

LEBANON THIS WEEK

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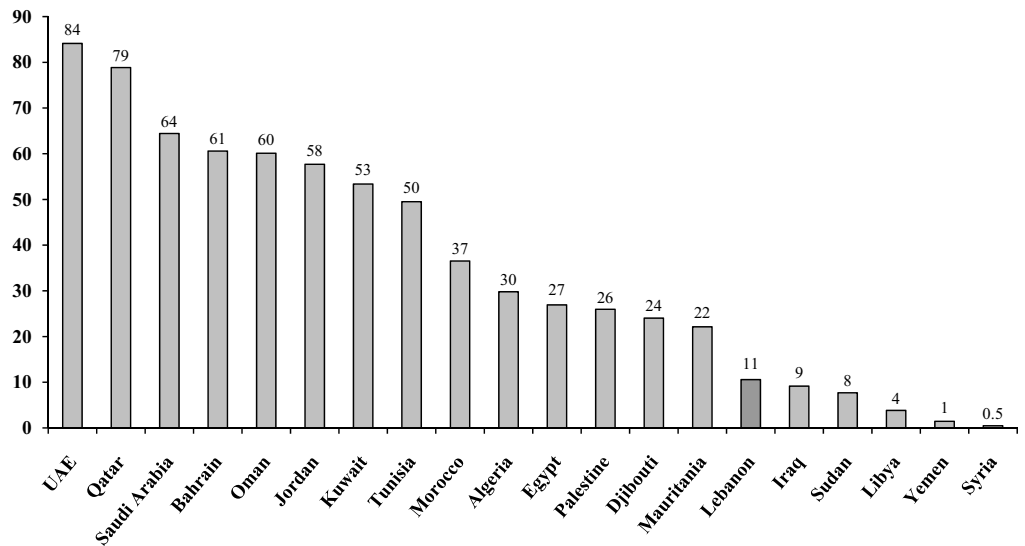
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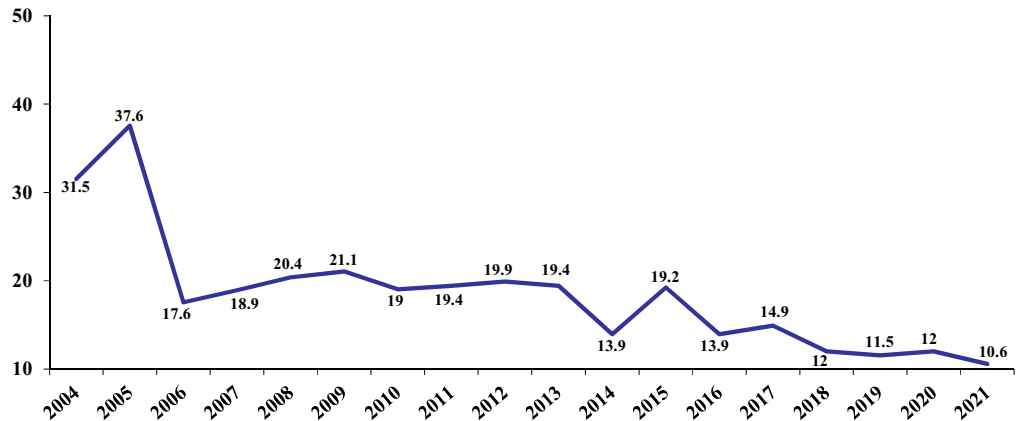
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Charts of the Week

Percentile Rank of Arab Countries on the Control of Corruption Indicator for 2021 (%)



Percentile Rank of Lebanon on the Control of Corruption Indicator (%)



Source: World Bank Governance Indicators for 2021, Byblos Bank

Quote to Note

"The agreement is credit positive for Lebanon because it establishes the necessary geopolitical security conditions for international energy companies to start exploration and the eventual recovery of Lebanon's hydrocarbon resources."

Moody's Investor Services, on the potential benefits to the Lebanese economy from the maritime border arrangement between Lebanon and Israel

Number of the Week

28%: Percentage decline in private sector deposits at commercial banks between January 2019 and August 2022

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"	52.20	(3.3)	62,003	40.1%	Jan 2023	6.00	5.88	6,269.20
Byblos Common	0.57	(5.0)	41,368	2.5%	Apr 2024	6.65	5.88	317.19
Solidere "B"	52.65	(2.5)	21,320	26.3%	Jun 2025	6.25	5.88	142.78
Audi GDR	1.49	0.7	7,000	1.4%	Nov 2026	6.60	5.88	82.85
HOLCIM	29.86	6.6	2,000	4.5%	Mar 2027	6.85	5.88	75.78
BLOM Listed	3.04	0.0	1,100	5.0%	Feb 2030	6.65	5.88	42.62
Audi Listed	1.41	0.0	-	6.4%	Apr 2031	7.00	5.88	36.33
BLOM GDR	2.50	0.0	-	1.4%	May 2033	8.20	5.88	28.72
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.88	23.00
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	5.88	20.67

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

Source: Refinitiv

	Oct 17-21	Oct 11-14	% Change	September 2022	September 2021	% Change
Total shares traded	134,791	85,921	56.9	4,715,731	3,142,850	50.0
Total value traded	\$4,514,452	\$3,862,983	16.9	\$34,022,646	\$52,497,394	(35.2)
Market capitalization	\$13.03bn	\$13.28bn	(1.9)	\$12.81bn	\$10.04bn	27.6

Source: Beirut Stock Exchange (BSE)



Finance Ministry provides outlook on economy and structural reforms

Minister of Finance Youssef Khalil declared that the current caretaker government has taken steps to contain the multi-faceted economic and financial crisis in Lebanon, starting with trying to cover the social needs of about 300,000 workers and employees in the public sector, the security forces and public education, given the deterioration in living conditions. He noted that the upcoming draft budget for 2023 is an attempt to initiate structural reforms that would jump start the Lebanese economy. He added that the current government has proposed, in line with the country's economic recovery plan and the recommendations of the International Monetary Fund (IMF), a series of structural reforms that include an updated banking secrecy law, a draft capital controls law, a draft budget for 2022 that includes corrective financial measures and the modification of the exchange rate at customs for certain imported goods, as well as the unification of the multiple exchange rates.

He noted that the exchange rate of the Lebanese pound to the US dollar should reflect accurately the true value of the pound in the market, in order to put an end to arbitrage and to smuggling activities. He added that the difference between the prevailing exchange rate in the parallel market and the current official exchange rate of LBP1,507.5 per US dollar that is used for customs tariffs has led to foregone public revenues that the economy desperately needs, and that the opportunity cost of maintaining the exchange rate for customs tariffs at LBP1,507.5 per dollar is very high for Lebanese society. He added that setting the customs exchange rate at LBP15,000 per US dollar in the 2022 budget is a first step towards the eventual unification of the prevailing multiple exchange rates. He stressed that the new exchange rate for customs aims to boost the government's public revenues, narrow the fiscal deficit, reduce the public debt level, narrow the trade deficit, as well as incentivize local production.

In parallel, the minister considered that the economy is suffering from a confidence crisis in most of its sectors, including in its financial sector, which has led to the expansion of the parallel economy. He noted that Lebanon received capital inflows of about \$5bn in the summer of 2022, but that most of these funds did not go through the banking system and, therefore, were not reflected in the balance sheet of commercial banks. He said that the restructuring of the banking sector is a necessary condition to stimulate economic activity, and would help the sector attract capital and finance future investments. But he cautioned that the banking sector's restructuring will not be sufficient if it is not accompanied by measures to first restore confidence in the Lebanese economy and in the country's institutions. He suggested that the agreement on the delimitation of the country's maritime borders is one way to restore investor confidence in the country, along with a credible economic recovery plan that includes a detailed working plan, a clear timeframe, and implementation and follow up mechanisms.

In addition, he noted the general consensus among stakeholders to reach a final agreement with the IMF on a financial support program as a stepping stone for the economic recovery. But he cautioned that there is a need for stakeholders to join efforts in order for the recovery plan to be negotiated with the IMF, rather than just debating the latter's ideas.

Further, he stressed that the bankruptcy of the banks means the bankruptcy of small and large depositors. As such, he emphasized the need to encourage mergers among banks, as long as such operations maintain the solvency and the capital adequacy of the resulting new entities, which would create a competitive environment for the sector, as well as for investors and depositors. He added that the government's responsibility lies in establishing the legal framework to identify the banks that are eligible for such mergers. He added that the authorities should develop a proper operating environment and investment climate for the economic recovery and support public-private partnerships that would, among others, reflect positively on banks and investors, and would be a mean to compensate depositors. He also noted that the banks, along with Banque du Liban, the government and large depositors, have to assume a fair share of the responsibility to exit from the crisis for the wider benefit of the Lebanese society.

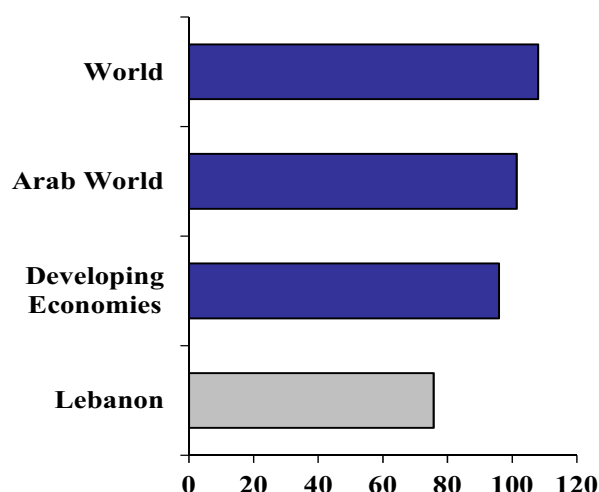
In parallel, the minister expressed concerns about Lebanon's main power provider, the state-owned and money-losing Electricité du Liban (EdL), and stressed the need to implement reforms in the electricity sector in order to shift towards more cost-effective electricity tariffs, and to help eliminate the financial losses at EdL, combat electricity theft, and curb the Treasury's transfers to EdL. Moreover, he urged authorities to establish a Future Generations Fund that will save any future revenues from Lebanon's potential hydrocarbon resources to future generations. He also cautioned against the establishment of "shell" companies that will be used to divert any potential hydrocarbon revenues to the personal gain of vested parties.

Finally, he indicated that authorities must safeguard the assets of the Lebanese state, but suggested that Lebanon can attract investments to some of its public assets within specific guidelines and timeframes, which will allow for the mobilization of additional public revenues and boost economic activity.

Mobile cellular penetration trails global and Arab rates

Figures released by the International Telecommunication Union indicate that Lebanon ranked in 177th place among 214 countries and in 16th place among 20 Arab countries at the end of 2020 in terms of mobile cellular penetration, which is the number of subscriptions to the service per 100 inhabitants. Based on the same set of countries in 2019 and 2020, Lebanon's global rank improved by two spots and its Arab rank was unchanged in 2020. Lebanon had 75.7 mobile subscriptions per 100 inhabitants in 2020, the latest available figures, constituting an increase of 3.3% from 73.3 subscriptions per 100 inhabitants in 2019. Lebanon's mobile penetration rate was lower than the global average of 108 subscriptions per 100 inhabitants, the developing economies' average of 95.9 subscriptions per 100 inhabitants, and the Arab average of 101.4 subscriptions per 100 inhabitants in 2020. Also, the mobile cellular penetration rate in Lebanon grew by a compound annual growth rate (CAGR) of 2.1% during the 2016-20 period compared to a CAGR of 5% during the 2010-15 period. On a global basis, Lebanon had a higher penetration rate than Honduras (68.8 mobile subscriptions per 100 inhabitants), Haiti (64.7) and Jordan (63.9), and a lower rate than Palestine (79.6), Sudan (79.2) and Pakistan (77.3) among economies with a GDP of \$10bn or more.

Mobile Cellular Penetration Rates at end-2020



Source: International Telecommunication Union, Byblos Research

In parallel, Lebanon ranked in 94th place among 216 countries globally and in sixth place among Arab countries in terms of fixed telephone lines penetration last year, which represents the number of subscriptions to fixed telephone lines per 100 inhabitants. Based on the same set of countries in 2019 and 2020, Lebanon's rank improved by five spots globally, while its rank deteriorated by one notch among Arab countries in 2020. Lebanon had 15.5 fixed telephone lines subscriptions per 100 inhabitants in 2020, the latest available figures, up by 1.3% from 15.3 subscriptions per 100 inhabitants in 2019. Lebanon's penetration rate was lower than the global average of 17.7 subscriptions per 100 inhabitants, but higher than the Arab average of 11.2 subscriptions per 100 inhabitants and the developing economies' average of eight subscriptions per 100 inhabitants. Also, the penetration rate of fixed telephone lines in Lebanon decreased by a CAGR of 11.8% during the 2016-20 period compared to a CAGR of -1.2% during the 2010-15 period. On a global basis, Lebanon had a higher penetration rate than Armenia (15.2 fixed telephone lines subscriptions per 100 inhabitants), Poland (15), and Türkiye (14.8), and a lower rate than Saudi Arabia (16), Romania (15.6) and Jamaica (15.5) among economies with a GDP of \$10bn or more.

Compensation of public sector personnel accounts for 55% of public expenditures in 2021

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled LBP9,893bn in 2021, nearly unchanged from LBP9,885bn in 2020. The compensation of public-sector personnel is equivalent to \$6.56bn when converted at the official exchange rate of the Lebanese pound to the US dollar, but becomes \$435.5m when the amount is converted at the exchange rate of LBP22,700 per dollar that prevailed on Banque du Liban's Sayrafa electronic platform at the end of 2021. Salaries, wages and related benefits accounted for 60.4% of the total, followed by retirement benefits (31.6%), transfers to public institutions to cover salaries (4.4%), and end-of-service indemnities (3.5%). Further, end-of-service indemnities declined by 18.5%, transfers to public institutions to cover salaries dipped by 6.4%, and wages and related benefits regressed by 2.6%, while retirement salaries grew by 9.6% in 2021. The compensation of public-sector personnel represented the largest component of current primary spending and accounted for 77.2% of such expenditures in 2021 compared to 72.1% in 2020. It also represented 54.8% of fiscal spending last year relative to 51% the previous year, while it absorbed 48.8% of public revenues in 2021 compared to 64.4% of government receipts in 2020.

In parallel, salaries, wages and related benefits paid to public-sector workers amounted to LBP5,980bn (\$4bn at the official exchange rate) in 2021 compared to LBP6,138bn (\$4.1bn) in 2020. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament. The breakdown of salaries, wages and related benefits of public-sector employees shows that allowances decreased by LBP107bn, other payments to non-military bodies declined by LBP49bn, and basic salaries regressed by LBP18bn, while benefits increased by LBP14bn year-on-year. Benefits include payments for transportation, overtime and family-related benefits, while other payments to non-military bodies consisted of the State's contribution to mutual funds and to the National Social Security Fund, as well as bonuses, among others. Benefits expanded by 7.4% to LBP204bn in 2021, while allowances declined by 12.6% to LBP745bn, other payments decreased by 11.4% to LBP381bn, and basic salaries regressed by 0.4% to LBP4,585bn last year.

In addition, salaries and benefits of military personnel reached LBP3,816bn and accounted for 63.8% of salaries, wages and related benefits paid to public sector workers in 2021. The salaries and benefits of personnel in public education followed with LBP1,172bn (19.6% of the total), then civil staff with LBP612bn (10.2%), the government's contributions to the Civil Servants Cooperative with LBP315bn (5.3%), and the salaries and benefits of customs employees with LBP60bn (1%). Also, the Lebanese Army's salaries and benefits amounted to LBP2,431bn and represented 63.7% of the salaries and benefits of military personnel. The salaries of the Internal Security Forces followed with LBP1,032bn (27%), then those of the General Security Forces with LBP262bn (7%), and the salaries of State Security Forces with LBP92bn (2.4%).



Consumer Price Index up 162.5% year-on-year in September 2022

The Central Administration of Statistics' Consumer Price Index increased by 191.7% in the first nine months of 2022 from the same period of 2021. In comparison, it grew by 132% and by 66.2% in the same periods of 2021 and 2020, respectively.

The CPI rose by 162.5% in September 2022 from the same month of 2021, and registered its 27th 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 in the summer of 2021 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 4.4 times in September 2022 from the same month of 2021, followed by the cost of healthcare (+3.8 times), the prices of miscellaneous goods & services (+3.7 times), transportation costs (+3.6 times), communication costs (+3.3 times), rates at restaurants & hotels and the prices of food & non-alcoholic beverages (+3.1 times each), the prices of clothing & footwear (+2.6 times), and the cost of recreation & entertainment (+2.5 times), and the cost of alcoholic beverages & tobacco and the prices of furnishings & household equipment (+2.5 times each). In addition, the cost of education jumped by 36.5% year-on-year in September 2022, followed by imputed rent (+6%) and actual rent (+4.5%). Also, the distribution of actual rent shows that new rent grew by 5.9% and old rent increased by 2.5% in September 2022 from the same month of 2021.

In parallel, the CPI expanded by 8.4% in September 2022 from the previous month, compared to a month-on-month rise of 7.6% in August 2022 and an increase of 7.4% in July 2022. The prices of alcoholic beverages & tobacco surged by 21.5% in September from August, followed by transportation costs (+20.5%), the prices of food & non-alcoholic beverages (+13%), rates at restaurants & hotels (+12.8%), the prices of furnishings & household equipment (+12.2%), the cost of miscellaneous goods & services (+8.5%), communication costs (+6.5%), the prices of water, electricity, gas and other fuels (+6.2%), healthcare costs (+6%), clothing & footwear prices (+4.6%), the cost of recreation & entertainment (+2.4%), and the cost of education (+0.1%). In addition, imputed and actual rents were unchanged in September 2022 from the preceding month.

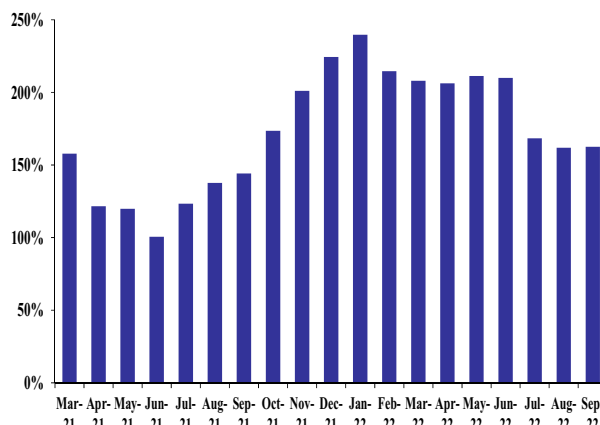
Further, the CPI increased by 10.2% in the Nabatieh area, by 9.2% in the North, by 9% in the South, by 8.8% in the Bekaa, by 8% in Mount Lebanon, and by 7.2% in Beirut during September 2022 from the previous month. In parallel, the Education Price Index increased by 0.1% in September 2022 from the preceding month, and the Fuel Price Index increased by 14.7% month-on-month in September 2022.

Port of Beirut processes 3.46 million tons of freight in first eight months of 2022

Figures released by the Port of Beirut show that the port processed 3.46 million tons of freight in the first eight months of 2022, constituting an increase of 11% from 3.12 million tons of freight in the same period last year. Imported freight amounted to 2.88 million tons in the first eight months of 2022, up by 11% from 2.59 million tons in the same period of 2021, and accounted for 83.4% of total processed freight. In addition, the volume of exported cargo reached 575,000 tons in the first eight months of 2022, rose by 10.4% from 521,000 tons in the same period of 2021, and represented 16.6% of aggregate freight in the covered period. A total of 776 vessels docked at the port in the first nine months of 2022, constituting a decline of 1.8% from 790 ships in the same period of 2021. The port handled 516,000 tons of freight in August 2022, up by 5% from 492,000 tons in July 2022. In addition, 105 vessels docked at the port in August 2022, down by 4.5% from 110 ships in July 2022.

In parallel, the Port of Tripoli processed 2.17 million tons of freight in the first eight months of 2022, and increased by 555,743 tons (+34.2%) from 1.62 million tons in the eight seven months of 2021. Imported freight amounted to 1.28 million tons in the first eight months of 2022 and grew by 142,237 tons (+12.5%) from 1.13 million tons in the same period last year. Imports accounted for 58.8% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 898,948 tons in the first eight months of 2022, up by 413,506 tons (+85.2%) from 485,442 tons in the same period last year, and represented 41.2% of total freight in the covered period. Further, revenues generated through the Port of Tripoli stood at \$167.5m in the first eight months of 2022, and surged by 1,292% from \$12m in the corresponding period last year. A total of 608 vessels docked at the port in the first eight months of 2022, representing an increase of 25.4% from 485 ships in the same period of 2021.

Annual Change in Consumer Price Index (%)



Source: Central Administration of Statistics, Byblos Research

Lebanon ranks 37th globally, second in Arab world in Internet freedom

Independent think tank Freedom House ranked Lebanon in 37th place among 70 countries globally and in second place among 11 Arab countries on its Freedom on the Net Index for 2022. Based on the same set of countries, Lebanon's global and regional ranks improved by one notch from the 2021 survey.

The survey measures the level of Internet and digital media freedoms across countries, and tracks the improvement or deterioration in Internet freedom conditions in each country. It focuses on the transmission and exchange of news and other politically relevant communication, as well as on the protection of users' rights to privacy and freedom from legal and extra-legal repercussions arising from their online activities. The survey covers the period from June 1, 2021 to May 31, 2022.

The index is composed of three categories that are Obstacles to Access, Limit on Content, and Violations of Users' Rights. The survey provides a numerical rating for each country from zero to 100, with 100 being the highest level of internet freedom. A country's score is the sum of its scores on the three categories, with the first category having a weight of 25%, the second one carrying a weight of 35%, and the third category having a weight of 40% on the index. The survey also places each country's level of Internet freedom in the 'Free,' 'Partly Free,' or 'Not Free' category based on the rating.

Globally, the level of Internet freedom in Lebanon is the same as in India and Morocco, is higher than in Uganda, Indonesia, and Zimbabwe, and is lower than in the Gambia, Singapore, and Kyrgyzstan. Lebanon received a score of 51 points in 2022, unchanged from the 2021 survey. Lebanon's score was lower than the global average score of 52.5 points, and came better than the Arab average score of 39.4 points. It was also higher than the Gulf Cooperation Council (GCC) countries' average score of 27 points and the non-GCC Arab countries' average of 44 points.

Lebanon came in the 'Partly Free' category, along with 32 countries globally and six Arab countries. In comparison, 17 countries worldwide came in the 'Free' category, and 21 countries that include five Arab economies came in the 'Not Free' segment.

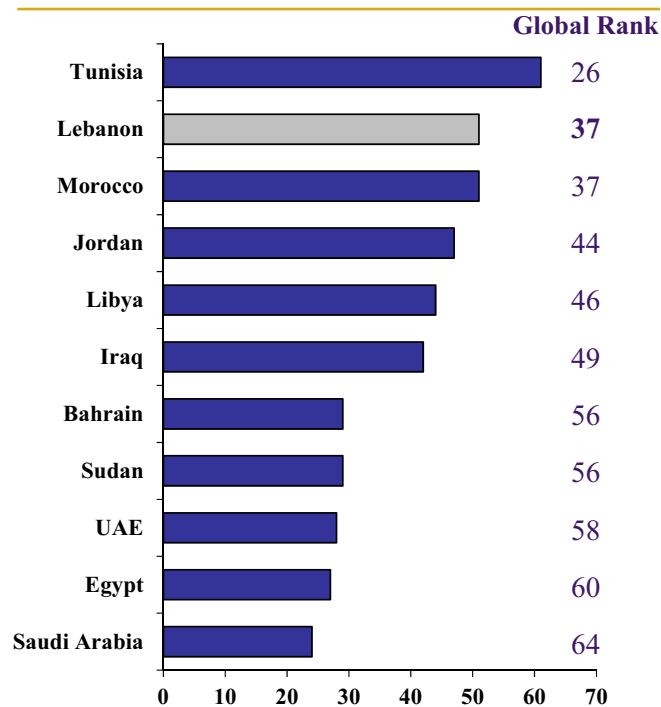
Freedom House noted that Internet freedom in Lebanon was fragile during the reporting period of the survey. It said that the ongoing economic crisis has created major financial obstacles for Internet service providers and users. It added that several politicians and journalists were targeted by sophisticated spyware during the coverage period, and that the Cybercrime and Intellectual Property Bureau summoned several online journalists and social media users. It noted that, during the coverage period, the government announced that it would be increasing the prices of telecommunication services, which could make Internet access out of reach for many individuals. In parallel, it indicated that Lebanese residents suffer from pervasive corruption and major weaknesses in the rule of law, but noted that they enjoy some civil liberties and media pluralism.

Banque du Liban asks banks to submit data about expenditures in fresh funds

Banque du Liban issued Basic Circular 164/13486 dated October 12, 2022 addressed to banks about the latter's operational expenses. The circular asked banks to submit to the Banking Control Commission of Lebanon (BCCL) the monthly operating expenditures that they have to pay in "fresh funds", and that they disbursed or will disburse starting on January 1, 2022, as well as the sources of these funds, and how each bank has or will secure these funds. Further, the circular stipulated that banks have to submit to the BCCL this data on a monthly basis within the 10-day period that follows the end of each month, starting with the information for October 2022.

It added that, on an exceptional basis, banks have to send to the BCCL the required data and information for the period that precedes October of this year by October 31, 2022. Also, it noted that the BCCL will issue the corresponding measures for the implementation of this circular.

Freedom on the Net Index for 2022
Scores & Rankings of Arab Countries



Source: Freedom House, Byblos Research

Amount of cleared checks down 12.6%, returned checks down 38.7% in first nine months of 2022

The amount of cleared checks reached LBP37,749bn, or the equivalent of \$25.04bn, in the first nine months of 2022, constituting a decline of 12.6% from LBP43,182bn (\$28.6bn) in the same period of 2021. In comparison, the amount of cleared checks dropped by 29.6% in the first nine months of 2021 and regressed by 4% 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 LBP25,682bn in the first nine months of 2022 and increased by 23.6% from the same period last year, while the amount of cleared checks in foreign currency was \$8bn and dropped by 46% in the covered period. Also, there were 1.3 million cleared checks in the first nine months of 2022, down by 49% from 2.55 million checks in the same period of the previous year. The dollarization rate of cleared checks regressed from 52% in the first nine months of 2021 to 32% in the same period of 2022, while the number of checks denominated in foreign currency accounted for 46.6% of cleared checks in the covered period compared to 52.8% in the same period of 2021.

In addition, the amount of cleared checks totaled LBP3,672bn (\$2.4bn) in September 2022, down by 25.2% from LBP4,910bn (\$3.3bn) in the preceding month and by 3.1% from LBP3,790bn (\$2.5bn) in September 2021. The amount of cleared checks in Lebanese pounds reached LBP2,817bn in September 2022, as it decreased by 24.3% from LBP3,723bn in August 2022 and grew by 30% from LBP2,166bn in September 2021. Further, the amount of cleared checks in foreign currency was \$567m in September 2022, and dropped by 28% from the previous month and by 47.4% from September 2021. There were 80,864 cleared checks in September 2022 relative to 102,055 cleared checks in the preceding month and to 204,595 cleared checks in September 2021.

In parallel, the amount of returned checks in local and foreign currencies was LBP337bn (\$223.5m) in the first nine months of 2022 compared to LBP614bn (\$407.3m) in the same period of 2021 and to LBP1,155bn (\$766.2m) in the first nine months of 2020. This constituted a drop of 38.7% in the first nine months of 2022 relative to decreases of 45.1% and 46.8% in the first nine months of 2021 and 2020, respectively. The amount of returned checks in Lebanese pounds reached LBP175bn in the covered period and regressed by 4.9% from the first nine months of 2021, while the amount of returned checks in foreign currency was \$108m and contracted by 42% in the covered period. Also, there were 9,016 returned checks in the first nine months of 2022, down by 56.5% from 20,709 returned checks in the same period of 2021. The number of returned checks in foreign currency reached 5,346 in the first nine months of 2022 and dropped by 57.5% from the same period of 2021, while the number of returned checks in Lebanese pounds totaled 3,670 and retreated by 54.8% year-on-year.

Further, the amount of returned checks in domestic and foreign currencies stood at \$20.6m in September 2022 compared to \$22.6m in the previous month and to \$76.3m in September 2021. Also, there were 536 returned checks in September 2022, relative to 724 returned checks in August 2022 and to 1,950 checks in September 2021.

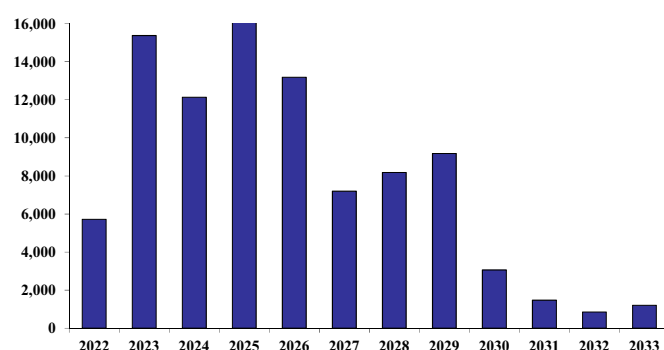
More than 64% of Treasury securities in Lebanese pounds have seven-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP93,672bn at the end of August 2022 compared to LBP90,245bn at the end of August 2021. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$62.1bn at the end of August based on the official exchange rate of the Lebanese pound to the US dollar, but they become equivalent to \$3.4bn based on the Sayrafa exchange rate of the Lebanese pound to the US dollar of LBP27,200 per dollar at the end of August. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.44% in August 2022 compared to 6.58% in August 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP35,465bn and accounted for 38% of aggregate securities denominated in Lebanese pounds at the end of August 2022, followed by seven-year Treasury securities with LBP19,586bn (21%), five-year Treasury bills with LBP19,106bn (20.4%), three-year Treasury bonds with LBP6,003bn (6.4%), two-year Treasury securities with LBP3,915bn (4.2%), one-year Treasury bills with LBP3,594bn (3.8%), 12-year T-bills with LBP3,076 (3.3%), 15-year Treasury securities with LBP1,417bn (1.5%), six-month T-bills with LBP1,383bn (1.5%), and three-month T-bills with LBP127bn (0.1%). As such, 63.6% of outstanding Treasury securities have seven-year maturities or longer and 84% have five-year maturities or more.

In parallel, LBP550bn in outstanding Treasury securities denominated in Lebanese pounds matured in August 2022, of which 36% consisted of six-month Treasury bills, 24.5% were two-year T-bills, 15.3% were five-year Treasury bonds, 11.1% consisted of three-year T-bills, 9.8% consisted of three-months Treasury bonds, and 3.3% were one-year Treasury securities. According to ABL, LBP5,721bn in outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2022 and LBP15,377bn will come due in 2023.

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



*as at end-August 2022

Source: Association of Banks in Lebanon, Byblos Research

Number of registered real estate transactions down 24% in first nine months of 2022

Figures released by the Ministry of Finance show that the ministry registered 54,110 real estate transactions in the first nine months of 2022, constituting a decrease of 24.4% from 71,580 in the same period of 2021. The ministry registered 27,741 real estate transactions in the first quarter, 12,128 deals in the second quarter, and 14,189 transactions in the third quarter of 2022. In comparison, the ministry registered 55,108 real estate transactions in the first nine months of 2020 and 36,952 real estate deals in the same period of 2019. The decline in the number of registered transactions in the covered period is due mainly to the strike of public sector employees that led to the shutdown of government agencies and departments, and paralyzed the functioning of the public administration and prevented the official registration of real estate transactions.

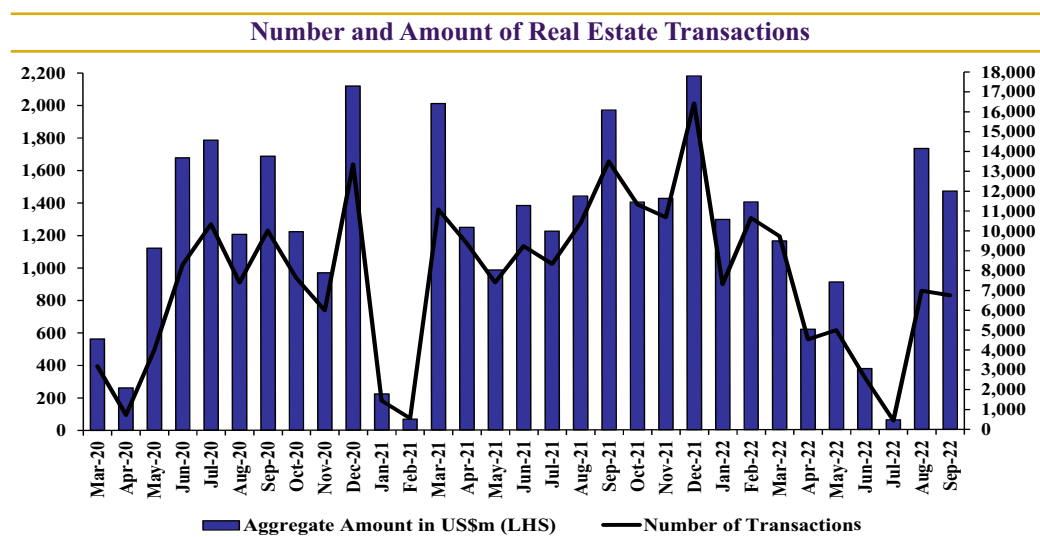
Further, the ministry registered 9,979 real estate transactions in the Baabda/Aley/Chouf area in the first nine months of 2022, representing 18.4% of the total. The South governorate followed with 9,642 deals (17.8%), then the Nabatieh governorate with 6,963 transactions (13%), the Keserwan/Jbeil region with 6,420 deals (12%), Beirut with 5,937 transactions (11%), the North region with 5,869 deals (10.8%), the Bekaa/Baalbeck-Hermel region with 5,771 transactions (10.7%), and the Northern Metn district with 1,793 deals (3.3%).

The aggregate amount of registered real estate transactions reached LBP13,596.8bn in the first nine months of 2022, or \$9.02bn based on the official exchange rate of the US dollar, and decreased by 14.5% from LBP15,897.3bn (\$10.5bn) in the same period of 2021. In comparison, the amount of real estate deals increased by 4.6% in the first nine months of 2021 from the same period of the previous year and surged by 112.7% in the first nine months of 2020 from the same period of 2019. Further, the value of registered real estate transactions in Beirut amounted to LBP5,211bn and accounted for 38.3% of the total in the first nine months of 2022. The South governorate followed with LBP2,393 bn (17.6%), then the Baabda/Aley/Chouf area with LBP1,665.2bn (12.2%), the Keserwan/Jbeil region with LBP1,443.4bn (10.6%), the North region with LBP720.4bn (5.3%), the Nabatieh governorate with LBP630.7bn (4.6%), the Northern Metn district with LBP555.1bn (4.1%), and the Bekaa/Baalbeck-Hermel region with LBP543.5bn (4%).

The amount of registered real estate transactions in the South governorate surged by 53% in the first nine months of 2022 from the same period of 2021, followed by deals in Beirut (+21.5%), and the Nabatieh governorate (+16.5%); while the amount of registered real estate transactions in the Northern Metn district dropped by 79% in the first nine months of 2022 from the same period last year, followed by the Baabda/Aley/Chouf region (-45.7%), followed by the North area (-34.6%), the Keserwan/Jbeil region (-24.4%), and the Bekaa/Baalbeck-Hermel area (-6.5%). In addition, the aggregate amount of real estate transactions reached LBP2,212.5bn (\$1.47bn) in September 2022, constituting a drop of 15.2% from LBP2,608bn (\$1.73bn) in August 2022 and compared to LBP2,969.6bn (\$1.9bn) in September 2021.

In parallel, the average amount per registered real estate transaction was LBP251.3m (\$166,687) in the first nine months of 2022, and increased by 13% from an average of LBP222m (\$147,324) in the same period of 2021. Further, there were 566 real estate transactions executed by foreigners in the first nine months of 2022, compared to 1,001 deals in the same period of 2021 and to 776 transactions in the first nine 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 nine months of 2021 and 2020.

Further, 33% of real estate transactions executed by foreigners in the first nine months of 2022 were in the South governorate, followed by Beirut (26%), then the Keserwan/Jbeil region (12%), the North region (8.5%), the Bekaa/Baalbeck-Hermel region (7.6%), the Baabda/Aley/Chouf area (7.2%), the Nabatieh governorate (3.2%), and the Northern Metn district (2.5%). The latest available figures show that Belgium citizens accounted for 28% of the amount of real estate transactions executed by foreigners in July 2022, followed by Syrian nationals (25.7%), citizens from Türkiye (15%), American citizens (13.5%), while the remaining 17.8% accounted for citizens from other countries.



Source: Ministry of Finance, Byblos Research



Term deposits account for 56% of customer deposits at end-August 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 \$133.2bn at the end of August 2022, constituting a decrease of \$6.2bn, or of 4.4%, in the first eight months of the year from \$139.3bn at the end of 2021.

Total deposits include private sector deposits that reached \$125bn, deposits of non-resident financial institutions that amounted to \$4.4bn, and public sector deposits that stood at \$3.8bn at the end of August 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 \$75.2bn at the end of August 2022 and declined by \$11.9bn, or by 13.7%, from \$87.1bn at end-2021; while they accounted for 56.4% of total deposits in Lebanese pounds and in foreign currency as at end-August 2022 relative to a share of 62.5% at the end of 2021.

The decline in term deposits is due a dip of 47.6% in the term deposits in Lebanese pounds of the public sector, a decrease of 17.3% in the term deposits of the non-resident financial sector, a decline of 15.5% in the term deposits in Lebanese pounds of the resident private sector, a retreat of 14% in foreign currency-denominated term deposits of the public sector, a contraction of 12.5% in the foreign currency-denominated term deposits of the resident private sector, and a downturn of 8.2% 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 \$91.3bn since the end of September 2019.

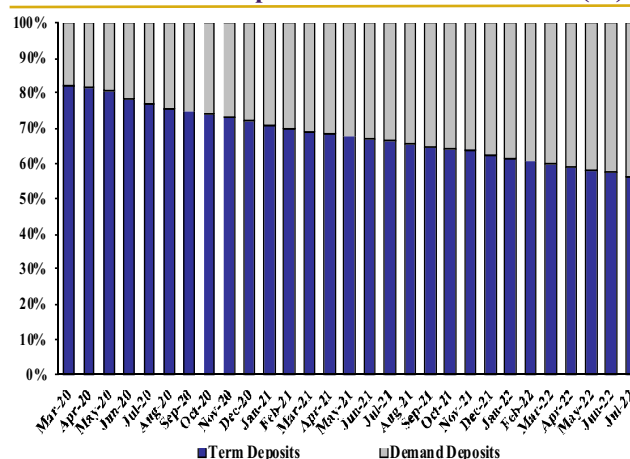
Further, foreign currency-denominated term deposits of the resident private sector reached \$43.1bn and accounted for 32.4% of aggregate deposits at the end of August 2022. Term deposits of non-residents followed with \$15.3bn (11.5%), then term deposits in Lebanese pounds of the resident private sector with \$11.6bn (8.7%), term deposits of the non-resident financial sector with \$2.8bn (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 \$604.8m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$58bn at the end of August 2022 and increased by \$5.7bn, or by 11%, from \$52.3bn at end-2021. They accounted for 43.6% of total deposits at end-August 2022 relative to a share of 37.5% at the end of 2021. The increase in demand deposits was mainly due to a rise of \$2.7bn in demand deposits in Lebanese pounds of the resident private sector, a growth of \$2.1bn in foreign currency-denominated demand deposits of the resident private sector, an increase of \$455.6m in demand deposits of non-residents, an expansion of \$331.2m in demand deposits in Lebanese pounds of the public sector, and an upturn of \$104.7m in demand deposits of the non-resident financial sector, which more than offset a downturn of \$99.3m in demand deposits in foreign currency of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33.1bn and represented 24.8% of deposits at end-August 2022. Demand deposits in Lebanese pounds of the resident private sector followed with \$13.6bn (10.2%), then demand deposits of non-residents with \$8.3bn (6.2%), demand deposits of the non-resident financial sector with \$1.6bn (1.2%), demand deposits in Lebanese pounds of the public sector with \$1.1bn (0.8%), and demand deposits in foreign currency of the public sector with \$347.7m (0.3%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 50% of the number of depositors at the end of March 2022. Mount Lebanon followed with 15% of deposits and 18.6% of beneficiaries, then South Lebanon with 7.2% of deposits and 11% 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.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Net profits of Syrian affiliates of Lebanese banks at SYP2.7bn in first quarter of 2022 on unrealized foreign exchange losses

Financial results issued by the affiliates of six Lebanese banks operating in Syria show that their aggregate net profits reached SYP2.1bn in the first quarter of 2022 relative to net earnings of SYP2.35bn in the first quarter of 2021. The depreciation of the Syrian pound from SYP704 against the US dollar at the end of March 2021 to SYP2,512 per US dollar at the end of March 2022 resulted in unrealized foreign exchange losses on the banks' structural positions of SYP599m in the first quarter of 2022 relative to losses of SYP339m in the same quarter of 2021. In US dollar terms, the net profits of the six banks reached \$0.84m in the first quarter of 2022 compared to net earnings of \$3.3m in the first quarter of 2021. The aggregate net income of the six banks becomes SYP2.7bn, or \$1.1m, in the first quarter of 2022 when excluding foreign exchange losses on structural positions, relative to earnings of SYP2.7bn or \$3.8m in the first quarter of 2021.

The profits of Banque BEMO Saudi Fransi surged by SYP2.4bn in the first quarter of 2022, while the net income of Syria Gulf Bank, the affiliate of First National Bank, declined by SYP1.6bn, followed by a decrease of SYP396m in the earnings of Fransabank Syria. Further, the losses of Byblos Bank Syria increased by SYP1.3bn in the covered period, while the losses of Bank Al-Sharq, the affiliate of Banque Libano-Française, regressed by SYP310.2m. Also, the earnings of Bank of Syria & Overseas shifted from losses of SYP9.3m in the first quarter of 2021 to profits of SYP365.7m in the first quarter of 2022.

The net interest income of the six banks totaled SYP23.2bn in the first quarter of 2022, up by 124.7% from SYP10.3bn in the first quarter of 2021; while their net fees & commission income rose by 1.3 times year-on-year to SYP19.6bn. The six banks' operating income totaled SYP48.2bn in the first quarter of 2022 and rose by 70% from SYP28.3bn in the same period last year; while their total operating expenses reached SYP42.8bn in the first quarter of 2022, up by 1.7 times from SYP25.2bn in the first quarter of 2021.

In parallel, the banks' aggregate assets reached SYP3,851.5bn at the end of March 2022 and increased by 4% from SYP3,706.7bn at end-2021. The growth in assets was due to a surge of 16% in the assets of Syria Gulf Bank (+SYP118.3bn), an expansion of 4.8% in those of Byblos Bank Syria (+SYP14.6bn), a growth of 1.6% in the assets of Banque BEMO Saudi Fransi (+SYP23.4bn), and an uptick of 0.02% in those of Fransabank Syria (+SYP76.7m). In contrast, the assets of Bank Al Sharq declined by 3% (-SYP6.9bn) at the end of March 2022, followed by a decrease of 1% in those of Bank of Syria & Overseas (-SYP4.6bn).

Also, the banks' total loans reached SYP774.4bn at end-March 2022, constituting an increase of 6.8% from SYP725.4bn at the end of 2021. Further, the banks' customer deposits totaled SYP2,399.2bn at the end of March 2022, representing a rise of 6.6% from SYP2,250.3bn a year earlier. The ratio of the banks' loans-to-customer deposits stood at 32.3% at the end of March 2022 relative to 32.2% at end-2021. In parallel, the aggregate shareholders' equity of the six banks reached SYP808.8bn at end-March 2022, constituting a marginal increase of 0.2% from SYP807bn at end-2021.

Results of Affiliates of Lebanese Banks in Syria in First Quarter of 2022 (SYPbn)						
	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Fransabank Syria	Syria Gulf Bank	Byblos Bank Syria	Bank Al-Sharq
Net Profits	2.93	1.0	0.37	0.25	(2.19)	(0.31)
Total Assets	1,524.60	861.61	475.36	452.91	321.82	215.24
% Change*	1.6%	15.9%	-1.0%	0.0%	4.8%	-3.1%
Loans	206.47	429.75	27.35	58.41	33.84	18.58
% Change*	4.7%	10.2%	3.5%	4.6%	-6.7%	-5.3%
Customer Deposits	1,125.48	416.97	333.39	245.60	151.16	126.55
% Change*	2.0%	40.3%	-1.1%	1.4%	10.4%	-4.8%

*Change from end-2021

Source: Banks' financial statements, Byblos Research

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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