

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 50, Quarter III 2019



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

HIGHLIGHTS	1
KEY COST AND RISK INDICATORS	1
SOVEREIGN RATINGS	1
INTEREST RATES & COST	2
OVERALL DEBT DATA	3
AMORTIZATION PROFILE	4
DOMESTIC CURRENCY DEBT DATA	5
FOREIGN CURRENCY DEBT DATA	7

HIGHLIGHTS

- At end of QIII-2019, gross public debt stood at LL 130,815 billion (US\$ 86.8 billion), a 1.9 percent increase compared to end-2018.
- Net public debt registered LL 117,730 billion (US\$ 78.1 billion) at end QIII-2019, an increase of 3.1 percent compared to end-2018.
- Domestic currency debt reached LL 81,825 billion at end QIII-2019, an increase of 5.1 percent compared to end-2018.
- Foreign currency debt totaled LL 48,990 billion (US\$ 32.5 billion) at end of QIII-2019 a 3.0 percent decrease from end-2018 level. It is to be noted that the FX Debt figure does not include the bridge financing from BDL in the amount of LBP 1,733.63 billion (USD 1.15 billion).

KEY COST AND RISK INDICATORS

As end September 2019	QIII 2019 Debt Data			Debt Portfolio Indicators		
	Total LBP billions	Total USD billions	% Change end 2018 - Sep 2019	Currency Risk	ATM of bills and bonds	Weighted Avg Interest Rate
Gross Government Debt	130,815	86.8	1.9%			
DX	81,825	54.3	5.1%	62.55%	4.43 yr	6.53%
FX	48,990	32.5	-3.0%	37.45%	7.63 yr	6.85%
Net Government Debt	117,730	78.1	3.1%			

Note: FX Debt figure does not include the bridge financing from BDL in the amount of LBP 1,733.63 billions (USD 1.15 billions)

SOVEREIGN RATINGS

Lebanon Sovereign Debt Rating (as of December 02, 2019)

Agency	Long – term tenor rating	Short – term tenor rating	Outlook
Fitch Ratings*	CCC	C	-
Moody's Investor Services Ltd **	Caa2	-	RUR
Standard and Poor's ***	CCC	C	Negative

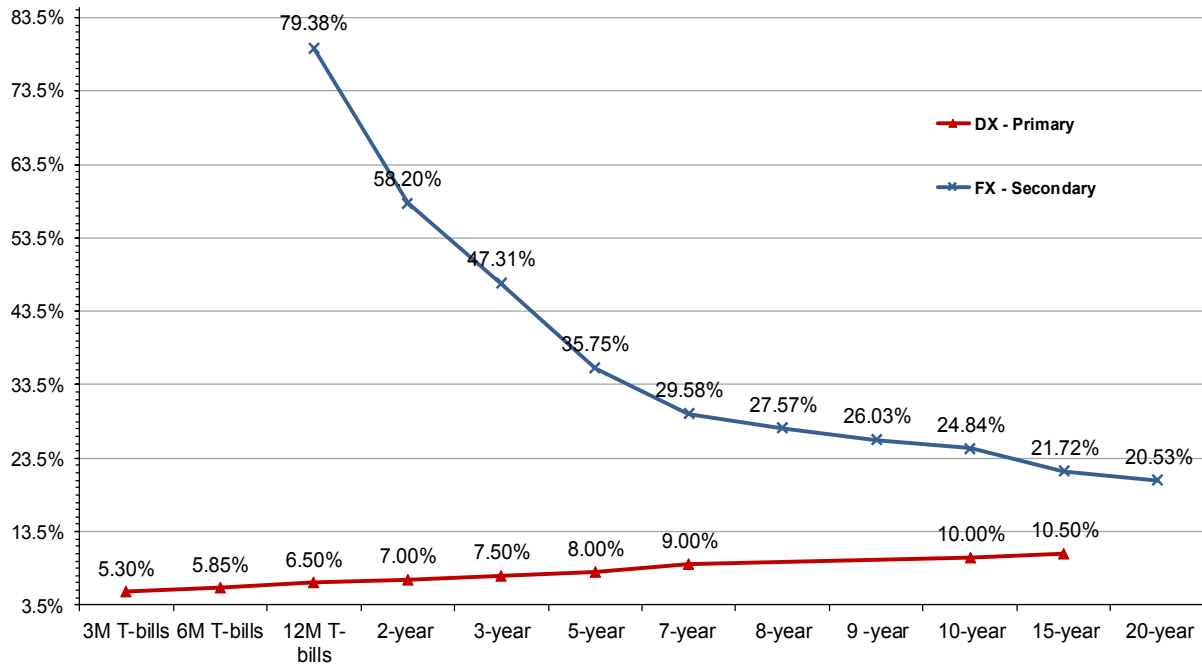
* On 23 August 2019, Fitch Ratings Investors Services downgraded long- and short-term foreign and local currency sovereign credit ratings on Lebanon to CCC/C from B-/B.

** On 05 November 2019 Moody's Investors Services downgraded Lebanon's bond rating from Caa2 and maintained review for downgrade.

*** On 15 November 2019, Standard and Poor's lowered its long- and short-term foreign and local currency sovereign credit ratings on Lebanon to 'CCC/C' from 'B-/B' keeping the outlook negative.

INTEREST RATES & COST

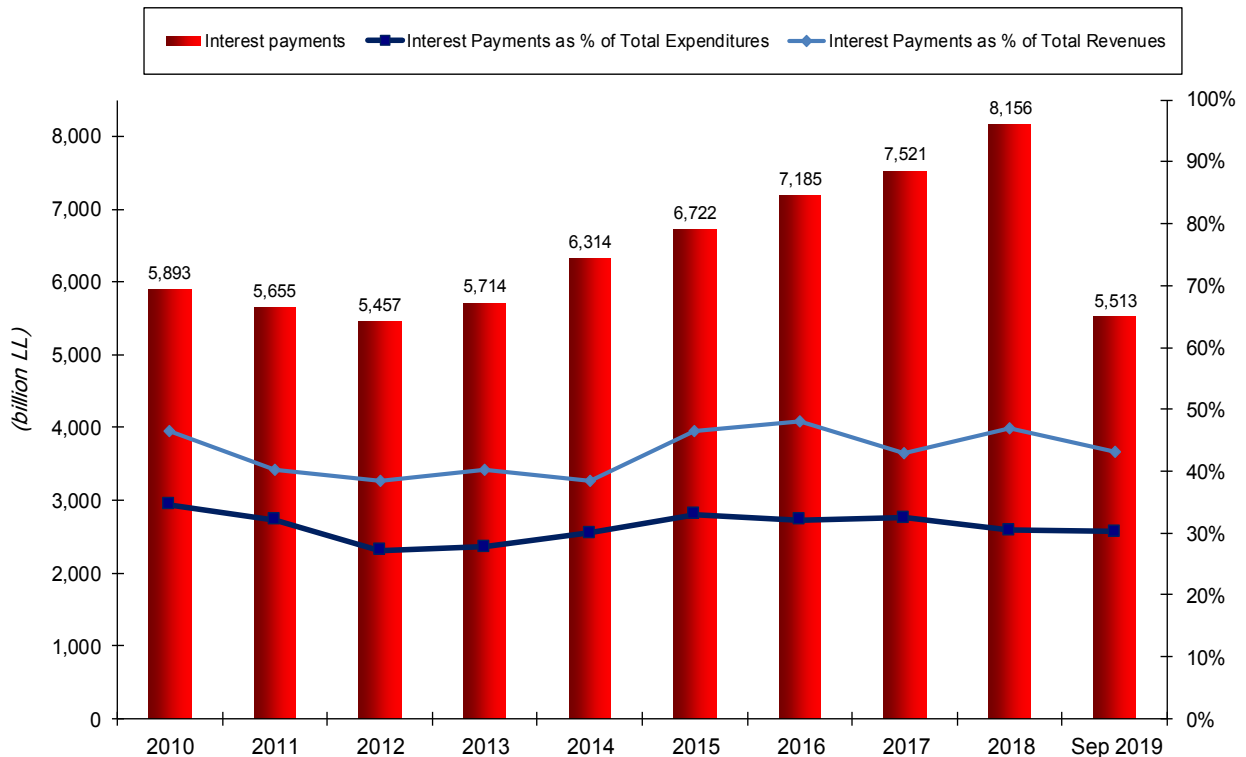
Government DX & FX T-Bills and T-Bonds Yield Curve as at 02 December 2019



Source: MOF, Reuters

During QIII 2019, primary market rates on DX Treasury bills and bonds issued remained unchanged compared to QII 2019 levels. Eurobonds secondary levels as at 02 December 2019 have widened by 2,180 bps on average from the 27 August 2019 levels quoted in the QII 2019 Debt & Debt Markets report.

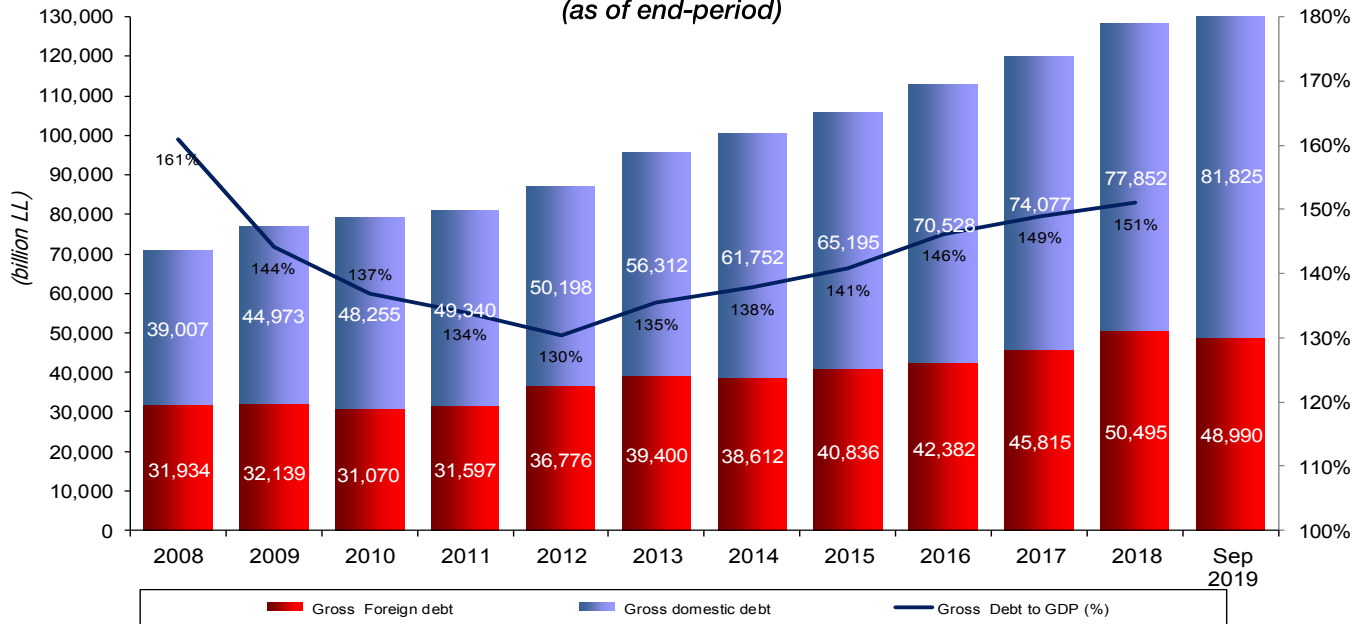
Interest Payments As end of Period



Source: MOF

OVERALL DEBT DATA

Historical Debt Evolution (as of end-period)



Source: MOF, BDL

Notes:

1- Debt data may be subject to slight modification due to the revision of the Debt Management and Financial Analysis System (DMFAS).

2- GDP 2008-2017: Lebanese National Accounts - CAS revised estimates - Comments and Tables 2004-2017. GDP 2018 estimated using IMF growth rate.

3- GDP 2018: Computed based on 2017 CAS figure and using the IMF growth rate and deflator published on WEO - April 2019

Public Debt Table ⁽¹⁾ (as of end-period)

Public Debt (in LL billion)	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Sep-19	Change Sep 19 - Dec 18	% Change Sep 19 - Dec 18
Gross Public Debt (A + B)⁽¹⁾	86,974	95,712	100,364	106,031	112,910	119,892	128,347	130,815	2,468	2%
A. Local currency debt	50,198	56,312	61,752	65,195	70,528	74,077	77,852	81,825	3,973	5%
1. Central Bank	14,649	16,761	19,454	23,907	30,150	35,580	39,006	44,131	5,125	13%
2. Commercial Banks (including REPOs)	27,667	30,315	31,869	30,279	29,581	27,756	27,402	26,214	(1,188)	-4%
3. Other local debt (T-bills)	7,882	9,236	10,429	11,009	10,797	10,741	11,444	11,480	36	0%
<i>a/w Public entities</i>	6,479	7,117	7,701	8,461	8,718	8,941	9,956	10,080	124	1%
<i>a/w Contractor bonds</i>	134	134	180	180	139	166	166	133	(33)	-20%
*Accrued interest included in debt	789	877	1,029	997	1,098	1,159	1,123	1,300	177	16%
B. Foreign currency debt⁽²⁾	36,776	39,400	38,612	40,836	42,382	45,815	50,495	48,990	(1,505)	-3%
4. Eurobonds	32,789	35,533	34,850	37,561	39,240	42,339	47,225	45,858	(1,367)	-3%
Of which, Paris II at preferential rates	2,646	2,130	1,615	1,099	583	68	-	-	-	-
Of which, Paris III at preferential rates	317	271	226	181	136	-	-	-	-	-
Of which, market-issued Eurobonds	29,427	32,688	32,584	35,846	38,063	41,791	46,678	44,945	(1,733)	-4%
* Accrued Interest on Eurobonds	400	444	425	435	458	480	547	913	366	67%
5. Loans	3,884	3,738	3,648	3,207	3,079	3,443	3,264	3,129	(135)	-4%
5.1 Paris II loans	279	208	128	83	48	18	-	-	-	-
5.2 Paris III loans ⁽³⁾	997	915	760	629	525	452	344	288	(56)	-16%
5.3 Bilateral loans (non-Paris II and III)	841	827	1,200	1,054	953	935	822	776	(46)	-6%
5.4 Multilateral loans (non-Paris II and III)	1,753	1,694	1,506	1,417	1,494	1,954	2,015	1,990	(25)	-1%
5.5 Foreign Private Sector Loans	14	94	54	24	59	84	83	75	(8)	-10%
6. Other debt	103	129	114	68	63	33	6	3	(3)	-50%
6.1 Special Tbs in Foreign currency ⁽⁴⁾	103	129	114	68	63	33	6	3	(3)	-50%
Public sector deposits	12,916	15,495	14,246	13,555	14,586	15,659	14,186	13,085	(1,101)	-8%
Net debt	74,058	80,217	86,118	92,476	98,324	104,233	114,161	117,730	3,569	3%
Gross Market debt⁽⁵⁾	59,014	65,789	67,774	69,200	70,303	71,944	76,204	73,550	(2,654)	-3%
% of total debt	67.9%	68.7%	67.5%	65.3%	62.3%	60.0%	59.4%	56.2%	-3.1%	-5%

Source: MOF, BDL

Notes:

⁽¹⁾ Due to revisions in the Debt Management and Financial Analysis System (DMFAS):

1- Debt data for December 2012 to December 2018 may be subject to slight modification.

⁽²⁾ FX Debt figure does not include the bridge financing from BDL in the amount of LBP 1,733.63 billions (USD 1.15 billions)

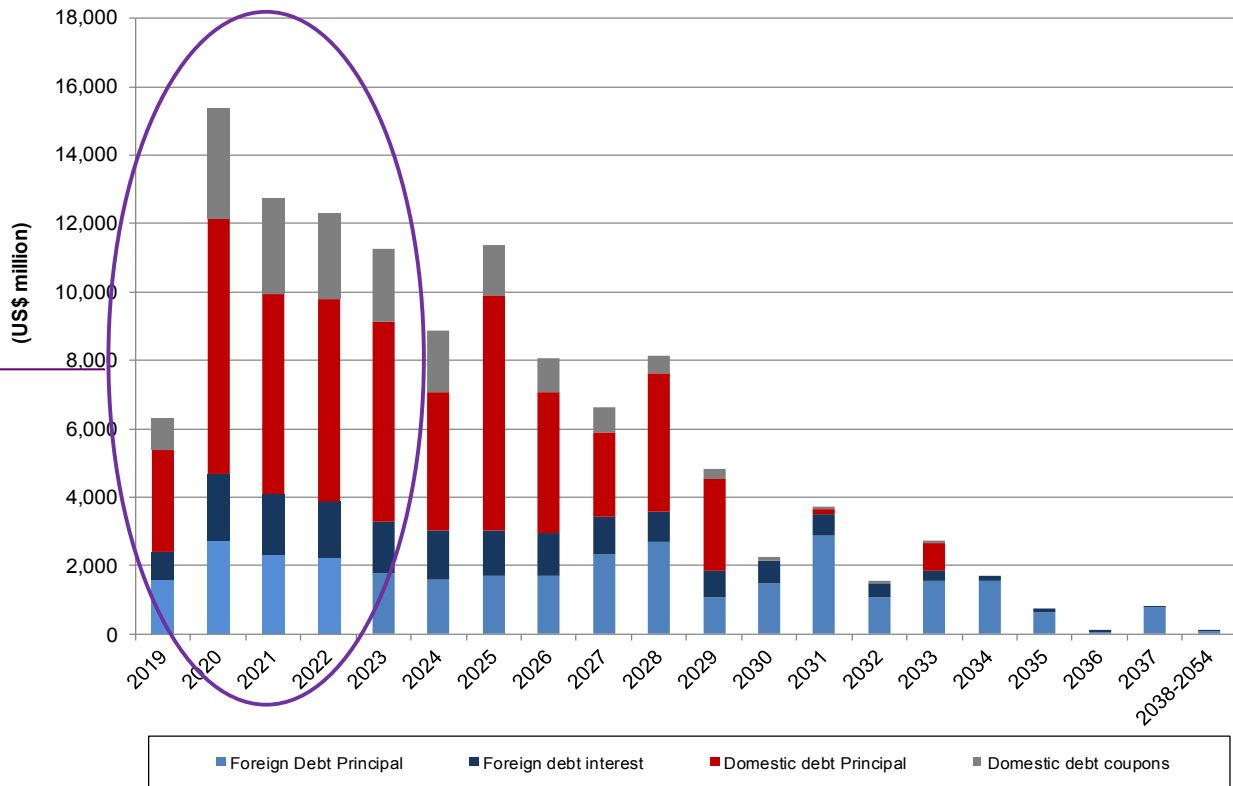
⁽³⁾ IBRD loan, UAE loan and French loan of which the first tranche was received in February 2008 and the second tranche in September 2012

⁽⁴⁾ Special Tbs in Foreign currency (expropriation and contractor bonds).

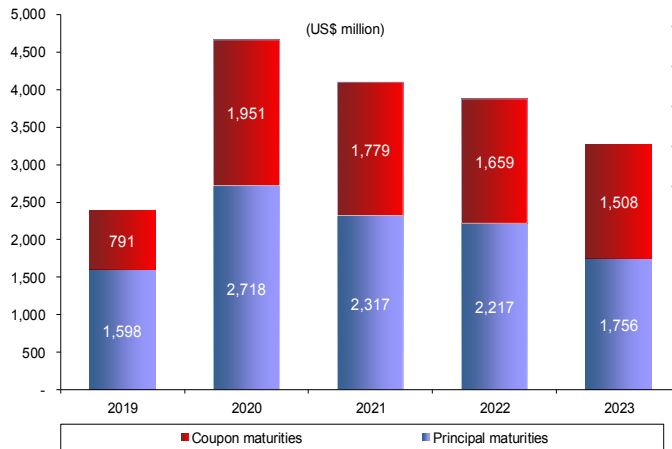
⁽⁵⁾ Gross market debt equals gross debt less the portfolios of the BDL, Public Entities, bilateral and multilateral loans, Paris II and Paris III related debt.

AMORTIZATION PROFILE

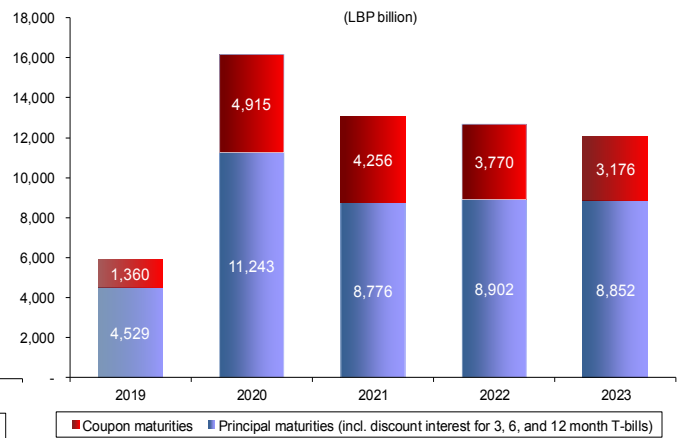
Aggregate Debt Amortization (as of end-September 2019)



Foreign Currency Debt (Eurobonds –Loans)



Domestic T-bills and T-Bonds

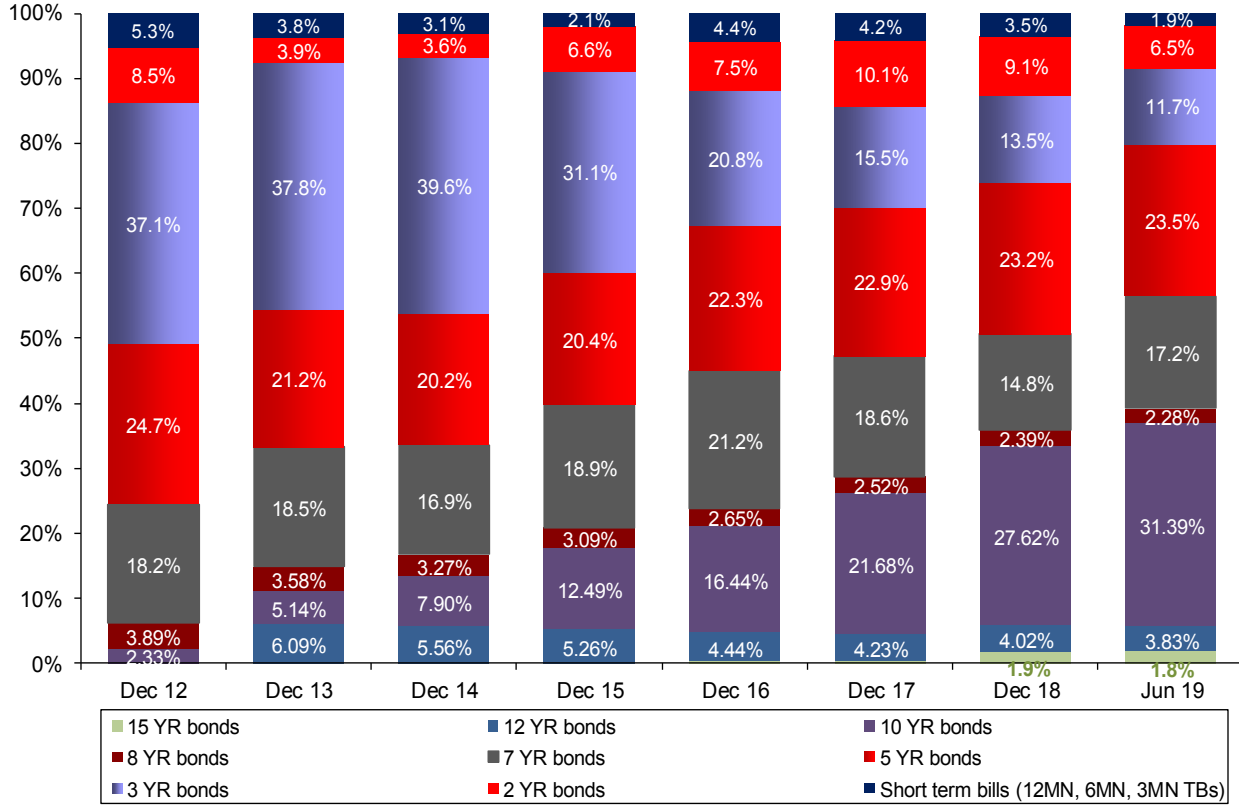


Source: MOF, BDL

Note : The data used for the amortization schedule is based on outstanding and not on committed amounts.

DOMESTIC CURRENCY DEBT DATA

Outstanding Domestic T-bills and Bonds by Tenor Type (as of end-period)



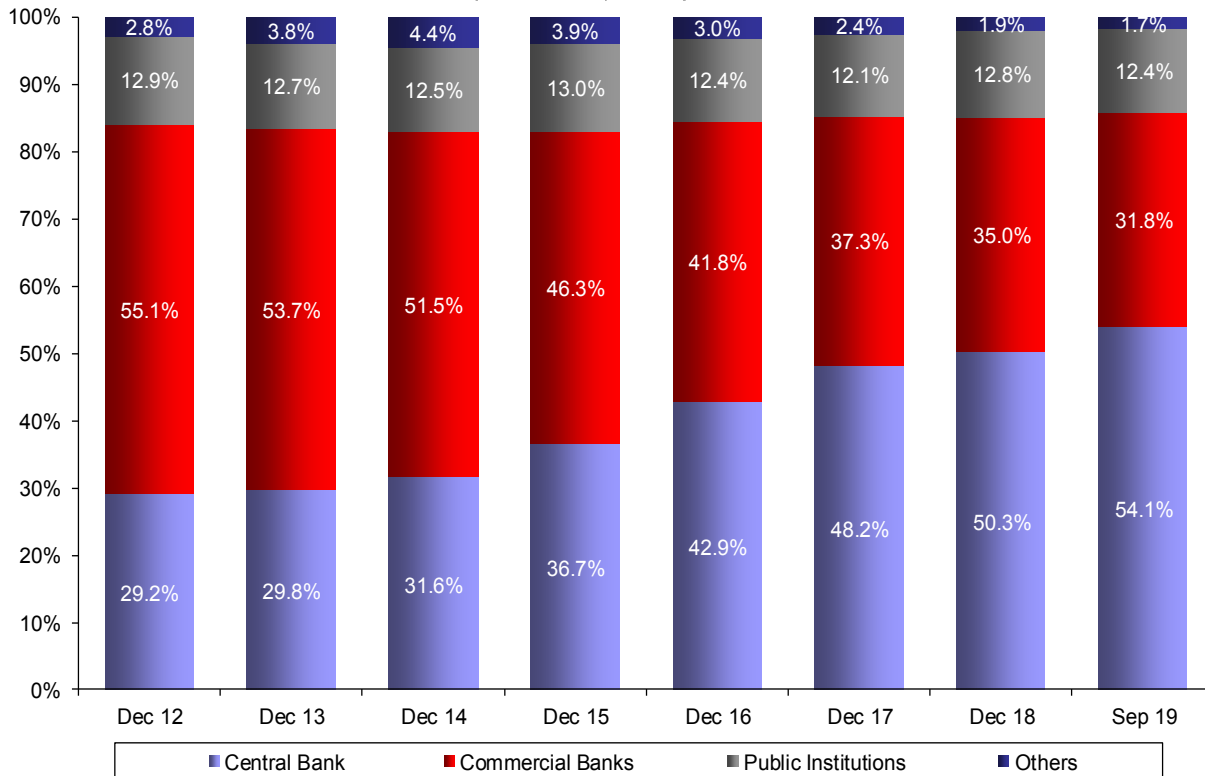
Source: MOF

Notes:

1- Only treasury bills with maturities less than 24 months are issued at a discount to their face value.

2- The 5 YR bonds figure includes LL 133 billion contractor bonds issued in Nov 2014, Jul 2016 and Jun 2017.

Outstanding Domestic T-bills and Bonds by Investor Type (as of end-period)



Source: MOF, BDL

Notes: Commercial Banks figures include the amounts of repurchase agreements.

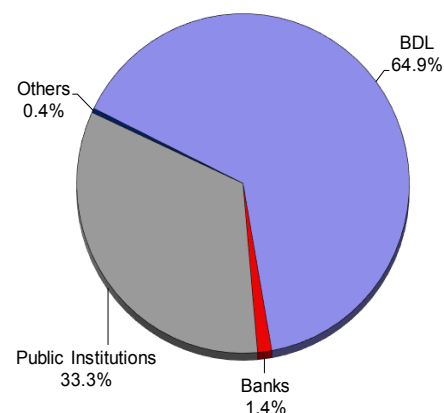
DOMESTIC CURRENCY DEBT DATA

T-Bills and Bonds Subscription Results— QIII 2019

Weekly Issued Amounts

Date	Categories								
	Nominal Value - LBP Billions								
	3 Mn	6 Mn	12 Mn	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Total
QI-2019	237	51	372	251	515	817	1,637	635	4,515
QII-2019	42	38	244	321	417	620	174	1,962	3,819
05-07-18	-	9	-	92	-	-	-	195	296
12-07-18	-	-	26	-	-	306	-	-	332
19-07-18	-	10	-	-	215	-	113	-	338
26-07-18	-	-	18	-	-	59	-	-	77
02-08-18	-	8	-	167	-	-	-	260	434
09-08-18	-	-	64	-	-	52	-	-	115
16-08-18	-	6	-	-	61	-	124	-	191
23-08-18	-	-	64	-	-	62	-	-	126
30-08-18	-	10	-	20	-	-	-	310	340
06-09-18	-	-	12	-	-	52	-	-	64
13-09-18	-	2	-	-	55	-	466	-	523
20-09-18	-	-	7	-	-	174	-	-	180
27-09-18	-	2	-	50	-	-	-	697	749
Total QIII-2019	-	47	190	329	331	705	703	1,462	3767
Grand Total	279	137	806	901	1,263	2,142	2,514	4,058	12100

QIII 2019 Subscription Results by Holder



In QIII 2019 the largest subscriber in DX Treasury bills and bonds was BDL reaching 64.9 percent of the total subscriptions. Public Institutions share stood at 33.3 percent and the Banks share at 1.4 percent of total quarter subscriptions.

Domestic Treasury Bills & Bonds Auction Calendar QIV 2019

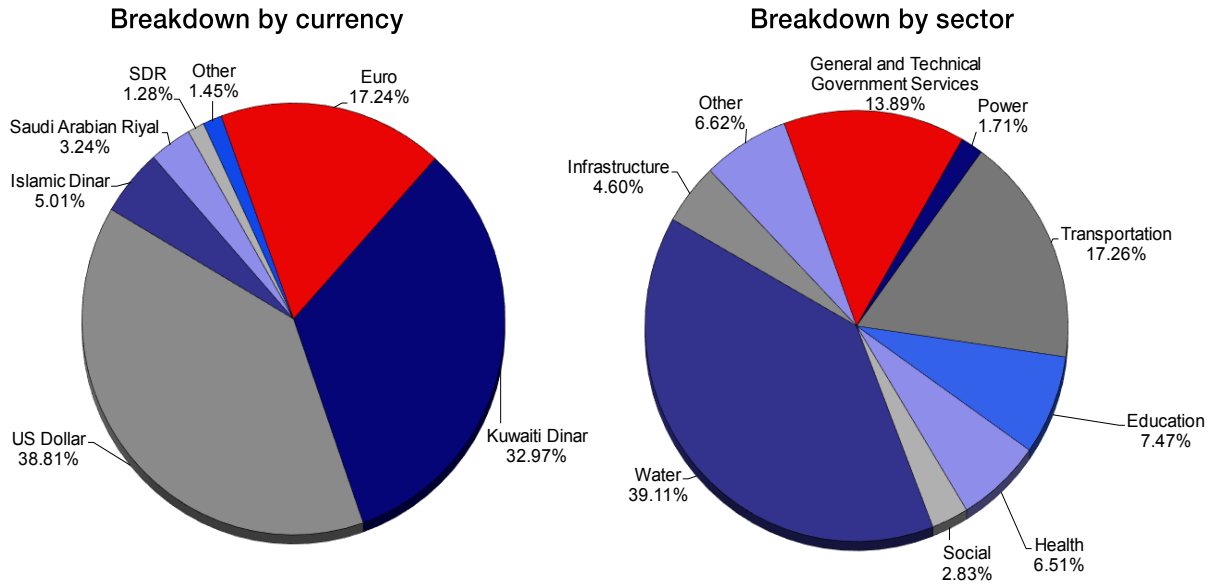
	October				November				December				Frequency	
Auction Date	7	14	21	28	4	11	18	25	2	9	16	23		30
Issue Date	10	17	24	31	7	14	21	28	5	12	19	26	2-Jan	
3 M		x		x		x		x		x				5
6 M	x		x		x		x		x		x			6
12 M		x		x		x		x		x				5
2 Y			x				x				x	x		4
3 Y	x				x				x				x	4
5 Y		x		x		x		x		x		x		6
7 Y	x				x				x				x	4
10 Y			x					x			x			3

*Auctions falling on holidays will be rescheduled accordingly.

Source: MOF

FOREIGN CURRENCY DEBT DATA

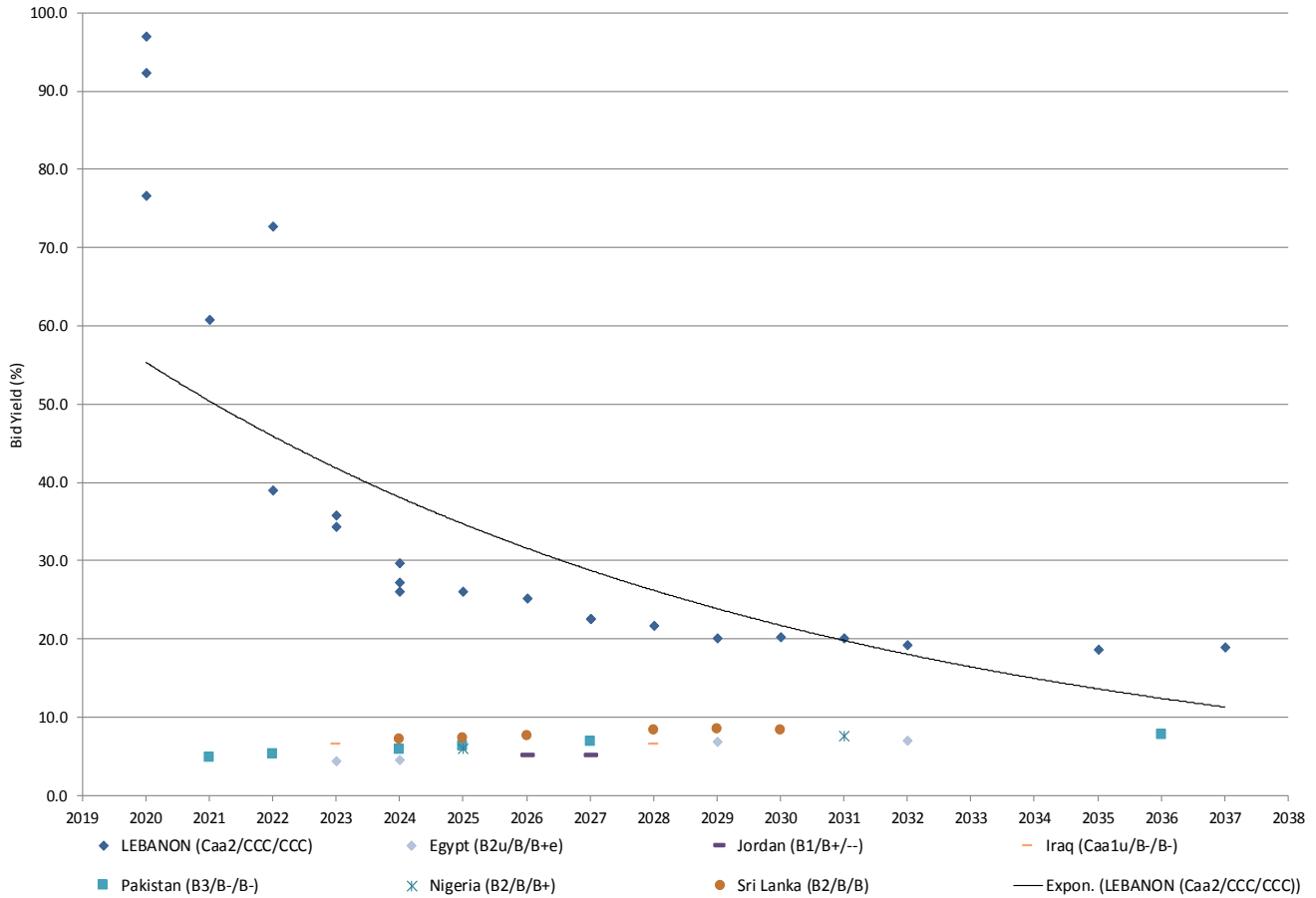
Bilateral and Multilateral Loans (as of end- September 2019)



Source: MOF

The gross outstanding debt comprises less than 2.4% of loans in foreign currency amounting to LBP 3,130 billion, which is mostly for project financing.

Yields for Republic of Lebanon Eurobonds and Comparables (as of 02 December 2019)



Source: DB

FOREIGN CURRENCY DEBT DATA

Marketable Eurobonds end September 2019

Lebanon Secondary Trading Levels							
Mat. Date dd/mm/yy	Outstanding Amount (in original cur)	Bid Price	Ask Price	Mid Yield	Mid Z- spread	Change Mid Z- spread (QIII 2019-QII 2019)	
US DOLLARS							
LEB 5.45	28/11/2019	1,500,000,000	99.00	99.50	10.16	820	197
LEB 6.375	09/03/2020	1,200,000,000	94.75	95.75	18.06	1609	776
LEB 5.8	14/04/2020	700,000,000	94.38	95.38	16.21	1418	601
LEB 6.15	19/06/2020	600,000,000	92.75	93.75	16.52	1457	585
LEB 8.25	12/04/2021	2,092,469,000	84.88	85.88	19.80	1806	720
LEB 6.25	27/05/2022	500,000,000	73.00	74.00	19.50	1789	728
LEB 6.1	04/10/2022	1,540,000,000	70.63	71.63	19.18	1759	710
LEB 6	27/01/2023	1,100,000,000	69.00	70.00	18.74	1716	675
LEB 6.4	26/05/2023	500,000,000	68.75	69.75	18.31	1674	639
LEB 6.65	22/04/2024	700,000,000	67.00	68.00	17.23	1568	526
LEB 6.25	04/11/2024	538,467,000	66.00	67.00	16.15	1461	453
LEB 7	03/12/2024	250,000,000	67.38	68.38	16.46	1491	478
LEB 6.2	26/02/2025	800,000,000	66.00	67.00	15.60	1406	420
LEB 6.25	12/06/2025	800,000,000	66.00	67.00	15.26	1371	402
LEB 6.6	27/11/2026	1,600,000,000	64.25	65.25	14.73	1318	376
LEB 6.85	23/03/2027	1,250,000,000	64.25	65.25	14.80	1325	371
LEB 6.75	29/11/2027	1,000,000,000	64.25	65.25	14.17	1261	340
LEB 7	20/03/2028	1,700,000,000	N/A	N/A	N/A	N/A	N/A
LEB 6.65	03/11/2028	893,197,000	64.25	65.25	13.49	1192	321
LEB 6.85	25/05/2029	1,000,000,000	64.00	65.00	13.55	1197	292
LEB 6.65	26/02/2030	1,400,000,000	64.50	65.50	12.84	1125	255
LEB 7	22/04/2031	300,000,000	64.38	65.38	12.94	1133	242
LEB 7.15	20/11/2031	2,500,000,000	N/A	N/A	N/A	N/A	N/A
LEB 7	23/03/2032	1,000,000,000	65.00	66.00	12.54	1093	245
LEB 8.2	17/05/2033	1,500,000,000	N/A	N/A	N/A	N/A	N/A
LEB 8.25	17/05/2034	1,500,000,000	N/A	N/A	N/A	N/A	N/A
LEB 7.05	02/11/2035	600,000,000	64.50	65.50	12.01	1037	208
LEB 7.25	23/03/2037	750,000,000	65.00	66.00	12.02	1037	199

Source: Byblos Bank—Bloomberg

Note:

Non Marketable Eurobonds issued in the Context of Paris II & III have been fully amortized

For further information, please contact:

Ministry of Finance—Public Debt Directorate / Tel: 961 1 956 000 ext: 1555/1520 Fax: 961 1 983 268

Email: PDD@finance.gov.lb / Website: <http://www.finance.gov.lb>