



In memory of the victims of the Beirut Port explosion

LEBANON THIS WEEK

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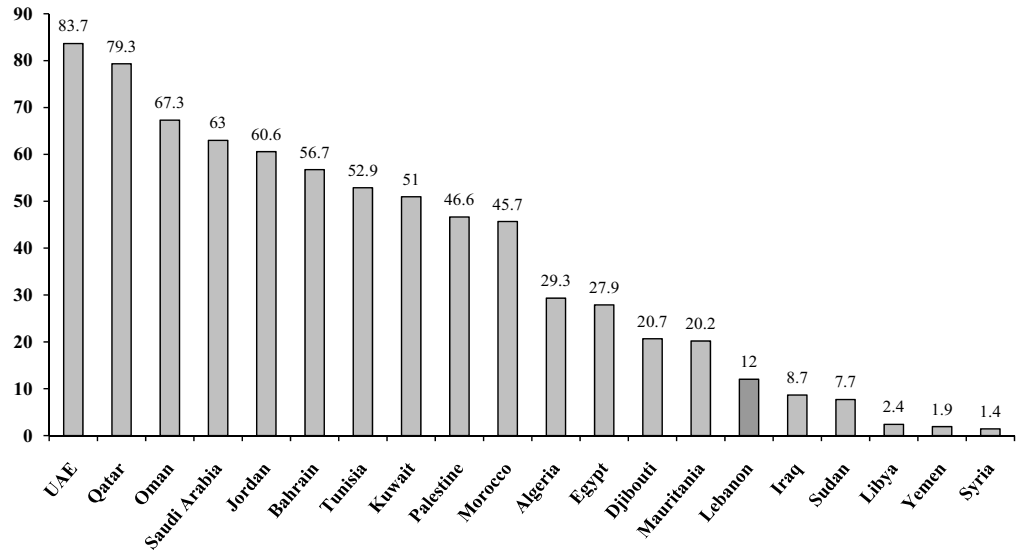
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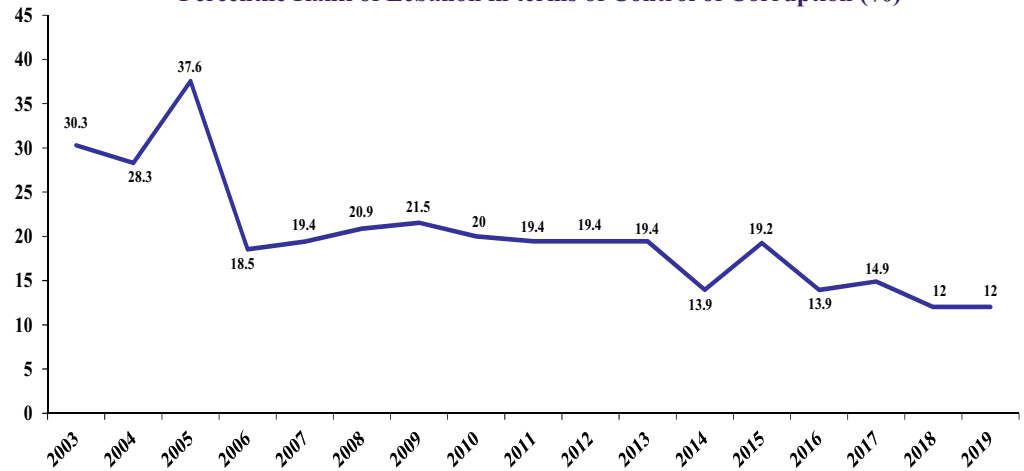
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Charts of the Week

Percentile Rank of Arab Countries in terms of Control of Corruption in 2019 (%)



Percentile Rank of Lebanon in terms of Control of Corruption (%)



Source: World Bank Governance Indicators, Byblos Bank

Quote to Note

"The cost of policy paralysis has been the biggest challenge so far."

Barclays Capital, on the fact that macroeconomic stabilization and reforms in Lebanon depend on political stability and consensus building

Number of the Week

90.2%: Percentage of Lebanese who believe that their personal financial condition will deteriorate by February 2021, according to the August 2020 survey of the Byblos Bank/AUB Consumer Confidence Index

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Jun 2019	Jan-Jun 2020	% Change*	Jun-19	May-20	Jun-20
Exports	3,731	1,725	1,612	(6.5)	285	251	277
Imports	19,239	10,139	5,202	(48.7)	1,377	674	854
Trade Balance	(15,508)	(8,414)	(3,590)	(57.3)	(1,092)	(423)	(577)
Balance of Payments	(5,851)	(5,391)	(2,486)	(53.9)	(204)	(888)	(296)
Checks Cleared in LBP	22,146	10,313	9,514	(7.8)	1,581	1,105	1,766
Checks Cleared in FC	34,827	17,178	16,944	(1.4)	2,501	1,467	3,097
Total Checks Cleared	56,973	27,498	26,461	(3.8)	4,084	2,572	4,863
Fiscal Deficit/Surplus	(5,837)	(2,420)	(2,223)	(8.1)	(33)	(247)	(225)
Primary Balance	(287)	308	(876)	-	347	(120)	(160)
Airport Passengers	8,684,937	3,978,188	1,206,671	(69.7)	838,498	20,253	15,295
Consumer Price Index	2.9	3.3	38.8	3550bps	1.7	56.5	89.7

\$bn (unless otherwise mentioned)	Dec-19	Jun-19	Mar-20	Apr-20	May-20	Jun-20	% Change*
BdL FX Reserves	29.55	29.75	28.23	27.37	26.44	25.87	(13.0)
In months of Imports	1.54	21.61	34.18	36.76	39.24	30.30	(40.2)
Public Debt	91.64	85.73	92.40	92.87	93.14	93.40	(8.9)
Bank Assets	216.78**	255.98	208.55	205.75	203.84	201.09	(21.4)
Bank Deposits (Private Sector)	158.86	172.13	149.59	147.52	146.30	144.50	(16.1)
Bank Loans to Private Sector	49.77	56.00	45.02	43.90	42.91	41.42	(26.0)
Money Supply M2	42.11	49.11	39.60	38.64	38.78	39.02	(20.5)
Money Supply M3	134.55	139.93	130.34	129.52	129.67	129.51	(7.4)
LBP Lending Rate (%)	9.09	10.94	9.41	9.29	8.45	6.84	(410bps)
LBP Deposit Rate (%)	7.36	8.80	5.13	5.06	4.63	4.16	(464bps)
USD Lending Rate (%)	10.84	9.49	8.55	7.79	7.90	7.49	(200bps)
USD Deposit Rate (%)	4.62	5.84	2.53	2.32	1.99	1.64	(420bps)

*year-on-year **The decline in assets in December 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7

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"	14.97	(5.31)	235,975	23.96%	Apr 2021	8.25	17.00	911.11
Solidere "B"	14.99	(5.19)	138,122	15.59%	Oct 2022	6.10	16.25	115.40
HOLCIM	12.70	5.83	14,322	3.97%	Jan 2023	6.00	15.50	99.51
BLOM GDR	2.90	(3.33)	1,000	3.43%	Jun 2025	6.25	15.38	44.26
Byblos Common	0.36	0.00	-	3.26%	Nov 2026	6.60	15.38	32.93
BLOM Listed	2.80	0.00	-	9.63%	Feb 2030	6.65	15.13	21.16
Audi Listed	1.02	0.00	-	9.61%	Apr 2031	7.00	15.38	18.57
Byblos Pref. 09	48.85	0.00	-	1.56%	May 2033	8.20	15.25	15.48
Byblos Pref. 08	39.99	0.00	-	1.28%	Nov 2035	7.05	15.50	12.76
Audi GDR	1.00	0.00	-	1.91%	Mar 2037	7.25	15.50	11.65

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

Source: Byblos Bank Capital Markets, Refinitiv

	Sep 28-Oct 2	Sep 21-25	% Change	Sep 2020	Sep 2019	% Change
Total shares traded	409,019	379,251	7.8	5,962,048	1,989,279	199.7
Total value traded	\$5,914,473	\$6,282,152	(5.9)	\$26,011,896	\$20,464,132	27.1
Market capitalization	\$6.25bn	\$6.39bn	(2.2)	\$6.25bn	\$7.86bn	(20.5)

Source: Beirut Stock Exchange (BSE)



Cost of sending remittances from the United Kingdom and the United States decreases in third quarter of 2020

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 5.29% in the third quarter of 2020, constituting a slight decrease from 5.31% in the second quarter of 2020 and compared to 5.47% in the third quarter of 2019. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$26.45 in the third quarter of 2020 compared to \$26.55 in the preceding quarter and to \$27.33 in the third quarter of 2019. Lebanon is the sixth most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 6.54% in the third quarter of 2020 for a transfer of CAD500, up from 6.06% in the second quarter of 2020 and compared to 6.98% in the third quarter of 2019. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD32.7 in the third quarter of 2020 relative to CAD30.29 in the previous quarter and to CAD34.9 in the third quarter of 2019. Lebanon is the costliest destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.46% in the third quarter of 2020 for a transfer of AUD500, down from 7.94% in the second quarter of 2020 and compared to 7.14% in the third quarter of 2019. The cost of sending AUD500 from Australia to Lebanon was AUD37.31 in the third quarter of 2020 relative to AUD39.71 in the preceding quarter and to AUD35.71 in the third quarter of 2019. Lebanon is the second most expensive destination for sending AUD500 from Australia among 16 countries with available data.

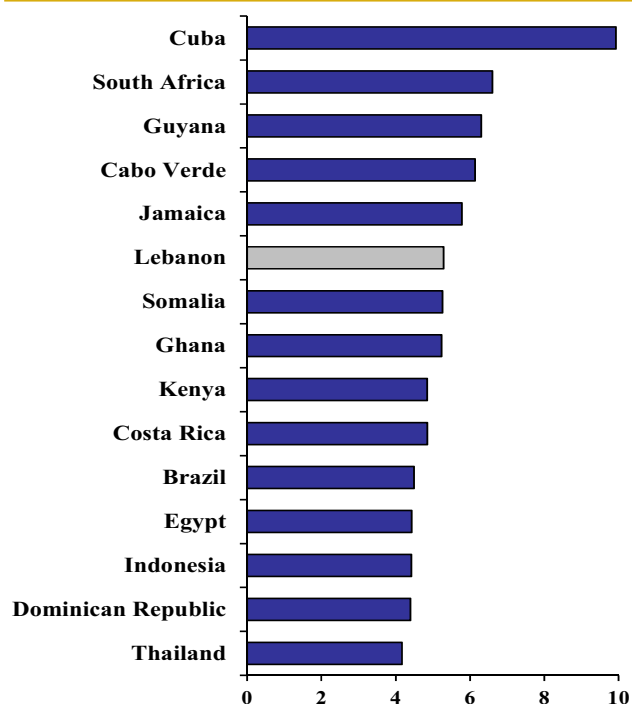
In addition, the cost of sending remittances from France to Lebanon was 7.43% in the third quarter of 2020 for a transfer of €345, constituting an increase from 6.52% in the second quarter of 2020 and from 6.95% in the third quarter of 2019. In nominal terms, the cost of sending €345 from France to Lebanon was €25.64 in the third quarter of 2020 compared to €22.48 in the previous quarter and to €23.99 in the third quarter of 2019. Lebanon is the fourth most expensive destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 7.49% in the third quarter of 2020 for a transfer of £300, and regressed from 8.69% in the second quarter of 2020 and from 7.58% in the third quarter of 2019. In nominal terms, the cost of sending £300 from the UK to Lebanon was £22.46 in the third quarter of 2020 relative to £26.07 in the preceding quarter and to £22.73 in the third quarter of 2019. Lebanon is the eighth most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 6.52% in the third quarter of 2020 for a transfer of €345, constituting a slight increase from 6.51% in the second quarter of 2020 and compared to 6.86% in the third quarter of 2019. In nominal terms, the cost of sending €345 from Germany to Lebanon was €22.49 in the third quarter of 2020 relative to €22.47 in the previous quarter and to €23.66 in the third quarter of 2019. Lebanon is the sixth most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.5% in the third quarter of 2020 for a transfer of SAR1,870, equivalent to \$500, compared to 2.38% in the second quarter of 2020 and to 3.26% in the third quarter of 2019. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR46.81 in the third quarter of 2020, relative to SAR44.44 in the preceding quarter and to SAR61.01 in the third quarter of 2019. Lebanon is the seventh most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations for Sending Remittances from the United States* (%)



*cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Net foreign assets of financial sector down by \$7.5bn in first eight months of 2020

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$7.5bn in the first eight months of 2020 compared to a decrease of \$5.9bn in the same period of 2019. The cumulative deficit in the first eight months of the year was caused by a drop of \$9.43bn in the net foreign assets of BdL, which was partly offset by an increase of \$1.93bn in those of banks and financial institutions. The deficit in the covered period reached its widest level in the first eight months of a year since BdL started to publish data in 1993, mainly due to sustained drawdowns of BdL's foreign currency reserves amid the drying up of capital inflows after the government defaulted on its foreign obligations in March and made limited progress in addressing the prevailing crisis, as well as due to the growing burden on BdL to subsidize an increasing range of imported products.

Further, the net foreign assets of the financial sector regressed by \$2bn in August 2020 compared to a decline of \$3.05bn in July 2020 and to a decrease of \$578.5m in August 2019. The deficit in August 2020 reached its second widest monthly level on record, after the July 2020 outcome. The August decline was caused by a drop of \$2.2bn in the net foreign assets of BdL, which was partly offset by an increase of \$253.2m in those of banks and financial institutions.

The cumulative increase in the banks' net foreign assets is due to the steeper decline of their foreign liabilities relative to the decrease of their foreign assets. The drop in foreign liabilities was driven to a large extent by a decrease in non-resident deposits and in non-resident financial liabilities; while the decline in the banks' foreign assets was mostly due to a contraction of the banks' claims on non-resident financial sector, as well as to a decline of their claims on non-resident customers. In parallel, the decrease in BdL's net foreign assets was due in part to the financing of necessity imports, such as hydrocarbons, wheat, medicine, medical products, basic food products, milk for babies who are less than one year old, as well as raw materials that are used in the manufacturing of medicine and in the agro-food industry.

The net foreign assets of the financial sector grew by \$1.2bn in 2016, while they decreased by \$155.7m in 2017, by \$4.8bn in 2018 and by \$5.85bn in 2019. They increased by the equivalent of 2.4% of GDP in 2016, and decreased by the equivalent of 0.3% of GDP in 2017, 8.8% of GDP in 2018, and 11.2% of GDP in 2019.

Surveyed economists expect Lebanon's real GDP to contract by 18% in 2020

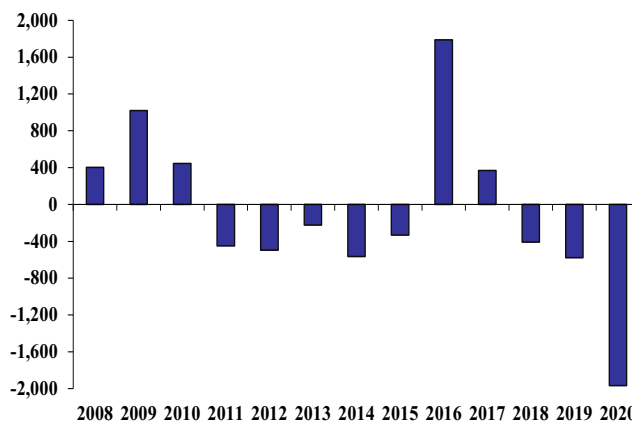
Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to contract by 17.8% in 2020 compared to an earlier forecast of a contraction of 12% in the June 2020 survey. The individual forecasts for 2020 ranged from contractions of 12% to 25%, while the consensus forecast among 57% of participants is that real GDP will shrink by 15% to 25% this year. The results displayed a median real GDP contraction figure of 15% for 2020, relative to a previous median real GDP retreat of 12% in the June survey. Bloomberg conducted the poll in September 2020, and the survey's results are based on the opinions of seven economists and analysts based in Lebanon and abroad.

Further, participants forecast Lebanon's average inflation rate at 59.2% in 2020 compared to a projection of 22% in the previous survey. The opinions of surveyed analysts differed on the direction of consumer prices in 2020 with expectations ranging from 17% to 100%, while 71.4% of participants predicted that the inflation rate would be between 40% and 100% this year. The poll's results revealed a median inflation rate of 45% for 2020 relative to a median of 17% in the June survey.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 11.6% of GDP in 2020, compared to a previous forecast of 11.9% of GDP in June 2020. The projections of polled economists for the fiscal deficit ranged from 4.7% of GDP to 15.3% of GDP in 2020, with a median deficit of 12.2% of GDP. Further, surveyed analysts forecast the current account deficit at 16.6% of GDP in 2020, compared to a previous forecast of a deficit of 16.9% of GDP in June 2020. The survey's participants expected the current account deficit to range between 11% of GDP and 26.3% of GDP in 2020, with a median deficit of 15% of GDP for 2020.

In parallel, respondents assigned a median probability of 85% for Lebanon to enter into a recession in the next 12 months. The opinions of surveyed analysts about the probability of a recession ranged between 80% and 90%.

Change in Net Foreign Assets of Financial Sector in August of Each Year (US\$m)



Source: Banque du Liban

Broadband Internet speed in Lebanon is 195th fastest globally, 14th fastest among Arab countries in 2020

A survey published by Cable.co.uk, a price comparison site for telecommunications services, indicated that broadband Internet speed in Lebanon is the 195th fastest among 221 countries and territories around the world and the 14th fastest among 20 countries in the Arab region in 2020. Also, Lebanon has the 49th fastest broadband Internet speed among 53 upper middle-income countries (UMICs) included in the 2020 survey. Based on the same set of countries in the 2019 and 2020 surveys, Lebanon's global rank dropped by 18 spots while its regional rank deteriorated by two notches year-on-year. Research group M-Lab collected the data for the survey between July 1, 2019 and June 30, 2020, which was then compiled by Cable.co.uk. M-Lab is led by teams based at the non-profit organization Code for Science and Society, New America's Open Technology Institute, Google, and Princeton University's PlanetLab.

Globally, broadband Internet speed in Lebanon is faster than in Chad, Pakistan and Uzbekistan among economies with a GDP of \$10bn or more, while it is slower than in Iraq, Papua New Guinea and Libya. Also, broadband Internet speed in Lebanon is faster than only in China, Venezuela, Equatorial Guinea and Turkmenistan among UMICs.

The survey noted that it takes four hours, 51 minutes and 32 seconds to download a 5 gigabyte (GB) high-definition video in Lebanon. In comparison, it takes 24 minutes and six seconds to download a 5GB video in the UAE, the fastest rate among Arab countries; while it takes 14 minutes and 35 seconds to download such a video in Malaysia, the fastest rate among UMICs.

Also, broadband Internet speed in Lebanon is 2.34 megabytes per second (mbps), up from 1.84 mbps in 2019. But it is significantly below the simple average broadband Internet speed of 24.83 mbps worldwide, of 12.4 mbps among UMICs, and of 7.5 mbps in Arab countries. Further, the country's broadband Internet speed lags the Gulf Cooperation Council (GCC) countries' average of 16.69 mbps and the non-GCC Arab countries' average of 3.56 mbps.

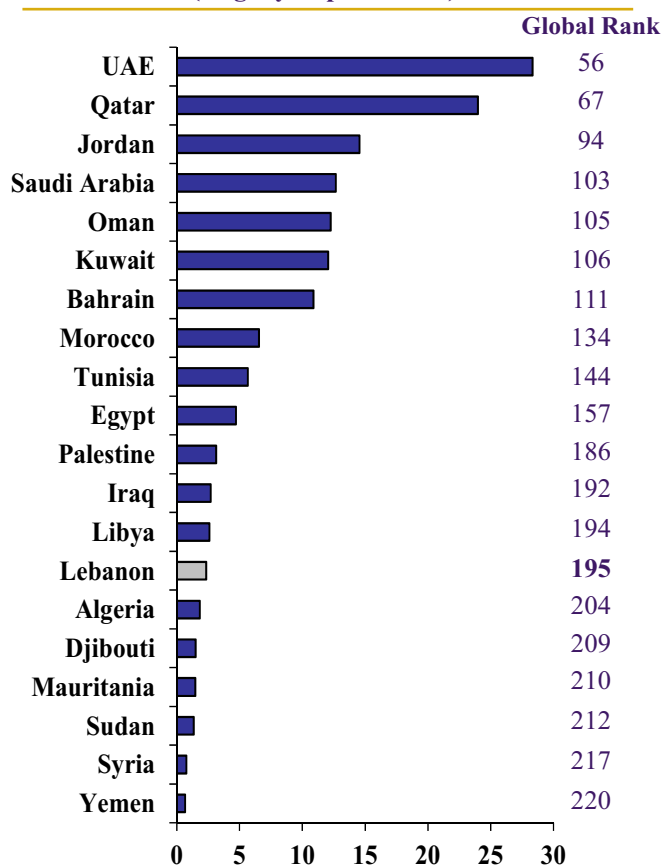
Liechtenstein has the fastest broadband Internet speed in the world with a speed of 229.98 mbps, as the time required to download a 5GB video in the country stood at two minutes and 58 seconds. In contrast, South Sudan has the slowest broadband Internet speed worldwide with an average speed of 0.58 mbps, as it takes 19 hours and 31 minutes to download a 5GB video in the country.

Parliament enacts law about expenses of Lebanese students abroad

The Lebanese Parliament enacted on September 30, 2020 a law that regularizes bank transfers to cover the expenses of Lebanese students at universities abroad. The law allows the transfer of up to \$10,000 from the accounts of banks in Lebanon of the students, their parents or their guardians, provided that the student has been enrolled in a foreign academic institution prior to the academic year 2020-21. Students who are eligible to benefit from the law can use existing accounts in US dollars at Lebanese banks, or convert from Lebanese pounds the equivalent of up to \$10,000 based on the official exchange rate of LBP1,515 per US dollar and transfer them abroad.

On August 19, 2020, Banque du Liban (BdL) issued Basic Circular 153, which allowed banks operating in Lebanon to conduct cross-border transfers from their clients' current accounts in foreign currency in order to cover the tuition fees, rent, and the cost of living of Lebanese students at foreign universities, starting from the circular's date, provided that the student has been enrolled at a foreign university in 2019 or earlier. The circular set the ceiling of the transfers at \$10,000 per year or its equivalent in other foreign currencies.

Broadband Internet Speed in Arab Countries in 2020 (megabytes per second)



Source: Cable.co.uk, Byblos Research

Banque du Liban's foreign assets at \$25.9bn, gold reserves at \$17.4bn at end-September 2020

Banque du Liban's (BdL) interim balance sheet reached \$153.3bn on September 30, 2020, constituting an increase of 8.5% from \$141.4bn at the end of 2019 and a rise of 13.3% from \$135.4bn at the end of September 2019.

Assets in foreign currency totaled \$25.9bn at end-September 2020, representing a decline of \$2.53bn, or 8.9%, from \$28.5bn at end-August 2020; and a drop of \$11.3bn, or 30.4%, from \$37.3bn at end-2019. Assets in foreign currency included \$5.03bn in Lebanese Eurobonds relative to \$5.7bn at the end of 2019.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$20.9bn at the end of September 2020 and decreased by \$2.53bn, or by 10.8%, from the end of August 2020. They declined by \$613.3m in January 2020, by \$684.6m in February, by \$67m in March, by \$812m in April, by \$907m in May, by \$558m in June, by \$2.3bn in July, and by \$2.2bn in August, resulting in a cumulative drop of \$10.7bn, or 33.8% so far in 2020. They also fell by \$14.3bn, or 40.7% from end-September 2019.

The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a basket of more than 300 food and non-food items, and raw materials for agriculture and industry. It is also due to the fact that BdL has paid, at the request of the government, maturing Eurobonds and external debt servicing until early March 2020, as well as to deposit outflows and to BdL's intervention in the currency market. In addition, the decrease in BdL's assets in foreign currency in the second half of September 2020 was mainly driven the banks' repayment of their foreign currency loans to BdL.

In addition, the value of BdL's gold reserves reached \$17.4bn at the end of September 2020, and increased by 24.6% from \$13.9bn at end-2019. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$39.4bn at end-September and increased by 3.6% from the end of 2019. In addition, loans to the local financial sector regressed by 2.2% in the first nine months of the year to \$14.6bn at end-September 2020. Further, deposits of the financial sector stood at \$107.6bn at end-September 2020 and declined by \$4.4bn from end-2019. Also, public sector deposits at BdL totaled \$4.5bn at the end of September 2020 and regressed by \$892.1m from end-2019, while it grew by \$664.2m from end-September 2019.

EU allocates €103m in financial support to vulnerable persons in Lebanon

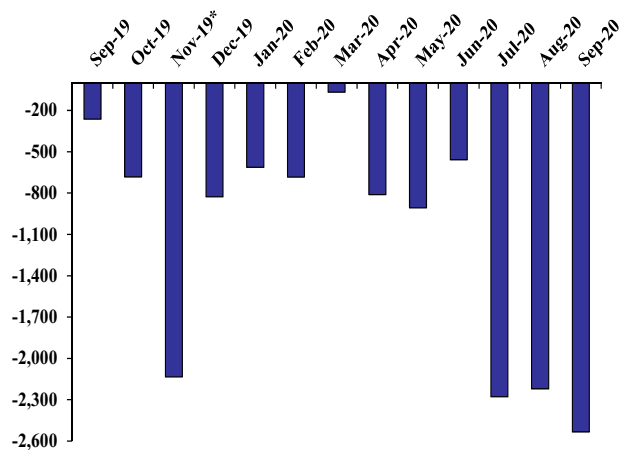
The European Union (EU) announced that it will extend, in partnership with the World Food Programme (WFP), €103.2m in financial support to vulnerable households in Lebanon that have been affected by the multiple crises facing the country. The funding agreement, which the EU and the WFP signed in September 2020, is part of the EU-WFP's €151.2m joint assistance package to support vulnerable local households and Syrian refugees through the EU Regional Trust Fund in Response to the Syrian Crisis.

The EU indicated that the August 4 explosion at the Port of Beirut has left thousands of families in Lebanon without access to livelihoods and adequate social protection. As such, it said that it will specifically earmark about €10m to households that have been affected by the economic crisis and that have suffered in the wake of the Beirut Port explosion. It noted that the blast exposed residents of the Greater Beirut area to injuries and heightened vulnerability due to the physical damage, the destruction of their houses, the loss of livelihoods, and a rise in COVID-19 cases amid a weak healthcare system. It added that it will provide multipurpose cash transfers to about 37,000 vulnerable households for up to six months through the EU Trust Fund.

Established in December 2014, the EU Regional Trust Fund in Response to the Syrian Crisis aims to provide an integrated EU aid response to the Syrian crisis and enhance the self-reliance of Syrian refugees, while easing the pressure on host countries, such as Lebanon, Jordan, Iraq and Turkey. The Fund has so far mobilized more than €950m in assistance to Lebanon, as well as more than €530m for Jordan, over €500m for Turkey, and more than €160m for Iraq.

In addition to its support to the Lebanese people, the WFP assists more than 800,000 severely vulnerable Syrian refugees, 13,500 Palestinian refugees from Syria, and 7,700 refugees of other nationalities in Lebanon through monthly cash-based transfers.

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



*BdL paid \$2.1bn in external public debt servicing in November
Source: Banque du Liban

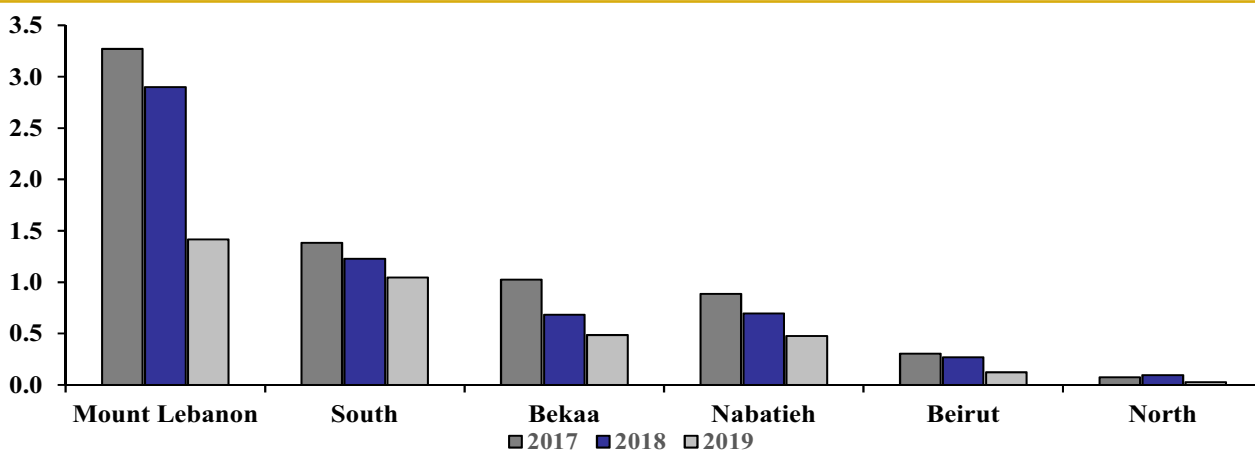
Residential buildings represent 78% of surface area of new construction permits in 2019

Figures released by the Order of Engineers & Architects of Beirut show that the surface area of construction permits for new buildings totaled 3.33 million square meters (sqm) in 2019, constituting a decrease of 37.6% from 5.34 million sqm in 2018. The surface area of construction permits for new residential buildings was 2.59 million sqm last year, equivalent to 78% of the total. Commercial buildings & offices followed with 267,453 sqm, or 8% of the total, then general service buildings such as hospitals and schools with 148,951 sqm (4.5%), industrial and agricultural-related buildings with 128,456 sqm (4%), general purpose buildings with 59,748 sqm (1.8%), and hotels and tourism-related buildings with 35,784 sqm (1.1%). The distribution of the surface area of construction permits for new buildings shows that Mount Lebanon accounted for 40% of the total, followed by the South with 26.5%, the Bekaa region with 13.1%, the Nabatieh area with 12.7%, Beirut with 6.6%, and the North with 1.2%. The figures for the North region include only those registered in the Order of Engineers & Architects of Beirut.

In parallel, the Order of Engineers & Architects of Beirut issued 4,396 authorizations to start construction work in 2019, constituting a decrease of 20% from 5,497 authorizations in 2018 and relative to a decline of 13% in 2018. Applications for the authorizations of construction permits for new buildings, as well as for modifications or extensions of buildings and for restorations, should be filed during a period of up to one year after receiving the construction permit, depending on the surface area of the project. The South accounted for 33.4% of total authorizations in 2019, followed by Mount Lebanon (31.4%), the Nabatieh area (20.2%), the Bekaa region (12.8%), Beirut and the North (1.1% each).

Further, the surface area of issued authorizations reached 3.58 million sqm in 2019, constituting a decrease of 39% from 5.86 million sqm in 2018 and compared to a decline of 15.6% in 2018. Mount Lebanon accounted for 1.42 million sqm or 39.6% of the total in 2019. The South followed with 1.04 million sqm (29.2%), then the Bekaa region with 485,708 sqm (13.6%), the Nabatieh area with 475,597 sqm (13.3%), Beirut with 125,031 sqm (3.5%), and the North with 28,840 sqm (0.8%). The surface area of issued authorizations for new residential units consisted of 2.1 million sqm for residential buildings and 867,769 sqm for individual houses last year, equivalent to 59% and 24.3% of the total, respectively. Commercial buildings & offices followed with 310,089 sqm, or 8.7% of the total, then industrial-and agricultural-related buildings with 139,385 sqm (3.9%), general purpose buildings with 50,060 sqm (1.4%), general service buildings such as hospitals and schools with 39,777 sqm (1.1%), and hotel- and tourism-related buildings with 35,390 sqm (1%).

Surface Area of Issued Authorizations (in Millions of Square Meters)



Source: Order of Engineers & Architects of Beirut, Byblos Research

Banking Control Commission clarifies procedures for banks

The Banking Control Commission of Lebanon (BCCL) issued on October 2, 2020 memo 14/2020 about measures related to credits, checks and transfers. The BCCL asked banks operating in Lebanon that have been reluctant recently to accept checks from clients, to agree to deposit the checks in the clients' current accounts. It noted that banks can only refuse a check in case of legitimate reasons, including those related to Law 44 about fighting money laundering and terrorism financing, or those associated to Banque du Liban's decision about monitoring banking and financial operations for anti-money laundering and terrorism financing activities. In addition, it noted that banks should not block for a specific period of time the amounts that clients deposit in their accounts by checks or the sums that they receive through transfers.

Also, the BCCL asked banks to abide by the clauses in the loan contracts related to the early repayment of loans. It also noted that banks have to notify borrowers about any adjustment to the clauses, provided that the amendments do not prejudice the client, and added that borrowers have one month to abide by the new contract terms.

Banque du Liban can cover import subsidies for up to three months

In the monthly meeting between Banque du Liban (BdL), the Banking Control Commission of Lebanon (BCCL) and the Association of Banks in Lebanon (ABL), Governor Riad Salamé indicated that the Lebanese economy is facing numerous challenges amid the absence of serious attempts by authorities to address them. He noted that the government did not implement its economic plan and has yet to tackle the negative impact on the economy and on the financial sector of its decision to default on the sovereign debt in March 2020. He added that Lebanon's negotiations with the International Monetary Fund have stalled. He cautioned that authorities will not be able to revive the economy if the prevailing conditions persist.

In addition, he pointed out that Lebanon's public finances are struggling in line with the economy. He added that BdL, at the request of the Ministry of Finance and in accordance with Article 91 of Code of Money & Credit, has been financing the fiscal deficit in Lebanese pounds and has been subscribing to Treasury bills amid the lack of demand for such instruments.

Further, he indicated that BdL will not use the reserve requirement in foreign currency that banks have at BdL in order to finance government subsidies on imports. As such, he noted that BdL can continue to cover subsidies for up to three months, including the subsidies on the imports of hydrocarbons, wheat and medicine at LBP1,500 against the US dollar, and the imports of specific food products at LBP3,900 per dollar. He encouraged the government to carry out BdL's suggestion to put in place targeted subsidies through cards that get distributed to the most vulnerable citizens.

In parallel, Governor Salamé stressed that banks need to abide by Basic Circular 154 that aims, in part, to rebuild the banks' liquidity in foreign currency. He noted that banks are able to accumulate funds at foreign correspondent banks equivalent to at least 3% of the aggregate amount of each bank's total deposits in foreign currency as stipulated in the related circular. He added that the banks' commitment to entice regular clients and politically exposed persons to repatriate part of the amounts they transferred abroad would help banks rebuild their foreign currency liquidity. He also noted that banks can offer to depositors perpetual bonds or equities, as part of the banks' recapitalization process, provided that the valuation process is conducted by trusted parties. In addition, he pointed out that the BdL and the BCCL will take all actions within their powers to revive the banking sector's role in financing the economy, and that the sector's adequate liquidity and sound capitalization are key to ensure the sustainability of the sector.

Moreover, Governor Salamé clarified that the \$2.2bn decline in BdL's assets in foreign currency in the second half of September is largely due to the banks' repayment of their foreign currency loans to BdL. In parallel, BdL, ABL and the BCCL agreed to wait for the decrees that the Ministry of Finance needs to issue, in order to implement the newly-enacted law about bank transfers to cover the expenses of Lebanese students abroad.

Private sector deposits down \$29.5bn in 12-month period ending August 2020

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$195.7bn at the end of August 2020, constituting a decrease of 9.7% from \$216.8bn at the end of 2019 and a decline of 25.3% from \$261.9bn at end-August 2019. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The year-on-year decline in assets is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of banks, as part of the implementation of international accounting standard IFRS 7 starting in December 2019.

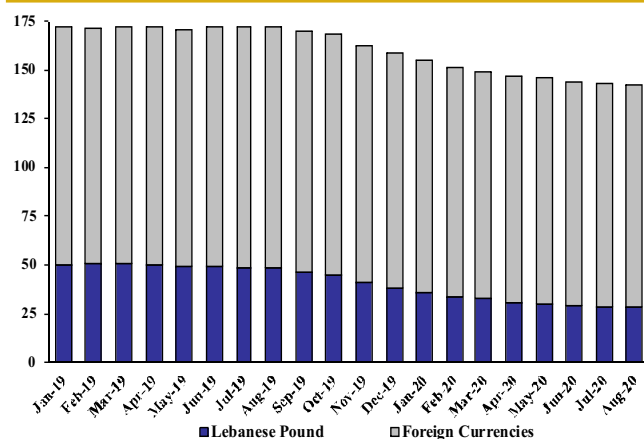
Loans extended to the private sector reached \$39.6bn at the end of August 2020, declining by 20.4% from end-2019 and by 28.1% from a year earlier. Loans to the resident private sector totaled \$35.1bn, constituting a decrease of 20.5% from the end of 2019 and of 27.7% from end-August 2019. Also, credit to the non-resident private sector reached \$4.5bn at end-August 2020, and declined by 19% from end-2019 and by 31.6% from a year earlier. In nominal terms, credit to the private sector contracted by \$10.13bn in the first eight months of 2020 relative to a decrease of \$4.22bn in the same period of 2019, as lending to the resident private sector declined by \$9.08bn and credit to the non-resident private sector regressed by \$1.06bn in the covered period. The dollarization rate of private sector loans fell from 70% at end-August 2019 to 62% at end-August 2020. The average lending rate in Lebanese pounds was 7.14% in August 2020 compared to 11.24% a year earlier, while the same rate in US dollars was 7.54% relative to 10.03% in August 2019.

In addition, claims on non-resident financial institutions reached \$4.4bn at the end of August 2020 and declined by \$2.4bn (-35.2%) from end-2019 and by \$4.7bn (-52%) from a year earlier. Also, deposits at foreign central banks totaled \$583m, constituting a decrease of 1% from end-2019 and a drop of 35% from end-August 2019. In addition, claims on the public sector stood at \$23.3bn at end-August 2020, down by \$5.4bn (-18.7%) from end-2019 and by \$8.5bn (-26.7%) from the end of August 2019. The banks' holdings of Lebanese Treasury bills stood at \$13bn while their holdings of Lebanese Eurobonds reached \$10.1bn at end-August 2020. Further, the deposits of commercial banks at BdL totaled \$112.6bn at the end of August 2020, down by 4.4% from \$117.7bn at the end of 2019 and by 25.5% from \$151.2bn at the end of August 2019, following the netting operation.

In parallel, private sector deposits totaled \$143bn at the end of August 2020, and contracted by 10% from the end of 2019 and by 17.1% from end-August 2019. Deposits in Lebanese pounds reached the equivalent of \$28.4bn at end-August 2020, down by 25.6% from the end of 2019 and by 41.3% from a year earlier; while deposits in foreign currency reached \$114.7bn, as they regressed by 5% from end-2019 and by 7.7% from end-August 2019. Resident deposits totaled \$115.3bn at the end of August 2020 and decreased by \$11.1bn (-8.8%) from the end of 2019 and by \$20.2bn (-15%) from a year earlier. Also, non-resident deposits reached \$27.8bn at end-August 2020, as they regressed by \$4.7bn (-14.5%) from end-2019 and by \$9.3bn (-25%) from the end of August 2019. In nominal terms, private sector deposits declined by \$3.8bn in January, by \$3.4bn in February, by \$2.1bn in March, by \$2.1bn in April, by \$1.2bn in May, by \$1.8bn in June, by \$1.2bn in July, and by \$258.2m in August 2020. As such, aggregate private sector deposits dropped by \$15.8bn in the first eight months of 2020 relative to a decrease of \$1.7bn in the same period of 2019, with deposits in Lebanese pounds falling by \$9.7bn and foreign-currency deposits shrinking by \$6.1bn. In comparison, private sector deposits declined by \$2.2bn in September, by \$1.9bn in October, by \$5.8bn in November and by \$3.7bn in December 2019. As such, aggregate private sector deposits dropped by \$29.5bn in the 12-month period ending in August 2020, due largely to the repayment of loans, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 80.2% at end-August 2020 compared to 76% at the end of 2019 and to 72% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$7.5bn at the end of August 2020 and decreased by 15.3% from end-2019. Further, the average deposit rate in Lebanese pounds was 3.47% in August 2020 compared to 8.95% a year earlier, while the same rate in US dollars was 1.28% relative to 6.2% in August 2019. The ratio of private sector loans to deposits in foreign currency stood at 21.4% at the end of August 2020 compared to 31.1% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 53.1% at end-August 2020 relative to 34.3% from a year earlier. As such, the total private sector loans-to-deposits ratio reached 27.7% compared to 32% at end-August 2019. The banks' aggregate capital base stood at \$18.7bn at end-August 2020, down by 10% from \$20.7bn a year earlier.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Stock market capitalization down 21% to \$6.2bn at end of September 2020

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 44,059,211 shares in the first nine months of 2020, constituting a decline of 77.1% from 192,542,592 shares traded in the same period last year; while aggregate turnover amounted to \$189.4m, down by 77.4% from a turnover of \$838.4m in the first nine months of 2019. The sharp decline in trading volume and turnover in the first nine months of 2020 came from a high base in the same period of 2019, which saw eight block trades in the shares of three listed companies. The market capitalization of the BSE reached \$6.2bn at the end of September 2020 and regressed by 19.5% from \$7.8bn at the end of 2019 and by 20.5% from \$7.9bn at end-September 2019, with banking stocks accounting for 55.5% of the total, followed by real estate equities (39.4%), industrial shares (4.5%), and trading firms' equities (0.6%). The market liquidity ratio was 3% in the covered period compared to 10.7% in the first nine months of 2019.

Banking stocks accounted for 71.6% of trading volume in the first nine months of 2020, followed by real estate equities with 28%, industrial shares with 0.2%, and trading firms' equities with 0.1%. Also, real estate equities accounted for 73.6% of the aggregate value of shares traded, followed by banking stocks with 26%, industrial stocks with 0.3%, and trading firms' equities with 0.1%. The average daily traded volume for the period was 253,214 shares for an average daily amount of \$1.1m. The figures reflect a decrease of 77% in the average daily traded volume, and a drop of 77.3% in the average amount in the first nine months of the year. In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE rose by 138.4% in the first nine months of 2020, while the CMA's Banks Market Value-Weighted Index regressed by 33% in the covered period. The increase in the Market Value-Weighted Index is mainly due to the surge in the prices of Solidere A and of Solidere B shares in the covered period, given that the shares have market weights of 24% and 15.5%, respectively, at end-September 2020, the highest among listed companies on the BSE.

Education tech startup raises \$1.8m in "Pre-Series A" funding

The Lebanese-based educational technology platform Synkers announced that it has raised \$1.8m in a "Pre-Series A" funding round. The U.S.-based venture capital firm 500 Startups, the Beirut-based venture capital firm Phoenician Funds, the iSME program of the Kafalat Corporation, the German-based international investment company Mulcan Investment, Beirut-based Seeders, which is a community of qualified Business Angels, investment firm Crescent Capital, and Dubai Angel Investors invested in the round.

Established in 2016, Synkers has previously raised \$30,000 in "Pre-Seed" funding in April 2016, along with an undisclosed amount in "Seed" funding invested by 500 Startups and Phoenician Funds in June 2020. The startup is an online education platform that matches students seeking help in a specific course with qualified private tutors. It offers assistance in a wide variety of courses, including school subjects and university courses, as well as preparatory tests such as SAT, IELTS, GMAT, CPA, and CFA. The platform currently has more than 60,000 learners and 1,000 tutors and mentors.

Bank Audi does not register profits in first half of 2020

Bank Audi's unaudited financial statement shows that the bank did not register profits in the first half of 2020, while it posted net earnings of \$250.4m in the first half of 2019. The bank's net interest income reached \$500.4m in the first half of 2020, down by 9.8% from \$554.7m in the same period of 2019; while it posted net fees and commissions of -\$93.4m in the covered period, relative to +\$96m in the first half of 2019. Further, the bank's net operating income totaled \$348.1m in the first half of 2020 and declined by 43.2% from \$612.8m in the same period of 2019. In parallel, the bank's operating expenditures reached \$305.5m in the first half of 2020, nearly unchanged from \$306m in the same period last year, with personnel cost accounting for 53.3% of the total in the covered period.

Also, the bank's aggregate assets amounted to \$37.1bn at the end of June 2020 and declined by 6.3% from \$39.5bn at end-2019. Net loans & advances to customers totaled \$8.6bn at the end of June 2020 and dropped by 16.6% from \$10.3bn at end-2019. Further, customer deposits reached \$26.3bn and decreased by 10.5% from \$29.4bn at end-2019. Net loans & advances to related parties reached \$81.6m, while deposits from related parties stood at \$125m at the end of June 2020. In parallel, the bank's shareholders' equity was \$3.1bn at the end of June 2020 and grew by 4% from a year earlier.

Bank of Beirut's posts net losses of \$0.57m in first half of 2020

Bank of Beirut, one of six listed banks in Lebanon, announced unaudited consolidated net losses of \$0.57m in the first half of 2020, compared to net earnings of \$65.9m in the same period of 2019. The bank's net operating income dropped by 39% year-on-year to \$115.6m in the first half of 2020, mainly due to a rise in losses on financial investments from \$0.6m in the first half of 2019 to \$317.5m in the covered period of 2020. Net interest income amounted to \$169.3m in the first half of 2020 and increased by 44.7% year-on-year, while net fees and commission totaled \$17.9m and declined by 65.6% from the same period last year. Also, total operating expenditures regressed by 3.9% to \$105.6m in the first half of 2020, with staff expenses declining by 5.8% to \$57.4m, and administrative & other operating expenditures expanding by 3.8% to \$39.1m.

In parallel, the bank's total assets reached \$14.6bn at the end of June 2020 and declined by 10.5% from end-2019, while loans & advances to customers, excluding those to related parties, decreased by 13.6% from end-2019 to \$4.3bn. Also, customer deposits, excluding those from related parties, totaled \$10.5bn at the end of June and regressed by 12.3% from end-2019. Deposits from related parties stood at \$235.6m and decreased by 11.7% in the first half of 2020, while net loans & advances to related parties reached \$20.7m at end-June and declined by 50% in the same period of the year. Further, the bank's equity reached \$1.6bn at the end of June and increased by 0.8% from the end of 2019.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	51.7	(3.3)
Public Debt in Foreign Currency / GDP	57.2	60.9	64.6	3.71
Public Debt in Local Currency / GDP	92.5	94.0	110.9	16.95
Gross Public Debt / GDP	149.7	154.9	175.6	20.66
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(29.7)	1.27
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	19.5	(1.53)
Fiscal Expenditures / GDP	28.9	32.4	29.7	(2.62)
Fiscal Balance / GDP	(7.1)	(11.4)	(10.3)	1.09
Primary Balance / GDP	2.7	(1.2)	(0.5)	0.65
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	257.1	257.7	0.59
Commercial Banks Assets / GDP	413.7	453.9	415.3	(38.64)***
Private Sector Deposits / GDP	317.4	317.1	304.3	(12.76)
Private Sector Loans / GDP****	112.3	108.1	95.3	(12.71)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.41
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.50)

*change in percentage points 19/18; **includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks; ***The decline in assets in 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7; **** in January 2018, Lebanese banks started reporting their financials based on international accounting standard IFRS 9, and revised the 2017 figures accordingly
Source: Association of Banks in Lebanon, Institute of International Finance, Central Administration of Statistics, 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

	2018	2019e	2020f
Nominal GDP (LBP trillion)	82.8	81.4	142.0
Nominal GDP (US\$ bn)	55.0	51.7	32.7
Real GDP growth, % change	-1.9	-7.3	-23.5
Private consumption	-1.3	-7.1	-17.1
Public consumption	6.7	1.5	-47.7
Gross fixed capital	-1.8	-10.7	-33.3
Exports of goods and services	0.5	-5.0	-35.1
Imports of goods and services	1.1	-4.5	-36.3
Consumer prices, %, average	6.1	2.9	95.4
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	n/a	1,620	5,587
Weighted average exchange rate LBP/US\$	1,507.5	1,575	4,283

Source: Institute of International Finance- August 9, 2020

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
Capital Intelligence Ratings	SD	SD	-	C-	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

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