

LEBANON THIS WEEK

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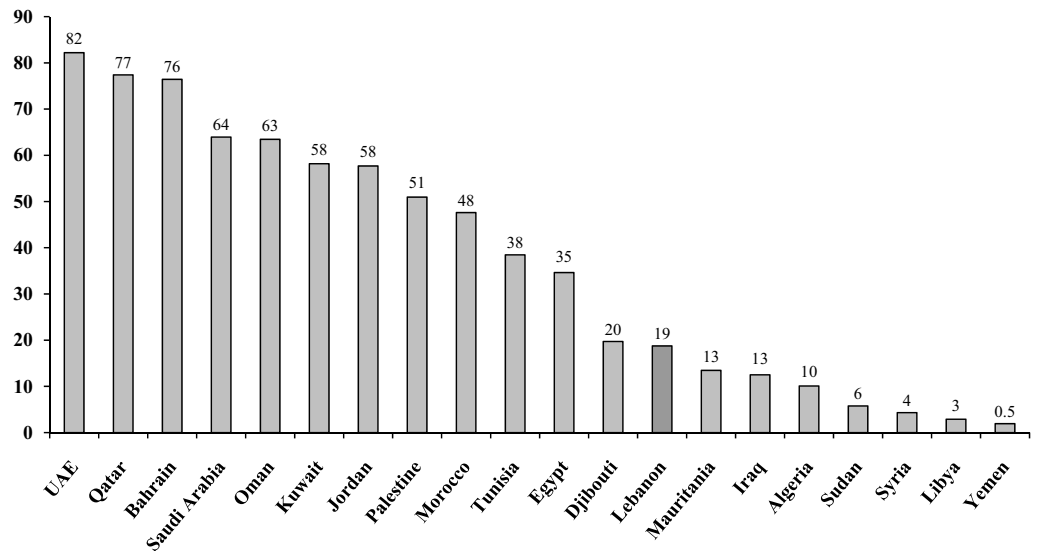
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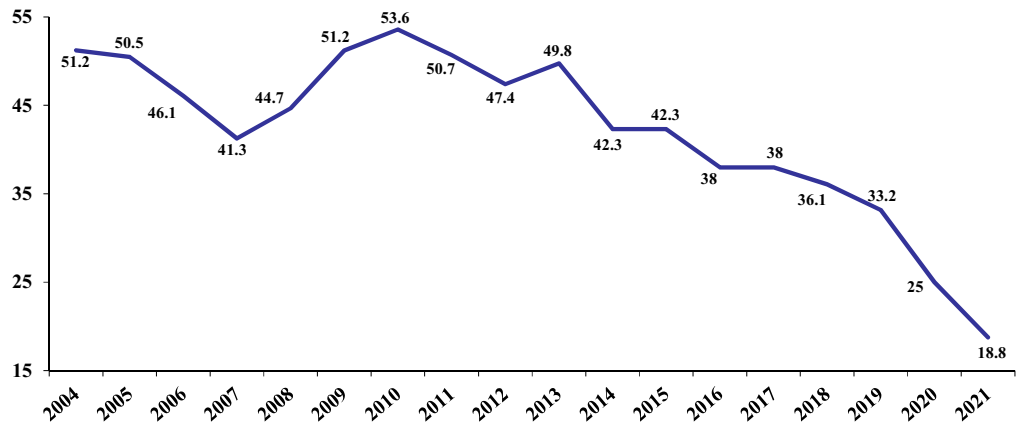
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Charts of the Week

Percentile Rank of Arab Countries on the Regulatory Quality Indicator for 2021 (%)



Percentile Rank of Lebanon on the Regulatory Quality Indicator (%)



Source: World Bank Governance Indicators for 2021, Byblos Bank

Quote to Note

"This is a new chapter for Lebanon that could also create a positive momentum to build consensus around issues of national interest."

Ms. Joanna Wronecka, the United Nations Special Coordinator for Lebanon, on the potential spillovers from the U.S.-mediated delineation of the maritime boundary between Lebanon and Israel

Number of the Week

380%: Increase in the cost of healthcare in Lebanon between September 2021 and September 2022, according to the Central Administration of Statistics

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 %
Byblos Common	0.58	1.8	1,719,074	2.5%	Jan 2023	6.00	5.88	6,706.58
Solidere "A"	53.55	2.6	225,952	40.1%	Apr 2024	6.65	5.88	322.78
Solidere "B"	54.35	3.2	56,707	26.5%	Jun 2025	6.25	5.88	143.95
Audi Listed	1.41	0.0	51,148	6.2%	Nov 2026	6.60	5.88	83.25
BLOM GDR	2.75	10.0	3,200	1.5%	Mar 2027	6.85	5.88	76.12
Audi GDR	1.40	(6.0)	2,800	1.3%	Feb 2030	6.65	5.88	42.73
BLOM Listed	3.00	(1.3)	2,450	4.8%	Apr 2031	7.00	5.88	36.40
HOLCIM	32.84	10.0	480	4.8%	May 2033	8.20	5.88	28.77
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.88	23.03
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	5.88	20.69

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

Source: Refinitiv

	Oct 24-28	Oct 17-21	% Change	September 2022	September 2021	% Change
Total shares traded	2,072,811	134,791	1,437.8	4,715,731	3,142,850	50.0
Total value traded	\$16,282,267	\$4,514,452	260.7	\$34,022,646	\$52,497,394	(35.2)
Market capitalization	\$13.34bn	\$13.03bn	2.4	\$12.81bn	\$10.04bn	27.6

Source: Beirut Stock Exchange (BSE)



Lebanon ranks in 106th place globally, sixth in Arab region on Rule of Law Index

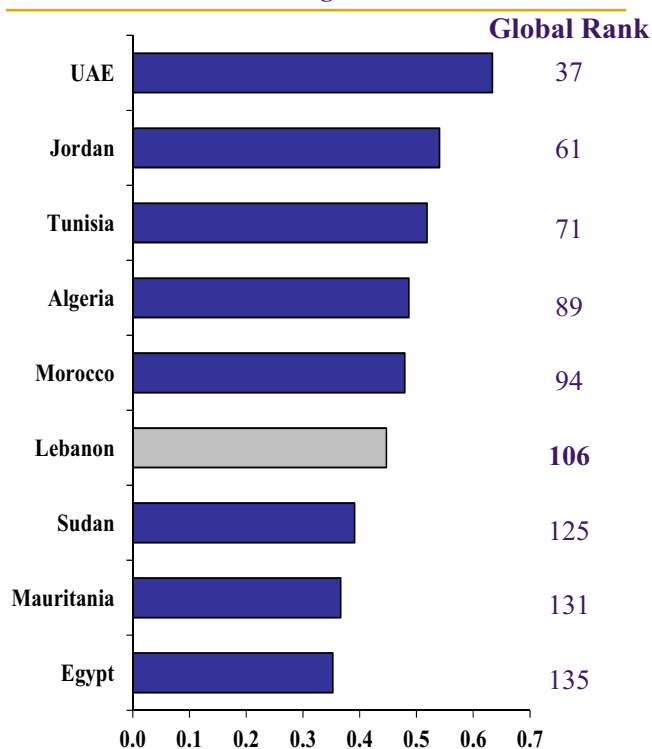
The World Justice Project ranked Lebanon in 106th place among 140 countries around the world and in sixth place among nine Arab countries on its Rule of Law Index for 2022. Based on the same set of countries included in the 2021 and 2022 surveys, Lebanon's global rank deteriorated by two spots from the 2021 index, while its rank among Arab countries was unchanged year-on-year.

The index measures the implementation of the rule of law by aggregating 44 sub-factors into eight factors that are the Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order & Security, Regulatory Enforcement, Civil Justice, and Criminal Justice. The scores and rankings of each factor and sub-factor are based on the results of an opinion poll of the general public and of a survey of legal professionals in each country. The scores range from zero to one point, with a score of one point reflecting the strongest adherence to the rule of law. The general population poll covers the three major urban areas in each country. The Lebanon survey covered 1,000 participants in Beirut, Sidon and Tripoli.

Globally, the implementation of the rule of law in Lebanon is better than in Russia, Côte d'Ivoire, and Niger, and is weaker than in El Salvador, Zambia, and Kenya among economies with a GDP of \$10bn or more. Regionally, the rule of law in Lebanon is more effective than in Sudan, Mauritania and Egypt, while it is less effective than in the UAE, Jordan, Tunisia, Algeria, and Morocco. Lebanon received a score of 0.446 points in the 2022 survey, nearly unchanged from 0.45 points in the 2021 survey. Lebanon's score came lower than the global average score of 0.55 points and the Arab countries' average score of 0.46 points.

In addition, the survey classified the 140 countries into four quartiles based on a country's score on each factor. The scores in the first quartile range from zero to 0.25 points and cover countries with the weakest adherence to the factors, followed by the second quartile with scores between 0.25 and 0.50 points, the third quartile with scores in the 0.50 to 0.75 points range, and the fourth quartile with scores between 0.75 to one point, with countries in the latter quartile demonstrating the strongest adherence to the factors. Lebanon came in the third quartile among 73 countries on the Order & Security factor; while it was in the second quartile on the Constraints on Government Powers along with 61 jurisdictions, as well as in the second quartile on the Absence of Corruption (77 economies), Open Government (72 countries), Fundamental Rights (53 economies), Regulatory Enforcement (72 jurisdictions), Civil Justice (66 countries), and Criminal Justice factors (79 countries).

Rule of Law Index for 2022
Scores and Rankings of Arab Countries



Source: World Justice Project, Byblos Research

Components of the 2022 Rule of Law Index for Lebanon

Factors	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Constraints on Government Powers	90	4	0.48	0.55	0.45
Absence of Corruption	108	8	0.36	0.51	0.45
Open Government	100	3	0.43	0.52	0.37
Fundamental Rights	103	3	0.46	0.57	0.41
Order and Security	95	6	0.67	0.72	0.71
Regulatory Enforcement	107	6	0.43	0.54	0.46
Civil Justice	119	6	0.41	0.54	0.49
Criminal Justice	110	8	0.33	0.47	0.41

Source: World Justice Project, Byblos Research



Draft law aims to restore financial balance to banking system

The Council of Ministers forwarded to Parliament a draft law about restoring financial balance to the banking system in Lebanon. Article 1 says that the draft law aims to determine the regulatory framework to address the financial gap in the banking system and its impact on depositors, based on the priority of safeguarding the depositors' rights as much as possible, especially small depositors. It also aims to restore confidence in the banking system through the restructuring of banks, the recapitalization of Banque du Liban (BdL), and addressing the financial losses within the available means.

Article 2 stipulates that there is an ongoing audit of the balance sheet of BdL based on international standards, in order to address the financial gap at the bank through reducing the value of the commercial banks' foreign currency placements at BdL.

Article 3 indicates that, in order to safeguard the rights of depositors, especially small ones, the Lebanese state will participate as much as possible in restoring BdL's solvency in foreign currency through the following. First, the recapitalization of BdL with \$2.5bn by issuing bonds and/or by any other means that the Council of Ministers approves based on the recommendation of the Ministry of Finance. Second, taking appropriate measures to recover the funds generated from corruption based on existing laws, especially Law 214 dated April 8, 2021. Third, addressing part of BdL's obligations to banks in a way that covers the debts that are due to commercial banks.

Article 4 notes that addressing the deficit in Lebanese pounds in BdL's capital will take place gradually over a five-year period at most, by writing off future liabilities as a result of seignorage as well as accrued losses. Article 5 stipulates that, in order to determine the impact of the financial crisis on deposits, the draft law deals with commercial banks through their restructuring or liquidation according to the rules, procedures and conditions in the corresponding banking resolution legislation.

Article 6 segregates bank deposits into "eligible" and "ineligible" deposits, and defines "ineligible deposits" as those that were converted to foreign currencies after October 17, 2019 at the official exchange rate of the Lebanese pound to the US dollar, or its equivalent in other currencies. It said the definition covers all operations such as bank transfers, checks, or financial instruments resulting from the use of "ineligible deposits". It added that "eligible deposits" cover all other deposits. Also, the draft law asks banks to submit to the Banking Control Commission of Lebanon (BCCL), within one month of the enactment of this law, all the data and information about "eligible" and "ineligible" deposits.

Article 7 stipulates that "viable banks" have to pay \$100,000 to each depositor in case his/her combined "eligible deposits" at all banks is equal to or exceeds \$100,000 or its equivalent in other foreign currencies, while the "viable banks" have to pay the full amount of the "eligible deposits" in case it is less than \$100,000. In addition, it said that the Higher Banking Commission (HBC) will establish a mechanism and criteria to convert all or part of the "eligible deposits" that exceed \$100,000 to Lebanese pounds at the exchange rate of the pound on BdL's Sayrafa electronic platform. It added that the HBC can determine a ceiling or an exchange rate that is lower than the Sayrafa platform rate and that allows the depositor to convert all or part of his/her deposits that exceed \$100,000 to Lebanese pounds. Second, it noted that it will deduct the excess interest rates that banks paid since 2015 on "eligible deposits" from funds that exceed \$100,000, and that BdL's Central Council will determine the excess interest rates based on the annual interest rates. Third, it asks "eligible depositors" at viable banks who transferred money abroad or used it to settle their debt or their real estate and financial investments to return the amounts of the excess interest rates that they received between 2015 and the enactment of this law. Fourth, it stipulated the conversion of "ineligible deposits" at "viable banks" to Lebanese pounds at an exchange rate that is lower than the exchange rate of the pound on the Sayrafa platform. Article 8 mentions the suspension of the implementation of some clauses of Article 7 until the enactment of the Capital Control Law.

Article 9 indicates that "eligible" and "non-eligible" deposits at "non-viable banks" will be subject to the banking resolution legislation, as well as to the deposits guarantee as stipulated in Law 67/28 dated May 9, 1967 and its modifications. Article 10 asks banks to update, within one month of the publication of this law, their Know Your Customer file for every depositor whose "eligible deposit" exceeds \$1m.

Article 11 notes that the recovery of deposits, in part or in full, will depend on the situation of each bank, especially its solvency and liquidity following the implementation of the banking resolution legislation. Article 12 says that the law exempts from the above measures "fresh funds", or the funds that the bank received from abroad or the cash in foreign currency deposited at the bank after October 30, 2019.

Article 13 stipulates the establishment of a Deposit Recovery Fund (DRF) whose objective is to contribute to repay "eligible deposits"; while Article 14 notes that the Council of Ministers will determine the mechanism for the functioning of the DRF based on the recommendation of the Ministry of Finance.

Article 15 notes that the Council of Ministers will appoint an independent authority that is composed of experts to manage the assets of the DRF. It added that these assets should consist of a share of the banks' assets, including their capital and placements at BdL and the Certificates of Deposits that the latter issued and sold to banks; a financial contribution from banks that consists of a share of their profits; BdL's share from the recovery of ill-gotten or transferred funds abroad; and part of future public revenues based on certain conditions and targets. Article 16 states that the DRF will issue to depositors financial securities or bonds that represent the economic interest of banks, each according to its contribution to the fund.

Banque du Liban issues directives to banks and financial institutions about transition from LIBOR rates

Banque du Liban (BdL) issued on October 7, 2022 Announcement No. 950 to banks, financial institutions, brokerage firms, and insurance companies about the transition from the London Interbank Overnight Rate (LIBOR) in financial transactions and contracts. It considered that the transition from LIBOR rates could lead to numerous risks, such as regulatory risks related to LIBOR-linked contracts, operational risks related to information and accounting systems linked to LIBOR, precautionary risks in light of the difficulty of the pricing and valuation of different new reference rates, reputational risks in the context of modifying LIBOR-linked contracts, and systemic risks in case the shift from LIBOR does not take place in an orderly way. As such, BdL asked banks, financial institutions, and other non-bank financial institutions to take the following measures.

First, to refrain from signing any contract linked to LIBOR rates. Second, to review all contracts and financial products and to analyze their exposure to LIBOR rates. Third, to prepare a plan to cease the usage of LIBOR rates in pre-set phases under the supervision and approval of the board of directors. Fourth, to prepare an appropriate administrative framework to ensure the orderly transition from LIBOR rates and allocate the adequate resources for this task. Fifth, to ask the assets and liabilities committee (ALCO) of banks and financial institutions to manage the transition from LIBOR rates and submit regular reports to the board of directors. Sixth, to inform the clients that have LIBOR-linked contracts about the need to modify their contracts and clarify their rights regarding the related products and services, with a detailed explanation about the financial impact of the shift from LIBOR in calculating interest rates and due payments, and provide the clients a copy of the modifications that affect their transactions. Seventh, to modify loan contracts that benefit from the state's subsidies and from BdL incentives, and replace LIBOR rates with the alternative rates as specified in the circulars that BdL has issued.

Eighth, to use transparency and fair conduct with clients and among them when modifying existing contracts that are not included in the previous part, and replace LIBOR rates with the BdL-suggested rates or with any rates that the parties agree on mutually. Ninth, to implement fallback provisions on all LIBOR-linked contracts that expire after June 30, 2023. Tenth, in case contracts do not include fallback provisions, to adopt alternative rates according to best practices that are applied on financial products, or any other alternative rates that the parties mutually agree on. Eleventh, to conform to international best practices when pricing products and services, and when modifying contracts, whenever the change in interest rates reduces or cancels as much as possible any transfer of the economic value from one party to the other as a result of applying the rules for replacing the reference rates. Twelfth, to take into consideration the potential impact from the transition to new reference rates on fair value accounting, on the statements submitted to the regulatory authorities, and on taxes, and to involve the external auditors in this operation. Thirteenth, to adjust the information systems for the transition to new reference rates. Fourteenth, to verify that all the technical and legal preparations have been completed and inform the concerned clients about the modifications by June 30, 2022 at the latest, and apply the new reference rates starting on July 1, 2023 so that there will no longer be any product, loan, or financial instrument priced or based on LIBOR rates after this date.

Also, BdL indicated that it will post on its website a text on LIBOR with answers on the most frequently asked questions about the topic and that concern financial consumers, and that it will have an email address dedicated to questions about any clarification on the transition from LIBOR rates.

In parallel, BDL stated that the five risk free rates are the Secured Overnight Financing Rate (SOFR) for the US dollar, the Sterling Overnight Index Average (SONIA) for the British pound, the Swiss Average Rate Overnight (SARON) for the Swiss franc, the Tokyo Overnight Average Rate (TONAR) for the Japanese yen, and the Euro Short-Term Rate (ESTR) for the Euro.

Government forms committee for delimitation of Exclusive Economic Zones with Cyprus and Syria

The President of the Council of Ministers Najib Mikati issued Decision 157/2022 dated October 28, 2022 regarding the delimitation of Lebanon's Exclusive Economic Zones. First, the decision stipulates the formation of a committee headed by the Minister of Public Works & Transportation, and that is composed of representatives of the Ministry of Foreign Affairs & Emigrants, the Ministry of Energy & Water, the Ministry of National Defense, and of the Lebanese Petroleum Administration. Second, it indicated that the committee's mission is to take the necessary measures in order to prepare plans to determine the Exclusive Economic Zones of Lebanon from the Western and Northern sides with Cyprus and Syria, respectively. Third, it noted that the committee can seek the assistance from the relevant public institutions and agencies, as well as from experts in the field, in order to complete its task and to submit periodic reports to the President of the Council of Ministers who, in turn, could submit them to the Council of Ministers in case of need.

Lebanon and Cyprus signed in July 2021 a five-year Memorandum of Understanding (MoU) about the oil and gas sector in the two countries. The MoU aims to establish a general framework of cooperation in the oil and gas sector for the benefit of both countries, including common and cross-border infrastructure; to exchange best practices, regulatory framework and sector expertise; and to strengthen collaboration in training the scientific and technical staff of the two countries. The Prime Minister issued Decision 157/2022 in light of the signing by Lebanon on October 27 of the U.S.-mediated agreement to delineate the maritime boundary between Lebanon and Israel.



Cost of mobile broadband services in Lebanon is most expensive among Arab countries

The International Telecommunication Union indicated that the mobile-cellular basket price in Lebanon was equivalent to 3.14% of the country's gross national income (GNI) per capita in 2021 relative to an average of about 1.5% of GNI per capita in Arab countries. The mobile-cellular basket covers the cost of a minimum of 70 minutes of outgoing calls per month and 20 SMS messages at pre-determined rates. The cost of mobile-cellular basket in Lebanon was the 58th highest among 182 countries globally and the third highest among 18 Arab economies with available figures. The UAE has the cheapest mobile-cellular service among Arab countries at 0.1% of GNI per capita per month, while Mauritania has the most expensive such service in the region at 4.4% of GNI per capita per month.

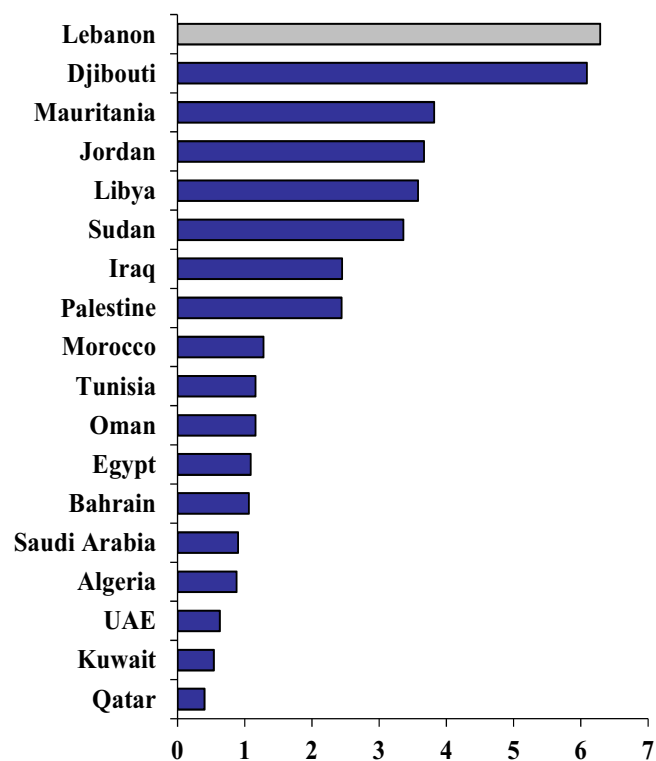
In addition, the cost of a mobile broadband basket for a minimum of two Gigabytes (GB) in Lebanon was equivalent to 6.3% of the country's GNI per capita last year, compared to an average of about 2.3% of GNI per capita in Arab countries. The cost covers a monthly subscription to a data-only plan. The cost of the service in Lebanon was the 34th highest among 171 countries worldwide and the highest among 18 Arab economies. In comparison, Qatar has the least expensive mobile broadband in the Arab world at 0.4% of GNI per capita per month.

Also, the cost of a mobile data and voice low-consumption basket in Lebanon was equivalent to 3.9% of the country's GNI per capita in 2021, compared to an average of about 2.4% of GNI per capita in Arab countries. The low consumption mobile data and voice basket covers the cost of a minimum of 70 minutes of outgoing calls per month and 20 SMS messages at pre-determined rates for a minimum of 500 Megabytes. The cost of the service in Lebanon was the 31st highest among 181 countries globally and the fourth highest among 18 Arab countries. In comparison, the UAE has the least expensive mobile broadband in the Arab world at 0.35% of GNI per capita per month, while Mauritania has the most expensive such service in the region at 8.02% of GNI per capita per month.

Further, the cost of a mobile data and voice high-consumption basket in Lebanon was equivalent to 11.1% of the country's GNI per capita last year, compared to an average of about 9.5% of GNI per capita in Arab countries. The high consumption mobile data and voice basket covers the cost of a minimum of 140 minutes of outgoing calls per month and 70 SMS messages at pre-determined rates for a minimum of 2GB. The cost of the service in Lebanon was the 31st highest among 182 countries globally and the highest among 18 Arab economies. In comparison, Qatar has the least expensive mobile broadband in the Arab world at 0.4% of GNI per capita per month.

In parallel, the cost of a fixed broadband basket for a minimum of 5GB in Lebanon was equivalent to 1.88% of the country's GNI per capita in 2021, compared to an average of about 5.1% of GNI per capita in Arab countries. The cost covers a monthly subscription to an entry-level fixed-broadband plan. The cost of the service in Lebanon was the 114th highest among 183 countries worldwide and the 14th highest among 16 Arab countries. In comparison, the UAE has the least expensive fixed broadband in the Arab world at 0.55% of GNI per capita, while Mauritania has the most expensive such service in the region at 19.1% of GNI per capita per month.

Cost of mobile-broadband for a minimum of 2 Gigabytes in 2021 (% of GNI)



Source: International Telecommunication Union, Byblos Research

Banque du Liban issues directives to public sector about transition from LIBOR rates

Banque du Liban (BdL) issued on October 6, 2022 an announcement to public sector entities such as ministries, public agencies, public institutions, authorities, councils, funds, and municipalities, among others, about the transition from the London Interbank Overnight Rate (LIBOR) in financial transactions and contracts. It said that LIBOR rates 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. It added that 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.

It considered that the transition from LIBOR rates could result in numerous risks, such as regulatory risks related to LIBOR-linked contracts, operational risks related to information and accounting systems linked to LIBOR rates, precautionary risks in light of the difficulty in the pricing and valuation of different new reference rates, reputational risks in the context of modifying LIBOR-linked contracts, and systemic risks in case the shift from LIBOR does not take place in an orderly way. As such, BdL asked all public sector entities to take the following measures.

First, to suspend the utilization of LIBOR rates as per the related dates and to avoid signing any contract linked to LIBOR rates. Second, to review all the existing contracts, especially those that include interest rates that are based on LIBOR rates, and to modify them before end-June 2023 to replace the LIBOR rates with the relevant risk free rates, or with any alternative rates that the two parties mutually agree on. Third, BdL indicated that it is ready to provide advice to and assist all public sector entities in their implementation of the transition from LIBOR rates in the contracts, international agreements, treaties, protocols, and laws with local or foreign parties, in order to modify the existing contracts in a fair and scientific way. BdL indicated that it will post on its website a text on LIBOR with answers on the most frequently asked questions about the topic and that concern financial consumers, and that it will have an email address dedicated to questions about any clarification on the transition from LIBOR rates.

In parallel, BdL stated that the five risk free rates are the Secured Overnight Financing Rate (SOFR) for the US dollar, the Sterling Overnight Index Average (SONIA) for the British pound, the Swiss Average Rate Overnight (SARON) for the Swiss franc, the Tokyo Overnight Average Rate (TONAR) for the Japanese yen, and the Euro Short-Term Rate (ESTR) for the Euro.

Banque du Liban extends implementation of Circular 161 for one additional month

Banque du Liban (BdL) issued Intermediate Circular 647/13494 dated October 28, 2022 addressed to banks, which extends until November 30, 2022 the clauses of Circular 161 dated December 16, 2021 about exceptional measures related to cash withdrawals from accounts at commercial banks in Lebanon. Circular 161 stipulated that BdL will provide banks with US dollar banknotes instead of supplying them with Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the dollar, based on the operations conducted on BdL's Sayrafa electronic exchange platform on the previous day. It added that the supply of the dollar banknotes will consist of the preset monthly ceiling for each bank.

Also, BdL asked all banks to disburse the dollar banknotes in full to their clients at the Sayrafa exchange rate as specified, instead of settling the depositors' withdrawal amounts or cash operations at counters in Lebanese pounds, based on the authorized ceiling for each client. Further, it noted that clients can submit a written request in case they do not want to withdraw their monthly ceiling in US dollars. But the banks' quotas have been insufficient to meet the dollar amounts for the withdrawals of depositors, which prompted BdL to issue a follow up decision on January 11, 2022 that authorized banks to purchase US dollar banknotes from the latter with the Lebanese pounds that they hold, or from their clients' holdings of Lebanese pounds banknotes, at the exchange rate of the dollar on BdL's Sayrafa electronic exchange platform.

However, BdL put a ceiling of \$500 per month on these exchanges starting in June of this year and reduced it to \$400 per month starting in October. This constitutes the tenth extension of Circular 161, as the latter was originally set to expire at the end of 2021, but BdL extended its clauses until the end of January of this year, the end of February, the end of March, the end of April, the end of May, the end of July, the end of August, the end of September, the end of October, and the end of November 2022, with the possibility of extending the circular further.

Ministry of Labor launches job portal with Qatar

The Ministry of Labor launched on October 10, 2022 an online platform on its website that allows Lebanese job seekers, including fresh university graduates, to apply for jobs in the private sector in Qatar. The launch of the job portal came after talks between the Lebanese Minister of Labor and his Qatari counterpart to address the unemployment problem in Lebanon and the labor needs in Qatar.

Further, the ministry indicated that it set up the platform, as Qatari firms seek to urgently employ a high number of Lebanese in long-term and temporary jobs to fill multiple positions related to Qatar's hosting of the FIFA World Cup that starts in November 2022. The ministry said that it will not take part in the recruitment process, but that it will facilitate job opportunities between the two countries and will speed passport renewals for the selected candidates. It added that Qatari companies have to enter the platform and search for their labor needs among qualified applicants for their job openings. It added that the platform allows job seekers in Qatar to apply for job openings in Lebanon. The Central Administration of Statistics' Labor Force Survey indicated that the unemployment rate in Lebanon reached 29.6% in January 2022, compared to a rate of 11.4% in the 2018-19 survey.

Byblos Bank registers losses of LBP232bn in first nine months of 2022

Byblos Bank sal declared unaudited net losses of LBP231.6bn, or the equivalent of \$153.6m, in the first nine months of 2022 relative to net losses of LBP5.5bn (\$3.6m) in the same period of 2021. 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 LBP782.4bn in the first nine months of 2022 compared to LBP779.4bn in the same period of 2021, while its net earnings from fees & commissions stood at -LBP372.5bn in the covered period relative to LBP50.9bn in the first nine months of 2021, mainly due to fees and commission expenses of LBP478.1bn that more than offset fees and commission income of LBP105.5bn. Also, net operating income totaled LBP218.5bn in the first nine months of 2022 compared to LBP374.5bn in the same period last year. Further, the Bank's operating expenditures reached LBP372.8bn in the first nine months of 2022 relative to LBP235.9bn in the first nine months of 2021, with personnel cost accounting for 38% of the total.

Also, Byblos Bank's aggregate assets reached LBP24,935.4bn (\$16.5bn) at the end of September 2022 and regressed by 4% from LBP25,942.8bn (\$17.2bn) at end-2021. Net loans & advances to customers totaled LBP2,379.7bn (\$1.6bn) at the end of September 2022 compared to LBP2,816.6bn (\$1.9bn) at end-2021, while net loans & advances to related parties stood at LBP12.4bn (\$8.2m) relative to LBP10.8bn (\$7.2m) at end-2021. Further, customer deposits reached LBP19,154.1bn (\$12.7bn) at end-September 2022, down by LBP616bn (\$408.6m), or by 3.1%, from LBP19,770bn (\$13.1bn) at the end of 2021; while deposits from related parties amounted to LBP133bn (\$88.2m) at the end of September 2022 compared to LBP121.2bn (\$80.4m) at end-2021. As a result, aggregate deposits totaled LBP19,287bn (\$12.8bn) at end-September 2022, down by 3% from LBP19,891.2bn (\$13.2bn) at end-2021. In parallel, the Bank's equity was LBP2,418.6bn at the end of September 2022, and regressed by 9.3% from LBP2,666bn at the end of 2021.

Import activity of top five shipping firms and freight forwarders up 17% in first eight 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 149,805 20-foot equivalent units (TEUs) in the first eight months of 2022, constituting an increase of 16.6% from 128,457 TEUs in the same period of 2021. The five shipping and freight forwarding firms accounted for 85.2% of imports to the Lebanese market in the covered period. Merit Shipping handled 54,369 TEUs in the first eight months of 2022, equivalent to 24.2% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 46,812 TEUs (21%), then MAERSK with 24,018 TEUs (10.7%), Gezairi Transport with 11,411 TEUs (5.1%), and Lotus Shipping with 11,079 TEUs (4.9%). MSC registered a rise of 35% in imports in the first eight months of 2022, the highest growth rate among the covered companies, while Gezairi Transport posted a decline of 15.4%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the five companies through the port increased by 4.2% in August 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 46,766 TEUs in the first eight months of 2022, constituting a growth of 3.7% from 45,109 TEUs in the same period of 2021. The five companies accounted for 94% of exported Lebanese cargo in the covered period. Merit Shipping handled 29,025 TEUs of freight in the first eight months of the year, equivalent to 58.3% of the Lebanese cargo export market. MAERSK followed with 9,333 TEUs (18.7%), then MSC with 3,792 TEUs (7.6%), Sealine Group with 2,900 TEUs (5.8%), and Gezairi Transport with 1,716 TEUs (3.4%). MAERSK registered an increase of 43.8% in exports in the first eight months of 2022, the highest growth rate among the covered companies, while Gezairi Transport posted a decrease of 16.3%, the steepest decline among the five firms in the covered period. The export-shipping operations of the five companies grew by 29.3% in August 2022 from the previous month.

IM Ventures launches \$12m fund to support expansion of firms

The Beirut-bases venture capital firm Insure and Match Ventures (IM Ventures) announced the launch of the \$12m Scale Manufacture and Export Fund (SMEF) to provide local small and medium-size enterprises with the capital, expertise and operational support they need to grow in the market, increase their export potential, and expand internationally. IM Ventures provided an initial of \$6m in capital and raised an additional \$6m from private investors for the fund. The SMEF will mainly support local manufacturing companies in the agri-food, chemicals, and paper & textile sectors.

The SMEF constitutes IM Ventures' second high-growth fund under the U.S. Agency for International Development's (USAID) Lebanon Investment Initiative (LII). The USAID funds the five-year \$38m LII program to provide and leverage investment capital to Lebanese companies. It awarded the program to the Berytech Foundation, while IM Ventures has been implementing it. The first fund, Save our Startups, invested in 11 startups in the Lebanese information and communications technology sector. IM Ventures works in partnership with business incubators, business accelerators, business angels, venture capital and private equity funds to co-fund their investments, and provide needed technical support, to a broad spectrum of businesses ranging from seed stage to expansion phase.

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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