

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1
Capital Markets.....1
Lebanon in the News.....2

Lebanon regresses on four out of six indicators of transition to structural reforms in 2022

Banque du Liban's foreign assets at \$14.8bn, gold reserves at \$17bn at mid-February 2023

Foreign direct investments at \$307m in first half of 2022

French company conducts environmental baseline survey in Block 9

Amount of cleared checks up 104% in January 2023

Construction activity improves in relative terms in third quarter of 2022

Lebanon ranks 115th globally, eighth among Arab countries on democracy index

Corporate Highlights

Term deposits account for 54.7% of customer deposits at end-2022

Balance sheet of investment banks down 5% in 2022

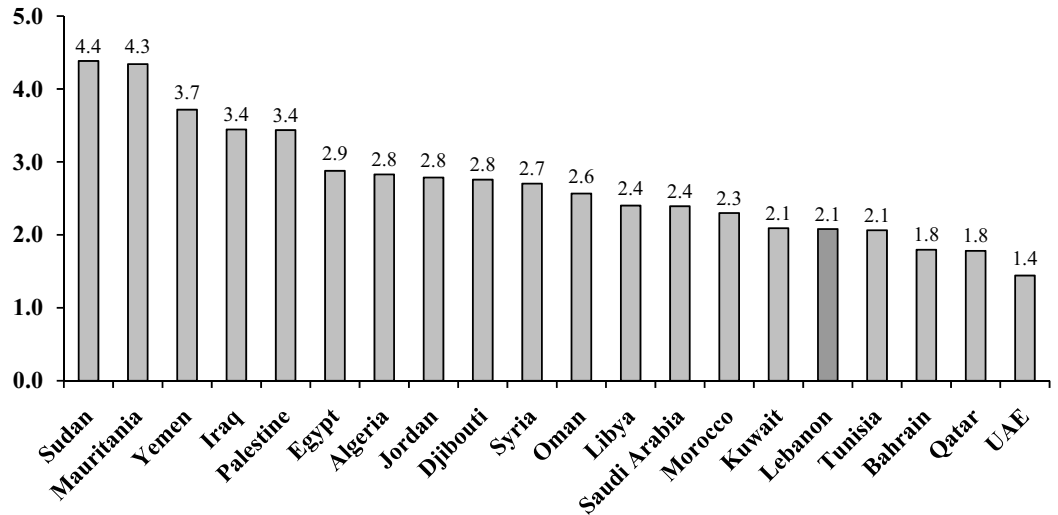
Banking sector has 873 branches at end-September 2022

Ratio Highlights

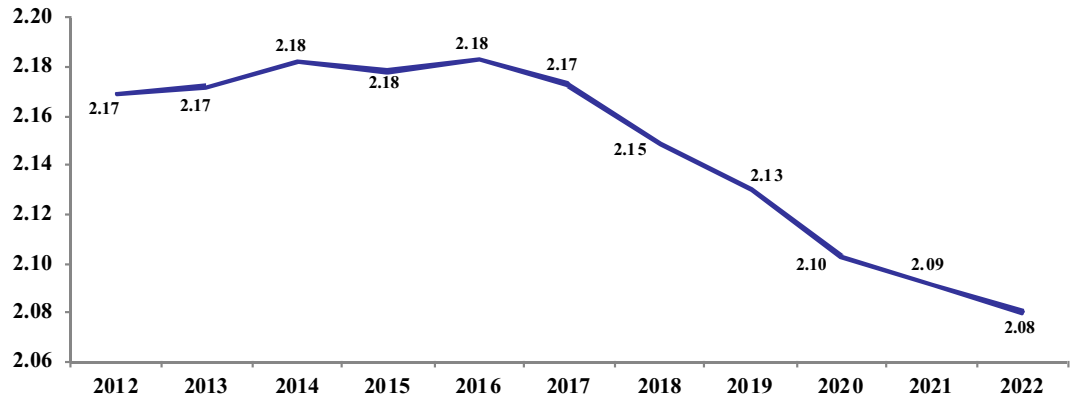
National Accounts, Prices and Exchange Rates9
Ratings & Outlook.....9

Charts of the Week

Fertility Rates in Arab Countries in 2022 (live births per female)



Fertility Rates in Lebanon (live births per female)



Source: United Nations Population Division, Byblos Bank

Quote to Note

"We call on the Parliament to urgently elect a President who will unite the Lebanese people in the national interest, as a first step to restore the ability of the Lebanese state institutions to make decisions."

The Delegation of the European Union, as well as the diplomatic missions to Lebanon of the EU Member States, Norway and Switzerland, calling on the members of Parliament to exercise their constitutional duty

Number of the Week

240%: Increase in the prices of food and non-alcoholic beverages between December 2021 and December in 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"	66.95	3.7	10,285	43.4%	May 2023	6.40	7.0	5,088.15
Byblos Common	0.75	7.1	10,000	2.7%	Apr 2024	6.65	7.0	425.16
Solidere "B"	65.05	1.5	7,599	27.4%	Jun 2025	6.25	7.0	156.03
Audi GDR	1.39	0.0	-	1.1%	Nov 2026	6.60	7.0	84.74
Audi Listed	1.56	0.0	-	6.0%	Mar 2027	6.85	7.0	76.92
BLOM GDR	2.90	0.0	-	1.4%	Feb 2030	6.65	7.0	41.76
HOLCIM	32.15	0.0	-	4.1%	Apr 2031	7.00	7.0	35.36
BLOM Listed	2.50	0.0	-	3.5%	May 2033	8.20	7.0	27.73
Byblos Pref. 08	27.00	0.0	-	0.4%	Nov 2035	7.05	7.0	22.08
Byblos Pref. 09	37.98	0.0	-	0.5%	Mar 2037	7.25	7.0	19.80

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

Source: Refinitiv

	Feb 13-17	Feb 6-10	% Change	January 2023	January 2022	% Change
Total shares traded	27,884	86,752	(67.9)	25,094,470	729,260	3,341.1
Total value traded	\$1,172,897	\$5,478,960	(78.6)	\$52,671,810	\$14,095,694	273.7
Market capitalization	\$15.43bn	\$15.10bn	2.2	\$14.99bn	\$10.05bn	49.2

Source: Beirut Stock Exchange (BSE)



Lebanon regresses on four out of six indicators of transition to structural reforms in 2022

The European Bank for Reconstruction and Development's (EBRD) Transition Indicators for 2022 show that Lebanon's score regressed on four out of six indicators included in the survey, increased on one indicator and was unchanged on the sixth indicator, which reflects a relatively worse level of transition and structural reforms in the country from the previous year. Also, Lebanon ranking was the unchanged on five indicators while it regressed on the sixth indicator from the 2021 survey. The indicators cover 36 countries and territories and track the transition progress towards a "sustainable market economy" of the countries where the EBRD operates. The EBRD has measured since 2016 progress on structural reforms in the 36 economies based on six factors of a "sustainable market economy" that are Competitiveness, Governance, Green, Inclusive, Resilient, and Integrated. It scores each factor on a scale of one to 10, with a score of 10 points corresponding to the proper standards of a sustainable market economy.

Lebanon ranked in 26th place among 36 countries and territories in terms of "Competitiveness". The indicator evaluates the economic structures of a country that promote competition and diversification, improve the quality of goods and services, as well as provide fair prices. Lebanon's rank was unchanged from the previous survey, while it regressed by two spots from the 2016 survey. Lebanon had a more competitive economy than Morocco and Azerbaijan, while it was less competitive than Georgia and Moldova. Lebanon's 2022 score was 4.38 points relative to 4.41 in 2021 and 4.51 points in 2016. The results show that 72.2% of countries and territories have a better score than Lebanon on this dimension of transition.

Also, Lebanon ranked in 35th place among 36 countries and territories in terms of a "Well Governed" economy. This factor evaluates the governance, decision-making and accountability in all domains of an economy, and reflects the quality of a country's institutions and the processes that they support. Lebanon's rank was unchanged from the previous survey, while it regressed by one notch from the 2016 survey. Lebanon had a more "Well Governed" economy than only Turkmenistan, and received a score of 3.52 points in 2022 relative to 3.65 in 2021 and 3.9 points in 2016. The results show that 97.2% of countries and territories have a better score than Lebanon on this dimension of transition.

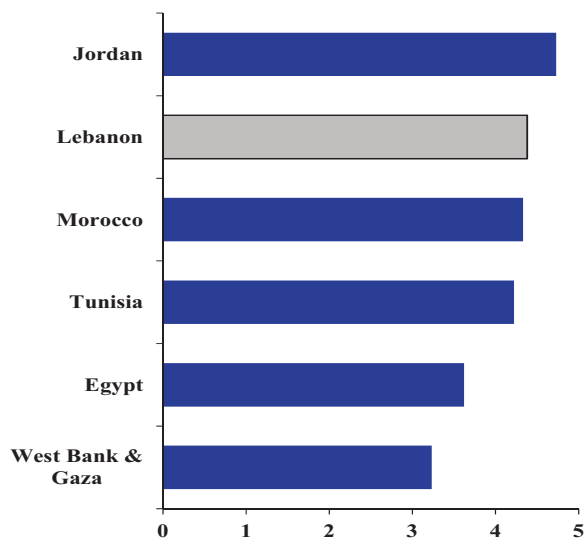
Further, Lebanon ranked in 24th place among 36 countries and territories in terms of an "Integrated" economy. The indicator evaluates if an economy is conducive for trade at greater speed, lower cost and better quality. It measures a country's ability to implement large cross-border projects in major transport, energy and IT networks, as well as to improve networks between ports, airports, electricity grids, cities and rural areas. Lebanon's rank was unchanged from the previous year, while it regressed by four spots from the 2016 survey. Lebanon had a more integrated economy than Egypt and Morocco, while it has a less integrated economy than Ukraine and Mongolia. Lebanon's 2022 score was 5.41 points relative to 5.27 in 2021 and 5.18 points in 2016. The results show that 66.7% of the covered countries and territories have a better score than Lebanon on this dimension of transition.

In addition, Lebanon ranked in 27th place among 36 countries and territories in terms of having a "Green" economy. The indicator evaluates how a country scales up existing traditional energy resources to renewable energies. Lebanon's rank was unchanged from the previous survey, while it regressed by five spots from the 2016 survey. Lebanon had a more green economy than Mongolia and Albania, while it was less green than Uzbekistan and Jordan. Lebanon received a score of 4.95 points in the 2022 survey relative to 4.96 in 2021 and 4.89 points in 2016. The results show that 75% of the covered countries and territories have a better score than Lebanon on this dimension of transition.

Finally, Lebanon ranked in last place among the 36 countries and territories in terms of "Resilience". The indicator measures the ability of an economy to support growth and for its markets to resist shocks, mainly in terms of a country's macroeconomic and financial stability, as well as its economic diversification, food security and energy security resilience. Lebanon's rank was unchanged from the previous year, while it regressed by five notches from the 2016 survey. Lebanon received a score of 2.86 points in 2022, unchanged from 2021 and relative to 3.94 points in 2016.

Established in 1991, the EBRD aims to support economies and promote the private sector in 39 economies in Southeastern Europe, Central Europe and Baltic States, Eastern Europe and the Caucasus, Central Asia, and the Southern and Eastern Mediterranean region. The survey covered 10 countries in Southeastern Europe, nine economies in the Central Europe and Baltics region, six countries in Central Asia, six economies in the Southern and Eastern Mediterranean region, and five countries in Eastern Europe and the Caucasus.

Scores of Select Arab Countries on the Competitiveness Indicator for 2022



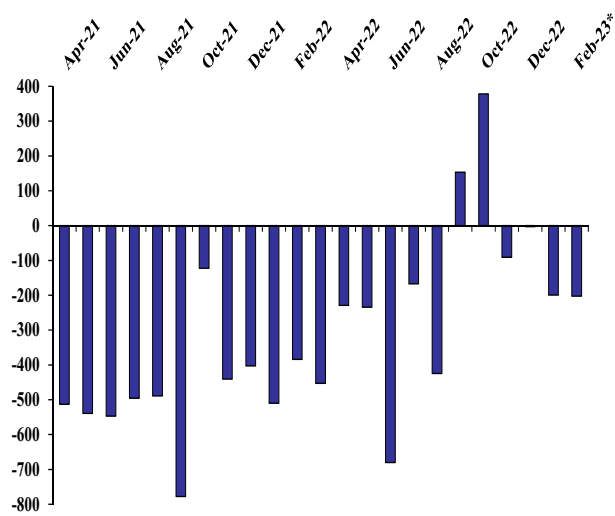
Source: EBRD, Byblos Research

Banque du Liban's foreign assets at \$14.8bn, gold reserves at \$17bn at mid-February 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,523 trillion (tn), or the equivalent of \$101.5bn, on February 15, 2023. Assets in foreign currency reached \$14.8bn at mid-February 2023, representing a decrease of \$369.04m, or of 2.4%, from the end of 2022 and a drop of \$2.4bn (-14%) from \$17.7bn at mid-February 2022. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar, while the dollar figures starting in February 2023 are based on the new official exchange rate of LBP15,000 per dollar.

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.78bn at mid-February 2023, constituting decreases of \$170m (-1.7%) from \$9.95bn at the end of January 2023 and of \$202.3m (-2%) from \$9.98bn at mid-January 2023. They dropped by \$369.04m (-3.6%) from \$10.15bn at end-2022 and by \$2.4bn (-19.8%) from \$12.2bn at mid-February 2022.

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



*as at mid-February 2023

Source: Banque du Liban, Byblos Research

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 LBP75,379bn at mid-February 2023, constituting a decrease of 6% from LBP80,171.3bn at end-2022, and a surge of 78% from LBP42,318.1bn at mid-February 2022.

In parallel, the value of BdL's gold reserves amounted to \$16.9bn at mid-February 2023, constituting an increase of \$274.8m (+1.7%) from the end of 2022 and a decrease of \$191.4m (-1.1%) from \$17.12bn at mid-February 2022. The value of gold reserves reached a peak of \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled LBP68,008.5bn at mid-February 2023. In US dollar terms, they totaled \$4.5bn at mid-February 2023. In addition, loans to the local financial sector stood at LBP17,431.8bn, or \$1.16bn; while the deposits of the financial sector reached LBP1,351.4tn or \$90.1bn at mid-February 2023. In addition, public sector deposits at BdL stood at LBP71,429.6bn at mid-February 2023 and surged by LBP59,140bn from mid-February 2022.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP247,575.4bn (\$16.5bn) at mid-February 2023. BdL indicated that it started in 2019 to make payments on behalf of the Lebanese government from its own foreign reserves, either against cash collateral in Lebanese pounds at the existing official exchange rate of LBP1,507.5 per dollar, which consists of public sector deposits, or in exchange for a pledge by the government to repay the amounts in the same foreign currency at a later stage. It indicated that the public sector's deposits valued in local currency at the end of January 2023 exceeded the net cumulative balance for the payments it made on behalf of the government in foreign currency, which enabled BdL to maintain a net credit balance for public sector deposits. It noted that, after the modification of the exchange rate from LBP1,507.5 per dollar to LBP15,000 a dollar at the start of February 2023, the countervalue of the net cumulative balance of assets in foreign currencies exceeded the value of the cash collateral in Lebanese pounds, which resulted in a net debit balance in favor of BdL and required the presentation of \$16.5bn in loans to the public sector on the "assets" side.

French company conducts environmental baseline survey in Block 9

The specialized French company Créocéan conducted an environmental baseline survey (EBS) in Block 9 of Lebanon's territorial waters through its vessel Janus II, as part of the preparations for the start of offshore gas exploration in the block. The vessel is operated by Keran Liban and is contracted by France's TotalEnergies EP Block 9 in its capacity as the operator of the block. TotalEnergies said that its internal requirements and Lebanese regulations mandate the implementation of an EBS prior to any planned offshore activity. The EBS, which is usually conducted during a single mission and provides a snapshot of environmental conditions, collects and analyzes biodiversity data a part of the Environmental Impact Assessment. As such, the vessel completed an eight-day mission during which it collected images of the seabed, took samples of water and sediments, and monitored marine life in the area.

According to TotalEnergies, an EBS aims to gather primary and secondary information on the environmental aspects and pre-existing conditions found in a defined area. It is usually based on a bibliographic review and is supplemented by the field survey to confirm the desktop data. The survey consists mainly of sampling seawater and seabed sediment, but also includes biota sampling and observations of other biota. Also, a comprehensive analysis is conducted to determine the level of functional integrity of the biodiversity and ecosystems services present in the area under coverage, and to assess the environmental status according to the requirements of local authorities. The EBS aims to confirm the acceptability of the gas exploration project and will identify mitigation measures according to the sensitivity of the environment. Créocéan had previously conducted an EBS in Block 4 in the center of Lebanon's offshore Exclusive Economic Zone. The company is owned by the French Keran Group.

TotalEnergies EP Liban sal announced on January 29, 2023 that it will start offshore drilling in Block 9 of Lebanon's territorial waters in the third quarter of this year, following the U.S.-brokered maritime agreement to delineate the maritime border between Lebanon and Israel that was sealed last October. 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. The Right Holders in Block 9 are the operator TotalEnergies EP Block 9 that holds a 35% stake, as well as the non-operators Eni Lebanon BV that has a 35% interest and QatarEnergy International Investments (2) LLC that holds a share of 30%.

Foreign direct investments at \$307m in first half of 2022

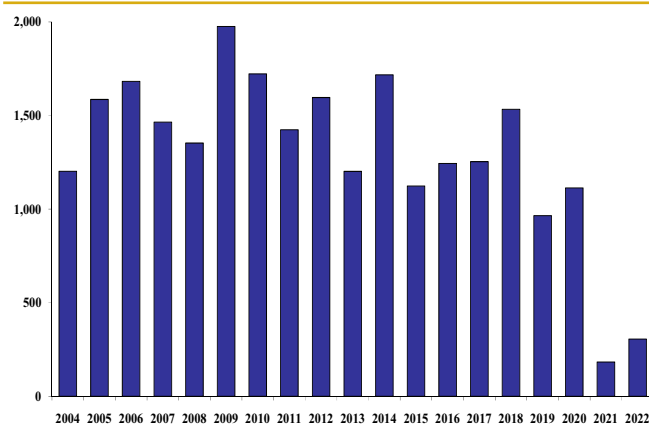
Figures released by Banque du Liban show that foreign direct investments (FDI) in Lebanon totaled \$306.5m in the first half of 2022, constituting an increase of 67% from \$183.4m in the first half of 2021. FDI inflows in the first half of 2022 reached their second lowest semi-annual level since BDL started publishing detailed figures about the balance of payments in 2002, after posting inflows of \$183.4m in the first half of 2021. FDI inflows to Lebanon averaged \$1.3bn in the first half of each year of the 2002-21 period, and registered a high of \$1.98bn in the first half of 2009.

According to BDL's methodology, which is based on the International Monetary Fund's balance of payments methodology to record the movement of non-resident deposits, figures for FDI inflows consist largely of the transfer of non-resident deposits at local commercial banks to the real estate sector, rather than to the foreign flow of capital into local projects.

Foreign direct investments totaled \$282.6m in the first quarter and \$24m in the second quarter of 2022. They surged by 366.4% in the first three months and dropped by 80.5% in the second quarter of the year from the same quarters of 2021.

In parallel, FDI outflows from Lebanon reached \$69.8m in the first half of 2022, relative to divestments of \$664.2m in resident investments from non-resident markets in the first half of 2021. FDI outflows totaled \$37.1m in the first quarter and \$32.8m in the second quarter of 2022. In addition, FDI outflows from Lebanon in the first half of 2022 reached their third lowest semi-annual level in the first half of each year of the 2002-22 period, after amounting to \$0.2m in the first half of 2002 and \$39.1m in the first half of 2020. In comparison, they averaged \$334.8m in the first half of each year of the 2002-21 period.

Foreign Direct Investment Inflows (US\$m)*



*in first half of each year

Source: Banque du Liban, Byblos Research

Amount of cleared checks up 104% in January 2023

The amount of cleared checks reached LBP8,114bn, or the equivalent of \$5.4bn, in January 2023, constituting a surge of 104.3% from LBP3,972bn (\$2.6bn) in January 2022. In comparison, the amount of cleared checks increased by 17% in January 2022 from the same month of 2021 and dropped by 66.4% in January 2021 from January 2020. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar at the time.

The amount of cleared checks in Lebanese pounds reached LBP6,823bn in January 2023 and surged by 174.5% from LBP2,486bn in January 2022, while the amount of cleared checks in foreign currency was \$856m and dropped by 13.2% from \$986bn in January 2022. Also, there were 68,843 cleared checks in January 2023, down by 60.3% from 173,378 checks in January 2022. The dollarization rate of cleared checks regressed from 37.4% in January 2022 to 16% in January 2023, while the number of checks denominated in foreign currency accounted for 31.2% of cleared checks in January 2023 compared to 50.7% in January 2022.

In parallel, the amount of returned checks in local and foreign currencies was LBP190bn (\$126m) in January 2023 compared to LBP39bn (\$26m) in January 2022 and to LBP48bn (\$31.8m) in January 2021. This constituted a jump of 387.2% in January 2023 relative to a decrease of 18.8% in January 2022 and a drop of 79.2% in January 2021. The amount of returned checks in Lebanese pounds reached LBP176bn in January 2023 and surged by 1,500% from LBP11bn in January 2022, while the amount of returned checks in foreign currency was \$10m and contracted by 47.4% from \$19m in January 2022.

Also, there were 525 returned checks in January 2023, down by 63.3% from 1,432 returned checks in January 2022. The number of returned checks in foreign currency reached 245 in January 2023 and dropped by 74.3% from 952 in January 2022, while the number of returned checks in Lebanese pounds totaled 280 and retreated by 41.7% from 480 year-on-year.

Construction 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 general construction activity reached -18 in the third quarter of 2022, compared to -53 in the previous quarter and to -67 in the third quarter of 2021. The balance of opinions for general construction activity in the third quarter of 2022 constituted the eighth lowest quarterly level since the first quarter of 2004, after reaching -81 in the second quarter of 2020, -75 in the first and third quarters of 2020, -69 in the fourth quarter of 2020, -67 in the third quarter of 2021, -63 in the fourth quarter of 2021, -56 in the first quarter of 2022, and -53 in the second quarter of 2022. The results are attributed to the absence of new projects, very low investments in the sector, delays in the implementation of reforms to restore confidence, the fluctuations of the exchange rate of the US dollar on the parallel market, as well as the relative adjustment of the private sector to the ongoing crisis.

The business survey covers the opinions of managers of construction enterprises about their businesses, 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 a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions for construction activity was -18 in the third quarter of 2022 compared to -50 in the preceding quarter and to -67 in the third quarter of 2021. It reached its 10th lowest quarterly level since the first quarter of 2004. The balance of opinions about construction activity was +19 in the North, -24 in the Bekaa, -37 Beirut & Mount Lebanon, and -53 in the South. Also, the balance of opinions about public works stood at -25 in the third quarter of 2022 compared to -51 in the second quarter of 2022 and -66 in the third quarter of 2021. The opinions about the level of public works reached -9 in the North, -24 in the Bekaa, -31 in Beirut & Mount Lebanon, and -80 in the South.

In addition, the balance of opinions about the portfolio of projects was -72 in the third quarter of 2022 relative to -79 in the preceding quarter and to -96 in the third quarter of 2021, and reached its 10th lowest quarterly level since the first quarter of 2004. The balance of opinions about the portfolio of projects was -55 in the North, -73 in the South, and -80 in Beirut & Mount Lebanon and in the Bekaa (each). Further, the balance of opinions about construction costs reached +71 in the third quarter of 2022, compared to +62 in the preceding quarter and +43 in the third quarter of 2021.

In parallel, the balance of opinions about investments in the sector was 23% in the third quarter of 2022, compared to 19% in the preceding quarter and to 17% in the third quarter of 2021. The balance of opinions about investments was 0% in Beirut & Mount Lebanon, 10% in the South, 25% in the Bekaa, and 78% in the North. Also, the balance of opinions about the number of employees in the sector was -60 in the third quarter of 2022 compared to -71 in the preceding quarter and to -87 in the third quarter of 2021, and reached its 10th lowest quarterly level since the first quarter of 2004. The balance of opinions about the number of employees was -32 in Beirut & Mount Lebanon, -61 in the North, -76 in the Bekaa, and -93 in the South.

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q3-19	Q3-20	Q3-21	Q3-22
General activity	-46	-75	-67	-18
Construction	-47	-74	-67	-18
Public works	-51	-68	-66	-25
Portfolio of projects	-61	-92	-96	-72
Construction costs	11	79	43	71
Investments (% of yes)	17%	15%	17%	23%

Source: Banque du Liban Business Survey for Third Quarter of 2022

Lebanon ranks 115th globally, eighth among Arab countries on democracy index

The Economist Intelligence Unit's (EIU) Democracy Index for 2022 ranked Lebanon in 115th place among 167 countries worldwide and in eighth place among 20 Arab countries. In comparison, Lebanon came in 111th place globally and in sixth place regionally on the 2021 index. Based on the same set of countries in the 2021 and 2022 surveys, Lebanon's global rank dropped by four notches, while its Arab rank decreased by two spots from the 2021 survey.

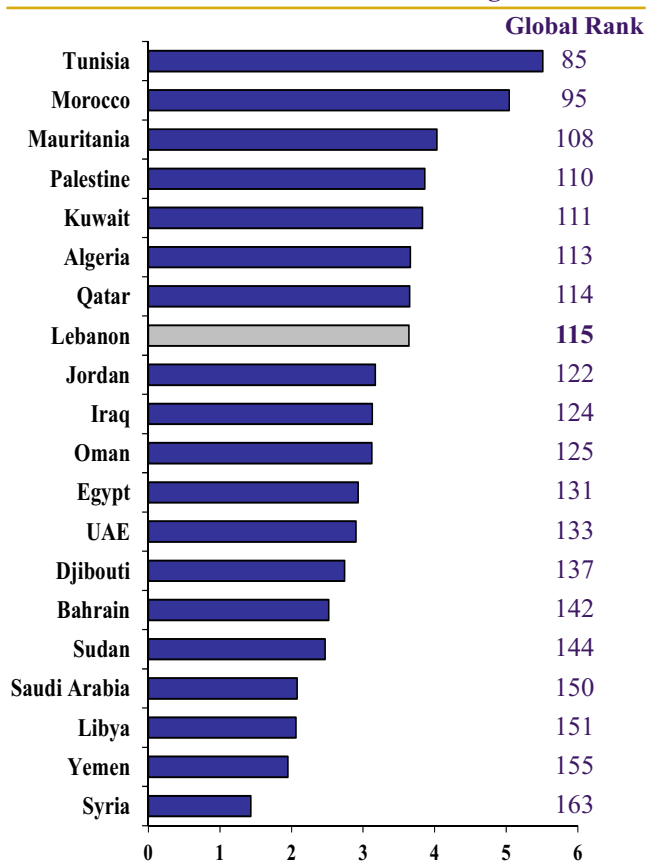
The index measures 60 indicators that are grouped in five categories that are the Electoral Process & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The survey rates each category on a scale from zero to 10, and calculates the index score for each country as the simple average of the five categories. The survey also placed countries in four categories of political freedoms that are Full Democracies, Flawed Democracies, Hybrid Regimes, and Authoritarian Regimes.

Globally, the survey considered that Lebanon has a more democratic system than the Kyrgyz Republic, Mozambique and Gabon, and is less democratic than Niger, Algeria and Qatar. Lebanon received a score of 3.64 points in the 2022 survey compared to 3.84 points in the 2021 index, constituting its lowest score since the 2006 survey when the EIU started to issue the index. Lebanon posted its highest score on record in the 2006 and 2010 surveys, with a score of 5.82 points in each of those years. Lebanon's score in the 2022 survey was lower than the global average score of 5.3 points, but it was higher than the Arab region's score of 3.2 points, the Gulf Cooperation Council (GCC) countries' average score of 3 points and the non-GCC Arab countries' average of 3.3 points.

Further, Lebanon's score decreased by 30.7% on the Functioning of Government and by 16.5% on the Political Culture, while it was unchanged on the remaining three indicators from the 2021 survey. Lebanon, along with 16 Arab countries, came in the "Authoritarian Regimes" category, while Tunisia, Morocco and Mauritania were classified as having "Hybrid Regimes". The "Authoritarian Regimes" category includes 59 countries that represent 37% of the world's population.

The EIU claimed that the growing lack of accountability of ruling officials and the increasing frustration of Lebanese citizens with unresponsive institutions, amid the country's prolonged political and economic crisis, led to the decline in the country's score in 2022.

**EIU Democracy Index for 2022
Arab Countries' Scores & Rankings**



Source: Economist Intelligence Unit, Byblos Research

Components of the 2022 Democracy Index for Lebanon

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Process & Pluralism	107	4	3.50	5.59	1.94
Functioning of Government	149	15	0.79	4.70	2.41
Political Participation	41	2	6.67	5.44	4.36
Political Culture	139	16	3.13	5.32	4.50
Civil Liberties	107	3	4.12	5.43	2.72

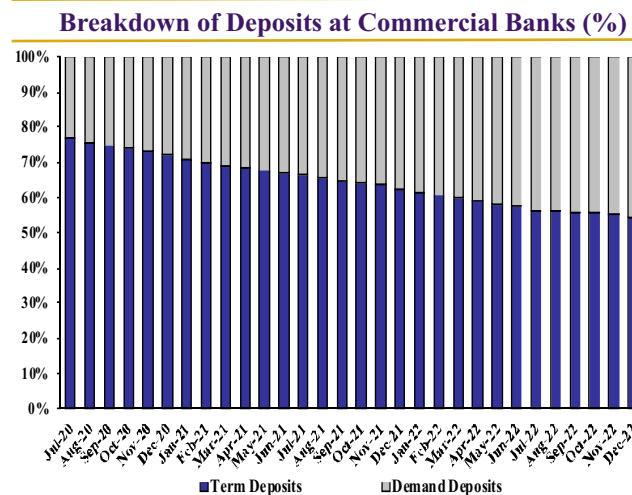
Source: Economist Intelligence Unit, Byblos Research

Term deposits account for 54.7% of customer deposits at end-2022

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$134.7bn at the end of 2022, constituting a decrease of \$4.6bn, or of 3.3%, from \$139.3bn at the end of 2021.

Total deposits include private sector deposits that reached \$125.7bn, deposits of non-resident financial institutions that amounted to \$4.3bn, and public sector deposits that stood at \$4.7bn at the end of 2022. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar at that time.

Term deposits in all currencies reached \$73.7bn at the end of 2022 and declined by \$13.4bn, or by 15.4%, from \$87.1bn at end-2021; while they accounted for 54.7% of total deposits in Lebanese pounds and in foreign currency as at end-2022 relative to a share of 62.5% a year earlier.



Source: Banque du Liban

The decline in term deposits is due a drop of 18.4% in foreign currency-denominated term deposits of the public sector, a decrease of 17.2% in the term deposits of the non-resident financial sector, a decline of 16.6% in the foreign currency-denominated term deposits of the resident private sector, a retreat of 16% in the term deposits in Lebanese pounds of the resident private sector, a contraction of 13.2% in the term deposits in Lebanese pounds of the public sector, and a dip of 11.4% in the term deposits of non-residents. The decline in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$92.8bn since the end of September 2019.

Further, foreign currency-denominated term deposits of the resident private sector reached \$41.1bn and accounted for 30.5% of aggregate deposits at the end of 2022. Term deposits of non-residents followed with \$14.8bn (11%), then term deposits in Lebanese pounds of the resident private sector with \$11.5bn (8.5%), term deposits of the public sector in Lebanese pounds with \$2.9bn and term deposits of the non-resident financial sector with \$2.8bn (2% each), and term deposits of the public sector in foreign currency with \$574.6m (0.4%).

In parallel, demand deposits in all currencies at commercial banks stood at \$61bn at the end of 2022 and increased by \$8.75bn, or by 16.7%, from \$52.3bn at the end of 2021. They accounted for 45.3% of total deposits at end-November 2022 relative to a share of 37.5% at end of 2021. The increase in demand deposits was mainly due to a rise of \$5.6bn in demand deposits in Lebanese pounds of the resident private sector, a growth of \$2.1bn in foreign currency-denominated demand deposits of the resident private sector, an increase of \$756.8m in demand deposits of non-residents, an expansion of \$155m in demand deposits in Lebanese pounds of the public sector, a rise of \$90m in demand deposits in foreign currency of the public sector, and an uptick of \$26m in demand deposits of the non-resident financial sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33.1bn and represented 24.6% of deposits at end-2022. Demand deposits in Lebanese pounds of the resident private sector followed with \$16.6bn (12.3%), then demand deposits of non-residents with \$8.6bn (6.4%), demand deposits of the non-resident financial sector with \$1.5bn (1.1%), demand deposits in Lebanese pounds of the public sector with \$897.8m (0.7%), and demand deposits in foreign currency of the public sector with \$339m (0.3%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.2% of private-sector deposits and for 49.2% of the number of depositors at the end of September 2022. Mount Lebanon followed with 15.2% of deposits and 18.8% of beneficiaries, then South Lebanon with 7% of deposits and 11.4% of depositors, North Lebanon with 6.6% of deposits and 12% of beneficiaries, and the Bekaa with 5% of deposits and 8.5% of depositors.

Balance sheet of investment banks down 5% in 2022

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP5,731bn, or \$3.8bn, at the end of 2022, constituting a decrease of 5.2% from LBP6,045.7 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 time.

On the assets side, claims on resident customers stood at LBP1,260bn (\$835.8m) at the end of 2022 and contracted by 21.6% from the end of 2021; while claims on non-resident customers totaled LBP60bn (\$39.8m) at the end of 2022 and surged by 245.5% from a year earlier. In addition, claims on the resident financial sector reached LBP913.6bn (\$606m) at end-2022 and increased by 14% from LBP801.7bn (531.8m) at end-2021; while claims on the non-resident financial sector totaled LBP53.7bn (\$35.6m) at the end of 2022 and dropped by 39.3% from LBP88.4bn (\$58.7m) at the end of 2021. Also, claims on the public sector amounted to LBP5.2bn (\$3.4m) at the end of 2022, constituting an increase of 9.6% from LBP4.7bn (\$3.1m) at end-2021; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached LBP839bn (\$556.6m) at end-2022 and contracted by 4.4% from a year earlier. In parallel, currency and deposits at BdL and foreign central banks stood at LBP1,949.7bn (\$1.3bn) at the end of 2022, representing a decrease of 2.8% from LBP2,005.6bn (\$1.3m) at the end of 2021.

On the liabilities side, deposits of resident customers totaled LBP1,212.6bn (\$804.4m) at the end of 2022, constituting a decline of 12.3% from LBP1,382.7bn (\$917.2m) at the end of 2021; while deposits of non-resident customers reached LBP149bn (\$98.8m) at the end of 2022, nearly unchanged from a year earlier. In addition, liabilities to the resident financial sector amounted to LBP82.5bn (\$98.6m) at end-2022, down by 44.4% from LBP148.5bn (\$98.5m) end-2021; while those to the non-resident financial sector increased by 15% from end-2021 to LBP258.7bn (\$171.6m) at the end of 2022. Also, public sector deposits stood at LBP49.4bn (\$32.8m) at the end of 2022, constituting a surge of 571% from LBP7.4bn (\$4.8m) at the end of 2021. Further, the aggregate capital account of investment banks amounted to LBP2,494.9bn (\$1.66bn) at the end of 2022, constituting an increase of 4.6% from a year earlier.

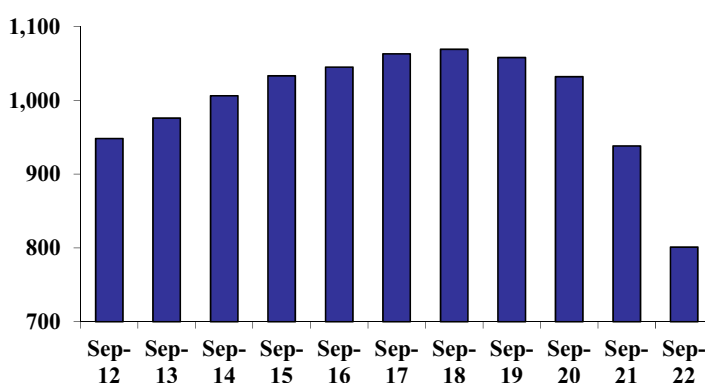
Banking sector has 873 branches at end-September 2022

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 873 local and foreign branches at the end of September 2022, constituting a decline of 94 branches, or of 9.7% from 967 branches at end-2021, a drop of 139 branches (-13.7%) from 1,012 branches at the end of September 2021, and a decrease of 253 branches (-22.5%) from 1,126 branches at the end of September 2020.

Commercial banks had 852 local and foreign branches in total at the end of September 2022 compared to 946 branches at end-2021, to 991 branches at the end of September 2021, and to 1,105 branches at the end of September 2020. Further, medium- and long-term banks had 21 branches in Lebanon at the end of September 2022, unchanged from a year earlier and from end-September 2020. In parallel, commercial banks operating in Lebanon had 51 branches outside the country at the end of September 2022 compared to 53 branches at the end of 2021 and at the end of September 2021.

The breakdown of commercial banks' branches shows that banks had 801 local branches at the end of September 2022, down by 92 branches from 893 branches at the end of 2021, by 137 branches from 938 branches at end-September 2021, and by 231 branches from 1,032 branches at the end of September 2020. There were 418 branches of commercial banks in Beirut & its suburbs that accounted for 52.2% of total branches in the country at the end of September 2022, followed by 164 branches in Mount Lebanon (20.5%), 83 branches in South Lebanon (10.4%), 82 branches in North Lebanon (10.2%), and 54 branches in the Bekaa region (6.7%). Also, nine foreign commercial banks operating in the country had 21 branches and four Islamic banks had 12 branches at the end of September 2022. In addition, there were 12 e-branches that offer banking services through interactive and automated machines at end-September 2022. Further, there were 46 commercial banks and 15 medium- and long-term banks operating in Lebanon at the end of September 2022, unchanged from a year earlier.

Number of Branches of Commercial Banks in Lebanon



Source: Banque du Liban, Byblos Research

Ratio Highlights

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

*change in percentage points 21/20;

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

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

National Accounts, Prices and Exchange Rates

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

*Average year-to-July 22, 2022

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

Ratings & Outlook

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

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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