

LEBANON THIS WEEK

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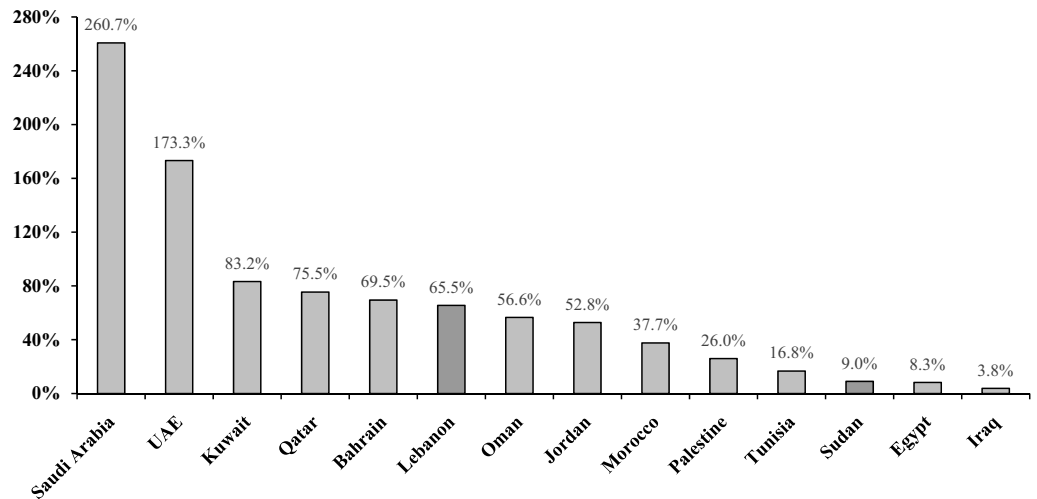
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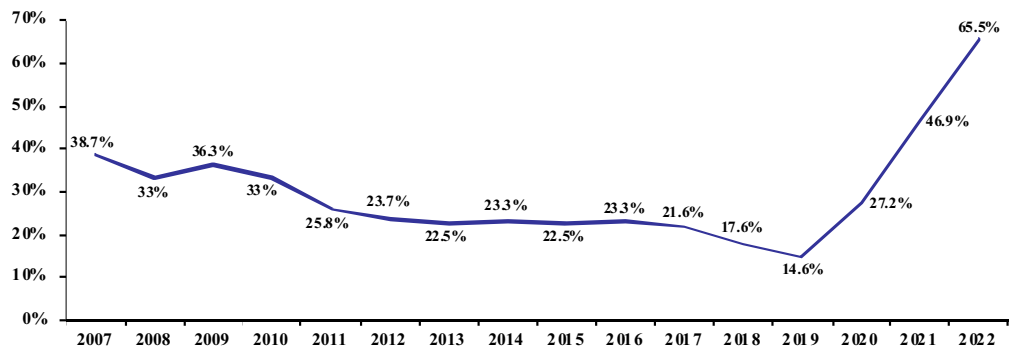
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Charts of the Week

Stock Market Capitalization in Select Arab Markets at end-2022 (% of GDP)



Stock Market Capitalization in Lebanon (% of GDP)



Source: Arab Federation of Capital Markets, Institute of International Finance, International Monetary Fund, Byblos Bank

Quote to Note

"The political impasse is likely to delay already lagging reform efforts and progress on the International Monetary Fund's prior actions."

Global investment bank Goldman Sachs, on the cost of the ongoing presidential vacuum on the Lebanese economy

Number of the Week

\$11.8bn: Aggregate amount of transactions conducted on Banque du Liban's Sayrafa electronic exchange platform in 2022

Lebanon in the News

\$m (unless otherwise mentioned)	2019	2020	2021	% Change*	Dec-20	Nov-21	Dec-21
Exports	3,731	3,544	3,887	9.6%	295	391	616
Imports	19,239	11,310	13,641	20.6%	1,232	1,179	1,269
Trade Balance	(15,508)	(7,765)	(9,754)	25.6%	(937)	(788)	(653)
Balance of Payments	(5,851)	(10,551)	(1,976)	-81.3%	(348)	160	(400)
Checks Cleared in LBP	22,145	19,937	18,639	-6.5%	1,942	1,825	1,738
Checks Cleared in FC	34,826	33,881	17,779	-47.5%	2,802	949	1,079
Total Checks Cleared	56,982	53,828	36,425	-32.3%	4,744	2,773	2,818
Fiscal Deficit/Surplus**	(5,837)	(2,709)	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 %
Byblos Common	0.75	0.0	23,919,524	2.9%	Jan 2023	6.00	5.75	65,565.22
Solidere "A"	61.75	3.3	99,098	42.4%	Apr 2024	6.65	5.75	420.57
Solidere "B"	60.50	1.6	17,489	27.0%	Jun 2025	6.25	5.75	162.60
Audi GDR	1.39	(0.7)	15,000	1.1%	Nov 2026	6.60	5.75	89.58
HOLCIM	31.10	0.3	30	4.2%	Mar 2027	6.85	5.75	81.43
Audi Listed	1.54	0.0	-	6.2%	Feb 2030	6.65	5.75	44.52
BLOM Listed	2.66	0.0	-	3.9%	Apr 2031	7.00	5.75	37.74
BLOM GDR	2.75	0.0	-	1.4%	May 2033	8.20	5.75	29.64
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	5.75	23.63
Byblos Pref. 09	37.98	0.0	-	0.5%	Mar 2037	7.25	5.75	21.19

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

Source: Refinitiv

	Jan 9-13	Jan 3-5	% Change	December 2022	December 2021	% Change
Total shares traded	24,414,391	68,410	35,588.3	9,581,716	1,283,538	646.5
Total value traded	\$29,842,638	\$2,238,726	1,233.0	\$89,017,136	\$22,004,921	304.5
Market capitalization	\$14.58bn	\$14.32bn	1.8	\$14.48bn	\$10.61bn	36.5

Source: Beirut Stock Exchange (BSE)



IMF recommends closing tax loopholes, revamping taxation system

The International Monetary Fund (IMF) estimated the foregone tax revenues of the Lebanese Treasury to be equivalent to 5.6% of GDP in 2022 and projected them at 4.3% of GDP in 2023 from the undervaluation of custom tariffs, of the value-added tax (VAT) at the border, and of excise taxes. The estimates are part of advice that the IMF staff provided to Lebanese authorities in response to the latter's request for technical assistance.

The IMF identified options to reform the tax system in Lebanon in order to halt the drain on tax receipts. It stressed the need for a comprehensive review of the tax system that would guide the reforms and balance the trade-offs, instead of a "piecemeal" approach with uncoordinated measures. As such, it recommended a set of immediate, near-term, and medium-term measures.

The immediate measures consist of using a single market exchange rate for all valuations across the tax system, and for this rate to be equal or higher than the exchange rate of the Lebanese pound to the US dollar on Banque du Liban's Sayrafa electronic exchange platform. Also, it advocated using the market exchange rate uniformly to value imports for the VAT at custom; to return the real value of the VAT threshold to around \$75,000; and to adopt an automatic indexation to inflation of the threshold and other VAT provisions that are specified in nominal terms. In terms of excise taxes, it noted that specific excises, mainly on fuel, and thresholds that are set in nominal values should be reset and indexed to the inflation rate.

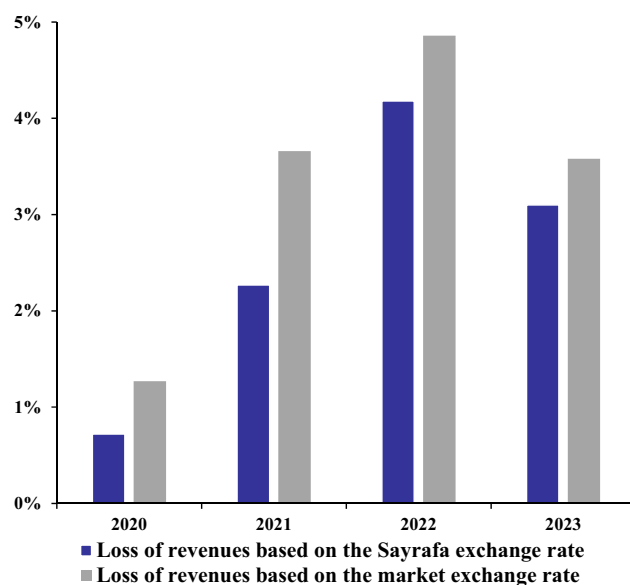
Regarding the income tax, it recommended adjusting the income tax brackets for employees and indexing the former to inflation rates; allowing the tax administration to access banking information; and receiving and acting on information about offshore holdings on Lebanese residents for tax purposes. Further, it called for repealing exemptions on the withholding of tax on dividend distributions to individuals from holdings and offshore companies, as well as on capital gains from the sale of shares in joint stock companies, and on capital gains from the sale of real property for secondary residences. Also, it supported abolishing tax exemptions for export earnings and the reduced corporate income tax rates for reinvested profits, and imposing the corporate income tax rate to corporate capital gains. Regarding property taxes, it called for the removal of the built property tax exemption for vacant properties and the preferential treatment for secondary properties, and for the extension of the registration fee to the transfers of shares that derive their value directly or indirectly from real property.

In terms of near-term measures, the IMF recommended imposing the VAT on inputs; ending the VAT refund scheme for tourists; and restricting refunds to VAT-registered businesses only. Also, it called for imposing an excise tax on diesel and fuel oil that starts at \$0.10 per liter in 2023 and escalates to \$0.25 per liter \$0.25 by 2025; and to restore the tax on gasoline and kerosene to pre-crisis levels. Further, it stressed the need to tax independent professionals on their real profits and to use a withholding tax on payments for their services; to eliminate the offshore and holding companies' tax regimes; and to strengthen residence rules for individuals and corporations. Streamlining the property valuation system between the various levels of government and agencies to reach a single property valuation.

Regarding medium-term measures, the IMF recommended taxing immovable property transactions more comprehensively, including new residential property, as it considered that the value added by property developers is largely untaxed, such as the supplies of non-residential property whether by way of sale or lease, as well as all first sales of new and renovated residential property. Further, it advocated imposing the VAT on the healthcare and educational sectors; taxing fee-based financial services more comprehensively, including all explicit financial fees and commissions that banks receive; improving the design of the cross-border rules more effectively, especially for taxing e-commerce transaction; and reviewing the implicit tax treatment of tobacco products.

In addition, it called for subjecting rental income of individuals to the income tax; introducing a simplified regime for businesses below the VAT threshold; replacing the investment law incentives with cost-based ones that are justified by explicit cost-benefit analysis; and broadening the recurrent property tax base to unbuilt land. Also, it advocated making the real profits regime compulsory for all corporate income tax payers, businesses with turnover in excess of the VAT threshold, and all legal entities and persons that register voluntarily for the VAT. It said that the authorities should finalize the preparations in 2023 for the medium-term measures, so they enter into effect in 2024 and 2025.

Revenues Foregone due to Mis-Valuation of the Tax Base of Imports (% of GDP)



Source: International Monetary Fund, Byblos Research



Banque du Liban's foreign assets at \$15bn, gold reserves at \$17.6bn at mid-January 2023

Banque du Liban's (BdL) interim balance sheet reached \$187.3bn on January 15, 2023, constituting a decrease of 1.3% from \$189.7bn at end-2022 and an increase of 14.2% from \$164bn a year earlier. Assets in foreign currency totaled \$15.02bn at mid-January 2023, representing a decrease of \$166.7m, or of 1.1%, from the end of 2022 and a drop of \$2.69bn (-15.2%) from \$17.7bn at mid-January 2022. 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 \$9.98bn at mid-January 2023, constituting decreases of \$166.7m (-1.6%) from \$10.15bn at the end of December 2022 and of \$233.3m (-2.3%) from \$10.22bn at mid-December 2022. They dropped by \$2.69bn (-21.3%) from \$12.68bn at mid-January 2022. 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.

Further, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP67,160.1bn at mid-January 2023, constituting a decrease of 16.2% from LBP80,171.3bn at end-2022, and a surge of 45.7% from LBP46,082.9bn at mid-January 2022.

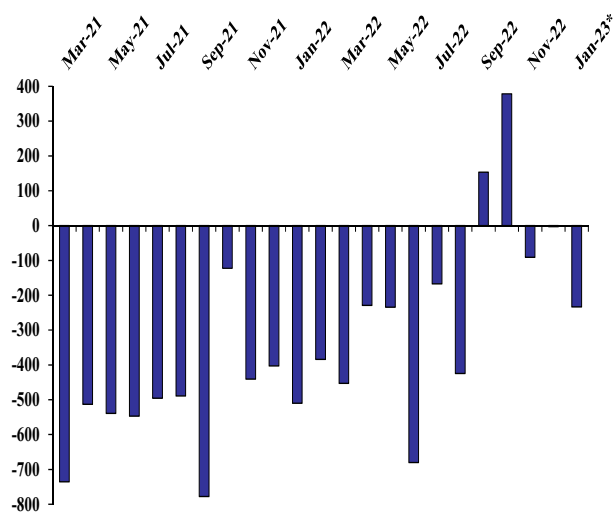
In parallel, the value of BdL's gold reserves amounted to \$17.56bn at mid-January 2023, constituting increases of \$914.8m (+5.5%) from the end of 2022 and of \$748.4m (+4.4%) from \$16.8bn at mid-January 2022. The value of gold reserves reached a peak of \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled \$39.9bn at mid-January 2023, representing declines of \$282.6m (-0.7%) from the end of 2022 and of \$1.4bn (-3.4%) from \$41.3bn a year earlier. In addition, loans to the local financial sector totaled \$11.8bn, as they regressed by 0.9% from the end of 2022 and declined by 13.2% from mid-January 2022. Further, the deposits of the financial sector reached \$110.1bn at mid-January 2023 and increased by \$1.6bn from a year earlier. In addition, public sector deposits at BdL stood at LBP19,561.4bn (\$12.9bn) at mid-January 2023, as they rose by LBP220m (\$0.14m) from the end of the previous year and surged by LBP8,171.8bn (\$5.4bn) from mid-January 2022.

Port of Beirut processes 4.33 million tons of freight in first 10 months of 2022

Figures released by the Port of Beirut show that the port processed 4.33 million tons of freight in the first 10 months of 2022, constituting an increase of 12.5% from 3.85 million tons of freight in the same period of 2021. Imported freight amounted to 3.53 million tons in the first 10 months of 2022, up by 12.3% from 3.15 million tons in the same period of 2021, and accounted for 81.7% of total processed freight. In addition, the volume of exported cargo reached 792,000 tons in the first 10 months of 2022, representing a rise of 13.5% from 698,000 tons in the same period of 2021, and accounting for 18.3% of aggregate freight in the covered period. A total of 980 vessels docked at the port in the first 10 months of 2022, nearly unchanged from 981 ships in the same period of 2021. The port handled 408,000 tons of freight in October 2022, down by 10.7% from 457,000 tons in September 2022. In addition, 103 vessels docked at the port in October 2022, up by 2% from 101 ships in the previous month.

In parallel, the Port of Tripoli processed 2.87 million tons of freight in the first 10 months of 2022, and increased by 882,388 tons (+44.3%) from 1.99 million tons in the 10 months of 2021. Imported freight amounted to 1.65 million tons in the first 10 months of 2022 and grew by 207,811 tons (+14.4%) from 1.44 million tons in the same period last year. Imports accounted for 57.3% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 1.23 million tons in the first 10 months of 2022, up by 674,577 tons (+122%) from 553,442 tons in the same period of the previous year, and represented 42.7% of total freight in the covered period. Further, revenues generated through the Port of Tripoli stood at \$272.77m in the first 10 months of 2022, and surged by 1,502.3% from \$17m in the corresponding period of the preceding year. A total of 757 vessels docked at the port in the first 10 months of 2022, representing an increase of 26.4% from 599 ships in the same period of 2021.

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



*as at mid-January 2023

Source: Banque du Liban, Byblos Research

Trade deficit widens by 60% to \$15.6bn in 2022

Figures issued by Lebanese Customs show that total imports reached \$19.2bn in 2022, constituting an increase of 39.7% from \$13.6bn in 2021; while aggregate exports totaled \$3.5bn and declined by 10.2% from \$3.9bn in 2021. As such, the trade deficit widened by 59.5% to \$15.6bn in 2022, due to a rise of \$5.4bn in imports compared to a downturn of \$394.8m in exports. The coverage ratio, or the exports-to-imports ratio, was 18.3% in 2022 relative to 28.5% in 2021.

Non-hydrocarbon imports increased by \$3.7bn, or by 38%, to \$13.5bn in 2022; while the imports of oil & mineral fuels grew by \$1.7bn, or by 44%, to \$5.6bn. Oil & mineral fuels accounted for 29.3% of the imports bill last year, compared to 28.4% in 2021. Lebanon imported 5.94 million tons of oil & mineral fuel in 2022 relative to 7.2 million tons in 2021. The jump in hydrocarbon imports is due to the surge in global oil prices following Russia's invasion of Ukraine, while the rise in non-hydrocarbon imports is mainly due to the stocking of imported goods in anticipation of the increase in the exchange rate for customs as stipulated in the budget for 2022 and to the rise in the cost of shipping and insurance from the increase in global oil prices.

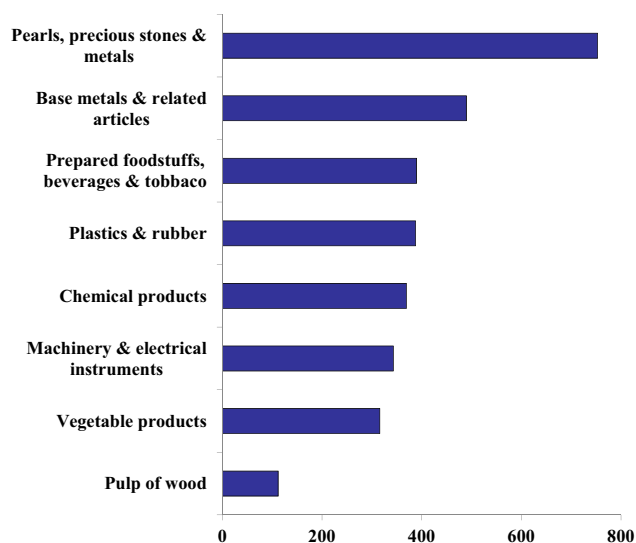
The decrease in exports was due to a drop of \$274.4m, or of 74.8%, in the exports of miscellaneous manufactured articles in 2022; a decline of \$265m (-26%) in the exports of pearls, precious stones & metals; a decrease of \$182.1m (-36.6%) in the exports of vegetable products; a contraction of \$28.2m (-71.3%) in exported live animals and animal products; and a downturn of \$22.2m (-33%) in the exports of vehicles, aircraft, vessels, transport equipment,

Exports to Syria rose by 290% in 2022. Exported goods to Türkiye surged by 73.5%, those to Iraq increased by 29.3%, exports to South Korea expanded by 17.8%, and those to Jordan improved by 10.8. In contrast, exported goods to Switzerland dropped by 63.2% in the covered period, those to Qatar declined by 26%, exports to the U.S. decreased by 21.5%, those to the UAE contracted by 13.5%, and exports to Egypt retreated by 2.8%. Also, re-exports totaled \$370.5m in 2022 compared to \$343.5m in 2021. The Port of Beirut was the exit point for 46% of Lebanon's exports in 2022, followed by the Hariri International Airport (29.8%), the Masnaa crossing point (12.7%), the Port of Tripoli (8.8%), the Port of Saida (1.7%), the Abboudieh crossing point (0.7%), and the Arida crossing point (0.3%).

Lebanon's main non-hydrocarbon imports were machinery & electrical instruments that reached \$2.5bn in 2022 and increased by 108% in 2022. The imports of vehicles, aircraft & vessels followed with \$2bn (+78%), then imported pearls, precious stones & metals with \$1.7bn (+35.8%); the imports of chemical products with \$1.2bn (-20.2%); the imports of prepared foodstuffs with \$1bn (+25%); imported vegetable products with \$989.8m (+18.4%); base metals with \$824m (+46%); and plastics & rubber with \$629.4m (+28%). The Port of Beirut was the entry point for 63.8% of Lebanon's merchandise imports in 2022, followed by the Hariri International Airport (18.7%), the Port of Tripoli (10.5%), the Masnaa crossing point (4%), the Port of Saida (2.6%), the Arida crossing point (0.2%), the Abboudieh crossing point (0.1%), and the Port of Tyre (0.03%).

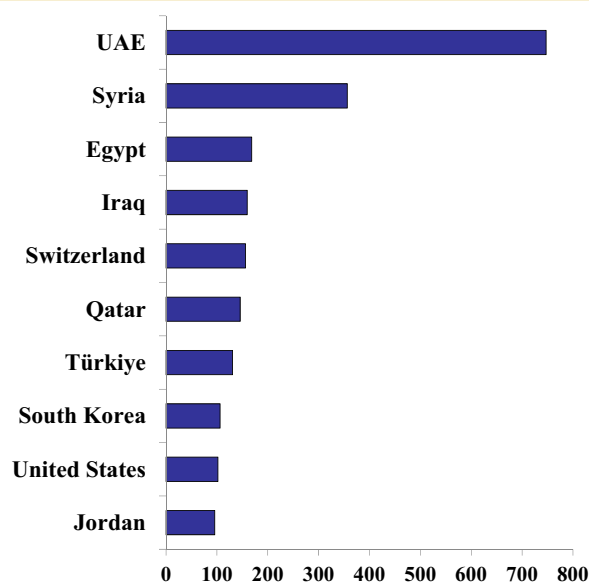
China was the main source of imports with \$2.7bn and accounted for 14% of the total in 2022, followed by Türkiye with \$2.4bn (12.7%), Greece with \$1.8bn (9.5%), Italy with \$1.1 (5.6%), the U.S. with \$967.8m (5%), the UAE with \$685.7m (3.6%), Germany with \$664.7m (3.5%), Switzerland with \$631m (3.3%), India with \$590.5m (3.1%), and Egypt with \$529m (2.8%). Further, imported goods from India surged by 130.3% in 2022, followed by imports from China (+111.8%), Switzerland (+92.8%), Italy (+70%), Türkiye (+68%), Egypt (+60.8%), Greece (+33.7%), the U.S. (+26%), and Germany (+8.5%). In contrast, imported goods from the UAE declined by 10.6% in the covered period.

Main Lebanese Exports in 2022 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in 2022 (US\$m)



Source: Lebanese Customs Administration, Byblos Research

Lebanon's population at 5.5 million at end-June 2022, life expectancy at 74.4 years

The United Nations (UN) estimated that Lebanon's population reached 5.49 million at the end of June 2022, compared to 5.59 million at end-June 2021 and to 5.18 million at the end of June 2012. Also, it said that the population density was 536.6 persons per square kilometer, and that the median age of the Lebanese population was 28.5 years at end-June 2022 compared to 27.8 years in 2012. It added that females accounted for 51.5% of the total population and males represented the balance of 48.5%, which would result in a population sex ratio of 94.2 males per 100 females in Lebanon at the end of June 2022.

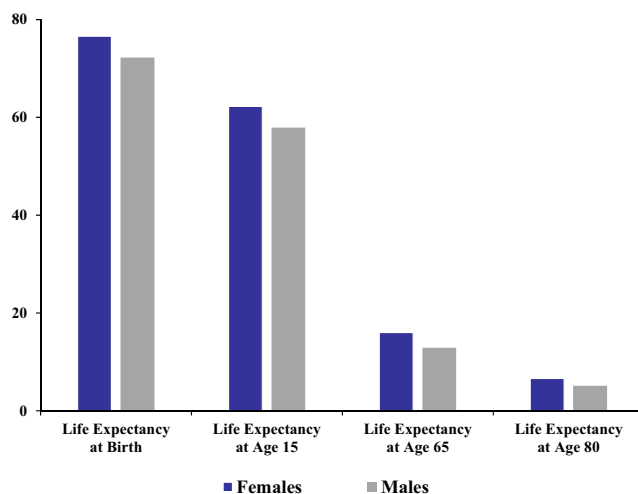
It stated that there were 81,179 births in 2022, with women between 15 and 19 years old giving birth to 4,737 babies or 5.8% of the total. Also, it estimated that the fertility rate in Lebanon stood at 2.08 live births per female, while the mean child-bearing age of women was 29.4 years in 2022, unchanged from 2012. It added that the net reproduction rate reached one surviving daughter per woman giving birth, and that the sex ratio at birth was 105 males per 100 females in 2022.

Further, the UN indicated that there were 49,324 deaths in Lebanon in 2022 that consisted of 25,311 male deaths and 24,013 female deaths. Also, it said that the "crude death rate" was 8.9 deaths per 1,000 individuals last year compared to 4.1 deaths per 1,000 persons in 2012. In addition, it said that life expectancy at birth in Lebanon for both sexes was 74.4 years in 2022, while life expectancy at the age of 15 was 60.1 years last year. It added that life expectancy at the age of 60 and at the age of 80 was 14.5 years and six years, respectively, in 2022.

In parallel, it noted that the infant mortality rate in Lebanon in 2022 was 6.2 deaths per 1,000 live births, that 80,709 live births stayed alive beyond the age of one year, and that there were 7.2 deaths of children that are less than five years-old per 1,000 live births last year. Further, it said that the mortality rate in Lebanon before the age of 40, or the number of deaths under the age of 40 per 1,000 live births, was 26 deaths in 2022 compared to 23.5 deaths in 2012, while the mortality rate before the age of 60 reached 117.4 deaths last year relative to 79.8 deaths in 2012. It added that the mortality rates for the 15 to 50 year-old bracket and for the 15 to 60-year old segment was 41.2 deaths and 109.3 deaths per 1,000 live births, respectively, in 2022.

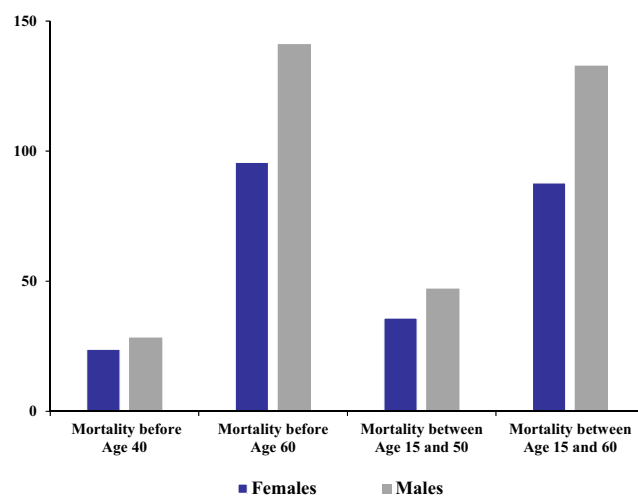
Finally, the UN indicated that the net number of migrants to Lebanon, which is measured by the number of immigrants to the country minus the number of emigrants from the country, stood at -160,237 persons, and that the net migration rate reached -28.8 per 1,000 individuals in 2022.

Life Expectancy in Lebanon by Gender
(number of years)



Source: United Nations, Byblos Research

Mortality Rate in Lebanon
(deaths per 1,000 live births)

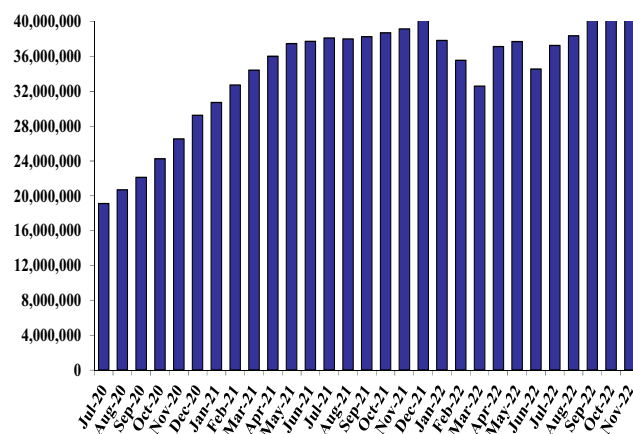


Source: United Nations, Byblos Research

Broad money supply up 10% in first 11 months of 2022, currency in circulation up 63.5%

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP89,778.5bn at the end of November 2022, constituting increases of 55% from LBP57,937bn at end-2021 and of 66.2% from LBP54,028.8bn at end-November 2021. Currency in circulation stood at LBP67,858.2bn at the end of November 2022, as it grew by LBP26,343.4bn (+63.5%) from LBP41,515bn at end-2021 and rose by 73.4% from LBP39,138.2bn at end-November 2021. Also, demand deposits in local currency stood at LBP21,920.3bn at end-November 2022, representing an expansion of 33.5% in the first 11 months of the year and a surge of 47.2% from end-November 2021. Money supply M1 decreased by 1.4% in November from LBP91,092.5bn at end-October 2022, with currency in circulation declining by 3%, while demand deposits in local currency increasing by 3.2% 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 LBP107,631bn at the end of November 2022, constituting an increase of 36.2% from LBP79,007bn at the end of 2021 and a rise of 42.5% from LBP 75,531.4bn a year earlier. Term deposits in Lebanese pounds totaled LBP17,852.6bn at the end of November 2022, as they declined by 15.3% from LBP21,070bn at end-2021 and by 17% from LBP21,502.6bn at end-November 2021. Money supply M2 decreased by 1.3% in November from LBP109,002.9bn at end-October 2022, with term deposits in local currency regressing by 0.3% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP221,731bn at the end of November 2022, constituting increases of 10.3% from end-2021 and of 11.7% from LBP198,418bn at end-November 2021. Deposits in foreign currency totaled LBP113,683.5bn at end-November 2022, down by 6.6% from end-2021 and by 7.2% from end-November 2021. Also, debt securities issued by the banking sector amounted to LBP416.5bn at the end of November 2022 compared to LBP334bn at end-2021 and to LBP415.7bn at end-November 2021. Money supply M3 regressed by 0.7% from LBP223,312.8bn at end-October 2022, with deposits in foreign currency nearly unchanged at LBP113,814.8bn at end-October 2022 and debt securities issued to residents by the banking sector decreasing by 16% month-on-month. In parallel, M3 increased by LBP20,661.4bn from end-2021 due to a surge of LBP50,882bn in other items, which was partly offset by a decline of LBP8,873bn in the claims on the private sector, a retreat of LBP15,942.6bn in the net claims on the public sector, and a downturn of LBP4,851.5bn in the net foreign assets of deposit-taking institutions.

World Bank to provide \$9m grant for pollution control

The Ministry of Environment and the World Bank signed on December 20, 2022 the Reduction of Unintentional Persistent Organic Pollutants through Waste Management in a Circular Economy project. The initiative aims to help Lebanon reduce harmful emissions from the open burning of solid waste, improve solid waste management such as recycling and composting at the municipal level, and reduce the exposure of residents of the North and South of the country to hazardous substances. The project will be financed with a grant of \$8.86m from the Global Environment Facility, a multilateral environmental fund that provides grants and credit facilities for biodiversity protection, nature restoration, pollution reduction, and climate change response in developing countries.

The World Bank indicated that Lebanon was already facing severe environmental challenges prior to the prevailing economic and financial crisis, and noted that the cost of environmental degradation reached \$2.39bn, or the equivalent of 4.4% of GDP, in 2018. It added that the delivery of basic public services deteriorated in the past three years, pollution levels increased, and natural resources faced further depletion. It noted the significant drop in the provision of services in the solid waste sector, as less than 8% of collected household waste is being treated, over 40% of this waste ends up in open dumps, and due to the limited adherence to the solid waste hierarchy that prioritizes waste reduction, and the re-use, recycling and conversion of waste, over the disposal of such waste.

Further, it said that the open dumping and open burning of solid waste have consistently increased in Lebanon in the past years, and that the open burning of solid waste releases highly toxic unintentional persistent organic pollutants (UPOPs) into the air, in addition to residues that seep into water and land resources. It indicated that the project aims to address critical barriers for reducing UPOPs and to minimize risks to public health and to the environment that stem from UPOPs emissions. It added that the project will attempt to strengthen the policy framework, to build capacity, as well as to enhance long-term planning for applying circular economy approaches in waste management. It said that the project also intends to divert municipal solid waste from uncontrolled open dumps in selected areas in the North and South of Lebanon through the development of an integrated solid waste management system in the waste service zones of the two regions. It added that the initiative will include in-depth assessments of these areas and of the disposal sites, in order to confirm the technical, financial, and institutional feasibility of the project. It considered that the project aims to directly benefit the population living in the areas surrounding open waste dumps, and who are exposed to the risk of contamination via the air, water, and food channels.

Occupancy rate at Beirut hotels at 49.6%, room yields up 20.3% in first 11 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 49.6% in the first 11 months of 2022 relative to 42.5% in the same period of 2021, and compared to an average rate of 60% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the third lowest in the region in the first 11 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, 64% in August, 68.5% in September, 41% in October, and 39.3% in November 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, 45.4% in September, 35.3% in October, and 30.5% in November 2021. The occupancy rate at hotels in Beirut increased by 7.1 percentage points in the first 11 months of 2022 from the same period of 2021. In comparison, the average occupancy rate in Arab markets grew by 12.4 percentage points in the covered period.

Hotel Sector Performance in First 11 Months of 2022

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	75	67	21.8
Dubai	72	239	44.9
Madina	73	105	147.6
Cairo	71	69	107.8
Makkah	66	108	201.3
Riyadh	62	110	42.1
Doha	60	83	15.2
Jeddah	55	132	34.5
Beirut	50	23	20.3
Muscat	51	62	141.5
Amman	50	73	71.8
Manama	49	75	57.7
Kuwait City	45	102	18.0

Source: EY, Byblos Research

Also, the average rate per room at Beirut hotels was \$46 in the first 11 months of 2022 relative to \$45 in the same period of 2021 and constituted 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 \$159.5 that increased by \$28.5 (+21.8%) from \$131 in the same period of 2021. The average rate per room at Beirut hotels was \$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 in August, \$68.6 in September, \$51 in October, and \$49 in November 2022. In comparison, it was \$73 in January, \$81.8 in February, \$72.5 in March, \$90 in April, \$103 in May, \$59 in June, \$68 in July, \$73.3 in August, \$64 in September, \$52 in October, and \$67 in November 2021.

Further, revenues per available room (RevPAR) were \$23 at Beirut hotels in the first 11 months of 2022 compared to \$19 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 20.3% in the first 11 months of 2022 and posted the third lowest increase regionally in the covered period. The RevPAR at hotels in Beirut were \$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, \$47 in September, \$21 in October, and \$19 in November 2022. In comparison, they were \$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, \$29 in September, \$24 in October, and \$21 in November 2021. Abu Dhabi had the highest hotel occupancy rate in the region at 75.3% in the first 11 months of 2022, while Dubai registered the highest average rate per room at \$332 and the highest RevPAR at \$239 in the covered period.

European Union grants €25m to address food insecurity in Lebanon

The European Union (EU) launched two new initiatives that aim to support vulnerable individuals in Lebanon and to fight food insecurity through a grant of €25m. It said that the two projects are in response to the negative impact of Russia's invasion of Ukraine on the neighboring countries of EU. It noted that the new funds come in addition to the already existing projects that the EU is implementing in the country about food security and social protection.

First, it indicated that the first initiative will provide immediate assistance to 7,245 vulnerable Lebanese households, or to 41,287 individuals who are enrolled in the National Poverty Targeting Program (NPTP).

Second, it said that the second initiative aims to strengthen Lebanon's agricultural and agri-food systems in the medium- to longer terms. Also, it stressed the importance of increasing the productive capacity of Lebanese farmers and supporting a more climate-suitable agriculture, which would help Lebanon diversify its food production and move away from relying on the imports of crops and cereals. It noted that it will implement the project in partnership with the Food and Agriculture Organization and the World Food Program (WFP).

The NPTP is Lebanon's first targeted social safety net project, which assists Lebanese living in extreme poverty and delivers social transfers and services to them to improve their living standard and to cover their food needs. The WFP provides through the NPTP \$20 per individual to buy food and \$25 per household per month to cover other essential needs. It indicated that it assisted 352,800 Lebanese individuals, or 63,000 vulnerable families as at October 2022. Donors that support the NPTP consist mainly of Canada, the European Commission, France, Germany, Ireland, Italy, and Norway. In parallel, the European Commission noted that it has allocated over €2.4bn in financial aid and technical assistance to Lebanon since 2012.

Number of registered real estate transactions down 27% in 2022

Figures released by the Ministry of Finance show that the ministry registered 79,990 real estate transactions in 2022, constituting a decrease of 27.3% from 110,094 in 2021. The ministry registered 27,741 real estate transactions in the first quarter, 12,180 deals in the second quarter, 16,579 transactions in the third quarter, and 23,490 deals in the fourth quarter of 2022. In comparison, the ministry registered 82,202 real estate transactions in 2020 and 50,352 real estate deals in 2019. The decline in the number of registered transactions in 2022 is due mainly to the ongoing strike of public sector employees that has started more than a year ago, which has led to the shutdown of government agencies and departments, paralyzed the functioning of the public administration, and prevented the official registration of real estate transactions. In parallel, the elevated number of registered transactions in 2022 is due mainly to the anticipated increase in real estate registration fees, as stipulated in the government's budget for 2022.

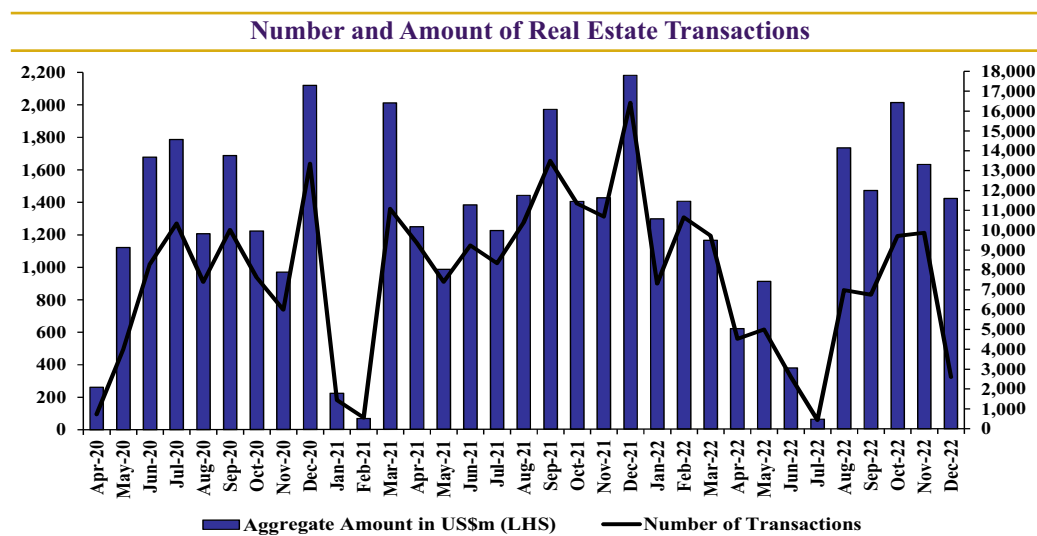
Further, the ministry registered 15,694 real estate transactions in the Baabda/Aley/Chouf area in 2022, representing 19.6% of the total. The South governorate followed with 14,213 deals (17.8%), then the North region with 11,275 transactions (14%), the Nabatieh governorate with 9,480 transactions (12%), Beirut with 8,708 deals (11%), the Bekaa/Baalbeck-Hermel region with 8,536 transactions (10.7%), the Keserwan/Jbeil region with 7,823 deals (9.8%), and the Northern Metn district with 1,794 deals (2.2%).

In parallel, the aggregate amount of registered real estate transactions reached LBP21,650bn in 2022, or \$14.4bn based on the official exchange rate of the US dollar, and decreased by 7.6% from LBP23,442.3bn (\$15.55bn) in 2021. In comparison, the amount of real estate deals increased by 8% in 2021 from 2020 and surged by 210.4% in 2020 from 2019. Further, the value of registered real estate transactions in Beirut was LBP8,527.3bn and accounted for 39.4% of the total in 2022. The South governorate followed with LBP4,301.1bn (20%), then the Baabda/Aley/Chouf area with LBP2,350.3bn (11%), the Keserwan/Jbeil region with LBP1,774.3bn (8.2%), the North region with LBP1,364.1bn (6.3%), the Bekaa/Baalbeck-Hermel region with LBP1,266.7bn (6%), the Nabatieh governorate with LBP927.6bn (4.3%), and the Northern Metn district with LBP555.8bn (2.6%).

The amount of registered real estate transactions in the South governorate surged by 73% in 2022 from 2021, followed by deals in the Bekaa/Baalbeck-Hermel area (+38.7%), Beirut (+37.8%), and the Nabatieh governorate (+12); while the amount of registered real estate transactions in the Northern Metn district dropped by 85.3% in 2022 from 2021, followed by the Keserwan/Jbeil region (-43%), then by the Baabda/Aley/Chouf region (-42.5%), and the North area (-20.4%). In addition, the aggregate amount of real estate transactions reached LBP2,136.4bn (\$1.4bn) in December 2022, constituting a decline of 13% from LBP2,453.1bn (\$1.6bn) in November 2022 and compared to LBP3,283.5bn (\$2.1bn) in December 2021.

In parallel, the average amount per registered real estate transaction was LBP270.6m (\$179,541.5) in 2022, and increased by 20.3% from an average of LBP213m (\$141,247.2) in 2021. Further, there were 830 real estate transactions executed by foreigners in 2022, compared to 1,467 deals in 2021 and to 1,182 transactions in 2020. The number of real estate deals by foreigners accounted for 1% of the registered real estate transactions in 2022, down from 1.3% in 2021 and from 1.4% in 2020.

Further, 33% of real estate transactions executed by foreigners in 2022 were in the South governorate, followed by Beirut (28%), then the North region (11.4%), the Keserwan/Jbeil region (9.5%), the Baabda/Aley/Chouf area (7%), the Bekaa/Baalbeck-Hermel region (6.7%), the Nabatieh governorate (2.7%), and the Northern Metn district (1.7%). The latest available figures show that Syrian citizens accounted for 13.7% of the amount of real estate transactions executed by foreigners in October 2022, followed by Canadian nationals (2.9%), citizens from Iraq (2.4%), Citizens from Türkiye (1.5%), Kuwaiti citizens (1%), while the remaining 78.5% accounted for citizens from other countries.

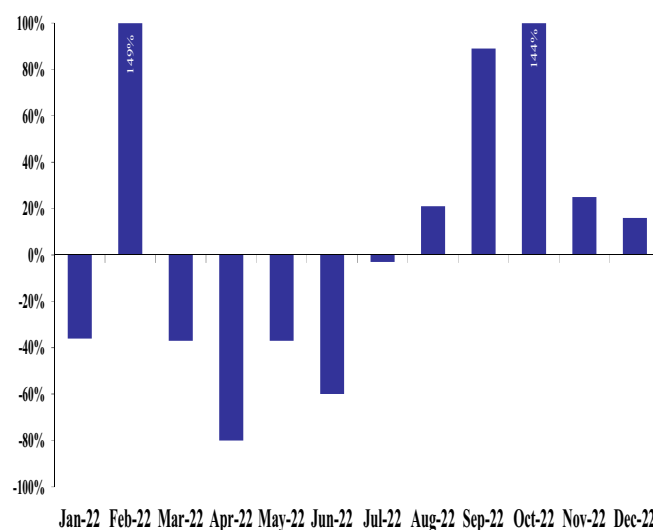


Source: Ministry of Finance, Byblos Research

Tourist spending down 19%, number of refunds up 1% in 2022

Figures issued by Global Blue, the value-added tax (VAT) refund operator for international shoppers, show that spending by visitors in Lebanon declined by 19% in 2022 compared to a decrease of 14% in 2021. Also, spending by visitors dropped by 22% in the first quarter and by 64% in the second quarter, while it increased by 31% in the third quarter and by 55% in the fourth quarter of 2022 from the corresponding quarters of the previous year. The figures cover purchases on which visitors claimed VAT refunds. Spending of more than €5,000 per visitor accounted for 61% of total expenditures by visitors in 2022, followed by expenditures between €1,500 and €5,000 (18%), spending in the €750-€1,500 range (8%), expenditures between €300 and €750 (7%), and outlays of less than €300 (6%). Spending by tourists in Lebanon fell by 36% in January from the same month last year, while it grew by 149% in February, then it declined by 37% in March, by 80% in April, by 37% in May, by 60% in June, by 3% in July, while it increased by 21% in August, by 89% in September, by 144% in October, by 25% in November, and by 16% in December 2022 from the corresponding months of the previous year.

Change in Visitors' Spending (Year-on-Year)



Source: Global Blue, Byblos Research

Further, visitors from the UAE accounted for 17% of tourist expenditures in 2022, followed by visitors from Kuwait and Saudi Arabia with 6% each, Syria and Qatar with 5% each, and Egypt with 4%; while visitors from other countries represented the remaining 57%. Also, spending by travelers from Saudi Arabia increased by 19% in 2022, followed by expenditures by visitors from Kuwait (+6%). In contrast, spending by tourists from Egypt fell by 44% in 2022, followed by expenditures by visitors from Syria (-38%), Qatar (-17%), and the UAE (-16%), while the outlays of visitors from other countries declined by 20%. In comparison, spending by travelers from Qatar surged by 50% in 2021, followed by expenditures by visitors from Kuwait (+42%). In contrast, spending by tourists from Saudi Arabia dropped by 63% in 2021, followed by expenditures by visitors from Syria (-36%), Egypt (-32%), and the UAE (-4%), while the outlays of visitors from other countries regressed by 9%.

In addition, Beirut attracted 83% of aggregate expenditures in 2022, followed by the Metn area with 16%, and the Baabda & Aley region with 1%. In parallel, fashion & clothing accounted for 69% of total spending last year, followed by disbursements on watches & jewelry with 24%, outlays at department stores with 3%, payments on sports equipment & clothing and spending on home & garden products with 1% each. Spending on sports equipment & clothing dropped by 49% in 2022, expenditures on home & garden products decreased by 44%, spending at department stores declined by 39%, expenditures on fashion & clothing regressed by 19%, and outlays on watches & jewelry contracted by 8%, while spending on other categories dipped by 33% last year.

In parallel, the total number of refund transactions by visitors increased by 0.5% in 2022, as the number of refund transactions by visitors surged by 70% in the first quarter, while it declined by 12% in the second quarter, by 14% in the third quarter, and by 16% in the fourth quarter of 2022 from the corresponding quarters of 2021. Visitors from the UAE accounted for 14% of the number of refund transactions in 2022, followed by those from Syria (10%), Egypt (9%), Saudi Arabia (8%), Qatar (4%), and Kuwait (3%), while other countries represented the remaining 51%. Refund transactions for amounts of less than €300 accounted for 57% of the total number of refunds, followed by spending in the €300-€750 range (19%), outlays of between €750 and €1,500 (10%), disbursements of €1,500 to €5,000 (9%), and payments that exceed €5,000 (5%).

Lebanon to receive 7.3% of IMF regional technical assistance in FY2022/23

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Lebanon will receive 7.3%, or 0.9 full-time equivalent resources, of the center's overall allocation of technical assistance delivery to member countries during the fiscal year that will end in April 2023. Lebanon is expected to receive the sixth highest share of technical assistance in FY2022/23 among METAC's 14 member countries. Also, it said there are nine technical assistance projects planned for Lebanon in FY2022/23, the fourth highest number of such projects among member countries, behind Egypt (14 projects), Jordan (12 projects), Iraq and Morocco (10 projects each). It added that it will provide three technical assistance projects in public financial management, three projects in revenue administration, one project in statistics, one project in financial supervision and regulation, and one project in central bank operations.

The center indicated that 33.3% of the total assistance that it will deliver to Lebanon in FY2022/23 will be in public financial management support. It said that it will help authorities identify, monitor, and strengthen the management of fiscal risks in order to improve the analysis, disclosures and fiscal oversight of public institutions risks. Also, it noted that it will help develop the coverage and quality of reporting in order to improve the comprehensiveness, frequency, transparency and quality of fiscal reports. In addition, it pointed out that it will assist the authorities in improving the management of public finances by developing the Treasury Single Account and cash management project.

In parallel, METAC indicated that 33.3% of the total assistance that it will deliver to Lebanon in the covered fiscal year will be in revenue administration. It said that it will assist the authorities in improving information & communications technology strategies and systems to strengthen core tax administration functions. Also, it noted that it will help the government improve the identification, assessment, ranking and quantification of compliance risks. It pointed out that it will assist the relevant authorities in adopting a clear reform strategy and implement a strategic management framework to strengthen the government's management capacity. It added that it will deliver technical assistance for customs in order to establish a risk management unit.

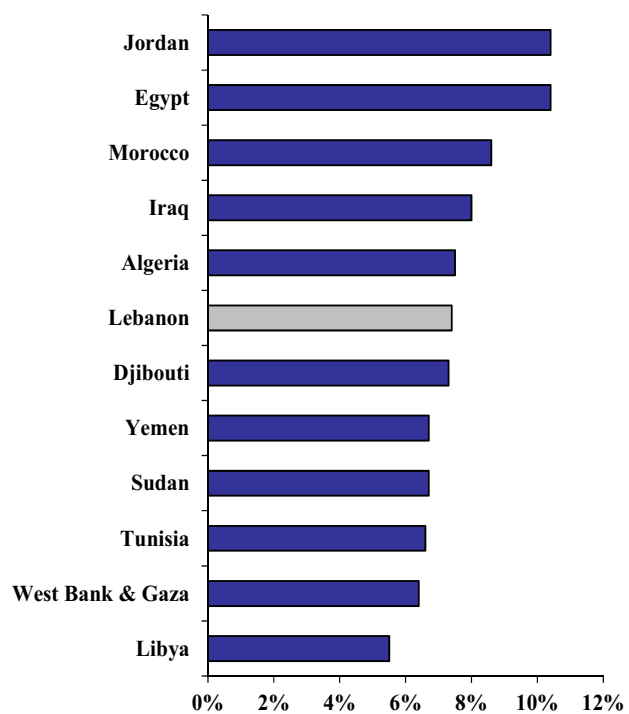
Further, the center indicated that 11.1% of the total assistance that it will deliver to Lebanon in FY2022/23 will be in statistical support. It said that it will assist the Central Administration for Statistics to improve the compilation and dissemination of the Consumer Price Index and the Producer Price Index for decision making, as well as to enhance the periodicity, timeliness, and consistency of data. It added that it will ensure that the methodological basis of statistics follows internationally accepted standards, guidelines or good practices.

Also, METAC noted that 11.1% of the total assistance that it will deliver to Lebanon in the covered fiscal year will be in financial supervision and regulation. It indicated that it will help authorities implement and monitor the banking sector's compliance with Basel II and Basel III, as well as strengthen prudential regulations. It said that it will help participants exchange and acquire knowledge and skills on financial supervision and regulation.

In addition, the center indicated that 11.1% of the total assistance that it will deliver to Lebanon in FY2022/23 will be in central bank operations, as it noted that it will assist Banque du Liban to modernize its monetary policy.

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 2022/23



Source: International Monetary Fund, Byblos Research

Bankers Assurance assets at LBP511bn at end-2021

Bankers Assurance's audited balance sheet shows that the firm had total assets of LBP511bn, or the equivalent of \$339m, at the end of 2021, constituting an increase of 3.7% from LBP492.8bn (\$327m) at the end of 2020. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. On the assets side, general company investments reached LBP179.6bn (\$119m) at the end of 2021 and grew by 6.3% from a year earlier. They included LBP108.5bn (\$72m) in cash & cash equivalents, LBP20.6bn (\$13.7m) in fixed income instruments, LBP3.4bn (\$2.3m) in land and real estate assets, and LBP1.1bn (\$0.74m) in mutual funds. Further, the firm blocked LBP40.5bn (\$27m) as bank deposits with maturities of more than three months and LBP3.5bn (\$2.35m) in favor of the Ministry of Economy & Trade as guarantees.

Unit-linked contracts investments totaled LBP60.5bn (\$40.2m) at end-2021 and increased by 27% from LBP47.7bn (\$31.6m) a year earlier. They included LBP32bn (\$21.2m) in mutual funds, LBP26.5bn (\$17.6m) in cash & similar investments, and LBP2bn (\$1.3m) in fixed income investments. Unit-linked investments in cash & similar placements rose by 51.6% from end-2020 and those in mutual funds expanded by 16.8% year-on-year, while those in fixed income instruments decreased by 27.2%. Also, the reinsurer's share in technical reserves for the non-life category reached LBP94bn (\$62.3m) at end-2021 and dropped by 32.7% from a year earlier, while reserves for the life segment totaled LBP8.2bn (\$5.4m) and regressed by 6.5% from the end of 2020.

On the liabilities side, unit-linked technical reserves reached LBP328.2bn (\$217.7m) at the end of 2021 and grew by 0.7% from LBP325.8bn (\$216m) a year earlier. Technical reserves for the non-life segment decreased by 3.7% to LBP250.7bn (\$166.3m) at end-2021, while technical reserves for the life category reached LBP16.9bn (\$11.2m) at end-2021 and regressed by 5.6% from a year earlier. Non-life technical reserves included outstanding claims reserves of LBP137.6bn (\$91.3m) that declined by 14.7%, unearned premium reserves of LBP97bn (\$64.3m) that expanded by 15.2%, and LBP4bn (\$2.6m) in "reserves incurred but not enough reported" that grew by 21% year-on-year. Also, provisions for risks and charges reached LBP7.2bn (\$4.8m) and rose by 34% from end-2020. The firm's shareholders' equity totaled LBP132.8bn (\$88.1m) at end-2021 and increased by 9% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Bankers Assurance in first and fourth place in 2021 in terms of non-life and life premiums, respectively. The firm's non-life premiums totaled \$157.1m in 2021 and grew by 24.4% from the previous year; while life premiums increased by 5.5% to \$22.7m in 2021. The company had an 11.5% share of the local non-life market and a 6.1% share of the life market in 2021. Overall, Bankers Assurance had a 10.4% market share of the Lebanese insurance market in 2021, ranking it in first place in terms of life and non-life premiums.

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



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293