

# LEBANON THIS WEEK

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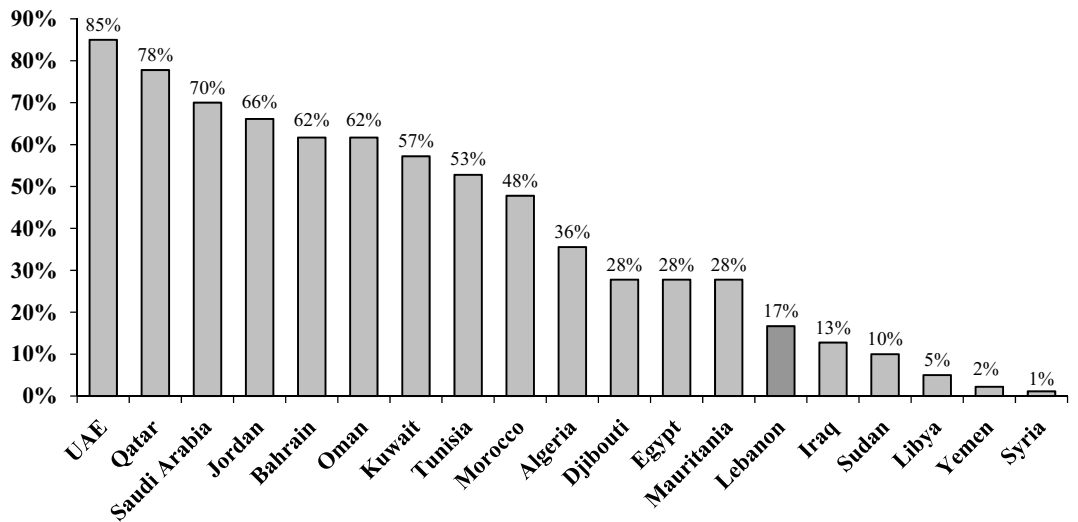
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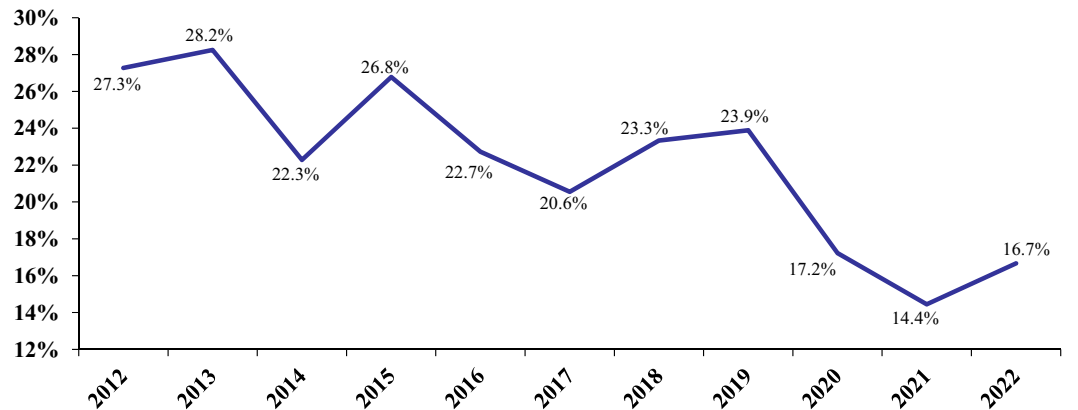
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## Charts of the Week

**Percentile Rank of Arab Countries on the Corruption Perception Index for 2022 (%)**



**Percentile Rank of Lebanon on the Corruption Perception Index (%)**



\*Higher percentile reflects lower level of graft than other countries included in the index

Source: Transparency International, Byblos Bank

## Quote to Note

"We reiterate our readiness to support Lebanon on a path towards macroeconomic and financial stability and growth, which requires structural reforms."

*The Delegation of the European Union, as well as the diplomatic missions to Lebanon of the EU Member States, Norway and Switzerland, on the need for Lebanese authorities to implement reforms to receive foreign financial support*

## Number of the Week

**270%:** Increase in the cost of healthcare between December 2021 and December 2022, according to the Central Administration of Statistics' Consumer Price Index

## 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"	64.55	0.0	57,081	42.8%	May 2023	6.40	7.00	4,689.08
Solidere "B"	64.10	0.1	28,271	27.6%	Apr 2024	6.65	7.00	411.98
Byblos Common	0.70	(5.4)	1,200	2.6%	Jun 2025	6.25	6.88	155.45
Audi GDR	1.39	0.0	-	1.1%	Nov 2026	6.60	6.88	84.83
Audi Listed	1.56	0.0	-	6.1%	Mar 2027	6.85	6.88	77.04
BLOM GDR	2.90	0.0	-	1.4%	Feb 2030	6.65	6.88	41.93
HOLCIM	32.15	0.0	-	4.2%	Apr 2031	7.00	6.88	35.52
BLOM Listed	2.50	0.0	-	3.6%	May 2033	8.20	6.88	27.88
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	6.88	22.20
Byblos Pref. 09	37.98	0.0	-	0.5%	Mar 2037	7.25	6.88	19.91

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

Source: Refinitiv

	Feb 6-10	Jan 30 - Feb 3	% Change	January 2023	January 2022	% Change
Total shares traded	86,752	343,999	(74.8)	25,094,470	729,260	3,341.1
Total value traded	\$5,478,960	\$6,787,761	(19.3)	\$52,671,810	\$14,095,694	273.7
Market capitalization	\$15.10bn	\$15.09bn	0.1	\$14.99bn	\$10.05bn	49.2

Source: Beirut Stock Exchange (BSE)



### **EBRD stresses need for IMF reforms, developing a social safety net, and restructuring the energy sector**

The European Bank for Reconstruction and Development (EBRD) considered that Lebanon's three priorities for 2023 consist of meeting the requirements of an International Monetary Fund (IMF)-supported stabilization and structural reforms program, developing a comprehensive social safety net, and reforming the energy sector. It added that an agreement with the IMF would help rebuild credibility on reform commitment and provide access to necessary external financing.

It estimated that real GDP shrunk by 2% in 2022, following a contraction of 10% in 2021. It considered that the crisis that Lebanon has been facing was exacerbated in 2022 by costlier and intermittent supply of energy and food, as well as by delays in implementing critical reforms and the decline of financial resources. It expected real GDP growth to rebound to 4% in 2023, in case a reforms-minded government successfully implements an IMF-supported reforms program, which would allow negotiations on further financial aid to resume with international partners.

It noted that progress on an IMF program has stalled, as political inaction has prolonged the economic crisis and exacerbated existing socioeconomic imbalances. It said that Lebanon reached a Staff-Level Agreement on a 46-month \$3bn Extended Fund Arrangement with the IMF in April 2022, but the failure to form a new government following the parliamentary elections in May 2022 has led to delays in the implementation of structural and fiscal reforms. It added that Lebanon's stakeholders have yet to reach a consensus on the proposed economic recovery plan that the caretaker government endorsed in May 2022, as the plan revolves mainly around the restructuring of the financial sector. It noted that various stakeholders have repeatedly expressed strong opposition to the plan, citing severe risks to public confidence in the banking system, and have been calling on the government to shoulder more of the responsibility in terms of the distribution of losses.

Further, it indicated that the political stalemate in the past two years has undermined the country's ability to attract the necessary external financing in order to support the foreign currency reserves at Banque du Liban (BdL), despite improved remittance inflows and tourism receipts. As a result, it said that the Lebanese pound depreciated against the US dollar on the parallel market by an additional 70% from its level at the end of 2020, which fuelled triple-digit inflation rates.

Also, it considered that reforms of the public procurement system are advancing steadily, but that they are facing severe capacity constraints and that progress on implementing the new procurement law depends heavily on sweeping governance reforms and building capacity at ministries and public enterprises. It added that Parliament enacted the 2022 budget law, but noted that controversy continues on the appropriate exchange rate for the government's operational revenues and expenditures; while the draft capital controls law has been stuck in Parliament.

In addition, it indicated that the Cabinet endorsed a plan to reform the electricity sector, but that it has faced strong pushback in Parliament. It stressed that the restructuring the country's electricity sector is the main condition of the World Bank to extend financing for agreements that Lebanon signed with Egypt and Jordan in order for them to supply gas and electricity. Also, it noted that the Cabinet approved the electricity sector's reform plan in March 2022, and considered that the authorities' progress on energy reforms is necessary to unlock the financing needed to develop the sector's capacity, and that a stronger commitment to greener energy production and improved efficiency would significantly help address severe shortages and limit the economy's dependence on energy imports.

Finally, the EBRD considered that the Lebanese government needs to develop a comprehensive social safety net in order to provide better access to energy and food to households. It said that authorities approved a ration cards program in June 2021 that aims to support 500,000 households at an estimated cost of \$556m annually. But it pointed out that the program has faced multiple delays, as the application process has raised criticism about accessibility and targeting amid weak transparency and political concerns. As such, it stressed that a wider coverage and a more transparent ration-card system would be essential for the success of targeted subsidies, but noted that significant donor support will be vital for the implementation of the program.

The EBRD has €910m in cumulative pledges in Lebanon as at the end of October 2022. It has disbursed €265m to date, including 24% in equity investments, for 10 active projects in the private sector. Its portfolio consists of companies in the financial sector, industry, commerce and agriculture, and in sustainable infrastructure.

### Broad money supply up 14% in 2022, currency in circulation up 77% in 2022

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP98,780.4bn at the end of 2022, constituting an increase of 70.5% from LBP57,937bn at end-2021. Currency in circulation stood at LBP73,514bn at the end of 2022, as it grew by LBP31,999.1bn (+77.1%) from LBP41,515bn at end-2021. Also, demand deposits in local currency stood at LBP25,266.5bn at end 2022, representing an expansion of 5% from the end of 2021. Money supply M1 increased by 10% in December from LBP89,778.5bn at end-November 2022, with currency in circulation growing by 8.3%, and demand deposits in local currency increasing by 15.3% 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.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, totaled LBP116,582.5bn at the end of 2022, constituting a surge of 47.6% from LBP79,007bn at the end of 2021. Term deposits in Lebanese pounds totaled LBP17,802.2bn at the end of 2022, as they declined by 15.5% from LBP21,070bn a year earlier. Money supply M2 increased by 8.3% in December from LBP107,631bn at end-November 2022, with term deposits in local currency regressing by 0.3% month-on-month.

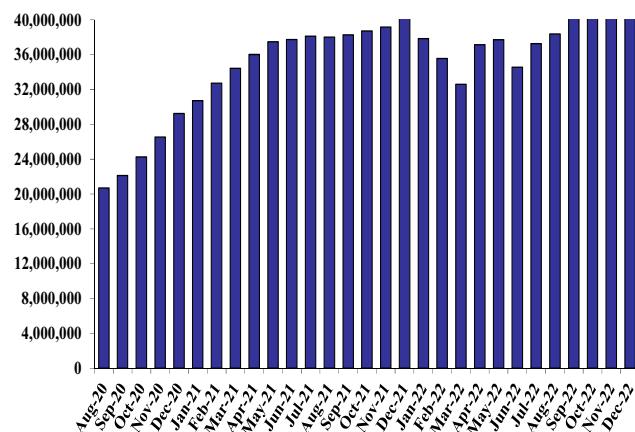
Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP229,571.6bn at the end of December 2022, constituting an increase of 14.2% from LBP201,069.8bn at end-2021. Deposits in foreign currency totaled LBP112,620.5bn at end 2022, down by 7.5% from a year earlier. Also, debt securities issued by the banking sector amounted to LBP368.6bn at the end of 2022 compared to LBP334bn at end-2021. Money supply M3 increased by 3.5% from LBP221,731.1bn at end-November 2022, with deposits in foreign currency regressing by 0.9% from LBP113,683.5bn at end-November 2022 and debt securities issued to residents by the banking sector decreasing by 11.5% month-on-month. In parallel, M3 increased by LBP28,501.8bn from end-2021 due to a surge of LBP61,809bn in 'other items', which was partly offset by a decline of LBP10,631bn in the claims on the private sector, a retreat of LBP17,922.8bn in the net claims on the public sector, and a downturn of LBP4,835.3bn in the net foreign assets of deposit-taking institutions.

### Tourist arrivals up 65% in 2022

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 1.46 million tourists in 2022, constituting a surge of 64.7% from 889,953 tourists in 2021 and a jump of 254% from 414,168 visitors in 2020. The number of incoming visitors reached 62,340 in January, 67,800 in February, 82,810 in March, 87,579 in April, 115,469 in May, 154,740 in June, 238,506 in July, 172,962 in August, 138,721 in September, 123,402 in October, 93,186 in November, and 128,438 in December 2022. In comparison, they totaled 23,560 visitors in January, 22,747 in February, 36,953 in March, 39,661 in April, 63,699 in May, 104,950 in June, 179,096 in July, 108,413 in August, 79,951 in September, 75,713 in October, 59,117 in November, and 96,093 in December 2021. This constituted increases of 164.6% in January, 198% in February, 124% in March, 120.8% in April, 81.3% in May, 47.4% in June, 33.2% in July, 59.5% in August, 73.5% in September, 63% in October, 57.6% in November, and 33.7% in December 2022 from the corresponding months of 2021. The rise in the number of visitor arrivals in 2022 is due to the resumption of normal activity following the lifting of lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, and to the relaxation of travel restrictions in country sources of visitors to Lebanon. The figures exclude Lebanese, Syrian and Palestinian arrivals.

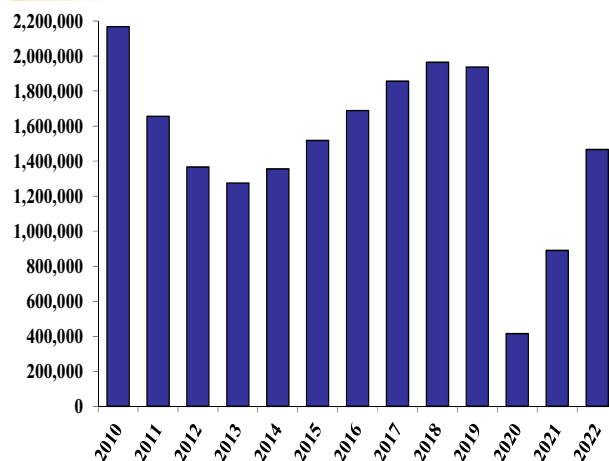
Visitors from European countries accounted for 40% of the total in 2022, followed by those from Arab countries with 27%, the Americas with 21%, Asia with 4.3%, Oceania with 4.2%, and Africa with 3.8%. On a country basis, tourists from Iraq accounted for 14% of visitors in 2022, followed by visitors from the United States (11.3%), France (9%), Germany (7.8%), Canada (7%), Egypt (4.7%), Sweden (4.1%), Jordan (3.9%), England (3.4%), Türkiye (1.9%), Kuwait (1.7%), Brazil and Italy (1.3% each), Venezuela (0.5%), Saudi Arabia (0.3%), and the UAE (0.05%); while other countries accounted for the remaining of 27.6%. Further, the number of visitors from Oceania surged by 460.3% in 2022, followed by those from Asia (+79.8%), the Arab countries (+67.7%), the Americas (+66%), Africa (+53%), and Europe (+50.7%).

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Number of Tourist Arrivals to Lebanon



Source: Ministry of Tourism, Byblos Research

### Gross public debt at \$102bn at end-October 2022 at official exchange rate, and at \$44bn at Sayrafa rate

Figures issued by the Ministry of Finance show that Lebanon's gross public debt reached \$101.9bn at the end of October 2022, constituting increases of 1.6% from \$100.4bn at the end of 2021 and of 2.1% from \$99.8bn at the end of October 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar of LBP1,507.5 per dollar at the time. The gross public debt grew by \$1.6bn in the first 10 months of 2022 relative to an increase of \$4.2bn in the same period of 2021. The size of the gross public debt becomes \$43.9bn when the portion of the debt denominated in Lebanese pounds is converted to US dollars at the exchange rate of LBP30,100 per dollar that prevailed on Banque du Liban's (BdL) Sayrafa electronic exchange platform at the end of October 2022. Conversely, the public debt becomes LBP1,320.8 trillion when the dollar-denominated debt is converted to Lebanese pounds at the same rate.

Debt denominated in Lebanese pounds totaled LBP92,147bn at the end of October 2022, the equivalent of \$61.1bn at the official exchange rate or \$3.06bn at the Sayrafa rate, and regressed by 1.2% in the first 10 months of 2022 and by 1% from a year earlier; while the debt denominated in foreign currency stood at \$40.8bn and increased by 6% in the first 10 months of 2022 and by 7% from the end of October 2021. The breakdown of the foreign currency debt shows that investors' holdings of Eurobonds and special Treasury bills in foreign currencies amounted to \$38.8bn at the end of October 2022, followed by loans by multilateral institutions with \$1.56bn, and by foreign governments with \$443.1m. Eurobonds and special Treasury bills in foreign currencies increased by 6.2% in the first 10 months of 2022 and by 7.5% from the end of October 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, the latest available figures.

Local currency debt accounted for 60% of the gross public debt at the end of October 2022 and foreign currency-denominated debt represented the balance of 40%, compared to 61.8% and 38.2%, respectively, a year earlier. The weighted interest rate on outstanding Treasury bills was 6.41% in October 2022, while the weighted life of Treasury bills and bonds was 1,320 days. BdL held 37.8% of the public debt at end-October 2022, followed by non-bank resident financial institutions (11.6%), and commercial banks (10.5%); while other investors, including foreign investors, held 38.1% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2% of the public debt.

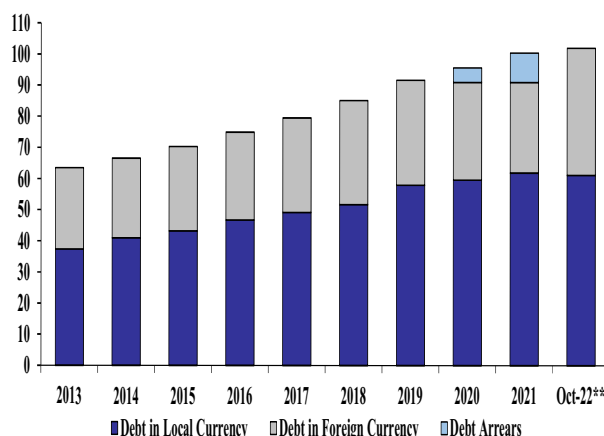
BdL held 63% of the Lebanese pound-denominated public debt at the end of October 2022 compared to 61.8% a year earlier, while commercial banks accounted for 17.6% of the local debt relative to 24.1% at end-October 2021. Also, public agencies, financial institutions and the public held 19.3% of the local debt at the end of October 2022 compared to 14.2% 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 October 2022, followed by multilateral institutions with 3.8%, 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 clarifies usage of checks issued by banks

Banque du Liban (BdL) issued Intermediate Circular 662/13532 dated February 6, 2023 addressed to banks and auditors that modifies Basic Circular 159/13353 of August 17, 2021 about exceptional restrictions on some operations of commercial banks.

First, the circular prohibits banks operating in Lebanon from buying or selling checks and bank accounts in foreign currencies and in Lebanese pounds for their own account, whether directly or indirectly. Second, it prohibits banks from issuing bankers' checks in foreign currency or in Lebanese pounds in the name of another bank, unless the check includes the name of the beneficiary who will deposit the check in his/her account. Third, it stated that banks have to verify, at their own responsibility, that when they issue bankers' checks or certified checks in Lebanese pounds that the checks will be used for legitimate purposes, such as paying taxes or fees, etc., and that they will not be used for speculations on the national currency.

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



\*at official exchange rate

\*\*arrears were not provided for the month of October

Source: Ministry of Finance, Byblos Research

### Lebanon receives first shipment of World Bank-financed wheat

The World Bank indicated that a shipment of 33,000 tons of wheat has arrived to Lebanon under the Lebanon Wheat Supply Emergency Project, in cooperation with the Ministry of Economy & Trade. It said that the project aims to ensure the availability of wheat in the country, in response to disruptions in global commodity markets, and to maintain access to affordable bread by poor and vulnerable households. It considered that the shipment, which is equivalent to about one month of "Arabic bread" consumption in the country, will help rebuild Lebanon's wheat stock and secure affordable bread for needy households. It added that several additional shipments of varying size will arrive to Lebanon in the following months, in order to ensure the continuity of wheat supply and maintain access to affordable bread throughout the lifespan of the project.

The World Bank approved the \$150m Lebanon Wheat Supply Emergency Project on May 6, 2022 due to the global market disruptions that Russia's invasion of Ukraine has caused. Lebanon imports 80% of its wheat consumption, with 80% of these imports coming from Ukraine and 16% from Russia in 2020. As such, the project aims to facilitate the supply of wheat to the country.

The financing of the project consists of a \$15m grant from the Global Concessional Financing Facility, a fund created in 2016 to provide concessional financing to middle income countries hosting large numbers of refugees, and a \$135m loan from the World Bank. The latter has disbursed \$22.5m as of December 2022, and has charged the Lebanese government \$134,573 in fees as well as \$4,409 in interest and charges as at January 31, 2023. It said that the closing date of the project is May 31, 2023.

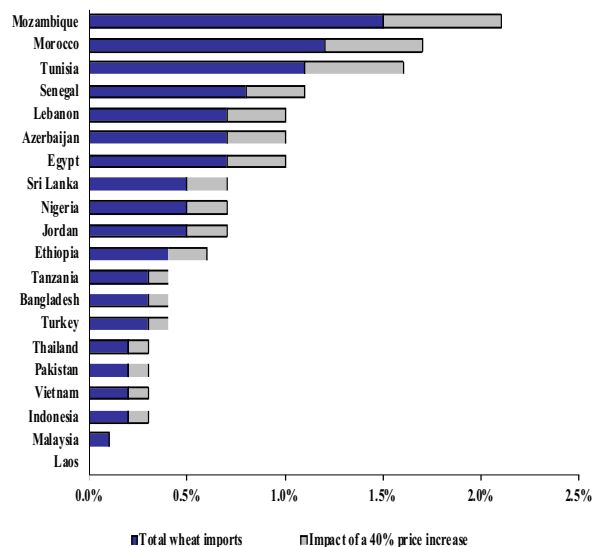
In parallel, the World Bank indicated that the project is also helping develop the framework for reforms in the wheat sector, including storage solutions and local production potential, with the long-term goal of putting the wheat sector on the path to recovery and greater resilience. It noted that it will implement the project in an efficient and transparent way that complies with its fiduciary, safeguards, and anti-corruption policies. It added that it will disclose at a later time the contracts awarded for wheat purchases and the future results of the project.

### Banque du Liban issues directives related to new exchange rate

Banque du Liban (BdL) issued Intermediate Circular 661/13531 dated January 31, 2023, addressed to banks and financial institutions operating in Lebanon, that modifies Basic Circular 23/6116 of March 7, 1996 about facilities that BdL can extend to banks and financial institutions, Basic Circular 152/13254 dated August 6, 2020 about the assistance to individuals and businesses that have been affected by the explosion at the Port of Beirut, and Basic Circular 159/13353 dated August 17, 2021 about exceptional restrictions on some operations of commercial banks.

First, the circular canceled Article 14 of Basic Circular 23/6116 that stipulated that banks can buy foreign currency from BdL to finance 85% of the import bill for pharmaceuticals and medicines, 50% of the import bill for the purchase of medical equipment, and 75% of the import bill for materials used in the local production of medical products. Second, the circular stipulated that companies and individuals who received exceptional loans in US dollars to repair their damaged properties from the Beirut Port explosion and who have been repaying them in Lebanese pounds at the exchange rate set by BdL for its operations with banks, which was LBP1507.5 per US dollar at the time, have to repay them at the new rate, which is currently LBP15,000 per dollar. Third, it said that banks operating in Lebanon are prohibited from dealing with their customers in foreign currencies other than in "fresh money", except at the exchange rate of the US dollar set in Basic Circular 151/13221, which is currently LBP15,000 per dollar. It said that the amendments will go into effect starting on February 1, 2023.

### Impact of Rise in Wheat Prices on Import Bill (% of GDP)



Source: International Trade Center; Moody's Investors Service

### Utilized credits by private sector at \$29bn at end-September 2022, advances against real estate at 44% of total

Figures issued by Banque du Liban show that utilized credits by the private sector totaled \$28.7bn at the end of September 2022, constituting a decline of \$5.9bn, or of 17%, from \$34.6bn at end-2021 and a decrease of \$8.2bn (-22.3%) from \$36.9bn at end-September 2021. The drop in lending is mostly due to clients' decision to settle their loans prior to their maturity, to limited demand for new loans amid political and economic uncertainties, as well as to the lack of liquidity and to the risk aversion of lenders amid the challenging conditions in the country. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar at the time.

Utilized credits for trade & services reached \$9.5bn and accounted for 33% of the total at the end of September 2022, followed by personal credits with \$8.3bn (29%), credits for construction with \$4.95bn (17.2%), industry with \$3.2bn (11.2%), financial intermediaries with \$1.37bn (4.8%), and agriculture with \$466.4m (1.6%), while other sectors represented the remaining \$899.7m (3%).

The distribution of utilized credits by type of collateral shows that advances against real estate totaled \$12.6bn and accounted for 44% of the collateral for utilized credits at the end of September 2022. Advances against personal guarantees followed with \$3.7bn (13%), then advances against cash collateral or bank guarantees with \$834.7m (3%), advances against financial values with \$742.6m (2.6%) and advances against other real guarantees with \$373.2m (1.3%), while overdrafts totaled \$10.4bn or 36% of the total.

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 43.6% of loans to trade & services at the end of September 2022, followed by retail with 19.8%; real estate, rent & employment services with 13.7%; transport & storage with 10%; hotels & restaurants with 7.7%; and educational services with 5.3%.

In addition, utilized credits for personal loans declined by 23.5%, and included mortgages that contracted by 25.7% in the first nine months of 2022. Also, utilized credits for trade & services contracted by 15% in the covered period, followed by utilized credits for industry (-14.6%), construction (-13%), agriculture (-12%), and financial intermediaries (-9.7%), while utilized credits for other sectors decreased by 15% from the end of 2021.

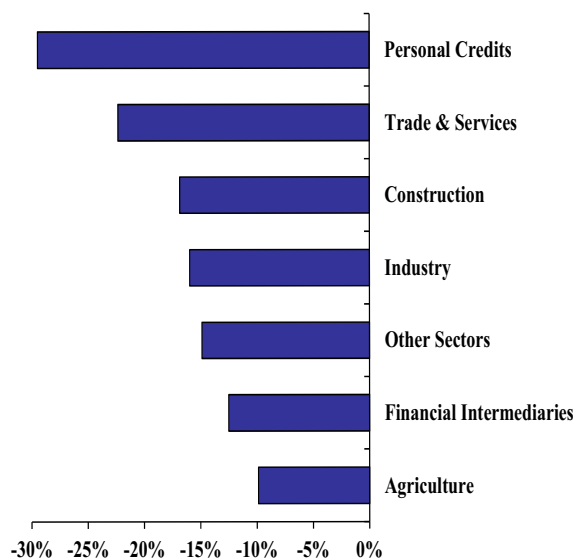
Also, personal loans beneficiaries represented 81% of total loan beneficiaries, followed by trade & services with 12.8% of beneficiaries, industry with 3.8%, construction with 1.6%, agriculture with 1.4% and financial intermediaries with 0.7%, while other sectors accounted for the remaining 4% of loan beneficiaries.

Further, there were 245,810 loan beneficiaries at the end of September that declined by 72,798 beneficiaries (-22.8%) in the first nine months of 2022. Also, 64% of beneficiaries had loans of less than LBP5m at the end of September 2022, followed by those with loans that range from LBP100m to LBP500m (16%), beneficiaries with credits in the LBP25m to LBP100m range (10%), those with loans in the LBP5m-LBP25m bracket (8%), beneficiaries with credits between LBP500m and LBP1bn (0.9%), those with loans ranging from LBP1bn to LBP5bn (0.7%), beneficiaries with loans that exceed LBP10bn (0.3%), and those with credits in the LBP5bn to LBP10bn segment (0.2%).

Beirut and its suburbs accounted for 75.2% of bank credits and for 55% of beneficiaries. Mount Lebanon followed with 12.8% of credits and 17.8% of beneficiaries, then North Lebanon with 4.6% of credits and 11.2% of beneficiaries, South Lebanon with 4% of credits and 8.8% of beneficiaries, and the Bekaa region with 3.4% of credits and 7.3% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$55.3bn at the end of September 2022, constituting declines of 16.7% from the end of 2021 and of 21.3% from a year earlier. They included endorsement & guarantees of \$52.6bn, or 95.2% of the total, followed by letters of undertaking with \$1.4bn (2.6%), commitments on notes with \$932m (1.7%), forward operations \$190.4m (0.3%), and financing commitments with \$96.8m (0.2%), while other commitments amounted to \$32.1m (0.1%).

**Change in Utilized Credits at end-September 2022\* (%)**



\*from end-September 2021

Source: Banque du Liban

### Payment cards at 2.44 million at end-September 2022, ATMs total 1,580

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,440,862 cards at the end of September 2022, constituting a decline of 168,150 cards (-6.4%) from the end of 2021 and a decrease of 211,732 cards (-8%) from 2,652,594 at end-September 2021.

Payment cards held by residents accounted for 97.4% of total cards issued in Lebanon at the end of September 2022. The distribution of payment cards by type shows that debit cards with residents reached 1,546,069 and accounted for 63.3% of the total, followed by prepaid cards with residents at 610,990 (25%), credit cards with residents at 152,186 (6.2%), charge cards with residents at 67,471 (2.8%), debit cards held by non-residents at 52,433 (2.1%), credit cards with non-residents at 6,054 (0.2%), charge cards held by non-residents at 3,719 (0.2%), and prepaid cards with non-residents at 1,940 (0.1%)

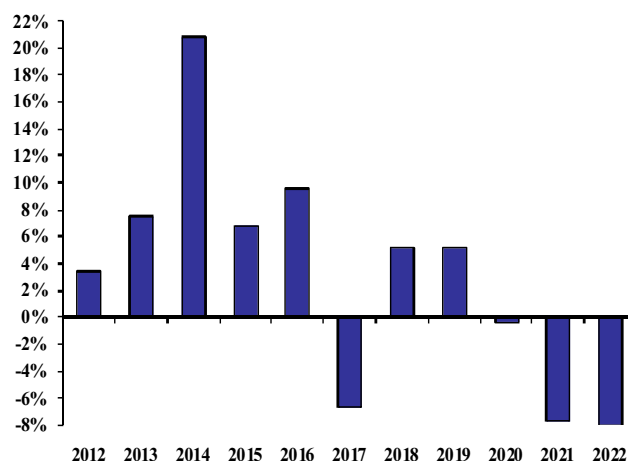
The number of prepaid cards with residents increased by 44,986 cards (+8%) in the first nine months of 2022, and prepaid cards with non-residents rose grew by 805 cards (+71%); while the number of debit cards with residents decreased by 143,145 cards (-8.5%); credit cards with residents declined by 55,629 cards (-26.8%), the number of debit cards held by non-residents regressed by 8,286 cards (-13.6%), charge cards with residents dipped by 4,525 cards (-6.3%), the number of credit cards held with non-residents contracted by 1,850 cards (-23.4%), and charge cards with non-residents retreated by 506 cards (-12%).

In parallel, the number of prepaid cards with residents rose by 65,144 cards (+12%) in the 12-months ending September 2022 and prepaid cards with non-residents surged by 1,818 cards (+1,490%). In contrast, the number of resident debit cards dropped by 170,594 cards (-10%) in the covered period, credit cards with residents contracted by 92,270 cards (-37.7%), non-resident debit cards decreased by 10,768 cards (-17%), credit cards with non-residents declined by 4,115 cards (-40.5%), resident charge cards shrank by 687 cards (-1%), and non-resident charge cards retreated by 260 cards (-6.5%). The decline in debit and credit cards held by residents and non-residents since 2020 is due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 42,095 at the end of September 2022, constituting a decrease of 1,835 (-4.2%) from 43,930 PoS at end-2021 and a drop of 2,028 (-4.6%) from 44,123 PoS at end-September 2021. There were 4.11 PoS per square kilometer (km<sup>2</sup>) in Lebanon at the end of September 2022 compared to 4.2 PoS per km<sup>2</sup> at the end of 2021 and to 4.22 PoS per km<sup>2</sup> at the end of September 2021.

In parallel, there were 1,580 automated teller machines (ATMs) across Lebanon at the end of September 2022, constituting a decline of 144 ATMs in the first nine months of the year and a decrease of 218 ATMs from a year earlier. The Mount Lebanon area had 581 ATMs at the end of September 2022, equivalent to 36.8% of the total, followed by the Greater Beirut area with 548 ATMs (34.7%), the North with 160 ATMs (10.1%), the Bekaa with 134 ATMs (8.5%), the South region with 126 ATMs (8%), and the Nabatieh area with 31 ATMs (2%). As such, there were 151 ATMs per 1,000 km<sup>2</sup> in Lebanon at the end of September 2022 compared to 165 ATMs per 1000 km<sup>2</sup> at the end of 2021 and to 172 ATMs per 1000 km<sup>2</sup> at the end of September 2021.

Change in Number of Payment Cards (%)\*



\*year-on-year in first nine months of each year

Source: Banque du Liban, Byblos Research



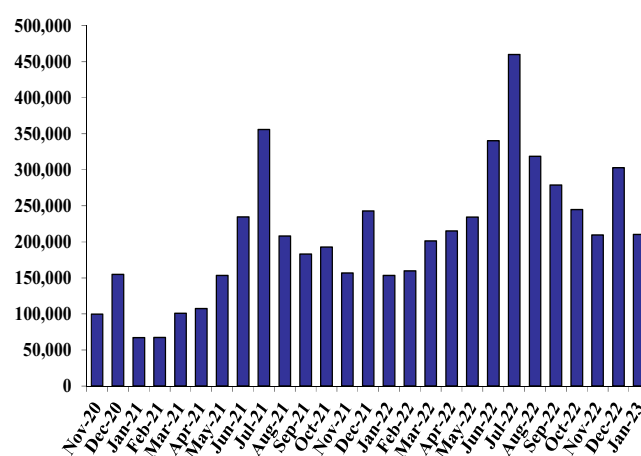
### Number of airport passengers up 35% in January 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 490,296 passengers utilized the airport (arrivals, departures and transit) in January 2023, constituting an increase of 34.7% from 363,886 passengers in January 2022, and relative to 206,281 passengers in January 2021.

The number of arriving passengers jumped by 37.3% to 210,318 in January 2023 from the same month last year, compared to 153,230 arriving passengers in January 2022 and to 67,076 arriving passengers in January 2021. Also, the number of departing passengers totaled 279,122 in January 2023 and increased by 33.8% from 208,594 departing passengers in the same month last year, relative to 135,246 travelers in January 2021.

In parallel, the airport's aircraft activity registered 4,490 take-offs and landings in January 2023, representing a rise of 22.3% from 3,671 takeoffs and landings in the same month of 2022. In comparison, aircraft activity increased by 45.6% in January 2022 and retreated by 46.6% in January 2021. Also, the HIA processed 3,950 metric tons of freight in January 2023 that consisted of 2,197 tons of import freight and 1,753 tons of export freight. Middle East Airlines had 1,988 flights in January 2023 and accounted for 44.3% of HIA's total aircraft activity.

### Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

### Commercial activity improves in relative terms in third quarter of 2022

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for the volume of commercial sales was zero in the third quarter of 2022, relative to -31 in the second quarter of 2022 and to -61 in the third quarter of 2021. The balance of opinions for the third quarter of 2022 reflects the relative adjustment of the private sector to the ongoing crisis and a successful summer season, as well as the ongoing economic and financial crisis in the country. The balance of opinions for the volume of commercial sales in the third quarter of 2022 reached its 11th lowest quarterly level since 2004, after posting -74 in the second quarter of 2020, -73 in the third quarter of 2006 due to the Israeli war on Lebanon, -71 in the first quarter of 2021, -70 in the first quarter of 2005 following the assassination of Prime Minister Rafic Hariri, -68 in the third quarter of 2020, -65 in the second quarter of 2021, -61 in the third quarter of 2021, -59 in the fourth quarter of 2021, -52 in the first quarter of 2022, and -31 in the second quarter of 2022.

The survey covers the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions was the lowest in the South at -41, followed by the North (-9), Beirut and Mount Lebanon (+5), and the Bekaa (+32). The survey shows that the balance of opinions about the sales of food items was +3 in the third quarter of 2022, relative to -15 in the previous quarter of 2022 and to -50 in the third quarter of 2021. Also, the balance of opinions about the sales of non-food products was -2 in the covered quarter, relative to -37 in the previous quarter and to -69 in the third quarter of 2021; while it was -2 for inter-industrial goods, compared to -39 in the second quarter of 2022 and relative to -57 in the third quarter of 2021.

Further, the balance of opinions for inventory levels of finished goods in all commercial sub-sectors was -29 in the third quarter of 2022, compared to -34 in the previous quarter and to -44 in the third quarter of 2021. Opinions about the level of inventories were the lowest in the North region as they reached -60, followed by the South (-38), the Bekaa area (-18), and Beirut and Mount Lebanon (-9). Also, the balance of opinions about the number of employees in the sector was -17 in the third quarter of 2022 compared to -22 in the preceding quarter and to -37 in the third quarter of 2021. It was the lowest in South at -46, followed by the North (-22), the Bekaa (-7), and the Beirut & Mount Lebanon (-6).

#### Commercial Activity: Year-on-Year Evolution of Opinions

Aggregate results	Q3-19	Q3-20	Q3-21	Q3-22
Sales volume	-34	-68	-61	0
Number of employees	-16	-44	-37	-17
Inventories of finished goods	-12	-42	-44	-29
Q3-22 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	5	-9	-41	32
Inventories of finished goods	-9	-60	-38	-18

Source: Banque du Liban business survey for third quarter of 2022



### **Balance sheet of financial institutions down 1.6% in 2022**

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP1,694.2bn, or \$1.1bn, at the end of 2022, constituting a decrease of 1.6% from LBP1,721.8bn (\$1.14bn) at the end of 2021. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar at the end of 2022.

On the assets side, claims on resident customers amounted to LBP806.2bn (\$534.7m) at the end of 2022, and increased by 14% from the end of 2021; while claims on non-resident customers stood at LBP18.3bn (\$12.2m) at end 2022, constituting a decline of 13.7% from a year earlier. In addition, claims on the resident financial sector reached LBP418.8bn (\$277.8m) at end 2022, down by 7.9% from the end of 2021; while claims on the non-resident financial sector totaled LBP64.9bn (\$43.1m) at the end of 2022 and grew by 33.7% from a year earlier. Also, claims on the public sector stood at LBP13.4bn (\$8.9m) at end 2022, constituting an increase of 4.1% from the end of 2021; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP54.3bn (\$35.9m) at end 2022 and dipped by 47.6% from a year earlier. In parallel, currency and deposits with local and foreign central banks reached LBP144.3bn (\$95.7m) at the end of 2022 and surged by 30.8% from a year earlier.

On the liabilities side, deposits of resident customers stood at LBP288.4bn (\$191.3m) at the end of 2022, constituting a decrease of 3.5% from a year earlier; while deposits of non-resident customers reached LBP8.9bn (\$5.9m) at the end of 2022 and dropped by 30.4% from end-2021. Liabilities to the resident financial sector amounted to LBP158.7bn (\$105.3m) at end 2022 and declined by 10.3% from the end of 2021; while liabilities to the non-resident financial sector contracted by 11.5% from end-2021 to LBP84.8bn (\$56.3m). Also, public sector deposits dropped by 58% from the end of 2021 to LBP3.6bn (\$2.4m) at the end of 2022, while issued debt securities totaled LBP936.2bn (\$602.5m) at end 2022 and dipped by 99.3% from end-2021. Further, the aggregate capital account of financial institutions was LBP757.6bn (\$502.5m) at the end of 2022, and increased by 12.3% from the end of 2021.

### **Four Lebanese hospitals among top 250 academic medical centers worldwide**

Consulting firm Brand Finance's Brand Strength Index (BSI) for 2023 included four Lebanese hospitals among the top 250 Academic Medical Centers (AMCs) around the world and among 32 AMCs in eight Arab countries. The citations are part of the firm's first global ranking of Academic Medical Centers. It ranked the first 100 AMCs and grouped the other 150 AMCs without ranking them. As such, it included the Hotel Dieu De France, the Lebanese American University Medical Center, the Mount Lebanon Hospital Medical Center, and the Rafic Hariri University Hospital in the 101-250 range.

The BSI is composed of three main pillars that are the Equity, Investment, and Performance pillars, with the first pillar carrying a weight of 50%, and the second and third pillars having weights of 25% each. The Equity pillar captures the degree to which stakeholders are aware of the brand and their perceptions of it. The Investment pillar measures the level of investment and support for the brand by management, and includes the factors to develop the brand's identity and attributes such as improving the facilities, services, and accessibility. The Performance pillar measures the improving reputation of AMCs and their ability to attract top talent due to the strong brand and the centers' investment behind it. Further, each pillar includes four subcategories that consist of the Overall metrics that carry a weight of 31%, the Treatment metrics that have a weight of 18%, the Research metrics that carry with a weight of 15%, and the Teaching metrics that have a weight of 12%. Further, the Equity pillar incorporates additional metrics such as the Awareness and Familiarity metrics at the global, regional and local levels, with a higher weighting given to international familiarity and awareness.

The research on the perceptions of Academic Medical Centers covered more than 500 AMCs in 47 countries across all continents, and the survey's results are based on the responses of 2,500 practicing healthcare professionals and stakeholders around the world. The Mayo Clinic Health System in the United States ranked first on the BSI and has the strongest brand among AMCs globally, while the King Faisal Specialist Hospital and Research Center in Saudi Arabia came in 20<sup>th</sup> place globally and is the highest ranked AMC in the Middle East and North Africa region.

## 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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