

LEBANON THIS WEEK

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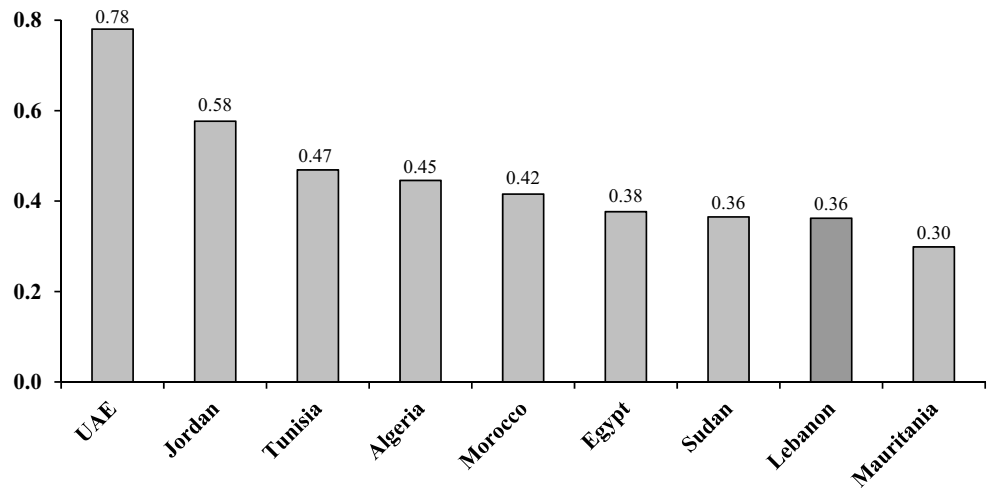
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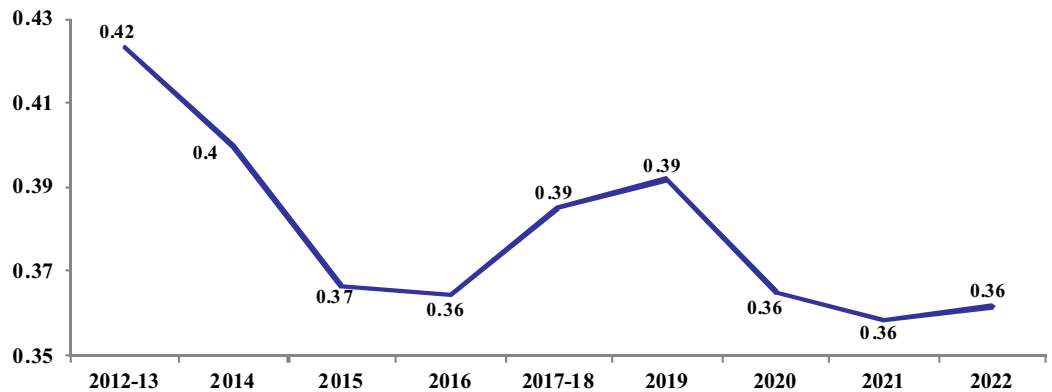
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Charts of the Week

Performance of Arab Countries in terms of Absence of Corruption for 2022



Performance of Lebanon in terms of Absence of Corruption for 2022



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

Quote to Note

"The unprecedented financial crisis and economic deterioration the country has experienced over the past three years raise serious questions as to the performance and commitment of decision-makers to effect change."

The ambassadors to Lebanon of the Group of Seven countries, on the slow pace of reforms implementation

Number of the Week

9: Number of times the Lebanese Parliament has convened since September 29 and has failed to elect a President of the Republic

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 %
Audi Listed	1.45	2.1	420,254	6.4%	Jan 2023	6.00	5.75	13,411.07
Solidere "A"	54.35	0.7	117,568	40.5%	Apr 2024	6.65	5.88	367.75
Solidere "B"	54.00	(0.5)	70,583	26.2%	Jun 2025	6.25	5.88	152.78
BLOM GDR	2.50	(3.8)	33,460	1.4%	Nov 2026	6.60	5.88	86.18
Audi GDR	1.40	(2.8)	20,000	1.2%	Mar 2027	6.85	5.88	78.56
BLOM Listed	3.04	4.8	552	4.9%	Feb 2030	6.65	5.88	43.49
HOLCIM	31.00	0.0	-	4.5%	Apr 2031	7.00	5.88	36.96
Byblos Common	0.60	0.0	-	2.5%	May 2033	8.20	5.88	29.12
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.88	23.25
Byblos Pref. 09	37.98	0.0	-	0.6%	Mar 2037	7.25	6.13	20.55

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

Source: Refinitiv

	Dec 5-9	Nov 28 - Dec 2	% Change	November 2022	November 2021	% Change
Total shares traded	662,917	589,422	12.5	2,846,751	978,219	191
Total value traded	\$10,775,750	\$22,608,028	(52.3)	\$70,830,164	\$15,321,865	362.3
Market capitalization	\$13.41bn	\$13.36bn	0.4	\$13.35bn	\$10.35bn	29.0

Source: Beirut Stock Exchange (BSE)



Energy Ministry extends deadline for second licensing round for offshore oil & gas exploration and production

The Ministry of Energy & Water extended on December 9, 2022 the deadline for the submission of applications for the second licensing round for offshore oil and gas exploration in Lebanon's territorial waters until June 30, 2023. It added that interested companies must submit Licensing Round Applications to the ministry and to the Lebanese Petroleum Administration, as per the procedure defined in the tender protocol.

The ministry had extended five times already the deadline to participate in the second licensing round for offshore oil and gas exploration. First, it postponed the deadline from the end of January 2020 to the end of April of the same year in response to requests from international oil companies to allow them to complete their administrative, technical and financial preparations. Second, it extended the deadline from the end of April to June 1, 2020, and then it postponed it for a third time on May 29, 2020, citing the outbreak of the coronavirus pandemic. Also, it extended it a fourth time to June 15, 2022 and postponed it for the fifth time to December 15, 2022.

The Council of Ministers approved in April 2019 the launch of the second licensing round for offshore oil and gas exploration and production in Lebanon's territorial waters. Eight blocks are open for bidding for the second licensing round, including Block 1 and Block 2, which are located in the north of Lebanon's offshore Exclusive Economic Zone, Block 3, Block 5, Block 6 and Block 7 in the center of the zone, and Block 8 and Block 10 that are in the south of Lebanon's territorial waters.

TotalEnergies EP Liban sal, which is the operator of the consortium that won bids for the exploration of oil and gas in Block 4 and Block 9 of Lebanon's territorial waters, announced in April 2020 that the results of the drilling of Lebanon's first exploration well of oil and gas were "negative". It indicated that it found evidence of traces of gas in the well, which confirms the presence of a hydrocarbon system in Lebanon's territorial waters. However, it said that it did not find reservoirs in the Tamar formation, which was the main target of the exploration well that is located 30 kilometers offshore of Beirut. It pointed out that despite the "negative" results, the exploration has provided valuable information that will be incorporated in future complementary studies about the exploration potential of Lebanon's offshore Exclusive Economic Zone. Also, On October 27, 2022, Lebanon and Israel officially approved a United States-brokered agreement that delineates for the first time the maritime border of the two sides, which opens up offshore energy exploration in Block 9.

Institutional vacuum to delay structural reforms

Standard Chartered Bank expected the economic recession in Lebanon to technically end in 2023, and added that data about the real sector, although published with a lag, points to a slower return to growth by the end of 2023.

It estimated that economic activity contracted by 5% in 2022, and projected real GDP growth to be flat in 2023 and to accelerate to 3.5% in 2024. It noted that the Lebanese parliament has been unable to elect a new president for the country within the constitutional deadline, and anticipated an extended and fractious process before the various political parties and factions reach an agreement and elect a new president. As such, it anticipated that the protracted institutional vacuum will constitute a risk to the outlook, which will add to the policy deadlock and result in delays to address Lebanon's multiple crises.

In parallel, it anticipated that the exchange rate of the Lebanese pound against the US dollar will further weaken on the parallel market, due to negative sentiment from the expected political impasse. As such, it projected the exchange rate of the Lebanese pound at LBP45,000 per US dollar at the end of 2023, relative to a previous forecast of LBP35,000 per dollar, and noted that Banque du Liban announced the devaluation of the official exchange rate to LBP15,000 effective February 1, 2023. Also, it expected the elevated inflation rates to persist in 2023, fuelled by the exchange rate pass-through effect from the parallel market, market-based expectations, and in case of rapid growth in money supply. It forecast the inflation rate to average 200% in 2022, and expected it to moderate to 175% in 2023 and 150% in 2024. It also projected the fiscal deficit to widen from 3.5% of GDP in 2022 to 4% of GDP next year and 4.5% of GDP in 2024. Further, it forecast the current account deficit to widen from 12% of GDP this year to 15% of GDP in 2023 and 20% of GDP in 2024.

Also, it considered that authorities need to step up efforts to unify the multiple exchange rates in the domestic market, in line with the prior conditions that the International Monetary Fund (IMF) required in order to unlock the \$3bn four-year Extended Fund Facility. It did not expect authorities to make significant progress on the reform agenda in 2023, as it anticipated that the political impasse will be protracted and that it will extend into next year. It also anticipated that the restructuring of the public debt and any potential haircuts to deposits to take place under the umbrella of an IMF-supported program.

In parallel, it considered that the U.S.-brokered agreement between Lebanon and Israel to delineate their maritime border is widely seen as a win-win agreement that will lead to both improved security and increased gas output in the area, even though the land border between the two sides remains in dispute. Further, it did not expect Lebanon to produce gas in 2023, but that the deal could support Lebanon's medium-term external outlook in case of gas extraction from the Qana field. It added that the French oil company TotalEnergies began in mid-November preparations for exploration by mobilizing teams and purchasing equipment.

Banque du Liban addresses banks' losses on their foreign currency positions

Banque du Liban (BdL) issued on November 24, 2022 Intermediate Circular 649/13502 addressed to banks about the modification of Basic Circular 44/6939 dated March 25, 1998 related to the regulatory framework for capital adequacy of banks operating in Lebanon, and Basic Circular 143/12713 dated November 7, 2017 about the implementation of international financial reporting standards IFRS 9.

The circular stipulates that banks can, when calculating their solvency ratio, add on an exceptional basis to their Common Equity Tier One capital up to 66% of their losses in 2022 and up to 33% of their losses in 2023 that result from buying US dollars from BdL with Lebanese pounds banknotes prior to November 17, 2022 in order to reduce their foreign currency positions. It added that banks must disclose in their annual reports the adoption of procedures related to provisions against expected credit losses for non-sovereign assets classified as Stage 1 and Stage 2 loans, and their impact on their solvency ratio.

Further, it stipulated that banks must take provisions gradually over a period that ends on December 31, 2026, while banks who have a 10-year period to take these provisions must do so by the end of 2029. As such, it modified the provisions that banks must take as follows. It asked banks to raise their provisions from 45% previously to 75% on their holdings of foreign currency-denominated Lebanese Treasury bills, or Eurobonds, as well as on loans extended to public institutions in foreign currency that are considered similar to sovereign placements, and on their portfolio of loans to public institutions that are considered similar to loans to the private sector.

In parallel, the circular did not change the rest of the provisioning levels on the banks' other placements. As such, it stipulates that banks have to take provisions of 1.89% on placements at BdL in foreign currency, including on certificates of deposits, regardless of their maturity. Also, It added that banks must take provisions of 0.03% on loans in foreign currency to non-resident public sector entities in countries rated 'BBB' or higher, and of 0.72% on such loans in countries that are rated lower than 'BBB' or in sovereigns that are not rated. Further, it asked banks to take provisions of 0.03% on their placements in foreign currency at other central banks or in foreign currency-denominated government bonds of countries that are rated 'BBB' or higher, and of 0.72% on their placements in foreign currency at other central banks or in foreign currency-denominated government bonds of countries that are rated lower than 'BBB' or of sovereigns that are not rated. In addition, it asked banks to take provisions of 0.15% on their placements at non-resident banks that have a rating of 'BBB' or higher, and of 0.72% on their placements at non-resident banks that are rated 'BBB' or lower or that are not rated.

Moreover, it stipulated that banks must take provisions of 1.89% on placements at resident banks, including on their bonds. In parallel, the circular asked banks to take provisions of 9.45% on their portfolio of loans to resident companies and of 0.72% on their loans to non-resident firms; in addition to provisions of 3% on their portfolio of resident small and medium-sized enterprises (SMEs) and of 0.6% on loans to non-resident SMEs. Further, it stipulated that banks must take provisions of 1.75% and 0.35% on retail loans and mortgages to residents and non-residents, respectively. Also, it said that banks have to take provisions of 3.6% and 0.72% on resident and non-resident commercial loans that have real estate as collateral, as well as of 0.72% on assets subject to IFRS9. It noted that placements and loans include, where applicable, off-balance sheet liabilities after utilizing the appropriate credit conversion factors.

Five Lebanese universities included in 2023 global rankings of universities

The Times Higher Education University Rankings for 2023 included five Lebanese universities among 1,799 ranked universities across 104 countries around the world. The American University of Beirut (AUB) is the highest ranked institution in Lebanon. The university ranked in the 351-400 range globally, with an overall score of between 45 points and 46.9 points out of a maximum of 100 points. The Lebanese American University (LAU) followed in the 501-600 range (39.3-42 points), then the Beirut Arab University (BAU) in the 601-800 range (34-39.2 points), the Lebanese University in the 1001-1200 range (24.4-29.7 points), and Université Saint-Joseph de Beyrouth (USJ) in the 1201-1500 range (18.4-24.3 points). The rankings are based on a weighted average of five factors that are Teaching, Research, and Citations with a 30% weight each, followed by International Outlook (7.5%), and Industry Income (2.5%). The Times Higher Education is a British publication specializing in higher education. The ranking of LAU improved year-on-year from the 801-1000 range, while the classification of AUB deteriorated from the 301-350 range, and the rankings of the Lebanese University and USJ were unchanged from the preceding year.

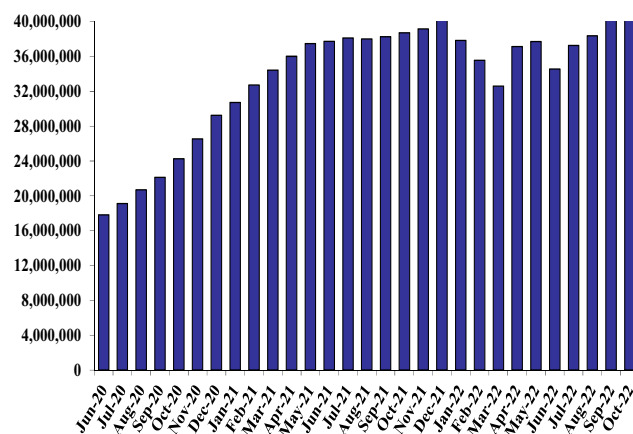
The survey ranked the Lebanese University in first place among Lebanese universities on the Teaching factor with a score of 36.5 points, followed by BAU (33.6 points), LAU (29.4 points), AUB (24.7 points), and USJ (21.9 points). This factor examines the learning environment in a university. It examines the perception about a university in teaching, measures the ratios of staff-to-students, and takes into account the number of doctorates awarded relative to the number of bachelor degrees awarded. In addition, it ranked LAU in first place among Lebanese universities on the International Outlook factor with a score of 86.5 points, followed by BAU (83.9 points), AUB (78.7 points), the Lebanese University (78.6 points), and USJ (69.2 points). This category assesses the ability of a university to attract undergraduate and postgraduate students, as well as faculty members, from around the world.

Further, it ranked AUB in first place among Lebanese universities on the Citation factor with a score of 89.6 points, followed by LAU (69.5 points), BAU (56.1 points), USJ (18.7 points), and the Lebanese University (17.3 points). This factor examines the influence of research by capturing a university's role in spreading new knowledge and ideas. Also, it ranked the Lebanese University in first place among Lebanese universities on the Research factor with a score of 20.1 points, followed by BAU (16.4 points), AUB (14.8 points), LAU (11.9 points), and USJ (10.1 points). This category looks at a university's reputation for research excellence among its peers, based on the responses to the Times Higher Education's annual Academic Reputation Survey. It measures the productivity of research by counting the number of publications published in academic journals, and scales research grants against the number of academic staff and adjusts research contributions for purchasing power parity.

Broad money supply up 11% in first 10 months of 2022, currency in circulation up 68.3%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP91,092.5bn at the end of October 2022, constituting increases of 57.2% from LBP57,937bn at end-2021 and of 69% from LBP53,872.1bn at end-October 2021. Currency in circulation stood at LBP69,856.4bn at the end of October 2022, as it grew by LBP28,341.6bn (+68.3%) from LBP41,515bn at end-2021 and rose by 80.5% from LBP38,705.8bn at end-October 2021. Also, demand deposits in local currency stood at LBP21,236bn at end-October 2022, representing an expansion of 29.3% in the first 10 months of the year and a surge of 40% from end-October 2021. Money supply M1 jumped by 19.6% in October from LBP76,168.6bn at end-September 2022, with currency in circulation rising by 28.2% and demand deposits in local currency regressing by 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 LBP109,002.9bn at the end of October 2022, constituting an increase of 38% from LBP79,007bn at the end of 2021 and a rise of 44.5% from LBP 75,423.2bn a year earlier. Term deposits in Lebanese pounds totaled LBP17,910.3bn at the end of October 2022, as they declined by 15% from LBP21,070bn at end-2021 and by 16.9% from LBP21,551.1bn at end-October 2021. Money supply M2 increased by 16.4% in October from LBP93,684.9bn at end-September 2022, with term deposits in local currency expanding by 2.2% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP223,312.8bn at the end of October 2022, constituting increases of 11.1% from end-2021 and of 11.9% from LBP199,620bn at end-October 2021. Deposits in foreign currency totaled LBP113,814.8bn at end-October 2022, down by 6.5% from end-2021 and by 8% from end-October 2021. Also, debt securities issued by the banking sector amounted to LBP495.1bn at the end of October 2022 compared to LBP334bn at end-2021 and to LBP329.2bn at end-October 2021. Money supply M3 increased by 7% from LBP208,725.3bn at end-September 2022, with deposits in foreign currency regressed by 0.7% from LBP114,641bn at end-September 2022 and debt securities issued to residents by the banking sector growing by 24% month-on-month. In parallel, M3 increased by LBP22,243bn from end-2021 due to a surge of LBP49,019.5bn in other items, which was partly offset by a decline of LBP7,949bn in the claims on the private sector, a retreat of LBP12,322.1bn in the net claims on the public sector, and a downturn of LBP4,311.2bn in the net foreign assets of deposit-taking institutions.

EBRD and EU provide technical support to Lebanese SMEs

The European Bank for Reconstruction and Development (EBRD) and the European Union (EU) launched a new five-year advisory program that aims to support Lebanese small and medium-sized enterprises (SMEs) in accessing technical assistance to help them innovate, grow, increase their market share, become more competitive in international markets, and create more jobs. It pointed out that it will deploy EU funds to help SMEs and start-ups connect with research and development institutions and generate innovative products and processes. It added that the new program builds on the success of the first phase of the EU-supported Advice for Small Businesses program in Lebanon that the EU launched in 2018. It noted that the EU program helped so far almost 180 SMEs access the know-how they need to address market challenges and support their productivity and turnover. It pointed out that 54% of the SMEs that benefited from the EU plan increased their labor force so far and 41% of SMEs have noted a growth in their turnover and exports.

Established in 1991, the EBRD aims to support economies and promote the private sector in 39 economies in Southeastern Europe, Central Europe and Baltic States, Eastern Europe and the Caucasus, Central Asia, and the Southern and Eastern Mediterranean region. The bank currently has 69 shareholders that include 67 countries as well as the European Union and the European Investment Bank. The EBRD has €910m in cumulative pledges in Lebanon as at the end of October 2022. It has disbursed €265m to date, including 24% in equity investments, for 10 active projects in the private sector. Its portfolio consists of companies in the financial sector, industry, commerce and agriculture, and in sustainable infrastructure.

Cost of mobile data in Lebanon is 64th highest globally, fifth highest among Arab countries

The Worldwide Mobile Data Pricing survey published by Cable.co.uk ranked Lebanon in 169th place among 233 countries around the world and in 16th place among 20 Arab countries in terms of the cost of one gigabyte (1GB) of mobile data in 2022. This means that Lebanon has the 64th highest cost of mobile data worldwide and the fifth highest in the Arab world. Lebanon also came in 47th place among 54 lower middle-income countries (LMICs) included in the 2022 survey. Based on the same number of countries in the 2021 and 2022 surveys, Lebanon's rank improved by 16 spots globally, while its rank was unchanged among Arab economies.

Cable.co.uk compiled the figures from 5,292 mobile data plans across the world between March 16, 2022 and June 2, 2022. The survey indicated that the average cost of 1GB per month in a country or jurisdiction is the simple average of all qualified plans in the country, either in the country's own currency or in the currency that mobile data providers advertise their prices. The firm then converts all prices to U.S. dollars for comparative purposes. The survey indicated that the average cost of 1GB of mobile data in Lebanon is \$3 per month in 2022, which is lower than the global average cost of \$3.12 per month, but higher than the LMICs' average cost of \$2.02 per month, as well as the Arab region's average cost of \$2.9 per month. Also, the average cost of 1GB in Lebanon is higher than the Gulf Cooperation Council's (GCC) average cost of \$2.91 per month and the non-GCC Arab countries' average cost of \$2.86 per month. The cost of 1GB of mobile data in Lebanon ranges between \$0.97 per month and \$22.4 per month in 2022.

Globally, the average cost of 1GB per month in Lebanon is similar to the corresponding cost in Latvia and Belgium, is higher than the average cost in Oman (\$2.92), Malta (\$2.97) and Panama (\$2.98), while it is lower than the cost in the Czech Republic (\$3.01), Côte d'Ivoire (\$3.06) and Cuba (\$3.1) among economies with a GDP of \$10bn or more. Also, the average cost of 1GB of mobile data in Lebanon is higher than in Angola (\$2.3), Papua New Guinea (\$2.6) and Mauritania (\$2.7), while it is lower than in Côte d'Ivoire and Zimbabwe (\$4.3) among LMICs. Further, the average cost of 1GB in Lebanon is lower than the corresponding cost in the UAE (\$4.3), Qatar (\$6.9), Syria (\$8.6), and Yemen (\$16.6) among Arab countries.

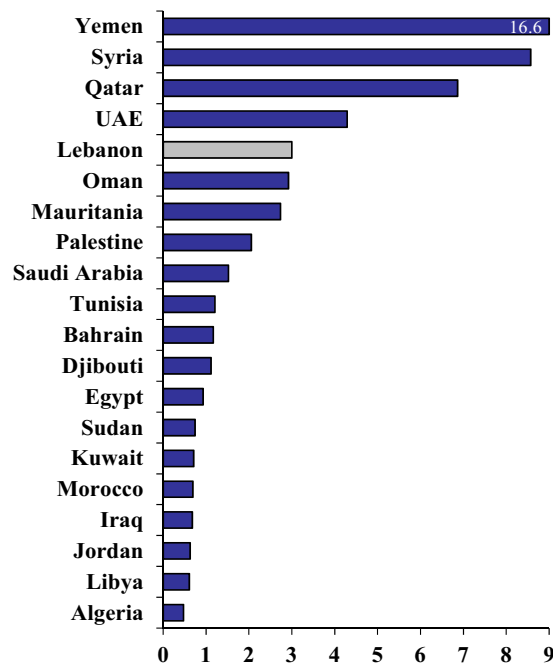
More than 64% of Treasury securities in Lebanese pounds have seven-year maturities or longer

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP90,487bn at the end of October 2022 compared to LBP91,110bn at the end of October 2021. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$60bn at the end of October based on the official exchange rate of the Lebanese pound to the US dollar, but they become equivalent to \$3.01bn based on the Sayrafa exchange rate of the Lebanese pound to the US dollar of LBP30,100 per dollar at the end of October, while they become equivalent to \$6.03bn at the upcoming new official exchange rate of LBP15,000 per dollar. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.41% in October 2022 compared to 6.56% in October 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 34,565bn and accounted for 38.2% of aggregate securities denominated in Lebanese pounds at the end of October 2022, followed by seven-year Treasury bills with LBP19,247bn (21.3%), five-year Treasury securities with LBP17,643bn (19.5%), three-year Treasury bonds with LBP5,749bn (6.4%), one-year Treasury securities with LBP3,971bn (4.4%), two-year Treasury bonds with LBP3,678bn (4.1%), 12-year T-bills with LBP3,076bn (3.4%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP844bn (0.9%), and three-month Treasury bonds with LBP297bn (0.3%). As such, 64.4% of outstanding Treasury securities have seven-year maturities or longer and 83.9% have five-year maturities or more.

In parallel, LBP1,640bn in outstanding Treasury securities denominated in Lebanese pounds matured in October 2022, of which 49% consisted of five-year Treasury bills, 16% were six-months Treasury bonds, 13.3% consisted of 12-months Treasury securities, 12.2% were of three-year T-bills, 7% consisted of two-year Treasury bills, and 2.5% were three-months Treasury securities. According to ABL, LBP1,708bn in outstanding Treasury bonds in Lebanese pounds will mature in the remainder of 2022 and LBP16,185bn will come due in 2023.

Average Price of 1GB Mobile Data in Arab Countries in 2022 (US\$)



Source: GlobalPetrolPrices, Byblos Research

Occupancy rate at Beirut hotels at 54%, room yields up 5% in first nine 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 53.5% in the first nine months of 2022 relative to 44.6% in the same period of 2021, and compared to an average rate of 58.1% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fifth lowest in the region in the first nine months of 2022, while it was the eighth 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, 64% in August, and 68.5% in September 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, 59% in August, and 45.4% in September 2021. The occupancy rate at hotels in Beirut increased by 8.9 percentage points in the first nine months of 2022 from the same period of 2021. In comparison, the average occupancy rate in Arab markets grew by 16.5 percentage points in the covered period.

Also, the average rate per room at Beirut hotels was \$60.8 in the first nine months of 2022, decreasing by 10% from \$69.2 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 \$157 that increased by \$27.6 (+21.4%) from \$129.4 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, \$87.1 in August, and \$68.6 in September 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, \$73.3 in August, and \$64.1 in September 2021.

Further, revenues per available room (RevPAR) were \$32.5 at Beirut hotels in the first nine months of 2022 compared to \$30.9 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 5.3% in the first nine months of 2022 and posted the lowest 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, \$55.8 in August, and \$47 in September 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, and \$29 in September 2021. Abu Dhabi had the highest hotel occupancy rate in the region at 73.4% in the first nine months of 2022, while Dubai registered the highest average rate per room at \$294.9 and the highest RevPAR at \$207.3 in the covered period.

Hotel Sector Performance in First Nine Months of 2022

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	73	57	15.4
Dubai	70	207	63.0
Madina	70	102	165.4
Cairo-City	69	80	121.3
Makkah	62	110	220.9
Riyadh	59	98	43.7
Doha	59	65	-5.9
Jeddah	54	131	29.7
Beirut	54	33	5.3
Muscat	48	56	178
Amman	48	71	83.8
Manama	46	72	67.4
Kuwait City	44	100	17.1

Source: EY, Byblos Research

Term deposits account for 56% of customer deposits at end-October 2022

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$133.5bn at the end of October 2022, constituting a decrease of \$5.8bn, or of 4.2%, in the first 10 months of the year from \$139.3bn at the end of 2021.

Total deposits include private sector deposits that reached \$124.4bn, deposits of non-resident financial institutions that amounted to \$4.3bn, and public sector deposits that stood at \$4.86bn at the end of October 2022. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar.

Term deposits in all currencies reached \$74.4bn at the end of October 2022 and declined by \$12.7bn, or by 14.6%, from \$87.1bn at end-2021; while they accounted for 55.7% of total deposits in Lebanese pounds and in foreign currency as at end-October 2022 relative to a share of 62.5% at the end of 2021.

The decline in term deposits is due a drop of 21% in the term deposits in Lebanese pounds of the public sector, a decrease of 18.7% in the term deposits of the non-resident financial sector, a decline of 15.5% in the term deposits in Lebanese pounds of the resident private sector, a retreat of 15% in the foreign currency-denominated term deposits of the resident private sector, a contraction of 10.6% in the term deposits of non-residents, and a downturn of 8.2% in foreign currency-denominated term deposits of the public sector. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$92.1bn since the end of September 2019.

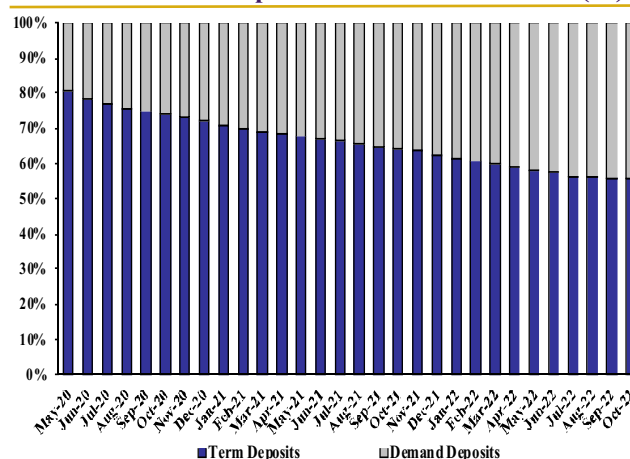
Further, foreign currency-denominated term deposits of the resident private sector reached \$42bn and accounted for 31.4% of aggregate deposits at the end of October 2022. Term deposits of non-residents followed with \$15bn (11.2%), then term deposits in Lebanese pounds of the resident private sector with \$11.5bn (8.6%), term deposits of the non-resident financial sector with \$2.8bn (2.1%), term deposits of the public sector in Lebanese pounds with \$2.6bn (2%), and term deposits of the public sector in foreign currency with \$646m (0.5%).

In parallel, demand deposits in all currencies at commercial banks stood at \$59.2bn at the end of October 2022 and increased by \$6.9bn, or by 13.2%, from \$52.3bn at end-2021. They accounted for 44.3% of total deposits at end-October 2022 relative to a share of 37.5% at the end of 2021. The increase in demand deposits was mainly due to a rise of \$3.4bn in demand deposits in Lebanese pounds of the resident private sector, a growth of \$2.2bn in foreign currency-denominated demand deposits of the resident private sector, an increase of \$598.6m in demand deposits of non-residents, an expansion of \$510m in demand deposits in Lebanese pounds of the public sector, a rise of \$94.1m in demand deposits in foreign currency of the public sector, and an upturn of \$66.8m in demand deposits of the non-resident financial sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33.2bn and represented 25% of deposits at end-October 2022. Demand deposits in Lebanese pounds of the resident private sector followed with \$14.4bn (10.7%), then demand deposits of non-residents with \$8.4bn (6.3%), demand deposits of the non-resident financial sector with \$1.5bn (1.1%), demand deposits in Lebanese pounds of the public sector with \$1.25bn (0.9%), and demand deposits in foreign currency of the public sector with \$343.1m (0.3%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.3% of private-sector deposits and for 49.8% of the number of depositors at the end of June 2022. Mount Lebanon followed with 14.9% of deposits and 18.7% of beneficiaries, then South Lebanon with 7.2% of deposits and 11.2% of depositors, North Lebanon with 6.6% of deposits and 12% of beneficiaries, and the Bekaa with 5% of deposits and 8.4% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Net profits of Syrian affiliates of Lebanese banks at SYP9bn in first half of 2022 on unrealized foreign exchange gains

Financial results issued by the affiliates of six Lebanese banks operating in Syria show that their aggregate net profits reached SYP106.5bn in the first half of 2022 relative to net earnings of SYP368.7bn in the first half of 2021. The depreciation of the Syrian pound from SYP1,256 against the US dollar at the end of June 2021 to SYP2,814 per US dollar at the end of June 2022 resulted in unrealized foreign exchange gains on the banks' structural positions of SYP97.5bn in the first half of 2022 relative to gains of SYP329.6bn in the same period of 2021. In US dollar terms, the net profits of the six banks reached \$40m in the first half of 2022 compared to net earnings of \$376.2m in the first half of 2021. The aggregate net income of the six banks becomes SYP9bn, or \$3.4m, in the first half of 2022 when excluding foreign exchange losses on structural positions, relative to earnings of SYP39.1bn or \$39.9m in the first half of 2021.

The profits of Byblos Bank Syria dropped by SYP63.4bn in the first half of 2022, followed by a decline of SYP59.4bn in the net income of Fransabank Syria, a decrease of SYP44.3bn in the earnings of Bank of Syria & Overseas, a contraction of SYP37.1bn in the profits of Syria Gulf Bank, the affiliate of First National Bank, a retreat of SYP29.5bn in the net income of Banque BEMO Saudi Fransi, and a downturn of SYP28.5bn on the profits of Bank Al-Sharq, the affiliate of Banque Libano-Française.

The net interest income of the six banks totaled SYP38bn in the first half of 2022, up by 66% from SYP23bn in the first half of 2021; while their net fees & commission income rose by 1.2 times year-on-year to SYP39.3bn. The six banks' operating income totaled SYP190.8bn in the first half of 2022 and dropped by 56% from SYP432.3bn in the same period last year; while their total operating expenses reached SYP81.5bn in the first half of 2022, up by 1.4 times from SYP60.1bn in the first half of 2021.

In parallel, the banks' aggregate assets reached SYP4,245bn at the end of June 2022 and increased by 14.5% from SYP3,706.7bn at end-2021. The growth in assets was due to a surge of 35.7% in the assets of Syria Gulf Bank (+SYP265.2bn), an expansion of 12.4% in those of Byblos Bank Syria (+SYP38.1bn), a growth of 12% in the assets of Bank of Syria & Overseas (+SYP56.9bn), an increase of 9.3% in those of Banque BEMO Saudi Fransi (+SYP139.3bn), an increase of 8% in the assets of Fransabank Syria (+SYP36.8bn), and an uptick of 1% in those of Bank Al Sharq (+SYP1.97bn).

Also, the banks' total loans reached SYP882.1bn at end-June 2022, constituting an increase of 21.6% from SYP725.4bn at the end of 2021. Further, the banks' customer deposits totaled SYP2,679.2bn at the end of June 2022, representing a rise of 19% from SYP2,250.3bn a year earlier. The ratio of the banks' loans-to-customer deposits stood at 32.9% at the end of June 2022 relative to 32.2% at end-2021. In parallel, the aggregate shareholders' equity of the six banks reached SYP914.2bn at end-June 2022, constituting an increase of 13.3% from SYP807.1bn at end-2021.

Results of Affiliates of Lebanese Banks in Syria in First Half of 2022 (SYPbn)						
	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Fransabank Syria	Syria Gulf Bank	Byblos Bank Syria	Bank Al-Sharq
Net Profits	39.00	12.74	14.95	15.50	16.07	8.26
Total Assets	1,640.51	1,008.56	536.89	489.67	345.31	224.10
% Change*	9.3%	35.7%	11.9%	8.1%	12.4%	0.9%
Loans	237.79	482.67	4.89	67.48	37.57	21.68
% Change*	20.6%	23.8%	32.0%	20.8%	3.6%	10.5%
Customer Deposits	1,215.11	554.08	368.34	257.88	158.10	125.70
% Change*	10.1%	86.4%	9.2%	6.4%	15.5%	-5.4%

*Change from end-2021

Source: Banks' financial statements, Byblos Research

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP (\$bn)	53.2	24.7	23.4	(1.3)
Public Debt in Foreign Currency / GDP	63.4	56.8	26.2	(30.6)
Public Debt in Local Currency / GDP	108.8	93.8	42.1	(51.7)
Gross Public Debt / GDP	172.3	150.6	68.3	(82.2)
Trade Balance / GDP	(29.2)	(12.2)	(6.6)	5.6
Exports / Imports	19.4	31.3	28.5	(2.8)
Fiscal Revenues / GDP	20.8	16.0	8.5	(7.5)
Fiscal Expenditures / GDP	31.8	20.3	9.8	(10.5)
Fiscal Balance / GDP	(11.0)	(4.3)	(1.3)	2.9
Primary Balance / GDP	(0.5)	(1.0)	(0.1)	1.0
Gross Foreign Currency Reserves / M2	70.2	41.5	26.0	(15.5)
M3 / GDP	252.9	209.0	90.8	(118.2)
Commercial Banks Assets / GDP	407.5	296.2	119.1	(177.1)
Private Sector Deposits / GDP	298.6	219.2	88.2	(131.0)
Private Sector Loans / GDP	93.6	57.0	18.9	(38.1)
Private Sector Deposits Dollarization Rate	76.0	80.4	79.4	(1.0)
Private Sector Lending Dollarization Rate	68.7	59.6	56.3	(3.3)

*change in percentage points 21/20;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, Institute of International Finance, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	212.6	426.8
Nominal GDP (US\$ bn)	24.7	22.6	26.8
Real GDP growth, % change	-25.9	-9.9	2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	9.6	8.9
Imports of goods and services	-33.4	3.9	2.0
Consumer prices, %, average	84.9	154.8	97.7
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	11,754
Parallel exchange rate, average, LBP/US\$	6,705	16,821	26,070*
Weighted average exchange rate LBP/US\$	3,878	9,452	23,679

*Average year-to-July 22, 2022

Source: Central Administration of Statistics, Institute of International Finance- June 2022

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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