

LEBANON THIS WEEK

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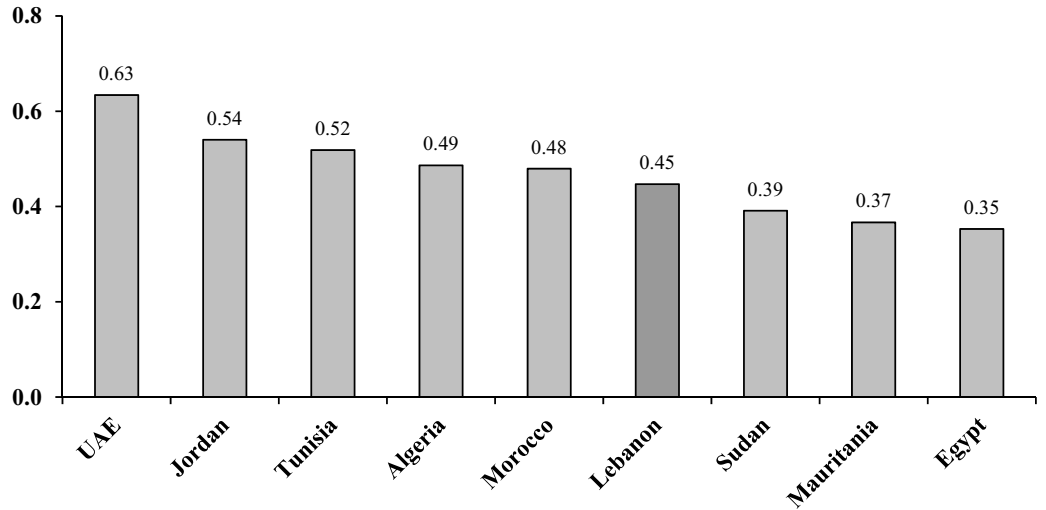
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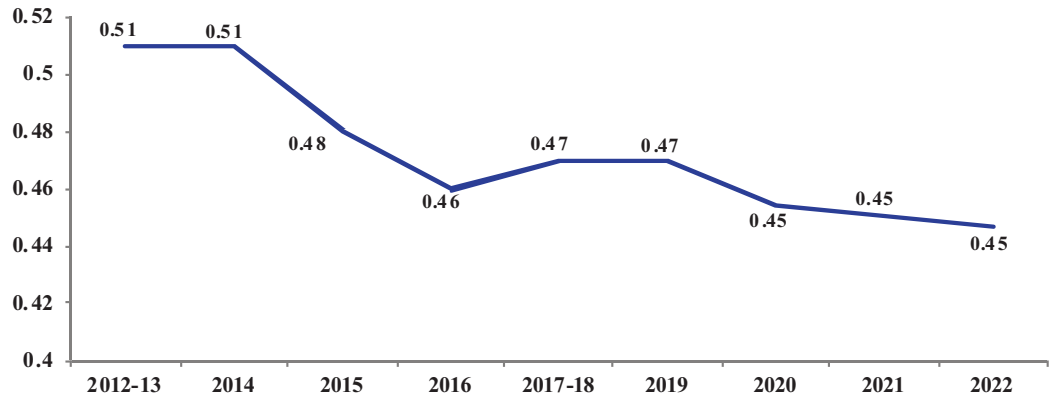
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Charts of the Week

Performance of Arab Countries on the Rule of Law Index for 2022



Performance of Lebanon on the Rule of Law Index for 2022



Source: World Justice Project's 2022 Rule of Law Index, Byblos Bank

Quote to Note

"More needs to be done internally in Lebanon to address a multitude of accumulating political and socio-economic crises."

Ms. Joanna Wronecka, the United Nations Special Coordinator for Lebanon, on the urgent need for Lebanon to elect a new President and to form a fully functional government

Number of the Week

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

Lebanon in the News

\$m (unless otherwise mentioned)	2019	2020	2021	% Change*	Dec-20	Nov-21	Dec-21
Exports	3,731	3,544	3,887	9.6%	295	391	616
Imports	19,239	11,310	13,641	20.6%	1,232	1,179	1,269
Trade Balance	(15,508)	(7,765)	(9,754)	25.6%	(937)	(788)	(653)
Balance of Payments	(5,851)	(10,551)	(1,976)	-81.3%	(348)	160	(400)
Checks Cleared in LBP	22,145	19,937	18,639	-6.5%	1,942	1,825	1,738
Checks Cleared in FC	34,826	33,881	17,779	-47.5%	2,802	949	1,079
Total Checks Cleared	56,982	53,828	36,425	-32.3%	4,744	2,773	2,818
Fiscal Deficit/Surplus**	(5,837)	(2,709)	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 "B"	54.25	(0.9)	206,562	26.4%	Jan 2023	6.00	5.75	11,570.33
Solidere "A"	53.95	(4.0)	206,184	40.4%	Apr 2024	6.65	5.75	363.83
Audi GDR	1.44	(3.4)	161,000	1.3%	Jun 2025	6.25	5.75	152.74
BLOM GDR	2.60	(7.1)	13,760	1.4%	Nov 2026	6.60	5.75	86.45
Audi Listed	1.42	0.7	1,000	6.3%	Mar 2027	6.85	5.75	78.84
HOLCIM	31.00	(3.1)	916	4.5%	Feb 2030	6.65	5.75	43.72
Byblos Common	0.60	0.0	-	2.5%	Apr 2031	7.00	5.75	37.17
BLOM Listed	2.90	0.0	-	4.7%	May 2033	8.20	5.75	29.29
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.75	23.40
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	5.75	21.01

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

Source: Refinitiv

	Nov 28 - Dec 2	Nov 21-25	% Change	November 2022	November 2021	% Change
Total shares traded	589,422	2,080,529	(71.7)	2,846,751	978,219	191
Total value traded	\$22,608,028	\$57,879,645	(60.9)	\$70,830,164	\$15,321,865	362.3
Market capitalization	\$13.36bn	\$13.65bn	(2.1)	\$13.35bn	\$10.35bn	29.0

Source: Beirut Stock Exchange (BSE)



Expatriates' remittances to Lebanon up 7% to \$6.8bn in 2022

The World Bank estimated the inflows of expatriates' remittances to Lebanon at \$6.84bn in 2022, constituting an increase of 7% from \$6.4bn in 2021, following a decline of 3.6% in 2021. Further, it revised its estimate for remittance inflows to Lebanon to \$6.4bn in 2021 from a previous forecast of \$6.61bn. In comparison, remittance inflows to developing countries grew by 5% and inflows to Arab countries increased by 1.8% in 2022. It attributed its estimates for the flow of remittances to developing economies to the rising support of expatriates to their families, due in part to the decline in real wages and the need for additional funding in home countries. Also, it considered that the gradual reopening of various sectors in host-country economies, and the fluctuation of certain exchange rates that affected remittance flows, constituted supporting factors for the increase in remittance inflows to developing economies in 2022.

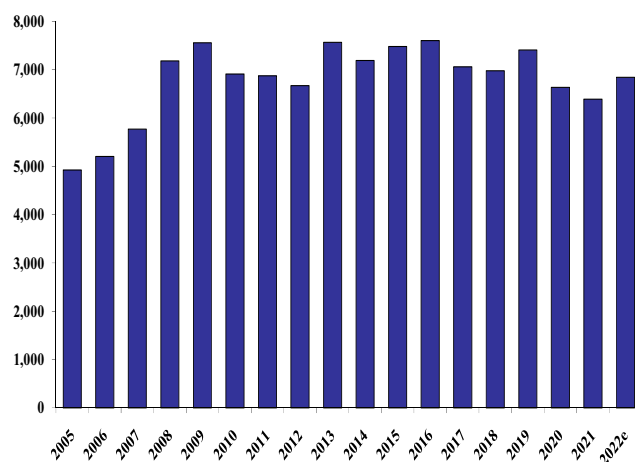
Lebanon was the 31st largest recipient of remittances in the world and the 21st largest among developing economies in 2022. Lebanon received more remittances than Russia (\$6bn), Serbia (\$5.4bn) and Brazil (\$5.1bn), and less remittances than Nepal (\$8.5bn), Honduras (\$8.3bn), and El Salvador (\$7.6bn) among developing economies. Also, Lebanon was the third largest recipient of remittances among 15 Arab countries behind Egypt (\$32.3bn) and Morocco (\$11.4bn).

Remittance inflows to Lebanon accounted for 0.9% of the global flow of remittances in 2022 relative to 1.1% in 2021. They also represented 1.1% of aggregate remittances to developing economies in 2022 and in 2021, while they accounted for 10.5% of remittance inflows to Arab countries this year compared to 9.9% in 2021.

Further, according to the World Bank, expatriates' remittances to Lebanon were equivalent to 37.8% of GDP in 2022, which constitutes the second highest such ratio in the world. However, when using the Institute of International Finance's estimate of nominal GDP of \$22.1bn for 2022, expatriates remittances to Lebanon would be equivalent to 31% of GDP, the fifth highest ratio globally behind Tonga (50% of GDP), Samoa (33.7% of GDP), Tajikistan (32% of GDP), and Kyrgyzstan (31.3% of GDP).

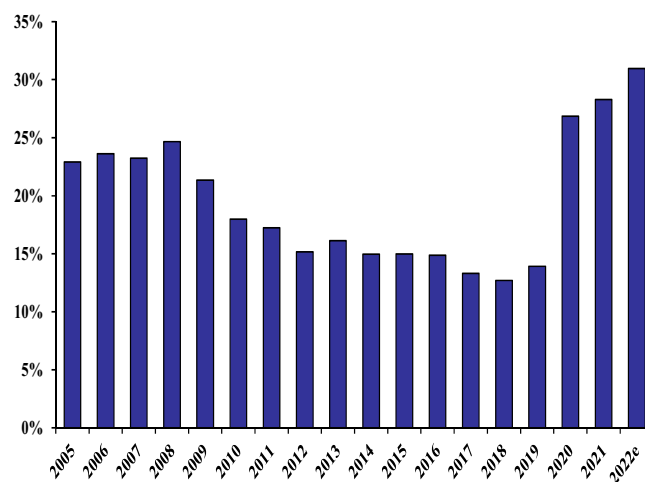
Expatriates' remittances to Lebanon were equivalent to 14% of GDP in 2019, 27% of GDP in 2020, and 28.3% of GDP in 2021. The World Bank estimated remittance inflows to Arab countries, excluding Syria, at \$65.5bn in 2022, up from \$64.3bn in 2021, and equivalent to about 1.9% of the region's GDP this year.

Remittance Inflows to Lebanon (US\$m)



Source: Banque du Liban, World Bank, Byblos Research

Remittance Inflows to Lebanon* (% of GDP)



*the ratios for 2021 and 2022 are based on the IIF nominal GDP
Source: Banque du Liban, World Bank, National Accounts, IIF, Byblos Research

Budget for 2022 projects deficit at 27% of expenditures

The budget for 2022 that the Lebanese Parliament enacted on September 26, 2022 shows total public expenditures at LBP40,873bn and public revenues at LBP29,985bn, leading to a fiscal deficit of LBP10,887bn. As such, the fiscal deficit would be equivalent to 26.6% of expenditures in 2022. The budget, which was published in the Official Gazette on November 15 of this year, does not include a breakdown of public spending.

The budget forecasts budgetary revenues of LBP29,985bn and Treasury receipts of LBP1,502bn, which account for 96.3% and 3.7% of fiscal revenues, respectively. The breakdown of budgetary receipts shows tax revenues at LBP19,543bn and non-tax receipts at LBP10,441bn, which represent 65.2% and 34.8%, respectively of budgetary revenues. The budget estimates that revenues from the value-added tax would generate 42% of total tax receipts; followed by the tax on income, profits & capital gains (38.3%); receipts from custom duties (8.2%), and income from property taxes (7.5%), while other taxes would yield the remaining 4% of total tax receipts. Further, income from government properties & public institutions account for 74% of non-tax receipts, followed by receipts from administrative fees & charges (22.5%), while other non-tax receipts represent the balance of 3.4%, with net transfers from the telecommunications sector accounting for 58% of income from government properties and for 43% of non-tax receipts.

In comparison, budgetary revenues totaled LBP18,801bn and Treasury receipts LBP1,461bn in 2021, and accounted for 92.8% and 7.2% of fiscal revenues, respectively. The breakdown of budgetary receipts shows tax revenues at LBP15,237bn and non-tax receipts at LBP3,565bn, which represented 81% and 19%, respectively of budgetary revenues for 2021. The figures indicate that revenues from the value-added tax generated 42.5% of total tax receipts; followed by the tax on income, profits & capital gains (37.7%); income from property taxes (13.2%); and receipts from custom duties (3.2%), while other taxes yielded the remaining 3.5%. Further, income from government properties & public institutions totaled LBP2,359bn and accounted for 66.2% of non-tax receipts, followed by receipts from administrative fees & charges LBP779.3bn (21.8%), while other non-tax receipts represented the balance of 12% last year.

In parallel, the Ministry of Finance indicated that public expenditures declined from an annual average of 31% of GDP in the 2018-2019 period to 12% of GDP in 2021, and that public revenues decreased from an annual average of 22% of GDP prior to the crisis to 10% of GDP in 2021. It added that primary spending regressed from 20% of GDP prior to the crisis to 9% of GDP in 2021, with investment spending dropping to 0.1% of GDP last year, due mainly to public contracts being priced at the official exchange rate of the Lebanese pound to the US dollar, which discouraged contractors to take on new projects.

Presidential vacuum complicating implementation of IMF prior actions

Citi Research indicated that the Lebanese authorities have yet to implement most of the prior actions that they committed to carry out as part of their agreement with the International Monetary Fund (IMF), in order for the latter to approve a \$3bn four-year Extended Fund Facility (EFF). It noted that Lebanon does not currently have a president and is functioning through a caretaker government, which further complicates the implementation of the prior actions. As such, it did not expect a deal with the IMF to materialize in the near term, and for the government to remain in default on its Eurobonds. It noted that the Lebanese authorities signed on April 7, 2022 a Staff-Level Agreement with the IMF on a \$3bn four-year EFF. It added that the prior conditions for the approval of the EFF consist of the adoption of a plan for the restructuring the banking sector, the enactment of an emergency bank resolution legislation, the amendment of the banking secrecy law, the enactment of the 2022 budget, the approval of a medium-term fiscal and debt restructuring strategy, an audit of Banque du Liban's (BdL) foreign assets position, as well as the unification of the exchange rates.

Further, it considered that the Lebanese economy is gradually converging towards a "sustainable" equilibrium on the exchange rate of the Lebanese pound to the US dollar. It said that BdL has lifted subsidies on practically all imports that it has been subsidizing since 2020. It claimed that the official exchange rate of LBP1,507.5 per US dollar has no longer any real function, and added that authorities are now adopting an exchange rate of LBP15,000 per dollar to calculate customs revenues. Also, it said that BdL announced that the modification of the official exchange rate to LBP15,000 per dollar that was originally planned for November 2022 will now come into effect in February 2023. However, it pointed out that the exchange rate of the pound to the US dollar on BdL's Sayrafa electronic exchange platform is at about LBP30,000 per dollar, while the exchange rate in the parallel market is at about LBP40,000 per US dollar. As such, it considered that the new official exchange rate of LBP15,000 per dollar will in practice serve mainly as the discount rate that banks will adopt for customers to withdraw their foreign currency deposits. Therefore, it expected that Lebanon's external accounts could become sustainable "at a very low-level equilibrium" that is closer to the exchange rate of the pound on BdL's Sayrafa platform or on the parallel market in the near to medium terms.

In parallel, it considered that some Lebanese decision makers have lost interest in the adoption of an IMF-supported program. It said that the latter aims to support the credibility of the exchange rate by boosting foreign currency reserves and ensuring the sustainability of the current account balance. However, it anticipated that, under an IMF-supported program, a unified exchange rate would be closer to the exchange rate on BdL's Sayrafa platform or to the exchange rate on the parallel market, given that the inflation rate is already embedded in prices and wages, which would make a stronger exchange rate unsustainable. Further, it indicated that BdL's gross foreign currency reserves, including gold reserves, are relatively large compared to the size of the economy. It claimed that the absence of an IMF-supported program will allow Lebanese policy-makers to resolve issues, like the restructuring of the banking sector, more along their preferences.



Banque du Liban's foreign assets at \$15.2bn, gold reserves at \$16.2bn at end-November 2022

Banque du Liban's (BdL) interim balance sheet reached \$187.6bn at the end of November 2022, constituting increases of 14.9% from \$163.2bn at end-2021 and of 15.1% from \$162.9bn a year earlier. Assets in foreign currency totaled \$15.2bn at end-November 2022, representing a decrease of \$2.64bn, or of 14.8%, in the first 11 months of 2022 and a drop of \$3.04bn (-16.7%) from \$18.2bn at the end of November 2021. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$10.16bn at the end of November 2022, constituting decreases of \$87.8m (-0.9%) from mid-November 2022, and of \$90.7m (-0.9%) from \$10.25bn at end-October 2022. They dropped by \$2.64bn (-20.6%) in the first 11 months of the year from \$12.8bn at the end of 2021 and by \$3.04bn (-23%) from \$13.2bn at end-November 2021. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a large number of food and non-food items, and raw materials for agriculture and industry, as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020. However, the decline in BdL's assets foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

In parallel, the value of BdL's gold reserves stood at \$16.23bn at the end of November 2022, constituting a decrease of \$367.1m (-2.2%) in the first 11 months of the year and a decline of \$339.6m (-2%) from \$16.6bn at end-November 2021. The value of gold reserves reached a peak of \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled \$40.5bn at end-November 2022, decreasing by \$762.9m (-1.8%) in the first 11 months of the year and decreasing by \$664m (-1.6%) from \$41.2bn a year earlier. In addition, loans to the local financial sector totaled LBP18,167.5bn (\$12bn) at end-November 2022, as they regressed by 12% from the end of 2021 and by 12.4% from a year earlier. Further, the deposits of the financial sector stood at \$105.8bn at end-November 2022 and decreased by \$240.6m from a year earlier. In addition, public sector deposits at BdL stood at LBP19,291.6bn (\$12.8bn) at end-November 2022, as they rose by LBP7,600bn (\$5.04bn) in the first 11 months of the year and surged by LBP7,399bn (\$4.9bn) from end-November 2021.

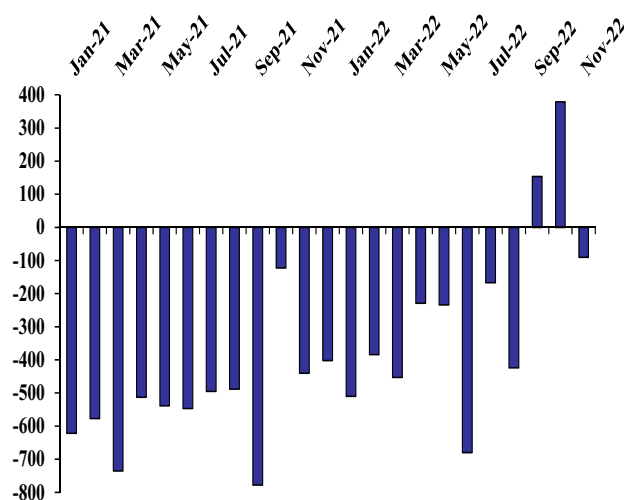
Banque du Liban extends implementation of Circular 161 for one additional month

Banque du Liban (BdL) issued Intermediate Circular 652/13505 dated November 28, 2022 addressed to banks, which extends until December 31, 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 eleventh 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, the end of November, and the end of December 2022, with the possibility of extending the circular further.

Change in Gross Foreign Currency Reserves (US\$m)



Source: Banque du Liban, Byblos Research

Number of airport passengers up 50% in first 11 months of 2022

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 5.8 million passengers utilized the airport (arrivals, departures and transit) in the first 11 months of 2022, constituting a surge of 49.7% from 3.88 million passengers in the same period of 2021, and relative to 2.2 million passengers in the first 11 months of 2020 and to 8.14 million passengers in the same period of 2019. The increase in the number of airport passengers in the first 11 months of the year is due to low base effects from the imposition of strict lockdown measures in the country in the early part of 2021 to contain the spread of the coronavirus, the subsequent resumption of normal activity and the lifting of lockdown measures in 2022, to the rolling back of most travel restrictions around the world this year, and to the influx of a large number of Lebanese expatriates during the summer season. The number of arriving passengers reached 2.8 million passengers in the first 11 months of the year and jumped by 54% from 1.83 million passengers in the same period of 2021, compared to 1.02 million travelers in the first 11 months of 2020. Also, the number of departing passengers totaled 2.96 million in the first 11 months of 2022 and increased by 48.5% from 1.99 million travelers in the same period of last year, relative to 1.15 million passengers in the first 11 months of 2020.

In parallel, the airport's aircraft activity totaled 47,890 take-offs and landings in the first 11 months of 2022, representing a rise of 34% from 35,761 takeoffs and landings in the same period of last year. In comparison, aircraft activity increased by 47.3% in the first 11 months of 2021 and dropped by 64% in the same period of 2020.

In addition, the HIA processed 54,659 metric tons of freight in the first 11 months of 2022 that consisted of 27,017 tons of import freight and 27,641 tons of export freight. Middle East Airlines had 17,979 flights in the covered period and accounted for 37.5% of HIA's total aircraft activity.

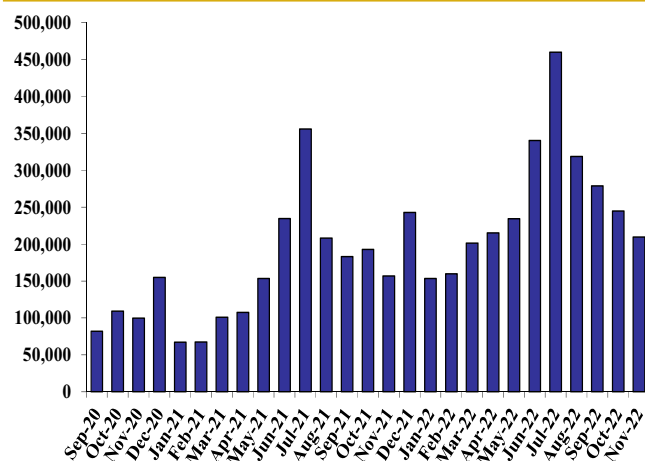
Net foreign assets of financial sector down \$2.9bn in first 10 months of 2022

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$2.86bn in the first 10 months of 2022, compared to decreases of \$1.7bn in the same period of 2021 and of \$9.9bn in the first 10 months of 2020.

The cumulative deficit in the first 10 months of 2022 was caused by a drop of \$2.9bn in the net foreign assets of BdL, which was partly offset by a growth of \$84.5m in those of banks and financial institutions. Further, the net foreign assets of the financial sector rose by \$192.8m in October 2022 compared to a growth of \$48.5m in September 2022 and to a decline of \$154.4m in October 2021. The October increase was caused by a rise of \$377.6m in the net foreign assets of BdL, which was partly offset by a decrease of \$184.9m in those of banks and financial institutions.

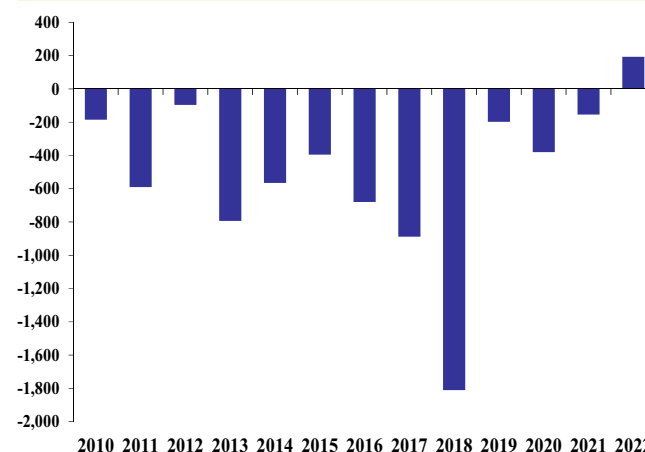
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the drop in BdL's net foreign assets was due in part to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, and raw materials for agriculture and industry; as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Change in Net Foreign Assets of Financial Sector* (US\$m)



*in October of each year

Source: Banque du Liban, Byblos Research

Lebanon receives 11% of IMF regional technical assistance in FY2021/22

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Lebanon received 10.8%, or nearly 0.6 full-time equivalent resources of the center's overall allocation of technical assistance delivery to member countries during the fiscal year that ended in April 2022. Lebanon received, along with Jordan, the second highest share of technical assistance in FY2021/22 among METAC's 14 member countries, behind Egypt and Iraq that each received 0.7 full-time equivalent resources or 13.3% each. Lebanon received 4.5% of the center's technical assistance to member countries during the first quarter of FY2021/22, or between May and July 2021, 5.9% of the total in the third quarter or during the November 2021-January 2022 period, and 10.3% of such assistance during the fourth quarter, or between February and April 2022, while it did not receive any technical assistance in the second quarter of FY2021/22. METAC provided five technical assistance projects in public financial management to Lebanon, three projects in revenue administration, and one project in real sector statistics in FY2021/22. It indicated that there were eight technical assistance projects planned for Lebanon in FY2021/22, the fourth highest number of such projects among member countries.

In terms of public financial management, METAC co-organized in the first quarter of FY2021/22, with the Institut des Finances Basil Fuleihan, a webinar on assessing and managing fiscal risks from public-private partnerships (PPP). It indicated that the workshop aimed to develop the capacity of stakeholders to analyze and report PPP risks.

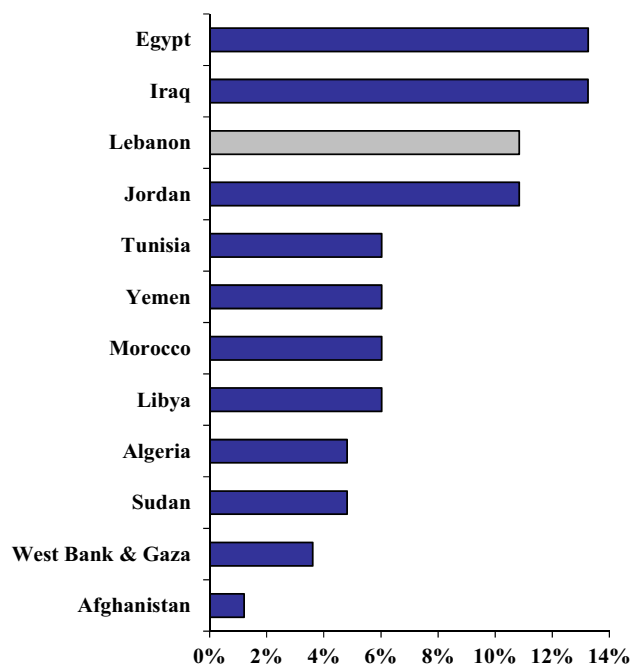
Further, it assisted Lebanese authorities in improving the management of public finances by developing the Treasury Single Account and cash management practices. It said that it drafted with the Ministry of Finance (MoF) a simplified roadmap with immediate, medium- and long-term measures in order to address the current crisis. Also, it said that the mission provided a capacity development workshop to work on a new reporting template for cash execution and forecasting for the senior management of the Finance Ministry. Also, METAC delivered with the Institut des Finances Basil Fuleihan a three-day virtual workshop that allowed a peer exchange on the budget between the MoF and line ministries to further strengthen macro fiscal planning and to establish multi-year ceilings for different sectors and ministries. It said that increasing budget coverage and the introduction of consistent baseline estimates and forward costing would enhance planning for the budget and improve the use of public resources. Also, it organized the training in order to build the capacity of authorities to use the Health Check Tool for state-owned enterprises (SOEs), as well as the capacity of the reporting and transparency of SOEs. In addition, the mission indicated that it delivered a second workshop with personnel from the International Monetary Fund (IMF) and designed a strategy to tackle expenditure arrears at the central government level. It noted that the mission took stock of the current situation on arrears, provided a tentative definition of expenditure arrears, and advised authorities on how to quantify and monitor the stock of these arrears.

In terms of revenue administration, METAC indicated that the IMF's fiscal department proposed a plan to improve the mobilization of public revenues. It said that a plan to re-activate tax collection will start with businesses that are less affected by the economic crisis, as well as with the largest tax debtors, followed by an extensive offer to settle the accumulated tax arrears through instalments. Further, it provided a remote capacity development activity to assess the tax IT system of the Lebanese Tax Administration. It said that the IT function of the General Directorate of Finance lacks adequate financing and is in critical condition, and proposed recommendations for the immediate support of the IT function to avoid a breakdown of the IT systems. It provided medium- and long-term recommendations to modernize the IT system to align it with international good practices. Also, it delivered technical assistance for customs, based on the November 2021 IMF report on "Short-and-Medium-Term Actions for Stabilizing Revenue Administration", which helped the Lebanese Customs Administration identify the organizational units that will be responsible for the implementation of selected measures.

In terms of real sector statistics, the center assisted the Central Administration for Statistics in addressing issues related to the compilation of the Consumer Price Index amid the prevailing economic crisis. It provided guidance on using alternative data sources to collect prices and on business continuity planning to mitigate the effect of reduced resources.

The IMF established METAC in Beirut in October 2004 to serve Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia, and Yemen. The center's mandate is to assist in capacity-building, facilitate the reform process in member countries, and support the region's integration in the world economy.

Allocation by Country of Full-Time Equivalent Resources in Fiscal Year 2021/22



Source: International Monetary Fund, Byblos Research

Lebanon has 44th lowest retail gasoline prices and 43rd lowest diesel prices in the world

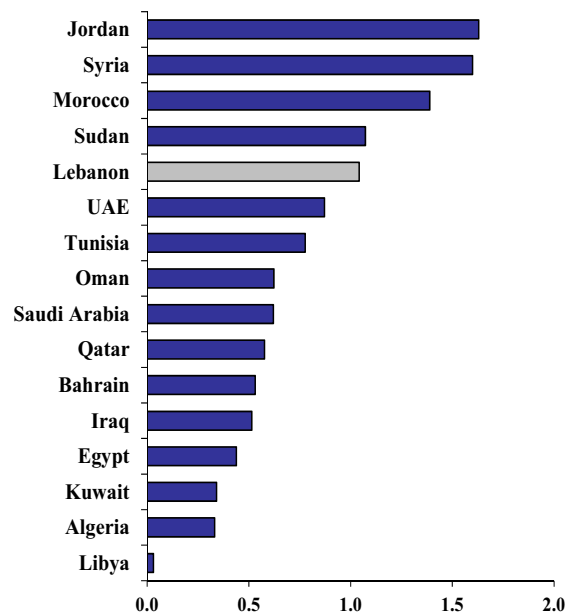
Figures issued by database GlobalPetrolPrices show that the retail price of gasoline in Lebanon was the 44th lowest among 168 countries globally, but was the fifth highest among 16 Arab countries included in the survey. It said that the retail price of Octane 95 gasoline in Lebanon was \$1.042 per liter (p/l) on November 28, 2022, and that the average price of gasoline for Lebanon between August 22, 2022 and November 28, 2022, was LBP34,896.7 per liter and ranged between LBP28,400 and LBP39,350 per liter, compared to a global average price of LBP70,205 per liter during the covered period. It indicated that it obtained the data for Lebanon and other countries from official government sources, regulatory agencies, petroleum companies, and major media sources. The survey shows that the retail price of gasoline in Lebanon was higher than prices in the Maldives (\$1.039 p/l), Uzbekistan (\$1.03 p/l) and Guyana ((\$1.029 p/l), while it was lower than retail prices in Sudan (\$1.073 p/l), Haiti (\$1.071 p/l) and Grenada (\$1.069 p/l) as at November 28.

Regionally, the retail price of gasoline in Lebanon was lower than prices in Jordan (\$1.63 p/l), Syria (\$1.6 p/l), Morocco (\$1.39 p/l), and Sudan. Further, the price of gasoline in Lebanon was lower than the average price of \$1.30 per liter around the world, while it was higher than the Arab average price of \$0.77 per liter. Also, the price of gasoline came higher than the Gulf Cooperation Council (GCC) countries' average price of \$0.59 per liter and the non-GCC Arab countries' average price of \$0.88 per liter. Hong Kong had the highest retail price of gasoline in the world at \$2.96 per liter, while Venezuela had the lowest price at \$0.016 per liter as of November 28, 2022.

In parallel, the retail price of diesel in Lebanon was the 43rd lowest among 167 economies worldwide and the fourth highest among 15 Arab countries. The retail price of diesel in Lebanon was \$1.103 per liter as of November 28, 2022. It noted that the average price of diesel for Lebanon ranged between LBP33,150 per liter on August 22, 2022 and LBP41,650 per liter on November 28, 2022, compared to a global average price of LBP69,744 per liter during the covered period. In comparison, it was similar than the retail price of diesel in Afghanistan, came higher than in Zimbabwe (\$1.102 per liter), El Salvador (\$1.094 p/l), and the UAE (\$1.092 p/l), while it was lower than in Madagascar (\$1.13 p/l), China (\$1.12 per liter) and Benin (\$1.11 p/l).

Regionally, the retail price of diesel in Lebanon was lower than prices in Morocco (\$1.50 p/l), Sudan (\$1.25 p/l) and Jordan (\$1.21 p/l). In addition, the price of diesel in Lebanon was lower than the average price of \$1.34 per liter around the world, while it was higher than the Arab average price of \$0.7 per liter. Also, Lebanon's diesel price came higher than the GCC economies' average price of \$0.56 per liter and the non-GCC Arab countries' average price of \$0.8 per liter. Hong Kong had the highest retail price of diesel worldwide at \$2.7 per liter, while Iran had the lowest price of diesel at \$0.011 per liter as of November 28, 2022.

Retail Price of Gasoline in Arab Countries on November 28, 2022 (US\$)



Source: GlobalPetrolPrices, Byblos Research

Private sector deposits down \$50bn since start of 2019

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$164.6bn at the end of October 2022, constituting declines of 5.8% from \$174.8bn at the end of 2021 and of 8% from \$178.9bn at end-October 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar.

Loans extended to the private sector reached \$21.9bn at the end of October 2022 and decreased by 21% in the first 10 months of 2022 and by 25% from a year earlier. Loans to the resident private sector totaled \$19.7bn, constituting declines of 20.8% from the end of 2021 and of 23.2% from end-October 2021. Also, credit to the non-resident private sector amounted to \$2.23bn at the end of October 2022, and contracted by 21.3% from the end of 2021 and by 36.7% from the end of October 2021.

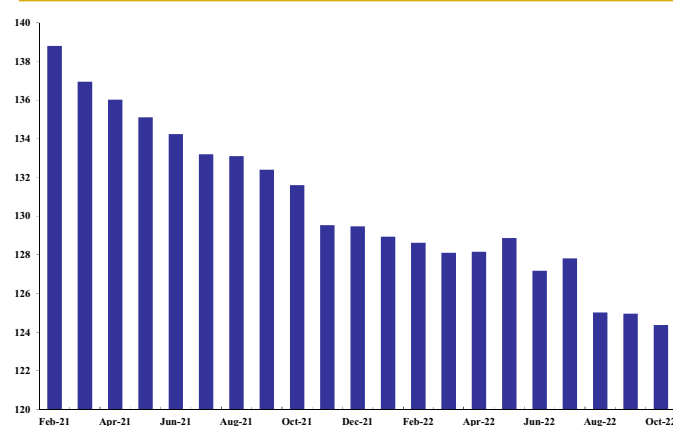
In nominal terms, credit to the private sector decreased by \$5.8bn in the first 10 months of 2022 relative to a drop of \$7bn in the same period of 2021, as lending to the resident private sector retreated by \$5.2bn and credit to the non-resident private sector regressed by \$603.6m in the covered period. Further, loans extended to the private sector contracted by \$37.5bn (-63%) since the start of 2019, with loans denominated in Lebanese pounds shrinking by LBP11,451.3bn (-41.5%) and loans denominated in foreign currency dropping by \$30bn (-72.6%). The dollarization rate of private sector loans regressed from 61.2% at end-October 2021 to 51.3% at the end of October 2022. The average lending rate in Lebanese pounds was 5% in October 2022 compared to 7.46% a year earlier, while the same rate in US dollars was 5.11% relative to 6.86% in October 2021.

In addition, claims on non-resident financial institutions reached \$4bn at the end of October 2022, constituting decreases of \$597.6m (-13%) in the first 10 months of 2022 and of \$701.3m (-15%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$5.1bn (-56.3%) from the end of August 2019 and by \$8bn (-66.7%) since the start of 2019. Further, deposits at foreign central banks totaled \$918m, constituting decreases of \$118.6m (-11.4%) in the first 10 months of 2022 and of \$109.5m (-10.7%) from a year earlier. In addition, the banks' claims on the public sector reached \$12.5bn at end-October 2022, down by \$4.2bn (-25%) in the first 10 months of the year and by \$6bn (-32.4%) from the end of October 2021. The banks' holdings of Lebanese Treasury bills stood at LBP13,277.3bn (\$8.8bn), while their holdings of Lebanese Eurobonds reached \$3.5bn at end-October 2022. Further, the deposits of commercial banks at Banque du Liban (BdL) amounted to \$106.7bn at the end of October 2022, down by \$2.2bn (-2%) from \$109bn at end-2021 and by \$2.06bn (-1.9%) from \$108.8bn at the end of October 2021.

In parallel, private sector deposits totaled \$124.4bn at the end of October 2022 and regressed by 4% in the first 10 months of 2022 and by 5.5% from end-October 2021. Deposits in Lebanese pounds reached LBP42,054.5bn (\$28bn) at end-October 2022, as they increased by 4.7% from the end of 2021 and by 6.4% from a year earlier; while deposits in foreign currency reached \$96.5bn, and regressed by 6.2% in the first 10 months of the year and by 8.5% from the end of October 2021. Resident deposits totaled \$101bn at the end of October 2022 and decreased by \$3.9bn (-3.7%) from the end of 2021, while non-resident deposits reached \$23.4bn at end-October 2022, down by \$1.2bn (-4.8%) in the first 10 months of the year. Resident deposits in Lebanese pounds stood at LBP39,049.8bn, or the equivalent of \$25.9bn at end-October 2022, constituting an increase of LBP1,950.6bn, or of 5.3%, in the first 10 months of the year, while those in foreign currency totaled \$75.1bn at end-October 2022 and decreased by \$5.2bn (-6.5%) in the covered period. Non-resident deposits in Lebanese pounds and in foreign currency regressed by 2.2% and 5.1%, respectively, in the first 10 months of 2022. Private sector deposits declined by \$5.1bn in the first 10 months of 2022, with deposits in Lebanese pounds increasing by LBP1,883.5bn, or the equivalent of \$1.25bn, and foreign currency deposits shrinking by \$6.3bn. Private sector deposits declined by \$535m in January, by \$319.6m in February, by \$513m in March 2022, by \$1.7bn in June, by \$2.8bn in August, by \$63.1m in September, and by \$587.1m in October 2022, while they increased by \$54.8m in April, by \$712.2m in May and by \$643.2m in July 2022. In addition, private sector deposits dropped by \$15.4bn in 2019, by \$19.7bn in 2020 and by \$9.7bn in 2021, including a decrease of \$10.7bn between September and December 2019. As such, aggregate private sector deposits contracted by \$49.9bn (-28.6%) since the start of 2019, with deposits in Lebanese pounds shrinking by \$23.3bn (-45.5%) and foreign currency deposits contracting by \$26.6bn (-21.6%). The decrease is due largely to the repayment of loans by companies and individuals, to the hoarding of cash at households, to companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 77.6% at end-October 2022, relative to 79.4% at end-2021 and to 80.1% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$4.3bn at the end of October 2022 and decreased by 14.4% from \$5bn at the end of October 2021. Also, the average deposit rate in Lebanese pounds was 0.7% in October 2022 compared to 1.34% a year earlier, while the same rate in US dollars was 0.1% relative to 0.23% in October 2021. In addition, the banks' aggregate capital base stood at LBP25,285.7bn (\$16.8bn) at the end of October 2022, down by LBP1,525.2bn (\$1bn) or by 5.7% from \$17.8bn at the end of 2021, and by LBP237.2bn (\$157.4m) or by 0.9% from \$16.93bn at end-October 2021.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Stock market capitalization up 29% to \$13.4bn at end-November 2022

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 21 million shares in the first 11 months of 2022, constituting a decrease of 25.8% from 28.3 million shares traded in the same period of 2021; while aggregate turnover amounted to \$410.3m and increased by 23.5% from a turnover of \$332.1m in the first 11 months of 2021. The market capitalization of the BSE reached \$13.4bn at the end of November 2022, representing a rise of 29% from \$10.3bn a year earlier, with real estate equities accounting for 66.7% of the total, followed by banking stocks (28%), and industrial shares (5.3%). The market liquidity ratio was 3.1% at the end of November 2022 compared to 3.2% a year earlier.

Banking stocks accounted for 56.8% of the trading volume in the first 11 months of 2022, followed by real estate equities (33.3%) and industrial shares (10%). Also, real estate equities accounted for 83.2% of the aggregate value of shares traded, followed by industrial shares (12.8%) and banking stocks (4%). The average daily traded volume for the first 11 months of 2022 was 96,053 shares for an average daily amount of \$1.87m. The figures represent a drop of 32.5% of the average daily traded volume and a rise of 12.3% of the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE surged by 190.7% in the first 11 months of 2022, while the CMA's Banks Market Value-Weighted Index regressed by 18% in the covered period. The increase in the Market Value-Weighted Index is mainly due to the rise in the prices of Solidere 'A' and Solidere 'B' shares by 67% and 59.5%, respectively, from the end of 2021, given that the shares had market weights of 41% and 26%, respectively, on the last trading day in November, the highest among listed companies on the BSE. The rise in the prices of Solidere shares is mainly driven by the increase in demand for the shares from several bank depositors, given that they consider it a way to channel their deposits out of the banking sector in light of the government's economic rescue plan that stipulates the conversion of deposits into bank shares as part of the restructuring of the banking sector.

Banque du Liban Circular 158 leads to disbursement of \$1.2bn to depositors as of August 2022

Banque du Liban (BdL) announced that 172,128 deposit accounts benefited from the implementation of Basic Circular 158 between June 8, 2021, the start of the implementation date, and the end of August 2022. It indicated that commercial banks disbursed about \$1.17bn to the beneficiaries as at the end of August 2022, with \$584m coming from BdL and \$584m originating from the liquidity of commercial banks.

Further, it pointed out that banks settled the balance of 74,362 deposit accounts by the end of August 2022, and indicated that 97,766 customers are still benefiting from Circular 158 as at the end of September 2022. Also, it noted that the accounts of resident customers represented 93.3% of the aggregate accounts that benefited from the circular with the balance of 6.7% consisting of non-resident accounts. It added that 55.4% of beneficiaries are males and 44.6% are females.

BdL issued on June 8, 2021 Circular 158 to banks operating in Lebanon about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019. The circular stipulates that eligible depositors can withdraw up to \$400 in foreign currency banknotes per month for a 12-month period, and up to the equivalent of \$400 converted to Lebanese pounds at the rate of LBP12,000 per US dollar, with half of the amount in Lebanese pounds disbursed in cash and the other half to be used through a payment card. The circular stipulated that banks and BdL will equally source the foreign currency liquidity needed for the withdrawals, as 50% of the funds will originate from freeing part of the compulsory reserves that commercial banks place at BdL, while banks can use their deposits at correspondent banks abroad for this purpose.

Also, the circular authorized banks to use the liquidity that they accumulated at correspondent banks as per Circular 154. The latter mandated banks to place at an account at foreign correspondent banks, by the end of February 2021, the equivalent of at least 3% of the aggregate amount of the bank's deposits in foreign currency as at end-July 2020. Circular 158 added that, in case the liquidity in this account falls short of the 3% floor, banks have until the end of 2022 to meet the threshold. In addition, the circular forbids banks from using funds for the implementation of circular 158 from the foreign currency liquidity at "fresh deposit accounts" that clients opened as per Circular 150 of April 2020, as well as from the liquidity that depositors repatriated in compliance with Circular 154, while it noted that BdL will transfer to banks on a monthly basis its share of the funds.

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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