

# LEBANON THIS WEEK

## In This Issue

**Economic Indicators**.....1  
**Capital Markets**.....1  
**Lebanon in the News**.....2

Banque du Liban lifts banking secrecy on 36 cases suspected of money laundering in 2021

Occupancy rate at Beirut hotels at 52%, room yields up 28% in first eight months of 2022

Launch of electronic platform to support Lebanese exports

Broad money supply down 4% in first nine months of 2022, currency in circulation up 31.5%

Coincident Indicator down 16% in first five months of 2022

Opened letters of credit at \$206m for imports and \$70m for exports in first nine months of 2022

Deterioration in construction activity slows down in second quarter of 2022

Lebanon to receive \$9m for renewable energy projects

Cost of living adjustment goes into effect

## Corporate Highlights

Balance sheet of financial institutions down 5% in first nine months of 2022

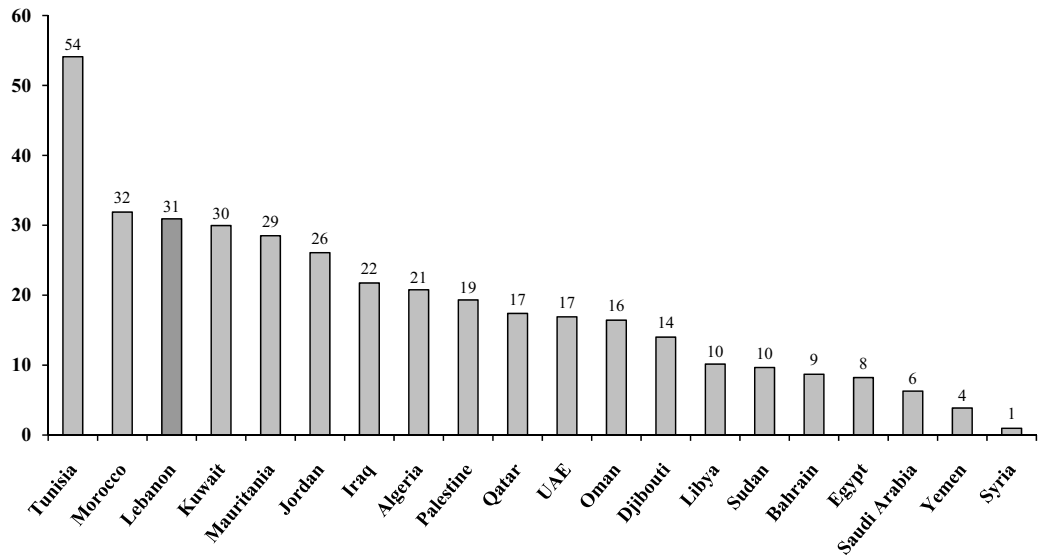
BLOM Bank posts profits of LBP6.6bn in first nine months of 2022

Lebanon's Screens International acquired by UAE company

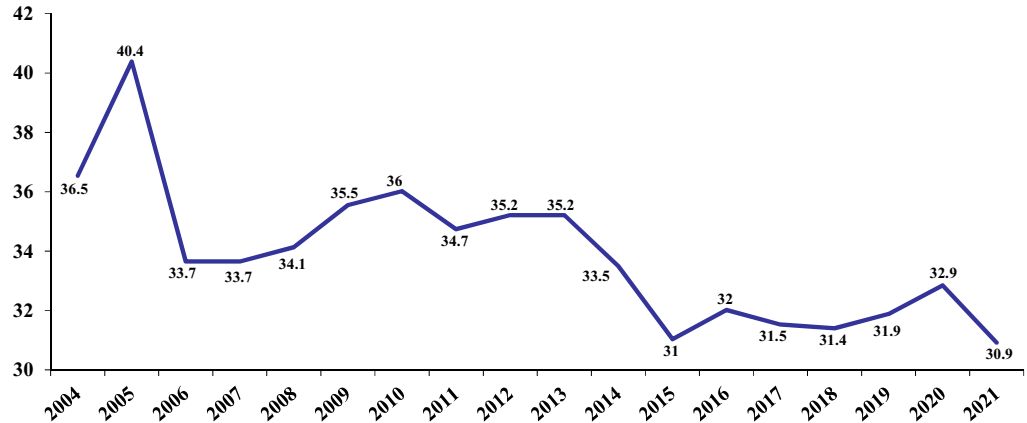
**Ratio Highlights**.....9  
**National Accounts, Prices and Exchange Rates** .....9  
**Ratings & Outlook**.....9

## Charts of the Week

Percentile Rank of Arab Countries on the Voice & Accountability Indicator for 2021 (%)



Percentile Rank of Lebanon on the Voice & Accountability Indicator (%)



Source: World Bank Governance Indicators for 2021, Byblos Bank

## Quote to Note

"Lebanon is in the midst of a deep and unprecedented economic, financial and social crisis that requires all of its institutions – the presidency, the government and the parliament – to function smoothly so that the necessary measures can be adopted to bring about the country's recovery and immediately improve the situation of the Lebanese people."

*The French Ministry for Europe and Foreign Affairs, on the need to elect a president and form a new government*

## Number of the Week

**\$11.3bn:** Cumulative amount of government Eurobonds that are in arrears as at June 2022, according to the Ministry of Finance

## Lebanon in the News

\$m (unless otherwise mentioned)	2019	2020	2021	% Change*	Dec-20	Nov-21	Dec-21
Exports	3,731	3,544	3,887	9.6%	295	391	616
Imports	19,239	11,310	13,641	20.6%	1,232	1,179	1,269
Trade Balance	(15,508)	(7,765)	(9,754)	25.6%	(937)	(788)	(653)
Balance of Payments	(5,851)	(10,551)	(1,976)	-81.3%	(348)	160	(400)
Checks Cleared in LBP	22,145	19,937	18,639	-6.5%	1,942	1,825	1,738
Checks Cleared in FC	34,826	33,881	17,779	-47.5%	2,802	949	1,079
Total Checks Cleared	56,982	53,828	36,425	-32.3%	4,744	2,773	2,818
Fiscal Deficit/Surplus**	(5,837)	(2,709)	940.5	-	(30)	-	-
Primary Balance**	(287)	(648)	2,481	-	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	100.37	5.0
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 10 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"	55.60	(1.4)	36,684	40.4%	Jan 2023	6.00	5.88	8,010.64
Byblos Common	0.57	(5.0)	26,063	2.3%	Apr 2024	6.65	5.75	340.59
Solidere "B"	55.50	0.0	11,678	26.2%	Jun 2025	6.25	5.75	148.23
Audi GDR	1.49	6.4	2,000	1.3%	Nov 2026	6.60	5.88	84.21
Audi Listed	1.65	6.5	1,000	7.1%	Mar 2027	6.85	5.88	76.91
BLOM GDR	2.76	0.0	500	1.5%	Feb 2030	6.65	5.75	43.34
HOLCIM	31.00	0.0	-	4.4%	Apr 2031	7.00	5.75	36.89
BLOM Listed	3.00	0.0	-	4.7%	May 2033	8.20	5.75	29.12
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.88	23.10
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	6.13	20.43

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

Source: Refinitiv

	Nov 7-11	Oct 31 - Nov 4	% Change	October 2022	October 2021	% Change
Total shares traded	84,417	140,476	(39.9)	2,422,324	1,964,896	23.3
Total value traded	\$2,832,761	\$3,338,504	(15.1)	\$27,576,340	\$21,414,837	28.8
Market capitalization	\$13.75bn	\$13.76bn	(0.1)	\$13.41bn	\$10.21bn	31.3

Source: Beirut Stock Exchange (BSE)



### Banque du Liban lifts banking secrecy on 36 cases suspected of money laundering in 2021

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued its annual report detailing its actions related to tracing money generated from illegal activities in Lebanon in 2021. Established by Banque du Liban as an independent legal entity, the SIC's mandate is to investigate suspected money-laundering and terrorism financing operations, as well as to monitor compliance with the rules and procedures of Law 318, the anti-money laundering law that the Lebanese Parliament enacted in April 2001 and that it modified to become Law 44 in November 2015.

The report indicated that the SIC received 404 suspected cases in 2021 compared to 463 suspected cases in 2020. It received 274 cases, or 67.8% of the total, from local sources, and 130 cases or 32.2% of the total from international sources in 2021. In turn, the SIC referred 244 suspected cases to the judicial authorities, while 38 cases are still pending and the remaining 122 cases did not fall within the framework of Law 44. Further, the authorities lifted the banking secrecy on 36 cases, with eight of those cases referred from foreign governments and organizations and 28 cases from domestic sources. The remaining 208 cases were related to information requests in 2021. In comparison, the Lebanese authorities lifted the banking secrecy on 29 cases in 2020, on 55 cases in 2019, on 30 cases in 2018, on 48 cases in 2017, and on 42 cases in 2016.

Overall, the SIC investigated 366 out of 404 suspected cases, or 90.6% of the total in 2021, relative to 83% of cases in 2020, 86.7% of cases in 2019, 85% of cases in 2018, 86% of cases in 2017, 85% of cases in 2016, 77.5% of cases in 2015, 73.6% of cases in 2014, 84.7% of cases in 2013 and 67.3% of cases in 2012.

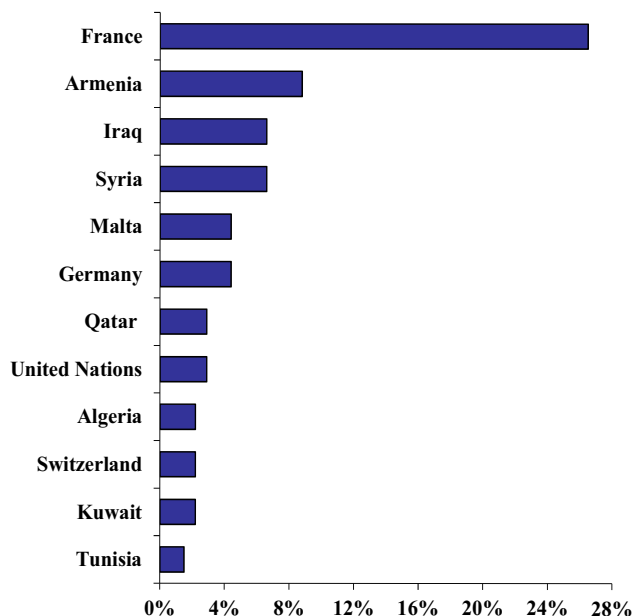
Forgery accounted for 14.2% of the cases that the SIC received in 2021, followed by fraud with 11.6%, cybercrime with 11.1%, corruption with 8.8%, tax evasion with 10%, terrorism & terrorism financing with 7.4%, narcotics trafficking with 5.4%, embezzlement of private funds with 2.6%, smuggling with 1.7%, insider trading with 1.4%, human trafficking & migrant smuggling with 0.9%, extortion with 0.6%; and counterfeiting of goods, sexual exploitation and organized crime with 0.3% each; while the remaining 23.6% of cases did not fall under a specific category.

In cases related to terrorism or terrorism financing, the SIC received 23 names (eight cases) from domestic sources and 65 names (18 cases) from foreign parties. The breakdown of local sources shows that money transfer operators supplied 12 names (seven cases), and ministries provided 11 names (one cases). The distribution of foreign sources reveals that foreign judicial authorities delivered 59 names (14 cases) and the United Nations Security Council provided six names (four cases).

Further, the SIC received 193 suspicious transactions reports, 244 requests for assistance, five cross-border cash reports, and one case that was not categorized. Further, Lebanon received 136 foreign requests for assistance, with 59.6% of the requests coming from Europe, 22% from the Middle East & the Arabian Gulf countries, 8.8% from Africa, 3.7% from Asia, 2.9% from the United Nations, 1.5% from North America and South America each.

In parallel, the SIC's Compliance Unit examined a number of institutions in order to ensure their full compliance with Law 44. It covered 26 money dealers (9% of total money dealers), 24 banks (39% of banks in Lebanon), five insurance firms (10% of total insurance companies), 4 money transfer operators (31% of MTOs), and three financial institutions (8% of total financial institutions).

Sources of Request for Assistance\*  
(from Foreign Countries and Organizations)



\*Percentage of total foreign requests

Source: Special Investigation Commission, Byblos Research

### Occupancy rate at Beirut hotels at 52%, room yields up 28% in first eight months of 2022

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 51.7% in the first eight months of 2022 relative to 44.6% in the same period of 2021, and compared to an average rate of 57.6% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fifth lowest in the region in the first eight months of 2022, while it was the seventh lowest in the same period of 2021. The occupancy rates at Beirut hotels reached 34.7% in January, 43.8% in February, 55.7% in March, 25.8% in April, 52.5% in May, 60.4% in June, 75% in July, and 64% in August 2022. In comparison, it was 29.5% in January, 17% in February, 33.7% in March, 34.6% in April, 50% in May, 54% in June, 76% in July, and 59% in August 2021. The occupancy rate at hotels in Beirut increased by 7.1 percentage points in the first eight months of 2022 from the same period of 2021. In comparison, the average occupancy rate in Arab markets grew by 13.1 percentage points in the covered period.

Also, the average rate per room at Beirut hotels was \$66.1 in the first eight months of 2022, increasing by 10.3% from \$60 in the same period of 2021 and constituting the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$160 that increased by \$30 (+23%) from \$130 in the same period of 2021. The average rate per room at Beirut hotels reached \$69 in January, \$66.7 in February, \$64.6 in March, \$72.3 in April, \$79 in May, \$75 in June, \$88 in July, and \$87.1 in August 2022. In comparison, it was \$73 in January, \$81.8 in February, \$72.5 in March, \$90.1 in April, \$103 in May, \$59 in June, \$68 in July, and \$73.3 in August 2021.

Further, revenues per available room (RevPAR) were \$34.1 at Beirut hotels in the first eight months of 2022 compared to \$26.7 in the same period last year, and were the lowest in the region. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. The RevPAR at Beirut hotels rose by 28% in the first eight months of 2022 and posted the ninth highest increase regionally in the covered period. The RevPAR at hotels in Beirut reached \$24 in January, \$29.3 in February, \$36 in March, \$18.7 in April, \$42 in May, \$45 in June, \$66 in July, and \$55.8 in August 2022. In comparison, it was \$21 in January, \$14 in February, \$24.4 in March, \$31.2 in April, \$51 in May, \$32 in June, \$51 in July, and \$43.3 in August 2021. Abu Dhabi had the highest hotel occupancy rate in the region at 74% in the first eight months of 2022, while Dubai registered the highest average rate per room at \$308.5 and the highest RevPAR at \$218.3 in the covered period.

### Launch of electronic platform to support Lebanese exports

The Ministry of Economy & Trade and the René Moawad Foundation launched on November 11, 2022 the "Lebtrade" electronic platform that aims to assist Lebanese farmers, manufacturers and exporters in various sectors, mainly in the agricultural and food sectors, in facilitating the export of their agricultural and food products to foreign markets. They indicated that producers and exporters can have access to the necessary data and information related to exports, such as identifying their competitors for each product, the international standards to be implemented, and the necessary documents that they need to prepare.

The Netherlands funded the platform, as part of the project to enhance the exports of Lebanese fruits and vegetables to European and regional markets, in collaboration with the Embassy of Canada, the United Nations Development Program, the United Nations Industrial Development Organization, as well as the U.S. Department of State's Middle East Partnership Initiative.

The most recent figures issued by Lebanese Customs show that aggregate exports from Lebanon totaled \$2.1bn in the first seven months of 2022, constituting an increase of 12.7% from \$1.86bn in the same period of 2021. Exports of prepared foodstuffs, beverages, and tobacco reached \$226.2m and accounted for 10.8% of total exports in the covered period, followed by the exports of vegetable products with \$145.2m (67%), animal or vegetable fats and oils with \$10.6m (0.5%), Mineral products with \$9.7m (0.47%), and live animals and animal products with \$6.4m (0.3%). As such, these exports accounted for 19% of total Lebanese exports in the first seven months of 2022.

### Hotel Sector Performance in First Eight Months of 2022

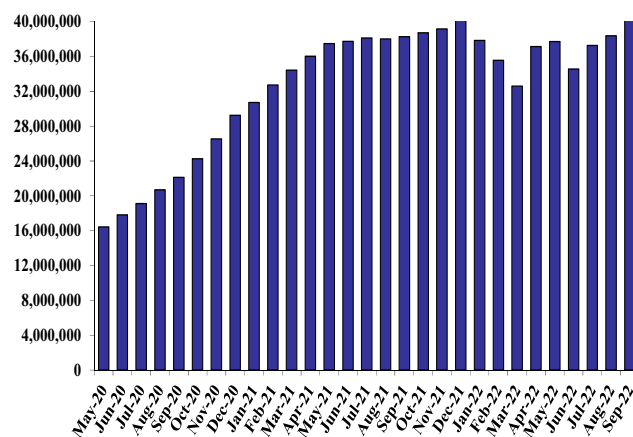
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	74	58	17.3
Dubai	71	218	66.8
Madina	71	105	170.1
Cairo-City	69	80	136.1
Makkah	61	113	229.8
Riyadh	58	97	43.9
Doha	58	65	-5.2
Jeddah	53	129	22.4
<b>Beirut</b>	<b>52</b>	<b>34</b>	<b>27.9</b>
Muscat	47	55	188.3
Amman	47	69	96.8
Manama	46	71	73.8
Kuwait City	43	101	18.1

Source: EY, Byblos Research

### Broad money supply down 4% in first nine months of 2022, currency in circulation up 31.5%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP 76,168.6bn at the end of September 2022, constituting increases of 31.5% from LBP57,937bn at end-2021 and of 42.8% from LBP53,326.6bn at end-September 2021. Currency in circulation stood at LBP 54,484.3bn at the end of September 2022, as it grew by LBP12,970bn (+31.2%) from LBP41,515bn at end-2021 and rose by 42.4% from LBP38,251bn at end-September 2021. Also, demand deposits in local currency stood at LBP 21,684.2bn at end-September 2022, representing an expansion of 32% in the first nine months of the year and a surge of 43.8% from end-September 2021. Money supply M1 jumped by 29.6% in September from LBP 58,782.7bn at end-August 2022, with currency in circulation rising by 42% and demand deposits in local currency expanding by 6.2% month-on-month. The increase in money supply largely reflects the migration of term deposits to demand deposits, as well as the shift to a cash-based economy.

Currency in Circulation (LBP Millions)



Source: Banque du Liban, Byblos Research

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, totaled LBP93,685bn at the end of September 2022, constituting an increase of 18.6% from LBP79,007bn at the end of 2021 and a rise of 24.4% from LBP 75,300bn a year earlier. Term deposits in Lebanese pounds totaled LBP17,516.3bn at the end of September 2022, as they declined by 17% from LBP21,070bn at end-2021 and by 20.3% from LBP21,973.2bn at end-September 2021. Money supply M2 increased by 22.2% in September from LBP76,680.6bn at end-August 2022, with term deposits in local currency regressing by 2.1% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP208,725.4bn at the end of September 2022, constituting increases of 3.8% from end-2021 and of 4.2% from LBP200,353.5bn at end-September 2021. Deposits in foreign currency totaled LBP114,641bn at end-September 2022, down by 5.8% from end-2021 and by 8.1% from end-September 2021. Also, debt securities issued by the banking sector amounted to LBP399.5bn at the end of September 2022 compared to LBP334bn at end-2021 and to LBP336.5bn at end-September 2021. Money supply M3 increased by 8.4% from LBP192,515.4bn at end-August 2022, with deposits in foreign currency regressed by 0.7% from LBP115,438bn at end-August 2022 and debt securities issued to residents by the banking sector growing by 0.7% month-on-month. In parallel, M3 decreased by LBP7,655.6bn from end-2021 due to a decline of LBP7,541.4bn in the claims on the private sector, a retreat of LBP8,553bn in the net claims on the public sector, and a downturn of LBP4,609.3bn in the net foreign assets of deposit-taking institutions, which was partly offset by an increase of LBP30,134.5bn in other items.

### Coincident Indicator down 16% in first five months of 2022

Banque du Liban's (BdL) Coincident Indicator, an index of economic activity in Lebanon, stood at 137.6 in May 2022 compared to 113.3 in the previous month and to 152.5 in May 2021. The Coincident Indicator, an average of eight weighted economic indicators, decreased by 9.8% in May 2022 from the same month of the previous year, reflecting the deterioration of economic and financial conditions in the country. However, the indicator increased by 21.5% from April 2022, indicating a relative improvement in economic and financial conditions in the country in the covered month.

The indicator averaged 121.9 in the first five months of 2022, constituting a decline of 16% from an average of 145.1 in the same period of 2021 and representing its third lowest level in the first five months of a year since the 95.9 mark it recorded in 1993 and the 110.9 mark it recorded in 1994. The percentage drop in the indicator is the third steepest in the first five months of a year since BdL launched the indicator in 1993. The indicator declined by 31.1% in the first five months of 2021 and by 30.6% in the same period of 2020.

Further, the indicator averaged 130.6 in the 12 months ending May 2022, compared to an average of 131.9 in the 12-month period ending April 2022 and to an average of 152.9 in the 12 months ending May 2021. As a result, the 12-month average coincident indicator regressed by 0.9% month-on-month and dropped by 14.6% year-on-year.

In parallel, the indicator declined eight times and improved 21 times in the month of May since 1993. Also, it averaged 140.3 in 2021, constituting a decline of 22.2% from an average of 180.2 in 2020 and representing its eighth lowest level since the 99.1 mark it recorded in 1993. The percentage drop in the indicator is the second steepest since BdL launched the indicator in 1993. The steepest decline was 38.4% in 2020. The indicator averaged 256.6 in 2012, 264.7 in 2013, 273.2 in 2014, 278.6 in 2015, 289.5 in 2016, 305.9 in 2017, 307.7 in 2018, and 292.6 in 2019.



### Opened letters of credit at \$206m for imports and \$70m for exports in first nine months of 2022

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled \$206.3m in the first nine months of 2022, constituting a surge of 190% from \$71.2m in the same period of 2021. Opened LCs for imports stood at \$63.7m in the first quarter, \$84.6m in the second quarter and \$58m in the third quarter of the year. Further, utilized credits for imports reached \$190.7m in the covered period, representing a rise of 257% from \$53.4m in the first nine months of 2021, and were equivalent to 92.4% of opened LCs for imports in the covered period. They totaled \$33.3m in the first quarter and \$75.8m in the second quarter, and \$81.7m in the third quarter of 2022. Also, outstanding import credits stood at \$37m at the end of September 2022 compared to \$57.4m a year earlier. In addition, the aggregate amount of inward bills for collection reached \$147m in the first nine months of 2022, down by 12% from \$167m in the same period of 2021. The outstanding amount of inward bills for collection was \$39.3m at the end of September 2022 relative to \$40m at end-September 2021.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled \$69.5m in the first nine months of 2022, constituting a decrease of 22.5% from \$89.6m in the same period of 2021. Opened LCs for exports amounted to \$28.3m in the first quarter, \$9.6m in the second quarter, and \$24m in the third quarter of 2022. Further, utilized credits for exports reached \$69m in the covered period and rose by 37.8% from \$50m in utilized credits in the first nine months of 2021. They were equivalent to 99.2% of opened LCs for exports in the covered period. Also, outstanding export credits stood at \$84.2m at the end of September 2022 compared to \$120.7m a year earlier. In addition, the aggregate amount of outward bills for collection amounted to \$127.3m in the first nine months of the year and decreased by 23.4% from \$161.6m in the first nine months of 2021. They totaled \$53m in the first quarter, \$41.3m in the second quarter and \$29.5m in the third quarter of 2022. The outstanding amount of outward bills for collection reached \$161.6m at the end of September relative to \$193m at end-September 2021.

### Deterioration in construction activity slows down in second quarter of 2022

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for general construction activity reached -53 in the second quarter of 2022, compared to -56 in the previous quarter and to -67 in the second quarter of 2021. The balance of opinions for general construction activity in the second quarter of 2022 constituted the seventh lowest quarterly level since the first quarter of 2004, after reaching -81 in the second quarter of 2020, -75 in the first and third quarters of 2020, -69 in the fourth quarter of 2020, -67 in the third quarter of 2021, -63 in the fourth quarter of 2021, and -56 in the first quarter of 2022. The results are attributed to the absence of new projects, very low investments in the sector, delays in the implementation of reforms to restore confidence, the fluctuations of the exchange rate of the US dollar on the parallel market, as well as the relative adjustment of the private sector to the ongoing crisis.

The business survey covers the opinions of managers of construction enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions for construction activity was -50 in the second quarter of 2022 compared to -53 in the preceding quarter and to -65 in the second quarter of 2021. It reached its 10th lowest quarterly level since the first quarter of 2004. The balance of opinions about construction activity was +3 in the North, -40 in the South, -60 in the Bekaa, and -91 Beirut & Mount Lebanon. Also, the balance of opinions about public works stood at -51 in the second quarter of 2022 compared to -56 in the first quarter of 2022 and -68 in the second quarter of 2021. The opinions about the level of public works reached -5 in the North, -64 in the Bekaa, -80 in the South, and -87 in Beirut & Mount Lebanon.

In addition, the balance of opinions about the portfolio of projects was -79 in the second quarter of 2022 relative to -83 in the preceding quarter and to -87 in the second quarter of 2021, and reached its ninth lowest quarterly level since the first quarter of 2004. The balance of opinions about the portfolio of projects was -61 in the North, -80 in the Bekaa, -90 in Beirut & Mount Lebanon, and -93 in the South. Further, the balance of opinions about construction costs reached +62 in the second quarter of 2022, compared to +31 in the preceding quarter and +57 in the second quarter of 2021.

In parallel, the balance of opinions about investments in the sector was 19% in the second quarter of 2022, compared to 15% in the preceding quarter and to 17% in the second quarter of 2021. The balance of opinions about investments was 2% in Beirut & Mount Lebanon, 8% in the Bekaa, 10% in the South, and 73% in the North. Also, the balance of opinions about the number of employees in the sector was -71 in the second quarter of 2022 compared to -70 in the preceding quarter and to -79 in the second quarter of 2021, and reached its ninth lowest quarterly level since the first quarter of 2004. The balance of opinions about the number of employees was -63 in Beirut & Mount Lebanon, -71 in the North, -74 in the Bekaa, and -93 in the South.

<b>Construction and Public Work Activity: Evolution of Opinions</b>				
<b>Aggregate results</b>	<b>Q2-19</b>	<b>Q2-20</b>	<b>Q2-21</b>	<b>Q2-22</b>
General activity	-48	-81	-67	-53
Construction	-50	-78	-65	-50
Public works	-36	-76	-68	-51
Portfolio of projects	-49	-96	-87	-79
Construction costs	-5	56	57	62
Investments (% of yes)	19%	4%	17%	19%

Source: Banque du Liban Business Survey for Second Quarter of 2022

### **Lebanon to receive \$9m for renewable energy projects**

The United Nations Human Settlements Program (UN-Habitat) and the Republic of Korea announced on November 7, 2022 a \$500,000 project to supply and install renewable energy solutions for public facilities in the city of Zahlé. The two sides said that the project will facilitate access to social and basic services for the residents of Zahlé through the implementation of renewable energy measures and the installation of photovoltaic panels on the roofs of the Tel Chiha Hospital and the Water Pumping Station that the Beqaa Water Establishment runs, two public facilities in the Zahlé area, in order to generate constant and reliable power supply as well as water supply. The project will also enable the installation of renewable energy lighting fixtures on the streets of Zahlé to enhance public safety. The project is in line with the Lebanon Emergency Response Plan, a multi-sectoral response plan that aims to address the needs of the most vulnerable individuals that have been affected by the current economic and financial crisis.

In parallel, the United States Agency for International Development (USAID) announced on November 9, 2022 that it will grant \$8.5m to Lebanon to fund 22 new solar-powered water pumping plants. It said that these plants, which will be completed in the next two years, will serve more than 150 towns and villages and benefit nearly 500,000 Lebanese citizens and displaced persons by providing them reliable access to water and reducing the operating costs of households and their dependence on fuel. The USAID said that it will retain local firms for the design of the projects and the construction of the new sites. It added that it supported so far 41 solar energy projects for the benefit of 460,000 residents in 70 Lebanese towns and villages.

### **Cost of living adjustment goes into effect**

Government Decree no.10598, which raised the minimum wage in Lebanon, went into effect after its publication in the Official Gazette on October 20, 2022. The decree stipulates the increase in the minimum monthly salary from LBP2m to LBP2.6m and raises the wage of daily workers by LBP28,000 per day. This constitutes the second cost of living adjustment, as the government raised the minimum salary by LBP1.325m as per Decree No. 9129 of May 5, 2022, and raised it again by LBP600,000 with the more recent decree. It said that the raise applies to all workers at public institutions, as well as to all private sector companies and workers who are subject to the labor law. It also raised the transportation allowance from LBP65,000 to LBP95,000 per day. It added that the increase is subject to the employer and employee's contributions to the National Social Security Fund (NSSF).

In parallel, the NSSF issued on October 25, 2022 Memo no.694 related to the application of Decree no. 10958. The NSSF indicated that it has raised the ceiling for the calculation of the Sickness & Maternity and the Family Allowances contributions by LBP600,000 each. As such, it raised the ceiling for the Sickness & Maternity contribution from LBP5m to LBP5.6m, and the ceiling for the Family allowances contributions from LBP2.825m to LBP3.425m. It noted that the contributions of the employer and the employee remain unchanged at 8% and 3%, respectively for the Sickness & Maternity segment, and at 6% for the employer's share for the Family allowance. The cost of living adjustment is applicable retroactively from the start of October 2022.

Also, the decree stipulates that the wage increase will replace any social assistance that workers and employees may be receiving, unless the social assistance exceeds the cost of living adjustment. It added that, in this case, they will receive the difference between the social assistance and the new adjustment, and that the difference will not be considered part of their wage.

The government attributed the cost of living adjustment to the deterioration of the exchange rate of the Lebanese pound and to the increase in the prices of goods and services, which have reduced the purchasing power of workers and households in the country. In 2012, the government raised the minimum wage from LBP500,000 to LBP 675,000.

### **Balance sheet of financial institutions down 5% in first nine months of 2022**

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP1,634.6bn, or \$1.08bn, at the end of September 2022, constituting decreases of 5% from LBP1,721.8bn (\$1.14bn) at the end of 2021 and of 3.3% from LBP1,690.7bn (\$1.12bn) at the end of September 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers amounted to LBP764.3bn (\$507m) at the end of September 2022, and increased by 8% in the first nine months of 2022 and by 9% from the end of September 2021; while claims on non-resident customers stood at LBP16.3bn (\$10.8m) at end-September 2022, constituting a decline of 23% from the end of 2021 and an increase of 7.8% from a year earlier. In addition, claims on the resident financial sector reached LBP404.7bn (\$268.4m) at end-September 2022, down by 11% in the first nine months of the year and by 9% from end-September 2021; while claims on the non-resident financial sector totaled LBP47.7bn (\$31.6m) at the end of September 2022 and grew by 2% in the first nine months of the year and by 8% from a year earlier. Also, claims on the public sector stood at LBP12.8bn (\$8.5m) at end-September 2022, constituting decreases of 0.3% in the first nine months of the year and of 0.6% from the end of September 2021; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP92.1bn (\$61m) at end-September 2022 and dipped by 11% in the first nine months of the year and by 20.3% from a year earlier. In parallel, currency and deposits with local and foreign central banks reached LBP115.5bn (\$76.6m) at the end of September 2022 and surged by 31% from a year earlier.

On the liabilities side, deposits of resident customers stood at LBP213.2bn (\$141.4m) at the end of September 2022, constituting decreases of 28.7% in the first nine months of the year and of 20.2% from the end of September 2021; while deposits of non-resident customers reached LBP8.2bn (\$5.4m) at the end of September 2022 and dropped by 36.2% from end-2021 and by 33.7% from a year earlier. Liabilities to the resident financial sector amounted to LBP188.3bn (\$125m) at end-September 2022 and grew by 6.4% in the first nine months of the year and increased by 21.5% from end-September 2021; while liabilities to the non-resident financial sector contracted by 11.3% from end-2021 to LBP85.1bn (\$56.4m). Also, public sector deposits decreased by 22.8% in the first nine months of 2022 to LBP6.6bn (\$4.4m), while issued debt securities totaled LBP114bn (\$75.6m) at end-September 2022 and dipped by 8.8% from end-2021 and by 8.7% from the end of September 2021. Further, the aggregate capital account of financial institutions was LBP632bn (\$419.3m) at the end of September 2022, and decreased by 6.3% in the first nine months of the year and by 8% from the end of September 2021.

### **BLOM Bank posts profits of LBP6.6bn in first nine months of 2022**

BLOM Bank sal, one of Lebanon's listed banks on the Beirut Stock Exchange, declared unaudited net profits of LBP6.6bn, or \$4.4m in the first nine months of 2022, compared to earnings of LBP4.5bn (\$3m) 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 LBP1,677.6bn (\$1.1bn) in the first nine months of 2022 relative to LBP1,678.8bn (\$1.1m) in the same period of 2021, while its net earnings from fees & commission stood at -LBP101.2bn (-\$67.2m) compared to LBP59.7bn (\$39.6m) in the first nine months of 2021, mainly due to fees and commission expenses of LBP313bn (\$207.7m) that outweighed receipts from fees and commission of LBP211.8bn (\$140.5m). Also, the bank's net operating income totaled LBP703.1bn (\$466.4m) in the first nine months of 2022 and increased by 50.7% from LBP319.6bn (\$212m) in the same period of last year. In parallel, the bank's operating expenditures reached LBP630bn (\$418m) in the covered period and rose by 50.7% from LBP333.6bn (\$221.3m) in the first nine months of 2021, with personnel cost accounting for 50% of the total in the first nine months of 2022.

Also, the bank's aggregate assets amounted to LBP38,050.3bn (\$25.2bn) at the end of September 2022, constituting a decline of 4.6% from LBP39,901.5bn (\$26.5bn) at end-2021. Further, net loans & advances to customers totaled LBP2,969.7bn (\$1.97bn) at end-September 2022 and regressed by 12% from LBP3,370.5bn (\$2.2bn) at end-2021, while net loans & advances to related parties stood at LBP6.4bn (\$4.2m). In addition, customer deposits reached LBP29,296.6bn (\$19.4bn) at end-September 2022 relative to LBP30,587bn (\$20.3bn) at end-2021, with deposits from related parties standing at LBP90.4bn (\$60m). In parallel, the bank's shareholders' equity was LBP4,709.4bn (\$3.1bn) at end-September 2022, down by 1.8% from LBP4,796.6bn (\$3.2bn) at end-2021. The bank indicated that it is required to comply with all the circulars that Banque du Liban (BdL) issues, as stipulated in the Code of Money & Credit. As such, it noted that it calculated the expected credit losses in accordance with specific ratios listed in BdL's Basic Circular 44 dated March 25, 1998 about the capital adequacy regulatory framework for banks operating in Lebanon, and according to Circular 543 dated February 3, 2020. It pointed out that the deterioration of economic and monetary conditions in the country, as well the lack of an agreement on an economic and financial recovery plan at the time, make it difficult to estimate the negative impact of the crisis on financial statements according to the International Accounting Standards.



### **Lebanon's Screens International acquired by UAE company**

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The UAE-based company Tarjama, a language technology and services provider, announced the acquisition of the Lebanese firm Screens International, a subtitling, dubbing, and localization company, in order to enter new markets and expand its offering to include vital media services.

Established in Beirut in 1991, Screens International is a localization services provider that offers subtitling, dubbing, translation, voice-over, media processing, and content distribution. The firm has been a major player in the development of the localization industry in the Middle East and led the way in setting up the language adaptation guidelines that media companies still utilize today. Also, the company is a leader in live and semi-live localizations, and provides subtitled material in more than 60 languages to its clients and partners worldwide, mainly for top broadcasters, film distributors, disc authoring producers, and video on demand platforms. The firm said it has 4,920 clients, completed 3.55 million projects, and has a pool of 525 translators. Its clients include NBCUniversal, Warners Bros., HBO, SONY Pictures, the BBC, Samsung, Apple, National Geographic, the History Channel, Showtime, and Abu Dhabi Media, among others. It has offices in Beirut, Paris and Montréal.

Founded in 2008 in the UAE, Tarjama is a translation and linguistic services company, with several branch offices around the Middle East. It indicated that the acquisition of Screens International will help it develop its suite of language with the growing need for Arabic content, as well as improve its artificial intelligence products.



## 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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