that "the company has translated transactions and assets and liabilities denominated in foreign currencies, using multiple exchange rates prevailing at the date of the transactions and at the reporting date, and has not translated transactions and assets and liabilities at the appropriate exchange rate prevailing at the date of the transactions and at the reporting date."

Import activity of top five shipping firms and freight forwarders up 6% in first five months of 2022

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port totaled 90,665 20-foot equivalent units (TEUs) in the first five months of 2022, constituting an increase of 5.6% from 85,846 TEUs in the same period of 2021. The five shipping and freight forwarding firms accounted for 86% of imports to the Lebanese market in the covered period. Merit Shipping handled 31,014 TEUs in the first five months of 2022, equivalent to 23% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 28,932 TEUs (21.5%), then MAERSK with 14,416 TEUs (10.7%), Lotus Shipping with 8,116 TEUs (6%), and Gezairi Transport with 7,748 TEUs (5.8%). MSC registered a rise of 26.7% in imports in the first five months of 2022, the highest growth rate among the covered companies, while Gezairi Transport posted a drop of 17.3%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the five companies through the port regressed by 5.8% in May 2022 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 29,225 TEUs in the first five months of 2022, constituting an increase of 6% from 27,599 TEUs in the same period of 2021. The five companies accounted for 92.8% of exported Lebanese cargo in the covered period. Merit Shipping handled 17,680 TEUs of freight in the first five months of the year, equivalent to 56.2% of the Lebanese cargo export market. MAERSK followed with 5,427 TEUs (17.2%), then MSC with 2,600 TEUs (8.3%), Sealine Group with 2,232 TEUs (7%), and Seanautics with 1,286 TEUs (4%). MSC registered a rise of 74.8% in exports in the first five months of 2022, the highest growth rate among the covered companies, while Merit Shipping posted a decrease of 5%, the only decline among the five firms in the covered period. The export-shipping operations of the five companies grew by 4.4% in May 2022 from the previous month.

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



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

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BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

ARMENIA

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

NIGERIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

ADIR INSURANCE

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