

LEBANON THIS WEEK

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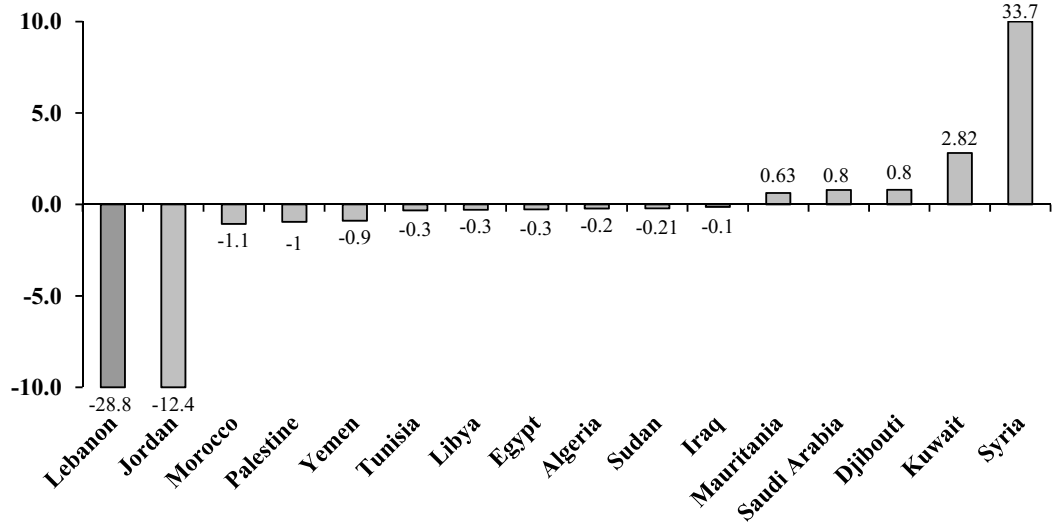
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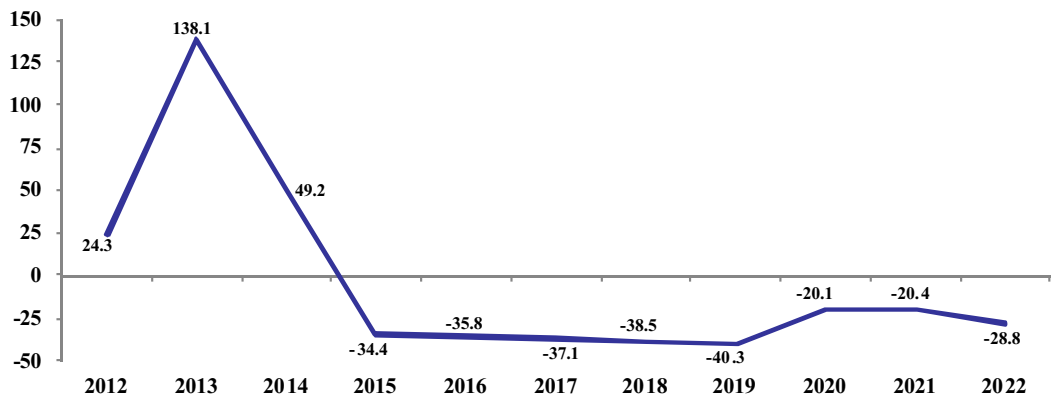
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Charts of the Week

Net Migration Rates for Select Arab Countries in 2022* (per 1,000 persons)



Net Migration Rates for Lebanon* (per 1,000 persons)



*the net number of migrants is measured by the number of immigrants to the country minus the number of emigrants from the country

Source: United Nations Population Division, Byblos Bank

Quote to Note

"This agreement is important for Qatar, which gives our country a chance to support economic development in Lebanon."

The Minister of State for Energy Affairs of Qatar and CEO of QatarEnergy Saad Sherida al-Kaabi, on QatarEnergy joining the consortium for offshore oil and gas exploration in Lebanon's territorial waters

Number of the Week

70%: Percentile rank of Lebanon in terms of the independence of the judiciary, according to the World Economic Forum and the Fraser Institute

Lebanon in the News

| \$m (unless otherwise mentioned) | 2019 | 2020 | 2021 | % Change* | Dec-20 | Nov-21 | Dec-21 |
|----------------------------------|-----------|-----------|-----------|-----------|---------|---------|---------|
| Exports | 3,731 | 3,544 | 3,887 | 9.6% | 295 | 391 | 616 |
| Imports | 19,239 | 11,310 | 13,641 | 20.6% | 1,232 | 1,179 | 1,269 |
| Trade Balance | (15,508) | (7,765) | (9,754) | 25.6% | (937) | (788) | (653) |
| Balance of Payments | (5,851) | (10,551) | (1,976) | -81.3% | (348) | 160 | (400) |
| Checks Cleared in LBP | 22,145 | 19,937 | 18,639 | -6.5% | 1,942 | 1,825 | 1,738 |
| Checks Cleared in FC | 34,826 | 33,881 | 17,779 | -47.5% | 2,802 | 949 | 1,079 |
| Total Checks Cleared | 56,982 | 53,828 | 36,425 | -32.3% | 4,744 | 2,773 | 2,818 |
| Fiscal Deficit/Surplus** | (5,837) | (2,709) | 940.5 | - | (30) | - | - |
| Primary Balance** | (287) | (648) | 2,481 | - | 264 | - | - |
| Airport Passengers | 8,684,937 | 2,501,944 | 4,334,231 | 73.2% | 282,130 | 344,737 | 455,087 |
| Consumer Price Index | 2.9 | 84.9 | 154.8 | 6,989bps | 145.8 | 201.1 | 224.4 |

| \$bn (unless otherwise mentioned) | Dec-20 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | % Change* |
|-----------------------------------|--------|--------|--------|--------|--------|--------|-----------|
| BdL FX Reserves | 18.60 | 14.20 | 14.62 | 14.49 | 14.05 | 13.65 | (3.9) |
| In months of Imports | 15.10 | - | - | - | - | - | - |
| Public Debt | 95.59 | 98.74 | 99.22 | 99.80 | 100.39 | 100.37 | 5.0 |
| Bank Assets | 188.04 | 180.28 | 179.68 | 178.90 | 175.60 | 174.94 | (3.0) |
| Bank Deposits (Private Sector) | 139.14 | 133.04 | 132.49 | 131.65 | 129.53 | 129.47 | (2.7) |
| Bank Loans to Private Sector | 36.17 | 30.86 | 30.00 | 29.18 | 28.04 | 27.71 | (10.2) |
| Money Supply M2 | 44.78 | 49.85 | 49.95 | 50.03 | 50.10 | 52.41 | 5.1 |
| Money Supply M3 | 132.70 | 133.21 | 132.90 | 132.42 | 131.62 | 133.39 | 0.1 |
| LBP Lending Rate (%) | 7.77 | 7.52 | 7.65 | 7.46 | 7.20 | 7.14 | (38) |
| LBP Deposit Rate (%) | 2.64 | 1.62 | 1.53 | 1.34 | 1.23 | 1.09 | (53) |
| USD Lending Rate (%) | 6.73 | 5.87 | 6.34 | 6.86 | 6.75 | 6.01 | 14 |
| USD Deposit Rate (%) | 0.94 | 0.30 | 0.26 | 0.23 | 0.20 | 0.19 | (11) |

*year-on-year; **figures for 2021 reflect the first 10 months of the year

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

| Most Traded Stocks on BSE* | Last Price (\$) | % Change* | Total Volume | Weight in Market Capitalization | Sovereign Eurobonds | Coupon % | Mid Price \$ | Mid Yield % |
|----------------------------|-----------------|-----------|--------------|---------------------------------|---------------------|----------|--------------|-------------|
| Solidere "A" | 63.50 | 1.8 | 82,458 | 42.7% | May 2023 | 6.40 | 6.25 | 4,655.17 |
| Byblos Common | 0.75 | 0.0 | 80,000 | 2.9% | Apr 2024 | 6.65 | 6.25 | 418.58 |
| Audi GDR | 1.31 | 4.0 | 59,151 | 1.1% | Jun 2025 | 6.25 | 6.13 | 160.81 |
| Solidere "B" | 63.35 | 1.4 | 20,817 | 27.7% | Nov 2026 | 6.60 | 6.25 | 87.36 |
| Audi Listed | 1.45 | 9.0 | 5,000 | 5.7% | Mar 2027 | 6.85 | 6.13 | 80.07 |
| BLOM GDR | 2.65 | 6.0 | 3,000 | 1.3% | Feb 2030 | 6.65 | 6.13 | 43.66 |
| HOLCIM | 31.10 | 0.0 | - | 4.1% | Apr 2031 | 7.00 | 6.13 | 36.99 |
| BLOM Listed | 2.66 | 0.0 | - | 3.8% | May 2033 | 8.20 | 5.88 | 29.51 |
| Byblos Pref. 08 | 27.00 | 0.0 | - | 0.4% | Nov 2035 | 7.05 | 6.25 | 22.96 |
| Byblos Pref. 09 | 37.98 | 0.0 | - | 0.5% | Mar 2037 | 7.25 | 6.25 | 20.59 |

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

Source: Refinitiv

| | Jan 23-27 | Jan 16-20 | % Change | December 2022 | December 2021 | % Change |
|-----------------------|-------------|--------------|----------|---------------|---------------|----------|
| Total shares traded | 250,426 | 198,868 | 25.9 | 9,581,716 | 1,283,538 | 646.5 |
| Total value traded | \$6,687,619 | \$10,645,433 | (37.2) | \$89,017,136 | \$22,004,921 | 304.5 |
| Market capitalization | \$14.87bn | \$14.61bn | 1.7 | \$14.48bn | \$10.61bn | 36.5 |

Source: Beirut Stock Exchange (BSE)



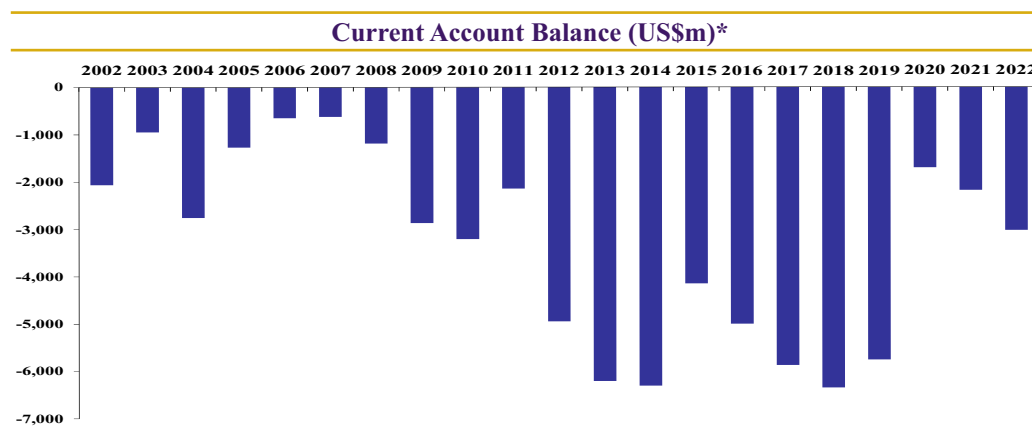
Current account deficit widens by 39% to \$3bn in first half of 2022 on higher trade deficit

Figures released by Banque du Liban (BdL) show that the current account deficit reached \$3bn in the first half of 2022, constituting an increase of 38.8% from a deficit of \$2.2bn in the first half of 2021. The deficit was \$1bn in the first quarter, nearly unchanged from the same quarter of 2021, and was \$2bn in the second quarter of 2022, representing an increase of 73.4% from the same quarter of the preceding year. The current account balance consists of the trade balance, which is the exports and imports of merchandise, as well as the services balance that covers the export and import of transportation services, tourism, insurance and other services. The current account balance also includes remittance inflows, investment income, and general government transfers.

The trade deficit reached \$6.2bn in the first half of 2022, widened by 42.6% from \$4.4bn in the same period of 2021, and posted its highest semi-annual level since the first half of 2019. Imported goods grew by 36.6% to \$8.5bn in the first half of 2022, their highest value since the first half of 2019, while exports increased by 22.5% year-on-year in the first half of last year to \$2.3bn, their highest level since the first half of 2013.

Further, the inflows of expatriates' remittances to Lebanon stood at \$3.2bn in the first half of 2022, constituting a decrease of 1.5% from \$2.2bn in the same period of 2021 relative to an increase of 1.4% in the first half of 2021, and reached their lowest level since the first half of 2007. In addition, remittance outflows from Lebanon amounted to \$855.3m in the first half of 2022 and dropped by 14.4% from \$998.7m in the same period of 2021, their lowest level during the first half of each year of the 2002-22 period. As such, net remittance inflows to Lebanon totaled \$2.3bn in the first half of 2022, constituting an increase of 4.2% from \$2.2bn in the first half of 2021.

In addition, tourism receipts stood at \$2.2bn in the first half of 2022, up by 86% from \$1.2bn in the same period of 2021; while outbound tourism spending totaled \$1.3bn in the first half of 2022, up by 102.5% from \$636.6m in the first half of 2021. As such, net tourism receipts surged by 65.8% to \$875.4m in the first half of 2022. Tourism receipts, outbound tourism spending, and net tourism receipts posted each their highest level for the period since the first half of 2019.



*in the first half of each year

Source: Banque du Liban, Byblos Research

The other components of the balance of payments show that Lebanon's capital account balance, which includes foreign grants, posted a surplus of \$159.1m in the first half of 2022, down by 66% from a surplus of \$469m in the first half of 2021, and constituting the lowest surplus since the first six months of 2012. The capital account posted an average surplus of \$819 during the first half of each year of the 2013-18 period due to the inflow of foreign grants to support Syrian and non-Syrian refugees, as well as host communities in the country. But the surplus started to regress in 2019 due to the decline in the inflows of financial grants.

In addition, Lebanon's financial account balance, which includes net foreign direct investments (FDI), net portfolio investments and other investments, posted a surplus of \$2.7bn in the first half of 2022 relative to a surplus of \$2bn in the first half of 2021. FDI inflows totaled \$306.5m in the first half of 2022, constituting an increase of 67% from \$183m in the same period of 2021, while FDI outflows shifted from investments of \$664.2m in the first half of 2021 to divestments of \$69.8m in the first half of 2022. FDI inflows consist mostly in large part of the redeployment of non-resident deposits to the real estate sector, according to the methodology of the International Monetary Fund for the balance of payments. As such, net FDI inflows reached \$236.8m in the first half of 2022 and dropped by 72% from \$847.6m in the first half of the preceding year. Further, net portfolio divestments reached \$1.25bn in the first half of 2022 compared to \$1.2bn in the first half of 2021. Also, inflows into other investments amounted to \$1.24bn in the first half of 2022 relative to outflows of \$1.18bn in the same period of 2021. Other investments are the component of the financial account balance that includes deposit flows to the banking sector, as well as debt arrears starting in March 2020.

In parallel, unrecorded transactions, or errors and omissions, were at +\$154.4m in the first half of 2022 relative to -\$288.7m in the first half of 2021. According to BdL, unrecorded transactions are in part due to the inadequate sources of data on some economic sectors. They include time and other adjustments for external trade, insurance services, migrants' transfers, travel services, transportation services, private sector direct investments, and portfolio investments. Finally, BdL's net foreign assets declined by \$2.6bn in the first half of 2022 relative to a decrease of \$1.8bn in the same period of 2021.



QatarEnergy joins consortium for oil and gas exploration and production

The Lebanese Government signed on January 29, 2022 two amending annexes to the Exploration and Production Agreements with the state-owned oil and gas firm QatarEnergy, France's TotalEnergies, and Italy's Eni International BV for the exploration and production of oil and gas in Block 4 and Block 9 of Lebanon's territorial waters. The Qatari company replaces Russian firm JSC Novatek in the consortium, following the withdrawal of the latter from the agreement in October 2022 as a result of U.S. sanctions on the company.

QatarEnergy received the 20% stake of Novatek, in addition to 5% from the stakes of each of TotalEnergies and ENI for a 30% stake in the consortium, while TotalEnergies, the operator of the consortium, and Eni will own a stake of 35% each.

TotalEnergies EP Liban sal announced on December 12, 2022 that the company will launch its offshore drilling operations in Block 9 of Lebanon's territorial waters in 2023, following the U.S.-brokered maritime agreement to delineate the maritime border between Lebanon and Israel that was sealed last October. But TotalEnergies declared on January 29, 2023 that it will start offshore drilling in the third quarter of this year. It indicated that it launched the call for tenders to lease a drilling rig and expected to select the rig in the first quarter of 2023. It said that it has placed pre-orders with suppliers for the equipment it needs to begin the exploration of oil and gas, and pointed out that it will finalize the environmental studies phase of the project by the end of June 2023.

In December 2017, the Council of Ministers approved the bid submitted by France's TotalEnergies S.A., Italy's Eni International BV and Russian firm JSC Novatek for offshore oil and gas exploration and production in Lebanon's territorial waters. The consortium submitted one bid for Block 4 in the center of Lebanon's territorial waters and another bid for Block 9 in the south, and started the five-year exploration phase on February 27, 2020.

In parallel, TotalEnergies announced in April 2020 that the results of the drilling of Lebanon's first exploration well of oil and gas in Block 4 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 U.S.-brokered agreement that delineates for the first time the maritime border of the two sides, which paves the way for offshore energy exploration in Block 9.

Nearly 65% of Treasury securities in Lebanese pounds have seven-year maturities or longer as at end-2022

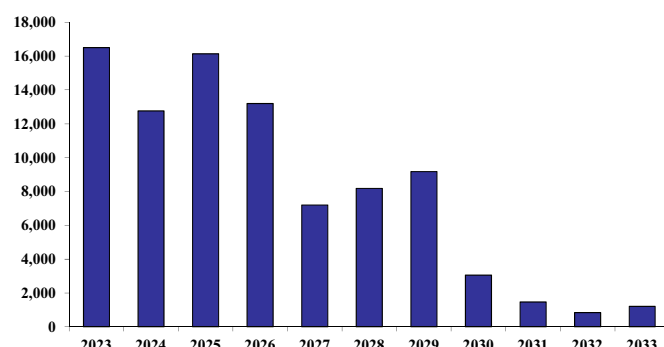
Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP89,724bn at the end of December 2022 compared to LBP91,626bn at the end of December 2021. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$59.5bn at the end of December 2022 based on the official exchange rate of the Lebanese pound to the US dollar, but they become equivalent to \$2.4bn based on the Sayrafa exchange rate of the Lebanese pound to the US dollar of LBP38,000 per dollar at the end of December.

The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.42% in December 2022 compared to 6.55% in December 2021.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 34,565bn and accounted for 38.5% of aggregate securities denominated in Lebanese pounds at the end of December 2022, followed by seven-year Treasury bills with LBP19,047bn (21.2%), five-year Treasury securities with LBP17,310bn (19.3%), three-year Treasury bonds with LBP5,570bn (6.2%), two-year Treasury bonds with LBP4,169bn (4.6%), one-year Treasury securities with LBP3,955bn (4.4%), 12-year T-bills with LBP3,076bn (3.4%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP 410 bn (0.5%), and three-month Treasury bonds with LBP205bn (0.2%). As such, 64.8% of outstanding Treasury securities have seven-year maturities or longer and 84.1% have five-year maturities or more.

In parallel, LBP779bn in outstanding Treasury securities denominated in Lebanese pounds matured in December 2022, of which 23.5% consisted of five-year T-bills, 22.6% were six-months Treasury bills, 19.6% consisted three-months T-bills, 16.4% were two-year Treasury bills, 9.5% consisted of three-year Treasury securities, and 8.3% consisted of 12-months Treasury securities. According to ABL, LBP16,500bn in outstanding Treasury bonds in Lebanese pounds will mature in 2023.

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*as at end-2022

Source: Association of Banks in Lebanon, Byblos Research

Gross public debt at \$102.7bn at end-September 2022 at official exchange rate, and at \$43.8bn at Sayrafa rate

Figures issued by the Ministry of Finance show that Lebanon's gross public debt reached \$102.7bn at the end of September 2022, constituting increases of 2.6% from \$100.4bn at the end of 2021 and of 3.5% from \$99.2bn at the end of September 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$2.3bn in the first nine months of 2022 relative to an increase of \$3.6bn in the same period of 2021. The size of the gross public debt becomes \$43.8bn when the portion of the debt denominated in Lebanese pounds is converted to US dollars at the exchange rate of LBP29,800 per dollar that prevailed on Banque du Liban's (BdL) Sayrafa electronic exchange platform at the end of September 2022. Conversely, the public debt becomes LBP1,303 trillion when the dollar-denominated debt is converted to Lebanese pounds at the same rate.

Debt denominated in Lebanese pounds totaled LBP93,602bn at the end of September 2022, the equivalent of \$62.1bn at the official exchange rate or \$3.1bn at the Sayrafa rate, and grew by 0.4% in the first nine months of 2022 and by 1.3% from a year earlier; while the debt denominated in foreign currency stood at \$40.6bn and increased by 5.4% in the first nine months of 2022 and by 7.1% from the end of September 2021. The breakdown of the foreign currency debt shows that investors' holdings of Eurobonds and special Treasury bills in foreign currencies amounted to \$38.6bn at the end of September 2022, followed by loans by multilateral institutions with \$1.6bn, and by foreign governments with \$461m. Eurobonds and special Treasury bills in foreign currencies increased by 5.6% in the first nine months of 2022 and by 7.5% from the end of September 2021. On March 7, 2020, the Lebanese government at the time decided to default on the \$1.2bn Eurobond that was due on March 9, 2020. It also announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. According to the Ministry of Finance, about \$11.8bn of the debt stock denominated in foreign currency were in arrear as at September 2022.

Local currency debt accounted for 60.5% of the gross public debt at the end of September 2022 and foreign currency-denominated debt represented the balance of 39.5%, compared to 61.8% and 38.2%, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.4% in September 2022, while the weighted life of Treasury bills and bonds was 1,328 days. BdL held 37.7% of the public debt at end-September 2022, followed by commercial banks (11%), and non-bank resident financial institutions (11.8%); while other investors, including foreign investors, held 37.6% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2% of the public debt.

BdL held 62.3% of the Lebanese pound-denominated public debt at the end of September 2022 compared to 61.8% a year earlier, while commercial banks accounted for 18.2% of the local debt relative to 24.3% at end-September 2021. Also, public agencies, financial institutions and the public held 19.5% of the local debt at the end of September 2022 compared to 14% a year earlier. Further, investors in Eurobonds and in special Treasury bills in foreign currencies held 95% of the foreign currency-denominated debt at the end of September 2022, followed by multilateral institutions with 4%, and foreign governments with 1.1%. In addition, the latest available figures show that the gross market debt accounted for about 51% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

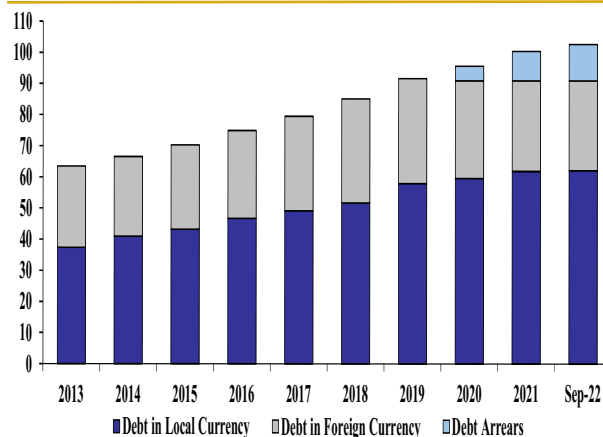
Banque du Liban addresses banks' losses on their foreign currency positions

Banque du Liban (BdL) issued on January 20, 2023 Intermediate Circular 659/13528 addressed to banks about the modifications of Basic Circular 32/6568 dated April 24, 1997 related to the foreign currency operations of banks and financial institutions operating in Lebanon, and of Basic Circular 44/6939 dated March 25, 1998 about the regulatory framework for the capital adequacy of banks.

First, BdL required banks to settle their short open foreign currency positions gradually over a five-year period, and asked them to close 20% of these positions each year until 2027. Second, it requested that banks refrain from distributing dividends on common shares for the financial years 2019, 2020, 2021 and 2022. Third, the circular stipulates that banks can add to their Common Equity Tier One capital up to 50% of the gains they realize from the revaluation of real estate assets that they own in full, and of the assets of real estate companies where a bank holds shares based on Article 153 of the Code of Money and Credit, as well as of the shareholding and long-term loans related to the participation in banks and financial institutions abroad purchased based on BdL's approval. Further, it imposed two conditions on the above. First, it stipulated that BdL's Central Council needs to verify, at the banks' expense, the validity of the real estate revaluation process and approve it. Second, it asked banks to complete the revaluation process by the end of 2023 at the latest.

In parallel, the circular stipulated that first, banks can, on an exceptional basis, revalue their real estate assets in "fresh dollars". Second, it said that banks can utilize the exchange rate of the US dollar on BdL's Sayrafa electronic exchange platform as at December 31 of each year for the coming five years for the revaluation of real estate assets that they own in full, and of the assets of real estate companies where a bank holds shares based on Article 153 of the Code of Money and Credit, as well as of the shareholding and long-term loans related to the participation in banks and financial institutions abroad purchased based on BdL's approval.

Lebanon's Gross Public Debt* (US\$bn)



*at official exchange rate

Source: Ministry of Finance, Byblos Research

UNDP and U.S. Embassy to provide temporary financial supports to LAF and ISF

The United Nations Development Program (UNDP) and the Embassy of the United States in Lebanon announced the "LAF-ISF Livelihood Support Program", which will provide \$72m in temporary financial support to the Lebanese Armed Forces (LAF) and Internal Security Forces (ISF). The UNDP indicated that the initiative will provide every soldier and police officer who is eligible to receive assistance under U.S. law with \$100 per month for a period of six months. It added that it is working with a provider of financial services at the national level to disburse the funds as soon as the modalities are finalized. It noted that it will work with trusted partners to ensure that the disbursements will reach the eligible soldiers and police officers. It added that it has retained an internationally recognized third party agency to monitor the program.

The most recent figures issued by the Ministry of Finance show that salaries and benefits of military personnel reached LBP3,816bn and accounted for 63.8% of salaries, wages and related benefits paid to public sector workers in 2021. The Lebanese Army's salaries and benefits amounted to LBP2,431bn and represented 63.7% of the salaries and benefits of military personnel, followed by the salaries of the Internal Security Forces followed with LBP1,032bn (27%), those of the General Security Forces with LBP262bn (7%), and the salaries of State Security Forces with LBP92bn (2.4%).

In parallel, the compensation of public-sector personnel totaled LBP9,893bn in 2021, nearly unchanged from LBP9,885bn in 2020. Salaries, wages and related benefits accounted for 60.4% of the total, followed by retirement benefits (31.6%), transfers to public institutions to cover salaries (4.4%), and end-of-service indemnities (3.5%). Salaries, wages and related benefits paid to public-sector workers amounted to LBP5,980bn (\$4bn at the official exchange rate) in 2021 compared to LBP6,138bn (\$4.1bn) in 2020. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, and contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament.

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

Banque du Liban (BdL) issued Intermediate Circular 660/13530 dated January 30, 2023 addressed to banks, which extends until February 28, 2023 the clauses of Circular 161 dated December 16, 2021 about exceptional measures related to cash withdrawals from accounts at commercial banks in Lebanon. Circular 161 stipulated that BdL will provide banks with US dollar banknotes instead of supplying them with Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the dollar, based on the operations conducted on BdL's Sayrafa electronic exchange platform on the previous day. It added that the supply of the dollar banknotes will consist of the preset monthly ceiling for each bank.

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

However, BdL put a ceiling of \$500 per month on these exchanges starting in June of 2022 and reduced it to \$400 per month starting in October 2022. This constitutes the 13th extension of Circular 161, as the latter was originally set to expire at the end of 2021, but BdL extended its clauses until the end of January of 2022, the end of February, the end of March, the end of April, the end of May, the end of July, the end of August, the end of September, the end of October, the end of November, the end of December 2022, and the end of January 2023 with the possibility of extending the circular further.

EBRD and FAO provide \$5.5m in technical assistance to help face global grain crisis

The European Bank for Reconstruction and Development (EBRD) and the United Nations' Food and Agriculture Organization (FAO) launched a \$5.5m package of technical assistance to improve food security in Lebanon, as well as in Egypt, Jordan, Morocco, Palestine, and Tunisia.

The FAO indicated that the joint initiative comes in response to the global grain crisis, which has increased global food insecurity. It noted that the initiative aims to help the governments of the six Arab countries reconsider some of their agri-food policies, such as, improving the long-term resilience of their grain value chains. It pointed out that the package supports public and private investments in upgrading national grain import systems, which includes the development of more efficient procurement systems and better storage infrastructures. Also, it said that the initiative will help the six economies re-assess their potential for food production, consider climate and environmental constraints, and maximize the value of domestic production through trade diversification. Further, it considered that delivering technical solutions and enabling policies and investments are crucial measures to transforming agri-food systems.

In parallel, the European Union launched in January 2023, in partnership with the FAO and the World Food Program, a new initiative that aims to support vulnerable individuals in Lebanon and to fight food insecurity. It said that the project is in response to the negative impact of Russia's invasion of Ukraine on the neighboring countries of EU. It noted that the 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.

Byblos Bank registers losses of LBP1,446bn in 2022

Byblos Bank sal declared unaudited net losses of LBP1,446.3bn in 2022 relative to audited net losses of LBP25.8bn in 2021. The Bank's net interest income reached LBP1,003.6bn in 2022 compared to LBP1,047bn in 2021, while its net earnings from fees & commissions stood at –LBP517.1bn last year relative to LBP73.8bn in 2021, mainly due to fees and commission expenses of LBP673.1bn that more than offset fees and commission income of LBP156bn. Also, net operating income totaled –LBP843.6bn in 2022 compared to LBP831.7bn in the preceding year. Further, the Bank's operating expenditures reached LBP558.7bn in 2022 relative to LBP307.5bn in 2021, with personnel cost accounting for 37.4% of the total.

Also, Byblos Bank's aggregate assets reached LBP26,077bn at the end of 2022 and increased by 0.5% from LBP25,942.8bn at end-2021. Net loans & advances to customers totaled LBP2,072bn at the end of 2022 compared to LBP2,816.6bn at end-2021, while net loans & advances to related parties stood at LBP11.2bn relative to LBP10.8bn at end-2021.

Further, the Bank's customer deposits reached LBP18,608.2bn at end-2022, down by LBP1,161.8bn, or by 6%, from LBP19,770bn at the end of 2021; while deposits from related parties amounted to LBP114.5bn at the end of 2022 compared to LBP121.2bn at end-2021. As a result, aggregate deposits totaled LBP18,722.7bn at end-2022, down by 6% from LBP19,891.2bn at end-2021. In parallel, the Bank's equity was LBP4,111.5bn at the end of 2022, and increased by 54.2% from LBP2,666bn at the end of 2021.

CMA CGM acquires two terminals in the United States

Moody's Investors Service indicated that the Lebanese-owned and France-based container-shipping firm CMA CGM agreed to acquire two container terminals at the Port of New York and New Jersey from Canada's Global Container Terminals Inc. (GCT). It said that the firm intends to pay for the two terminals from the Canadian company with \$17.2bn in cash.

The agency considered that the transaction, which is subject to regulatory approvals, would be credit positive for CMA CGM. It added that the acquisition will enhance synergies across the company's operations in the United States, where it already operates and has interests in five container port terminals. It said that the two terminals will give the firm a significant presence in a strategic gateway on the U.S. East and Gulf Coasts and provide opportunities for growth in a key trading hub, as the company will get preferred access to berths and control over operations at the two terminals.

Further, it noted that the additional terminals will reduce the volatility of the firm's earnings, as it indicated that terminals constitute a more stable and profitable business than container shipping. Also, it pointed out that the company's profitability increased in the past two years, given that a sharp rebound in demand led to a surge in freight rates.

It indicated that the two terminals currently have a combined capacity of two million 20-foot equivalent units (TEUs) per year, and that they have the potential to double their capacity, according to CMA CGM. It noted that the Bayonne terminal at the Port of New York and New Jersey is particularly attractive, as it is highly automated, has the closest access to the ocean, and can service larger vessels of up to 18,000 TEUs.

Further, it said that, during the past 12 months, CMA CGM has significantly increased its presence in the U.S. through the acquisitions of the Fenix Marine Services terminal in the Port of Los Angeles and the purchase of the global contract logistics division of Ingram Micro Inc.

In parallel, Moody's upgraded on May 13, 2022, the corporate family rating of CMA CGM from 'Ba3' to 'Ba2', as well as its probability of default rating from 'Ba3-PD' to 'Ba2-PD', and its senior unsecured bond ratings from 'B2' to 'Ba3'. Also, it maintained the 'positive' outlook on the ratings. CMA CGM is one of the largest container shipping companies in the world and operates a fleet with more than 500 vessels, with a capacity of 3 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.



World Food Program and Berytech launch Food System Challenge

The World Food Program (WFP) and technology pole Berytech launched the third cycle of The Food System Challenge (FSC). In this cycle, Berytech will select up to 12 small- and medium-sized (SMEs) and will provide them with tailored business development services, technical assistance, as well as in-kind support and milestone-based financial prizes of up to \$100,000 per business. Similar to the previous two cycles, eligible applicants need to submit an online concept note to present their solution to tackle the major challenges related to access to energy, access to raw material, import substitution, pricing, and skill and employee retention and development.

In September 2021, Berytech and the WFP launched the FSC with the aim to improve food security and increase the resilience of the food system in Lebanon through business support, technical assistance, in-kind cash grants, and funding packages to SMEs in order to apply their ideas and roll-out their impactful food system solution. The WFP and Berytech implement the FSC through support from the German Federal Ministry of Economic Cooperation and Development.

Berytech noted that the program also aims to support Lebanese SMEs working across the food system to sustain and improve local production, transformation, and consumption, as it considered that enterprises operating in the agriculture and agri-food sectors are vital to the food security of the country and to the livelihoods of the rural communities.

It indicated that the project covers three cycles where 10 SMEs in the food industry will be selected in each cycle, for a total of 30 Lebanese SMEs. It pointed out that eligible applicants are businesses that offer solutions that are feasible, innovative, scalable and impactful, and that address challenges related to access to energy, access to raw materials, and import substitutions. It noted that eligible SMEs should be operating in the production, transformation, marketing, and consumption fields, such as input suppliers, registered farmer organizations, agri-food cooperatives, storage centers, processors, distributors.

Established in 2002, Berytech provides business support, counseling, funding, networking and service-hosting to companies. It has allocated more than \$1.7m in grants to startups, while its venture capital funds have invested more than \$70m in startups and small and medium-sized enterprises.

Hilton Beirut Metropolitan Palace and Phoenicia hotels resume activity

The UAE-based Al Habtoor Group announced on December 30, 2022 the reopening of the Hilton Beirut Metropolitan Palace Hotel in the Horsh Tabet suburb of Beirut. The group inaugurated in September 2001 the five-star, \$100m hotel that was the largest in the group's Metropolitan Hotels International chain at the time. The hotel closed partially due to the slowdown in tourism activity in Lebanon since 2011. It fully closed its doors due to the nationwide lockdown during the COVID-19 pandemic and remained closed after the explosion of the Port of Beirut on August 4, 2020. The hotel has 185 guest rooms that include 20 suites, as well conference facilities that include eight meeting rooms and one ballroom.

Hilton Hotels & Resorts signed in October 2011 a management agreement with the Al Habtoor Group to manage the Habtoor Grand Hotel and the Metropolitan Palace Hotel in Beirut. The Habtoor Grand Hotel, which was built in the mid-2000s, has 110 guest rooms, 77 suites, two penthouses as well as 18 furnished apartments, in addition to meeting rooms, an executive lounge, a business center, and one grand ballroom with a 1,000 guest capacity. The hotels were re-branded as Hilton Beirut Habtoor Grand and Hilton Beirut Metropolitan Palace at the beginning of 2012. They constituted the first properties managed by Hilton in Lebanon and marked the entry of the Hilton brand to the country at the time. Further, the company inaugurated on January 2019 the Hilton Beirut Downtown hotel in the Beirut Central District as the third property that it manages in Lebanon.

In parallel, InterContinental Phoenicia Beirut partially reopened its doors on October 3, 2022, after it closed due to the explosion at the Port of Beirut on August 4, 2020. The hotel features 446 guest rooms but is currently extending accommodation in 193 rooms. The hotel has banquet and conference rooms, three restaurants, and a spa.

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 hotels in Beirut increased by 7.1 percentage points in the first 11 months of 2022 from the same period of 2021. 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, while 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. 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.



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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